

360ONE WAM

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	360ONE IN
Equity Shares (m)	356
M.Cap.(INRb)/(USD\$)	225.4 / 2.7
52-Week Range (INR)	735 / 395
1, 6, 12 Rel. Per (%)	-4/13/10
12M Avg Val (INR M)	285

Financials & Valuations (INR b)

Y/E March	2024E	2025E	2026E
Net Revenues	17.4	21.0	24.1
Opex	8.9	10.0	11.0
Core PBT	8.5	11.0	13.1
PAT	7.6	9.1	11.0
EPS	21.5	25.7	30.9
EPS Grw (%)	16.2	19.6	20.2
BV	91.5	96.6	102.8

Ratios

PBT margin (bp)	21.1	22.6	24.0
PAT margin (bp)	19.1	18.7	20.1
RoE (%)	24.0	27.3	31.0
Div. Payout (%)	80.0	80.0	80.0

Valuations

P/E (x)	29.3	24.5	20.4
P/BV (x)	6.9	6.5	6.1
Div. Yield (%)	2.7	3.3	3.9

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	20.8	21.5	23.2
DII	6.4	3.8	3.1
FII	61.9	63.9	23.0
Others	10.8	10.8	50.8

FII Includes depository receipts

CMP: INR629

TP: INR770 (+22%)

Buy

Profitability in line; yields on ARR assets flat sequentially

- 360ONE's total revenue grew 6% YoY to INR4.4b in 3QFY24, in line with our estimate, mainly driven by a 9% QoQ jump in ARR income (in line) to INR3.4b. However, TBR income fell 13% QoQ to INR1b.
- Total opex rose 24% YoY to ~INR2.3b, which was 6% higher than our estimate. Increased employee costs (6% above estimate) led to higher opex in 3QFY24.
- Employee costs jumped 30% YoY. Total ESOP cost came in at INR120m (up 109% YoY and up 33% QoQ). During the quarter, 360ONE's cost-to-income ratio increased ~760bp YoY to 52.5% (vs. our estimate of 48%).
- PBT for the quarter was broadly in line at ~INR2.4b. PAT grew 13% YoY to INR1.9b in 3QFY24.
- For 9MFY24, Revenue/PAT grew 9%/12% YoY to INR12.7b/INR5.7b.
- Total AUM rose 32% YoY to INR4.54t, led by a continued focus on scaling up the ARR assets. ARR AUM was up 33% YoY to INR2.21t.
- The board has approved an interim dividend of INR4 per share.
- We have revised down our EPS estimates by 3.4%/1% for FY25/FY26 to factor in higher cost on account of additional headcount (including senior level hires) in the ultra HNI segment and cost relating to new business initiatives (mid-market segment and global platform). **We retain our BUY rating on the stock with a one-year TP of INR770 (based on 25x Mar'26E EPS).**

ARR asset yields decline

- On a closing AUM basis, ARR assets grew 33% YoY to INR2.2t. TBR assets increased 31% YoY to INR2.3t.
- AUM for 360ONE plus (IIFL ONE) grew 90% YoY and 22% QoQ to INR675b, led by a sharp rise in non-discretionary AUM (up 177% YoY and up 37% QoQ) to INR488b. However, discretionary AUM declined 11% YoY and 2% QoQ to INR97b.
- Retentions on ARR assets stood at 64bp in 3QFY24 vs. 78bp in 3QFY23. Retentions on ARR assets for wealth management stood at 60bp (vs. 75bp in 3QFY23) and for asset management segment they stood at 72bp (vs. 83bp in 3QFY23).
- Retentions in IIFL-ONE were flat QoQ to 19bp (27bp in 3QFY23) as retentions on non-discretionary AUM came in at 17bp (27bp in 3QFY23).
- Retentions in AIF improved sequentially to 93bp (104bp in 3QFY23) as retentions on Listed Equity AUM improved sequentially to 149bp.

Highlights from the management commentary

- The next six to nine months is going to be an investment phase for 360ONE WAM. The company recently added 35 new hires to its wealth sales team. Typically, wealth sales teams mature and achieve breakeven within 15 to 18 months.

- The company expects CIR to reduce to 47-47.5% by the end of FY25 from the 49% currently. Furthermore, from FY26, the CIR is projected to decrease further to 45%.
- The launch of the HNI proposition for the new businesses is progressing as planned. This initiative has the potential to contribute INR 100b (65-70% from HNI and rest from global platform). Yields from these new businesses are expected to fall within the range of 70-75bp.

Valuation and view: Decent 3Q performance; reiterate BUY

360ONE is looking to diversify its presence in terms of client segment (mass affluent) and geography (lower tier cities). It is also building a global platform. Resultant investments into team building has kept the costs at elevated levels. The benefits of these investments are likely to be back ended. **We retain our BUY rating with a one-year TP of INR770 (based on 25x Mar'26E EPS).**

Quarterly performance

Quarterly Performance										INR m			
Y/E March	FY23				FY24E				FY24E	3Q Act. Vs		YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		FY24E Est. (%)			
Net Revenues	3,747	3,825	4,150	3,929	4,060	4,270	4,400	4,662	17,392	4,521	-3	6%	3%
Change (%)	32.2	21.7	9.7	-7.1	8.4	11.6	6.0	18.6	11.1	9.0			
ARR Assets Income	3,017	2,843	3,053	2,797	3,240	3,110	3,390	3,628	13,368	3,421	-1	11%	9%
TBR Assets Income	730	982	1,097	1,132	820	1,160	1,010	1,033	4,023	1,100	-8	-8%	-13%
Operating Expenses	1,670	1,794	1,863	1,850	2,090	2,140	2,310	2,380	8,920	2,172	6	24%	8%
Change (%)	9.1	3.7	-16.1	-21.3	25.1	19.3	24.0	28.6	24.2	16.6			
Cost to Income Ratio (%)	44.6	46.9	44.9	47.1	51.5	50.1	52.5	51.1	51.3	48.0	446bps	760bp	238bp
Operating Profits	2,077	2,031	2,286	2,079	1,970	2,130	2,090	2,282	8,472	2,349	-11	-9%	-2%
Change (%)	59.3	43.7	46.4	10.7	-5.1	4.9	-8.6	9.8	0.1	2.8			
Other Income	-60	225	-54	-78	290	140	270	150	850	100			
Profit Before Tax	2,017	2,255	2,232	2,001	2,260	2,270	2,360	2,432	9,322	2,449	-4	6%	4%
Change (%)	33.6	19.1	12.7	-6.6	12.1	0.7	5.7	21.5	9.6	9.7			
Tax	449	512	517	447	403	408	429	437	1,678	563	-24	-17%	5%
Tax Rate (%)	22.2	22.7	23.2	22.3	17.8	18.0	18.2	18.0	18.0	23.0		-498bp	20bp
PAT	1,568	1,744	1,715	1,554	1,857	1,862	1,931	1,994	7,644	1,886	2	13%	4%
Change (%)	34.2	21.5	12.0	-6.2	18.4	6.8	12.6	28.3	16.2	10.0			
PAT Margins (%)	41.9	45.6	41.3	39.6	45.7	43.6	43.9	42.8	44.0	41.7	217bps	255bp	28bp
Key Operating Parameters (%)													
AUM (INR B)	3,147	3,333	3,447	3,408	3,827	4,125	4,539	4,665	3,827	4,241	7	32%	10%
Change (%)	33.8	29.9	31.2	30.2	21.6	23.8	31.7	36.9	12.3	23.0			
ARR Assets	1,429	1,550	1,665	1,672	1,904	2,025	2,208	2,334	1,904	2,141	3	33%	9%
TBR Assets	1,718	1,783	1,782	1,737	1,923	2,100	2,331	2,331	1,923	2,100	11	31%	11%
Yield on AUM - Calculated (%)	0.52	0.47	0.49	0.46	0.45	0.43	0.41	0.41	0.45	0.43			
ARR Assets	0.84	0.76	0.76	0.67	0.72	0.63	0.64	0.64	0.72	0.66			
TBR Assets	0.20	0.22	0.25	0.26	0.18	0.23	0.18	0.18	0.18	0.21			



Highlights from the management commentary

Business

- ARR AUM came in at INR2,200b, up 32.6% YoY. This growth was driven by strong net flows of INR 88.65b during the quarter. Wealth ARR AUM stood at INR1,510b, up 41% YoY, while AMC ARR AUM stood at INR691b, up 17% YoY.
- Out of the total INR 2.21t ARR assets, ~INR 1.85t is fee earning and the remaining INR 350b is non-fee paying. Of the non-fee paying, ~50% (INR 170b) would convert to fee paying and it typically takes anywhere from 2-3 quarters.
- Recurring revenues increased 10.8% YoY at INR3.38b and up 9.2% at INR9.73b in 9MFY24.
- 9MFY24 recurring revenue comprises 76% of overall operating revenue. 9MFY24 retention on ARR assets was 67bp, while wealth ARR retentions stood at 63bp and AMC retentions at 74bp.
- Excluding carry, the ARR retentions have remained stable at 61bp.
- Carry income should be ~INR150m every quarter (broadly 15bp of the carry AUM).
- The lag between inflows and the conversion to a steady-state retention does continue, particularly considering prevailing market conditions. However, there has been strong growth in active ARR AUM, accompanied by improving retentions. Management expects this positive trend to continue over the next few quarters as well.
- The top 10 cities would be accounting for ~88% to 91% of the business two years back, today, it would be closer to 80% to 83%.
- Active discussions are currently underway regarding institutional mandates, and the company anticipates the conversion of 2-3 mandates over the next 6-9 months.
- In 9MFY24, 360ONE WAM on-boarded 400 new clients (clients with INR50m plus of ARR AUM) and the number of clients with ARR AUM above INR500m increased by over 100 for the same period.

Cost

- For the quarter, operating costs rose by 8% QoQ and 24.3% YoY. The employment cost rose by 8.1% QoQ, on account of additional headcount, including certain senior level hires in the ultra HNI segment, which is not supported by corresponding revenues at this stage.
- The cost-to-income ratio is expected to gradually settle down over the next few quarters as the new business initiatives and new teams start generating revenues.
- The wealth sales team has recently added 35 new hires, bringing the total count to 85-90. From a capacity perspective, with this addition, 360One is theoretically is well positioned to manage around about 8000-9000 families with assets above INR50m, compared to the current capacity of ~4000 families.
- The CIR is expected to reduce to 47-47.5% from the current 49% and from FY26, the company aims to reduce it further to 45%.

Asset Management Business

- The AMC business witnessed planned outflows during 9MFY24. The performance of funds across the different strategies and vintages continues to rank in the top quartile. The company maintains a robust pipeline of new products to be launched in the upcoming quarters.
- To augment investment capabilities, 360ONE is investing in deepening channel presence in the domestic market, specifically through MFDs.
- Management expects better mutual fund outcome in the next 12 to 24 months.
- The SOF12 fund is set to launch this week. By the end of this quarter and the subsequent one, the fund is anticipated to reach a size of at least ~ INR30-40b on the late-stage PIP side. Additionally, the healthcare fund AUM are expected to reach INR115b. A credit fund is also slated for launch in the next 10-15 days, with an estimated size of ~INR 20-25b.

New business

- The launch of the HNI proposition in the new businesses is progressing as planned, with an expanded pilot underway over the next couple of months. The development of the Gotomarket and sales teams is also progressing well.
- This segment remains highly attractive and underpenetrated and opens an additional prospective client base of approximately 160k-170k households in the domestic market.
- The next six to nine months is going to be an investment phase. The wealth sales teams typically mature over and break even in 15 to 18 months.
- From a business construct perspective opportunity, 360One remains quite convinced in investing that extra 2-3% cost-to-income through the next year.
- The margins here are broadly the same as lot of the functions, including products, investments, compliance, platform, are already set up.

Flows

- It expects flows to end the year with INR 350-400b and for the next year at least 20-30% higher (excluding new business). But more importantly to push the active number closer to the 65% to 70% of the ARR flows.
- New business can potentially add INR 100b (65-70% from HNI and the remaining from the global platform). Yields are expected to be range bound at 70-75bp.
- ARR net flows continues to be very strong at over INR270b for 9MFY24. This is equivalent to our full FY23 business net flows.

360ONE Plus

- ~80% of these ARR net flows are coming to flagship advisory Proposition 360 One plus, with retentions on active ARR for this proposition gradually increasing and standing at 35bp for the last quarter.
- From FY25, the yields shall stabilize at 29-30bp on the active non-discretionary assets. Yields shall move to 35bp with all the new mandates coming in closer to 35-40bp. So on a blended basis, 40-45bp for 360ONE Plus.

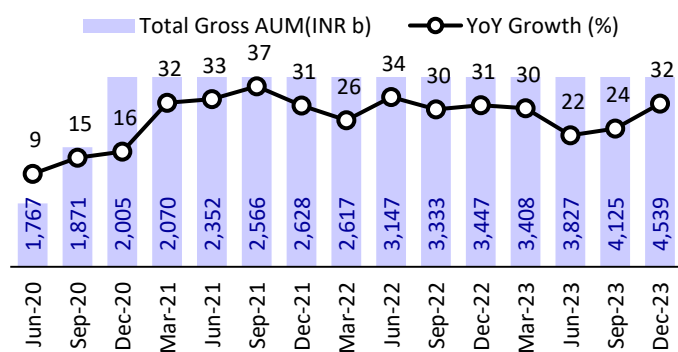
Exhibit 1: Broadly maintaining our estimates

INR b	Old Est.			New Est.			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
ARR Revenue	13.3	16.5	19.2	13.4	16.7	19.8	0.4	1.2	3.0
TBR Revenue	4.2	4.4	4.4	4.0	4.3	4.3	-4.8	-0.8	-0.8
Total Income	17.5	20.9	23.6	17.4	21.0	24.1	-0.8	0.7	2.3
Operating Expenses	8.6	9.3	10.0	8.9	10.0	11.0	4.0	7.9	9.8
Operating Profits	9.0	11.6	13.6	8.5	11.0	13.1	-5.5	-4.9	-3.3
Other Revenue	0.6	0.7	0.8	0.9	0.9	1.2	41.7	21.4	43.8
PBT	9.6	12.3	14.4	9.3	11.9	14.3	-2.5	-3.4	-0.7
Tax	2.0	2.8	3.3	1.7	2.7	3.3	-16.4	-3.4	-0.7
PAT	7.6	9.5	11.1	7.6	9.1	11.0	1.2	-3.4	-0.7
Total AUM	3,443	4,026	4,644	4,609	5,156	5,800	33.9	28.1	24.9
Cost-to-core income	48.9	44.4	42.4	51.3	47.5	45.6	4.9	7.1	7.4
RoE	23.8	28.3	31.1	24.0	27.3	31.0	1.2	-3.4	-0.6
Dividend payout ratio	80.0	80.0	80.0	80.0	80.0	80.0	0.0	0.0	0.0

Source: MOFSL, Company

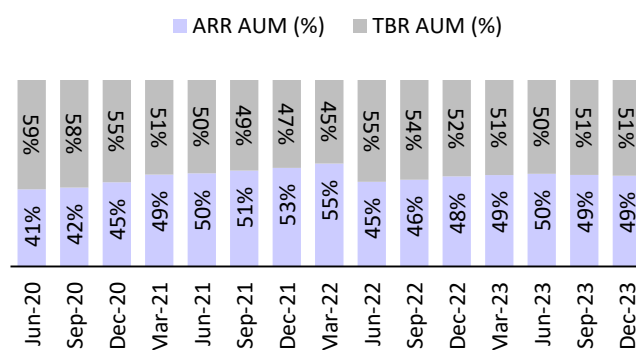
Key exhibits

Exhibit 2: Total AUM grew 32% YoY



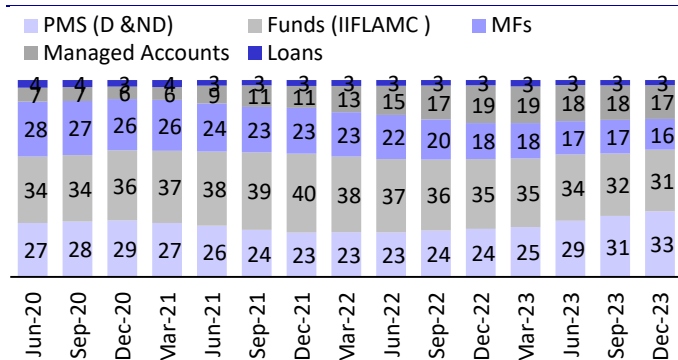
Source: MOFSL, Company

Exhibit 3: ARR AUM mix stable at ~49%



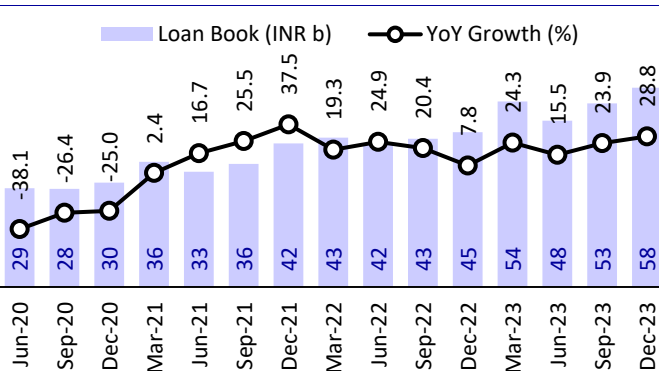
Source: MOFSL, Company

Exhibit 4: ARR AUM mix (%)



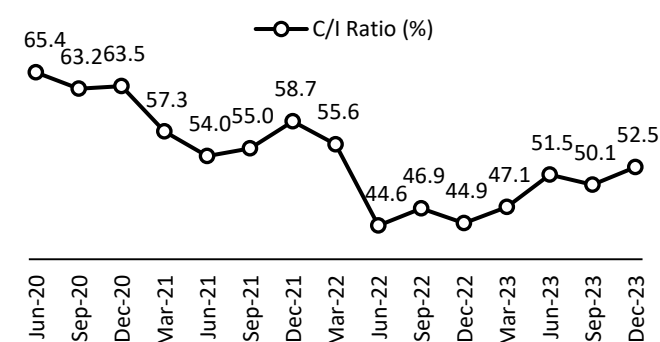
Source: MOFSL, Company

Exhibit 5: Loan book grew sequentially



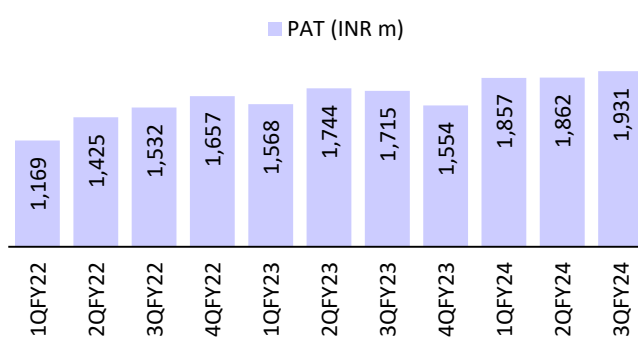
Source: MOFSL, Company

Exhibit 6: Cost-to-income ratio increased sequentially



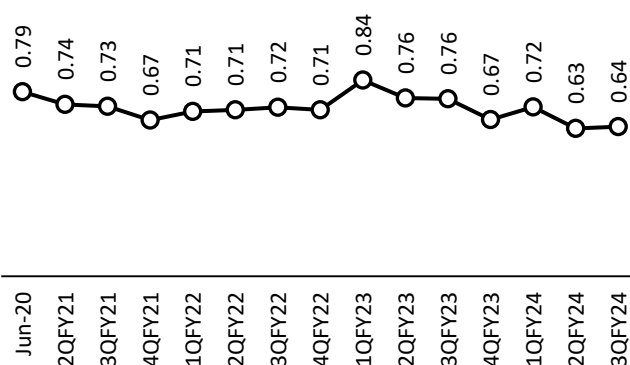
Source: MOFSL, Company

Exhibit 7: Trend in consolidated PAT (INR m)



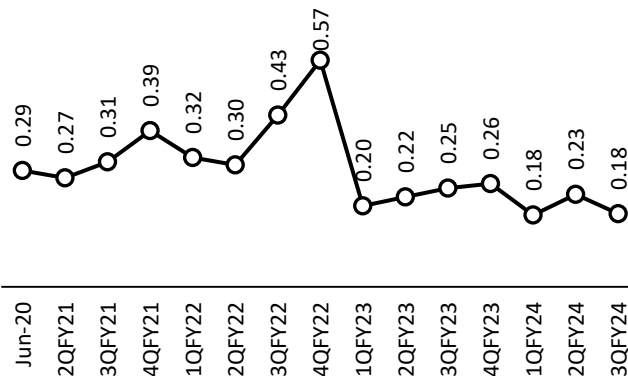
Source: MOFSL, Company

Exhibit 8: Yields in ARR



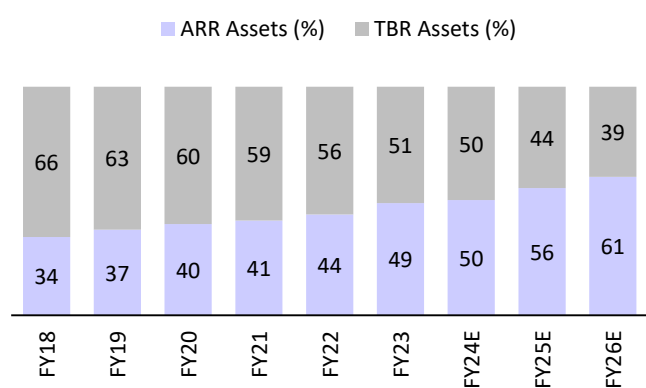
Source: MOFSL, Company

Exhibit 9: Yields in TBR



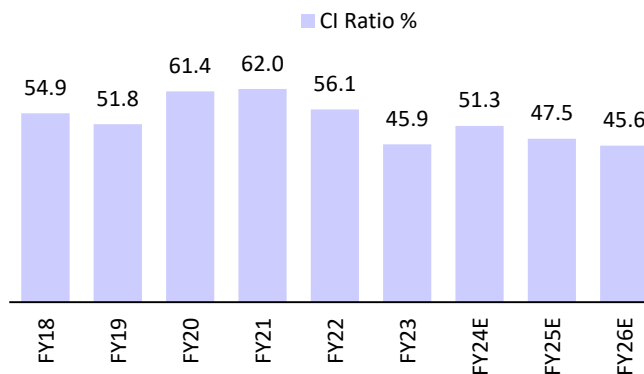
Source: MOFSL, Company

Exhibit 10: Mix of revenues



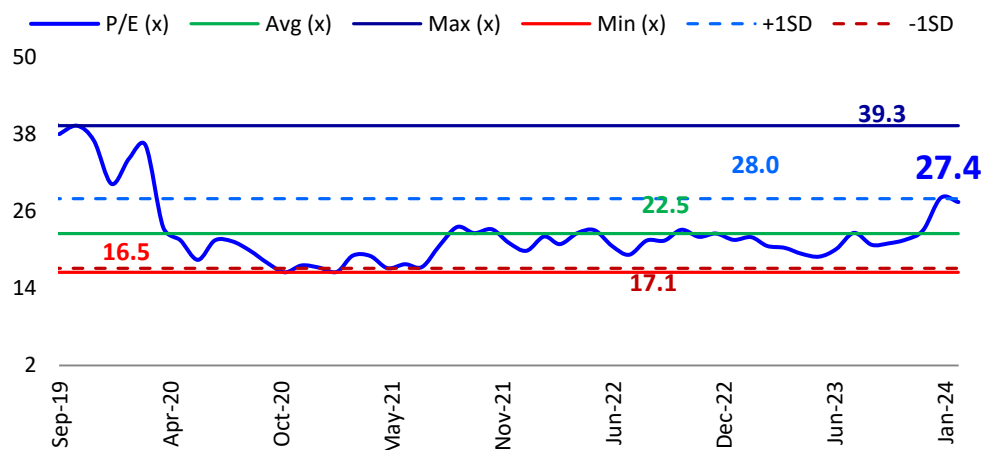
Source: MOFSL, Company

Exhibit 11: Cost-to-income ratio



Source: MOFSL, Company

Exhibit 12: One-year forward P/E



Source: MOFSL, Company

Financials and valuations

Income Statement					(INR m)		
Y/E March	2020	2021	2022	2023	2024E	2025E	2026E
Annual Recurring Revenues Assets	5,345	5,828	9,120	10,495	13,368	16,673	19,772
Transactional/Broking Revenues Assets	3,855	3,325	4,862	5,154	4,023	4,345	4,345
Net Revenues	9,200	9,154	13,982	15,649	17,392	21,017	24,117
Change (%)	-10.1	-0.5	52.8	11.9	11.1	20.8	14.7
Operating Expenses	5,645	5,679	7,841	7,184	8,920	9,990	10,989
Core Profit Before Tax	3,555	3,474	6,141	8,465	8,472	11,027	13,128
Change (%)	-28.0	-2.3	76.8	37.8	0.1	30.2	19.0
Other Income	-691	1,375	1,372	37	850	850	1,150
Profit Before Tax	2,864	4,849	7,513	8,502	9,322	11,877	14,278
Change (%)	-46.8	69.3	54.9	13.2	9.6	27.4	20.2
Tax	853	1,157	1,736	1,924	1,678	2,732	3,284
Tax Rate (%)	29.8	23.9	23.1	22.6	18.0	23.0	23.0
PAT	2,011	3,692	5,777	6,578	7,644	9,145	10,994
Change (%)	-46.3	83.5	56.5	13.9	16.2	19.6	20.2
Proposed Dividend	2,018	6,150	4,858	4,418	6,115	7,316	8,795

Balance Sheet					(INR m)		
Y/E March	2020	2021	2022	2023	2024E	2025E	2026E
Equity Share Capital	174	176	177	356	356	356	356
Reserves & Surplus	29,741	28,102	29,798	30,685	32,214	34,043	36,242
Net Worth	29,915	28,278	29,976	31,041	32,570	34,399	36,598
Borrowings	88,381	47,116	58,075	67,473	81,997	90,242	98,487
Other Liabilities	11,967	12,006	19,345	13,406	14,747	16,222	17,844
Total Liabilities	1,30,263	87,400	1,07,396	1,11,921	1,29,314	1,40,863	1,52,929
Cash and Investments	76,911	33,010	49,566	43,347	48,221	51,625	55,332
Change (%)	131.0	-57.1	50.2	-12.5	11.2	7.1	7.2
Loans	36,319	37,206	40,549	49,101	59,670	65,670	71,670
Net Fixed Assets	5,754	8,153	8,163	8,798	9,678	10,646	11,710
Net Current Assets	11,278	9,030	9,117	10,675	11,745	12,922	14,217
Total Assets	1,30,263	87,400	1,07,396	1,11,921	1,29,314	1,40,863	1,52,929

E: MOFSL Estimates

Financials and valuations

Y/E March	2020	2021	2022	2023	2024E	2025E	2026E
AUM (Ex Custody assets) (INR b)	1,569	2,461	3,272	3,408	4,609	5,156	5,800
Change (%)	0.9	56.8	33.0	4.2	35.2	11.9	12.5
Annual Recurring Revenue Assets	626	1,020	1,444	1,672	2,323	2,870	3,514
Transactional/Brokerage Assets	943	1,441	1,828	1,737	2,287	2,287	2,287

E: MOFSL Estimates

Y/E March	2020	2021	2022	2023	2024E	2025E	2026E
As a percentage of Net Revenues							
ARR Income	58.1	63.7	65.2	67.1	76.9	79.3	82.0
TRB Income	41.9	36.3	34.8	32.9	23.1	20.7	18.0
Total Cost (Cost to Income Ratio)	61.4	62.0	56.1	45.9	51.3	47.5	45.6
Employee Cost	40.5	44.7	43.0	33.3	37.8	35.1	33.6
PBT	38.6	38.0	43.9	54.1	48.7	52.5	54.4
Profitability Ratios (%)							
RoE	6.8	12.7	19.8	21.6	24.0	27.3	31.0
Dividend Payout Ratio	100.3	166.6	84.1	67.2	80.0	80.0	80.0

Dupont Analysis (Bps of AAAUM)

Y/E March	2020	2021	2022	2023	2024E	2025E	2026E
Operating Income	58.9	45.4	48.8	46.8	43.4	43.0	44.0
Operating Expenses	36.1	28.2	27.4	21.5	22.3	20.5	20.1
Core Profit Before Tax	22.8	17.2	21.4	25.3	21.1	22.6	24.0
Other Income	-4.4	6.8	4.8	0.1	2.1	1.7	2.1
Profit Before Tax	18.3	24.1	26.2	25.5	23.3	24.3	26.1
Tax	5.5	5.7	6.1	5.8	4.2	5.6	6.0
ROAAAUM	12.9	18.3	20.2	19.7	19.1	18.7	20.1

Valuations	2020	2021	2022	2023	2024E	2025E	2026E
BVPS (INR)	86	80	84	87	91	97	103
Change (%)	-0.4	-6.3	5.0	3.2	4.9	5.6	6.4
Price-BV (x)	7.3	7.8	7.5	7.2	6.9	6.5	6.1
EPS (INR)	6	11	16	18	21	26	31
Change (%)	-47.9	82.0	55.0	13.5	16.2	19.6	20.2
Price-Earnings (x)	109.2	60.0	38.7	34.1	29.3	24.5	20.4
DPS (INR)	5	17	14	12	17	21	25
Dividend Yield (%)	0.8	2.8	2.2	2.0	2.7	3.3	3.9

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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