



Angel Broking Private Limited

Instrument	Amount	Rating
	In Rs. Crore	March-13
Short term Debt programme	100(Reduced from 200)	[ICRA]A1(reaffirmed)
Short Term debt programme (stand-by facility from HDFC Bank)	25	[ICRA]A1+(SO)(reaffirmed)

ICRA has reaffirmed [ICRA]A1 (pronounced ICRA A one) rating to Angel Broking Private Limited's Rs 100 crores (reduced from Rs 200 crore) Short-Term Debt programme and [ICRA]A1+(SO) to Rs 25 crores Short Term Debt programme which is backed by a stand-by facility from HDFC Bank. The rating factors in Angel group's strong presence and track record in the retail equity and commodity broking businesses, ability to control costs, largely variable cost structure and ability to maintain profitability in the current economic scenario as well as an adequate liquidity profile. While the rating takes into account the adequate risk management systems, it is constrained by the cyclical nature of the company's primary business being dependent on the domestic capital market which is inherently volatile in nature, strong retail dependent clientele the participation of which has remained relatively low over the past few years as well as moderate asset quality issues over the past few years. Angel Broking Private Limited's (ABPL) current rating also reflects its relative position among ICRA rated brokerage houses.

Angel Group, incorporated in 1997 by first generation entrepreneurs to offer equity broking facilities at BSE, has expanded its business operations over the years and is currently engaged in equity broking at NSE and BSE, commodity broking, currency futures (NSE and MCX), portfolio management services and distribution of Third Party Products like Life Insurance, Mutual funds & Personal Loans. Like many other Indian brokerage houses that attracted foreign based private equity players in the last few years, Angel Group roped in International Financial Corporation (IFC), in October 2007 that picked up 12.35% stake in the then group's holding company Angel Global Capital Private Limited for Rs 150 crores. The group with effect from April 1, 2012 underwent an organisation restructuring: The group's broking entity i.e Angel Broking Ltd (ABL) was merged with its holding company Angel Global capital Private Ltd(AGCPL) and the name of AGCPL changed to Angel Broking Pvt Ltd(ABPL). AGCPL i.e the holding entity was an NBFC involved in Margin funding and Lending Against Shares. On 22 February 2012, AGCPL acquired a Delhi based NBFC, Arpana Finstock Private Limited (now known as Angel Fincap Private Limited). On 30 March 2012, entire NBFC loan book of AGCPL was transferred to Angel Fincap Private Limited, a wholly owned subsidiary. Consequently, the broking entity now remains the flagship entity of the group. The group has also floated a new entity namely, Angel Wellness Private Limited in FY12 to venture into the business of Fitness Centres.

During FY 11-12, the total turnover in the equity broking space for the group fell by ~17% owing to the adverse capital market conditions and muted retail participation. In YTD FY13 however, Angel has been able to stem the decline in its volumes on account of its initiative to educate the retail investors about Options trading- traditionally understood to be the domain of the Institutional and the more savvy investors. In the face of the difficult market conditions, the group also ramped up its research services and has resultantly reported an increase in volumes.

Angel group has reported traction in the commodity broking space and has reported an increase of 28% in its commodity volumes in FY12 over FY11 and is one of the larger commodity segment brokers in the country. In ICRA's view, going forward the commodity broking space could continue to emerge as a dependable avenue for diversification for the brokerage industry in general and consequently place Angel in a good position to take advantage of these industry trends.

* For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications



The net brokerage income declined by 12% from Rs 201.36 crores in FY11 to Rs 177.73 crores in FY12. The profitability however was supported by an ~18% steep decline in the total operating expenses of the company. Angel heavily cut down on its business promotions consequently, the cost to Income ratio of the company declined from 82.71% in FY11 to 74.98% in FY12. On a consolidated basis the Angel group reported an increase in PAT of 36% from Rs 28.23 crores in FY10-11 to Rs 38.25 crores in FY11-12. The growth in PAT also had a positive impact on RONW which grew from 11.34% in FY11 to 13.56% in FY12.

Going forward, the operating expenses may increase in the current financial year as the company is expanding in the North and South region and is increasing its employee head count mainly in North to support its expansion. In 9MFY13 the company has reported a PAT of Rs 26.02 crores.

The liquidity profile of Angel is comfortable with high margins with stock exchanges, client assets that are backed by share collateral and ready access to bank lines. If required, Angel can monetize the collateral and receive the proceeds to meet any margin shortfall. Angel Group has partially utilized bank guarantee limits & additional working capital limit available for its equity broking business. Further, Angel Group's gearing is comfortable at ~0.36 as on 31st Mar-12. Angel Group's liquidity profile is expected to remain comfortable with comfortable gearing and margin funding book being financed through back to back lending from other financiers on the basis of share collateral placed by its clients.

In ICRA's view, Angel has deployed necessary resources in terms of technology, people and processes to monitor, evaluate and mitigate the credit risk, market risk and the operational risk associated with the equity broking business. The risk management team is independent of marketing and business development teams and all the regional risk team members work under the direction and control of the central risk management team at the head office. Angel monitors the risk both at the sub broker / branch level and also at the individual client level.

Company Profile

Angel Broking Private Ltd(ABPL)

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Recent Results

The company has reported a Profit After Tax of Rs 26.02 crores over a Total Income of Rs 320.05 crores in 9MFY13 compared to a PAT of Rs 22.47 crores over a total income of Rs 309.92 crores in 9MFY12.

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