

Angel Broking Ltd : Average Issue

IPO Note : Top-line and bottom-line decrease in last 2 fiscal : High Debt Ranking**



Issue details

Price band (Rs)	Rs.305-306
IPO Opening Date	22/09/2020
IPO Closing Date	24/09/2020
Issue Size	Rs.600 Cr.

Recommendation

On the financial performance front, on a consolidated basis ABL has posted revenue/net profits of Rs. 779.99 cr. / Rs. 109.79 cr. (FY18), Rs. 784.11 cr. / Rs. 83.40 cr. (FY19) and Rs. 754.71 cr. / Rs. 86.79 cr. (FY20). For Q1 of FY21, it has posted a net profit of Rs. 48.26 cr. on revenue of Rs. 246.60 cr. **For FY18-FY20 period, company's top-line and bottom-line has decreased, If we annualize the latest earnings and attribute it on fully diluted equity capital of Rs.81.80 crore, the EPS works out to Rs.23.12 then asking price Rs.306 is at a P/E of 13.23. If we consider FY 20 EPS of Rs.10.06, issue at a PE of 30.41 which seems little bit high. In the latest quarter ended on June 30, 2020, the Company has reported a sudden surge in its profits and margins. It has total debt of Rs.661.46 crore as on 31 June 2020 and debt equity ratio work out to 1.03. Promoter stake after the issue will be 47.67%. As per offer documents, ABL has shown ICICI Securities Ltd., Geojit Financial Services Ltd., IIFL Securities Ltd., Motilal Financial Services Ltd. and JM Financial Ltd. as its listed peers. They are currently trading at a P/Es of around 24.97, 15.45, 8.03, 33.05 and 52.87.**

Highlights

- Angel Broking Limited (“Angel”) is one of the largest independent full-service retail broking house in India in terms of active clients on NSE as of June 30, 2020.
- Angel is a technology led financial services company, that provides broking and advisory services, margin funding, loans against shares (through one of its Subsidiaries, AFPL) and financial products distribution to its clients under the brand “Angel Broking”.
- Its broking services are offered through (i) its online and digital platforms, and (ii) its network of more than 11,000 sub-brokers, as of June 30, 2020. Angel has more than 43,90,000 downloads of its Angel Broking mobile app and nearly 10,00,000 downloads of its Angel BEE app as of June 30, 2020, which enables its clients to avail the services digitally.

Company Introduction

Incorporated in 1996, Angel Broking Ltd is one of India's oldest stockbroking houses providing broking, margining funding, advisory, and financial services through brands "Angel Broking" and "Angel Bee" powered by "ARQ". They have a strong market presence with active clientele on the National Stock Exchange (NSE) with a market share of around 6.3% and 2.15 million operational broking accounts as of June 2020. Its digital transformation helped it being the 4th Largest company in terms of active NSE clients and 2nd largest in terms of incremental NSE clients in Q1 - FY21. Angel Broking being a pioneer in new client activation has access to approximately 79.55 million persons as of June 30, 2020. From Q1 FY20 to Q1 FY21, its average daily turnover has been increased from Rs. 253,176 million to Rs. 618,945 million.

Company's online and digital platforms, along with its vast network of Authorised Persons enable the company to reach a large population of retail clients spread across India. This widespread reach has enabled it to enhance client base by



www.angelbroking.com

Financial Summary (Rs. In Crore)

Particulars	Three months ended June 30,2020	FY2020	FY2019	FY2018
Total Income	246.59	754.71	784.11	779.99
Net Profit	47.30	82.34	79.83	107.08
EPS (Rs)	5.78*	10.06	9.75	13.09

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

36.81% CAGR from 1.06 million in FY18 to 2.15 million as on June 30, 2020. Over this period, ABL witnessed consistent growth in gross client addition of 0.22 million, 0.26 million, 0.56 million and 0.35 million in FY18, FY19, FY20 and Q1 FY21, respectively and representing a 59.54% CAGR over the period from FY18 to FY20. In the three months period ending June 30, 2020, it witnessed an average monthly client addition of approximately 115,565 clients, over a monthly average of 46,676 clients in FY20 representing a growth of 147.59%. Over the last one year, it has more than doubled overall turnover market share in the retail broking space in India.

Company Promoters:

Dinesh D. Thakkar, Ashok D. Thakkar and Sunita A. Magnani are the promoters of the company.

The object of the issue

To carry out the Offer for Sale of up to 18,246,600 Equity Shares by the Selling Shareholders; and
2. Achieve the benefits of listing the Equity Shares on the BSE.

IPO Issue Proceed

To its plans to working capital (Rs. 230cr.) and general corpus fund needs, Angel Broking is coming out with its maiden book building route combo issue consisting fresh equity issue worth Rs. 300 cr. (approx 9803921 shares) and offer for sale of 9803921 equity shares by promoter stakeholders. The company is likely to issue around 19607842 equity shares of Rs. 10 each in a price band of Rs. 305 - Rs. 306 per share. With this issue, the company expects to mobilize Rs. 598.04 to Rs. 599.99 cr. based on lower and upper price bands. Now, this issue is opening for subscription on 21.09.2020 and will close on 23.09.2020. Minimum application is to be made for 49 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Post issue, Angel's current paid-up equity capital of Rs. 71.99 cr. will enhanced to 72.97 crore.

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