Angel One Limited

September 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Commercial Paper	3,000.00 (Enhanced from 750.00)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to the short-term debt instrument of Angel One Limited (AOL) factors in its experienced management team along with a long track record of the company in the broking industry. The rating also factors in its strong market position on a sustained basis wherein the company has held its position as one of the leading players in terms of client base which has led to continued strong earnings profile and comfortable capitalization levels.

These rating strengths are however partially offset by the inherent market risk and competitive pressures that AOL is exposed in its core broking business and like other brokerage firms, it is also susceptible to industry-wide regulatory changes, if any. The company's ability to maintain its market share as well as diversify its income profile will continue to remain the key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually/collectively lead to a review for positive rating action/ upgrade.

Not applicable

Negative factors: Factors that could individually/ collectively lead to a review for negative rating action/downgrade.

- Deterioration in the market share of the company on a sustained basis.
- Moderation in earnings profile and liquidity of the company.

Analytical approach:

CARE Ratings Limited (CARE Ratings) has analysed the consolidated business and financial risk profiles of Angel One Limited along with its wholly owned subsidiaries. (Refer Annexure 6)

Subsidiaries considered as a part of consolidated financials:

1. Angel Financial Advisors Private Limited
2. Angel Fincap Private Limited
3. Angel Securities Limited
4. Angel Digitech Private Limited
5. Mimansa Software Sysstems Private Limited
6. Angel Crest Limited.
7. Angel One Asset Management Company Limited.
8. Angel One Trustee Limited.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

9. Angel One Wealth Limited

Detailed description of key rating drivers:

Key strengths

Long track record of the company along with experienced management team

AOL was incorporated in the year 1996 and has over 28 years of presence in the broking industry. The company is led by Mr. Dinesh Thakkar, MD and Chairman of Angel One Limited. He is also the promoter of the group. He has been in the capital market with over three decades of experience. All key business operations of the company have been consolidated under him in the current financial year, post resignation of the former CEO.

In line with the change in the broking industry, AOL has successfully revamped its traditional broking business to a completely digitally driven broking business in the last 3 to 4 years with a robust risk management framework in place which has helped the company to gain a significant market position in the broking industry.

Strong market position with 100% retail broking franchise

During FY24, the company's gross client acquisition were 8.8 Mn as against 4.6 Mn in FY23 which led to an increase in the overall clientele from 13.8 Mn in March 2023 to 22.2 Mn in March 2024. Further, the total number of active clients of the company on NSE stood at 6.1 Mn as on March 31, 2024 (4.3 Mn as on March 31, 2023). As on March 31, 2024, AOL's market share in NSE active clients improved and stood at 14.99% as against 13.1% as on March 31, 2023. As on July 31, 2024, it further improved and stood at 15.25%. The market share has been consistently increasing over the last four years. The entire client base of the company is retail in nature and has no exposure to institutional clientele. The company's market position on NSE in terms of active client base is 3rd as on July 31, 2024. During Fy24, AOL had a market share of 17.1% in the overall retail equity turnover.

The company has been able to spread its presence widely and is currently available in more than 98.6% of the pin codes in the country. CARE will continue to monitor the company's ability to maintain its market share in the industry and is a key monitorable.

Comfortable earnings profile

AOL reported a 26% y-o-y PAT growth rate during FY24 and its PAT stood at Rs. 1,126 crores which was Rs. 890 crores during FY23. Further AOL reported a PAT of Rs. 293 during Q1FY25. The increase in PAT was majorly contributed by an increase in the broking income as well as interest income (interest on fixed deposits with bank). Given the continued client acquisition during FY24, broking income witnessed a growth of 40% Y-o-Y to Rs. 2,917 crores. It forms around 68% of the total consolidated income during FY24. However, PAT margin decreased to 26.30% in FY24 from 29.47% during FY23 as with the increase in sub-brokerage, client acquisition and continued technology development as well as increased advertising and employee cost, opex increased to Rs.1,811 crores during FY24 from Rs. 1,096 crore during FY23. Cost to income ratio of the company also deteriorated to 63.47% during FY24 as against 59.35% during FY23.

On a standalone level, the company reported PAT of Rs. 1,133 crores during FY24 as against Rs. 880 crores during FY23. During Q1FY25, PAT stood at Rs. 297 crores. AOL contributes almost 100% share in the consolidated net assets as well as the profits. Given the scale up in the operations along with market volatility, the earnings profile of AOL will remain a key monitorable.

Comfortable capitalization

On a consolidated level, the tangible net worth of the company increased and stood at Rs. 2,989 crores as on March 31, 2024, as against Rs. 2,128 crores as on March 31, 2023 on account of internal accruals. Further during Q1FY25, the company raised equity of Rs. 1,500 crores through Qualified Institutional Placement (QIP). This, coupled with internal accruals, resulted in a tangible net worth of Rs. 4,777 crores as on June 30, 2024.

Also, given the continued expansion in client base, the total fund-based debt rose to Rs. 2,535 crores as on March 31, 2024, as against Rs. 787 crores as on March 31, 2023. These funds are used for fulfilling the cash margin requirements of the clients to the exchange as well as lending through the Margin Trade Funding (MTF) product. As on March 31, 2024, the net gearing (debt adjusted for fixed deposits (FDs) lien marked against debt) remained at 1.11 times. Post equity infusion this has come down to 0.66 times as on June 30, 2024. The resource profile constitutes of non-fund based borrowings, i.e, Bank Guarantees (BGs) which formed 60% of the total debt as on June 30, 2024. These BGs are backed by FDs to the extent of 50%. The fund-based borrowings form the balance 40% of the total debt consisting of overdraft (OD) against FDs, working capital demand loan (WCDL) and commercial papers (CPs). Given the short-term tenure of its lending book, short term borrowings will continue to hold the majority portion.

Key weaknesses

Broking revenue dominating the income profile

On a consolidated level, the total revenue of the company increased by 42% Y-o-Y to Rs. 4,280 crore during FY24 majorly contributed by the increase in the brokerage income. Brokerage forms 68% of the total income followed by interest income which constitutes 18% of the total income. Of the total brokerage income, F&O accounts for 80% to 84% of the share followed by cash with 10%-11% share which further concentrates the broking income in one segment.

The interest income is earned by way of interest on FDs as well as funding through the MTF product. The brokerage income and interest income from MTF lending is directly a function of the market performance which is very volatile in its nature and hence the earnings of AOL may also face volatility and it may get impacted in the event of any significant change in the market performance. However, in order to diversify its income profile, the company has now set up an Asset Management Company (AMC) and the trustee company for running the mutual fund business. It has already filed the application for final approval in Q2FY24 and is in process of setting up the necessary infrastructure, processes, policies and creating partnerships with key vendors.

Given the concentrated nature of revenue sources, AOL’s ability to diversify its income profile will remain a key monitorable.

Susceptibility towards regulatory changes

Capital market industry has witnessed continuous regulatory revisions. With the objective of further enhancing the transparency levels and limiting the misuse of funds, SEBI has introduced a few regulations in the last few years.

In May 2023, SEBI prohibited stockbrokers from using client’s funds for bank guarantees (BGs). Brokers now deploy their own funds; hence, increase in the funding requirements is leading to higher finance cost. On-book gearing of the industry players is also increasing post this regulation. In June 2023, SEBI introduced a regulation under which stockbrokers are required to upstream clients’ funds to clearing corporation. These funds must be up streamed to clearing corporation in the form of cash, lien on FD receipts or pledged units of mutual fund overnight schemes. Similarly, the funds received from the clearing corporation should be further down streamed to the clients’ accounts. This has increased the operational and compliance cost for the brokers. Recently in July 2024, the regulator directed Market Infrastructure Institutes (MIIs) to revise the charge structure and adopt a standardized fee structure to all members, replacing the existing volume-based slab-wise model. This was made to make the MIIs charges “True to Label’ for the end clients. Angel One’s annual top line is expected to be impacted by 9%-10% post implementation of this circular.

CARE Ratings will continue to monitor AOL’s ability to adapt its technology, systems, and risk management processes in response to the constantly evolving regulatory landscape without any adverse impact on its overall business profile.

Presence in inherently risky and competitive broking business

About 68% of the revenue for AOL is in the form of brokerage which is highly dependent on capital market activities which exposes the company's earnings to volatility in stock markets and trading volumes. Further, the company is exposed to fierce competition in the highly competitive brokerage space and with the introduction of 100% digital and zero brokerage firms the brokerage rates are at competitive levels across the industry.

Even though AOL has been still able to acquire incremental client base, given the competition risk, the company's ability to maintain its market share will remain a key monitorable.

Liquidity: Strong

As on July 31, 2024, AOL had free cash and bank balance of ₹2,618 crore along with unutilized WCDL/OD lines of ₹ 488 crore against a CP outstanding balance of Rs. 491 crores. Further, as on June 30, 2024, ~82% of the total fund-based borrowings of the company was in the form of overdraft and WCDL. These facilities are matched against the exposures extended to the clients. In addition to the above liquidity, the company has been maintaining sufficient margin with the exchange majorly in the form of fixed deposits and bank guarantees over and above the required limit thus providing additional comfort.

Environment, social, and governance (ESG) risks

AOL maintains adequate transparency in its business ethics practices as can be inferred from the entity's disclosures regarding its grievance redressal, related party transactions, fair practice code, whistle blower policy and prevention of sexual harassment policy. The board comprises of seven directors, of which there is one female director. The entity has the necessary Audit Committee, Nomination and Remuneration committee and Corporate Social Responsibility (CSR) committee in place. AOL has constituted an ESG Committee, and it reports to the board. AOL continues to work on several community development initiatives through its CSR projects.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Broking Firms
Short Term Instruments
Consolidation

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Capital Markets	Stockbroking & Allied

Angel One Limited (formerly Angel Broking Limited) (AOL) was incorporated in 1996. The company is engaged in retail broking in equity, commodity, and currency segments. It is a member of BSE, NSE, Metropolitan Stock Exchange of India Ltd, Multi Commodity Exchange of India Ltd and National Commodity and Derivatives Exchange Ltd. Also, the company is a depository participant with Central Depository Services (India) Limited (CDSL). The company is a Fin-Tech entity that provides a one-stop shop for broking & advisory services, margin trading facility, loans against shares (through one of the Subsidiaries, Angel Fincap Private Ltd (AFPL)) and financial products distribution to retail clients under the brand "Angel One". The company was listed on

BSE and NSE on October 5, 2020, and the market cap as on September 10, 2024, stood at ₹21,993 crore. As on June 30, 2024, the promoter and promoter group held 35.63% stake in the company.

Brief Financials-Consolidated (₹ crore)	March 31, 2023 / FY23 (A)	March 31, 2024 / FY24 (A)	June 30, 2024 / Q1FY25 (UA)
Total income	3,021	4,280	1,410
PAT	890	1,126	293
Interest coverage (times)	14.65	12.50	8.55
Total Assets	7,478	13,254	16,955
PAT Margin (%)	29.47	26.30	20.76
ROTA (%)	12.11	10.86	7.75

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial Paper	INE732I14834	13-06-2024	NA	12-09-2024	50	CARE A1+
Commercial Paper	INE732I14834	14-06-2024	NA	12-09-2024	50	CARE A1+
Commercial Paper	INE732I14834	24-07-2024	NA	12-09-2024	25	CARE A1+
Commercial Paper	INE732I14834	08-08-2024	NA	12-09-2024	75	CARE A1+
Commercial Paper	INE732I14867	22-07-2024	NA	26-09-2024	25	CARE A1+
Commercial Paper	INE732I14842	14-06-2024	NA	13-12-2024	35	CARE A1+
Commercial Paper	INE732I14859	26-06-2024	NA	24-12-2024	25	CARE A1+
Commercial Paper	INE732I14792	26-04-2024	NA	10-03-2025	100	CARE A1+
Commercial Paper	INE732I14800	10-05-2024	NA	12-03-2025	50	CARE A1+
Commercial Paper	INE732I14883	14-08-2024	NA	13-11-2024	20	CARE A1+
Commercial Paper-Proposed	-	-	-	-	2,545.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Commercial Paper-Commercial Paper (Standalone)	ST	3000.00	CARE A1+	-	1)CARE A1+ (29-Mar-24) 2)CARE A1+ (05-Apr-23)	1)CARE A1+ (22-Sep-22)	1)CARE A1+ (02-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Angel Financial Advisors Private Limited.	Full	Wholly owned subsidiary
2	Angel Fincap Private Limited.	Full	Wholly owned subsidiary
3	Angel Securities Limited.	Full	Wholly owned subsidiary
4	Angel Digitech Private Limited.	Full	Wholly owned subsidiary
5	Mimansa Software Sysstems Private Limited.	Full	Wholly owned subsidiary
6	Angel Crest Limited.	Full	Wholly owned subsidiary
7	Angel One Asset Management Company Limited.	Full	Wholly owned subsidiary
8	Angel One Trustee Limited.	Full	Wholly owned subsidiary
9	Angel One Wealth Limited.	Full	Wholly owned subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Sanjay Agarwal Senior Director **CARE Ratings Limited** Phone: +9122 - 6574 3500 E-mail: sanjay.agarwal@careedge.in
Relationship Contact Pradeep Kumar V Senior Director **CARE Ratings Limited** Phone: 914428501001 E-mail: pradeep.kumar@careedge.in	Gaurav Dixit Director **CARE Ratings Limited** Phone: +91120 - 445 2002 E-mail: gaurav.dixit@careedge.in Sudam Shrikrushna Shingade Associate Director **CARE Ratings Limited** Phone: +9122 - 6754 3453 E-mail: sudam.shingade@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information,
please visit www.careedge.in