

360ONE WAM

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	360ONE IN
Equity Shares (m)	356
M.Cap.(INRb)/(USDb)	190.8 / 2.3
52-Week Range (INR)	570 / 395
1, 6, 12 Rel. Per (%)	8/21/9
12M Avg Val (INR M)	249

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Net Revenues	15.6	17.4	20.6
Opex	7.2	8.6	9.3
Core PBT	8.5	8.8	11.3
PAT	6.6	7.5	9.3
EPS	18.5	20.9	26.0
EPS Grw (%)	13.5	13.3	24.3
BV	87.2	91.4	96.6

Ratios

PBT margin (bp)	31.6	28.8	30.7
PAT margin (bp)	24.5	24.3	25.1
RoE (%)	21.6	23.4	27.7
Div. Payout (%)	67.2	80.0	80.0

Valuations

P/E (x)	28.1	24.9	20.0
P/BV (x)	6.0	5.7	5.4
Div. Yield (%)	2.4	3.2	4.0

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	10.9	10.8	50.8

FII Includes depository receipts

CMP: INR533

TP: INR660 (+24%)

Buy

Profitability in line; yields on ARR assets decline

- 360ONE's total revenue grew 12% YoY to INR4.3b in 2QFY24, in line with our estimate, mainly driven by a 41% QoQ jump in TBR income (36% beat) to INR1.16b. However, ARR income fell 4% QoQ to INR3.1b (10% miss).
- Total opex grew 19% YoY to ~INR2.1b (7% beat) as employee costs rose 21% YoY (9% above our estimate). Total ESOP stood at INR90m (up 78% YoY and up 29% QoQ).
- The cost-to-income ratio rose ~320bp YoY to 50.1% (est. 46.6%).
- PAT grew 7% YoY to INR1.9b (broadly in line). For 1H FY24, revenue/PAT grew 10%/12% YoY to INR8.3b/INR3.7b.
- Total AUM grew 24% YoY to INR4.13t as the company continued to focus on scaling up ARR assets. ARR AUM rose 31% YoY at INR2t.
- The board has approved an interim dividend of INR4 per share.
- We broadly maintain our estimates for FY24/FY25. **We retain our BUY rating with a one-year TP of INR660 (based on 25x Mar'25E EPS).**

ARR asset yields decline

- On a closing AUM basis, ARR assets grew 31% YoY to INR2.02t. TBR assets increased by 18% YoY to INR2.1t.
- AUM for 360ONE plus (IIFL ONE) grew 70% YoY and 18% QoQ to INR554b, led by a sharp rise in non-discretionary AUM (+132% YoY and +28% QoQ) to INR356b. However, discretionary AUM declined 3% YoY and 4% QoQ to INR98b.
- Retentions on ARR assets stood at 64bp in 2QFY24 vs. 77bp in 2QFY23 and 73bp in 1QFY24. Retentions on ARR assets for wealth management stood at 61bp (vs. 76bp in 2QFY23) and for asset management segment they stood at 71bp (vs. 79bp in 2QFY23).
- Retentions in IIFL-ONE declined to 19bp (31bp in 2QFY23) as retentions on non-discretionary AUM fell to 17bp (29bp in 2QFY23).
- Retentions in AIF declined to 87bp (101bp in 2QFY23) as retentions on Private Equity AUM declined to 96bp (113bp in 2QFY23).

Highlights from the management commentary

- The management expects strong momentum in 360ONE Plus (erstwhile IIFL One) over the next three to four quarters. 360ONE is currently undergoing a firm-wide strategic initiative to drive the conversion of mandates to regular retentions. It is expected to be completed over the next six to nine months.
- The company recorded net flows of ~INR100b in NDPMS in the last few quarters. The realization of yields happens with a lag of about two to three quarters. 360ONE expects ~65-70% of new flows to move into the fee mandate and earn around 35bp. However, if incremental net flows remain strong, then realizations can drop further.

Valuation and view: Decent 2Q performance; reiterate BUY

Over the past decade, 360ONE has evolved into one of the best wealth management franchises in India. It has become one of the largest alternate asset managers with unique product offerings. With 360ONE plus (IIFL-ONE), the company is looking to change the way wealth management is offered in India, by focusing on recurring revenue rather than the traditional approach of transaction-based revenue.

Incremental focus areas for growth are: 1) launch of a digital-first HNI platform (INR50-250m), 2) geographical expansion, and 3) global business. **We retain our BUY rating with a revised TP of INR620 (based on 25x Mar'25E EPS).**

Quarterly performance**INR m**

Y/E March	FY23				FY24				FY23	FY24E	2QFY24E	Act. Vs Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE						
Net Revenues	3,747	3,825	4,150	3,929	4,060	4,270	4,366	4,713	15,649	17,408	4,306	-1	12%	5%
Change (%)	32.2	21.7	9.7	-7.1	8.4	11.6	5.2	19.9	11.9	11.2	12.6			
ARR Assets Income	3,017	2,843	3,053	2,797	3,240	3,110	3,266	3,567	10,495	13,183	3,456	-10	9%	-4%
TBR Assets Income	730	982	1,097	1,132	820	1,160	1,100	1,146	5,154	4,226	850	36	18%	41%
Operating Expenses	1,670	1,794	1,863	1,850	2,090	2,140	2,172	2,175	7,184	8,577	2,005	7	19%	2%
Change (%)	9.1	3.7	-16.1	-21.3	25.1	19.3	16.6	17.5	-8.4	19.4	11.8			
Cost to Income Ratio (%)	44.6	46.9	44.9	47.1	51.5	50.1	49.7	46.1	45.9	49.3	46.6	356bps	321bps	-136bps
Operating Profits	2,077	2,031	2,286	2,079	1,970	2,130	2,194	2,538	8,465	8,832	2,301	-7	5%	8%
Change (%)	59.3	43.7	46.4	10.7	-5.1	4.9	-4.1	22.1	37.7	4.3	13.3			
Other Income	-60	225	-54	-78	290	140	100	70	37	600	50			
Profit Before Tax	2,017	2,255	2,232	2,001	2,260	2,270	2,294	2,608	8,502	9,432	2,351	-3	1%	0%
Change (%)	33.6	19.1	12.7	-6.6	12.1	0.7	2.7	30.3	13.1	10.9	4.3			
Tax	449	512	517	447	403	408	528	642	1,924	1,981	541	-24	-20%	1%
Tax Rate (%)	22.2	22.7	23.2	22.3	17.8	18.0	23.0	24.6	22.6	21.0	23.0	-469bps		16bps
PAT	1,568	1,744	1,715	1,554	1,857	1,862	1,766	1,966	6,578	7,451	1,811	3	7%	0%
Change (%)	34.2	21.5	12.0	-6.2	18.4	6.8	3.0	26.5	13.8	13.3	3.8			
PAT Margins (%)	41.9	45.6	41.3	39.6	45.7	43.6	40.5	41.7	42.0	42.8	42.0	155bps	-200bps	-214bps
Key Operating Parameters (%)														
AUM (INR B)	3,147	3,333	3,447	3,408	3,827	4,125	4,241	4,363	3,408	3,827	3,936	5	24%	8%
Change (%)	33.8	29.9	31.2	30.2	21.6	23.8	23.0	28.0	30.2	12.3	18.1			
ARR Assets	1,429	1,550	1,665	1,672	1,904	2,025	2,141	2,263	1,672	1,904	2,012	1	31%	6%
TBR Assets	1,718	1,783	1,782	1,737	1,923	2,100	2,100	2,100	1,737	1,923	1,923	9	18%	9%
Yield on AUM - Calculated (%)	0.52	0.47	0.49	0.46	0.45	0.43	0.42	0.44	0.46	0.45	0.44			
ARR Assets	0.84	0.76	0.76	0.67	0.72	0.63	0.63	0.65	0.67	0.72	0.71			
TBR Assets	0.20	0.22	0.25	0.26	0.18	0.23	0.21	0.22	0.26	0.18	0.18			



Highlights from the management commentary

Business

- The market share estimation, which includes both the UHNI and HNI segments, stands at ~4-5%. With the introduction of new client segments to cater to the less-than-INR250m market and an expanded geographical footprint in India and abroad, 360ONE see a huge opportunity to double its market share over the next five years.
- AUM under discretionary PMS under 360ONE plus declined sequentially owing to a couple of large redemptions. The management expects strong momentum in 360ONE Plus (erstwhile IIFL One) over the next three to four quarters. A firm wide strategic initiative is currently underway to drive conversion of mandates to regular retentions, and 360ONE expects this to happen over the next 6 to 9 months. This could drive a recovery in retentions for the product.
- In NDPMS, flows of ~INR100b have come over the last few quarters. The realization of yields happens with a lag of about two to three quarters. 360ONE expects ~65-70% of the new flows to move into the fee mandate and earn around 35bp. However, if incremental net flows continue to be strong, then realizations could decline further.
- For the mass affluent segment, asset gathering would be driven by focusing on specific segments and a certain circle of influence (360ONE already has a large base of such clients).
- On the asset management side, while overall net flows have been muted, 360ONE have ~INR35b of planned redemptions in the quarter. Excluding the same, strong flows were seen across listed equities and new PE funds.

Areas of focus for incremental growth

- Digital-first HNI platform (INR50-250m): The company expects to launch this platform fully in Apr'24. It has launched it internally in a closed user group and the core team has started to come in place to ensure ready to Go-to-Market.
- Geographical expansions: 360ONE believes that India's economic growth potential will extend the addressable market for the wealth management industry beyond traditional Tier I cities and expand to Tier 2 and Tier 3 cities. The number of addressable cities is expected to increase from 20 to 50 in the next five years.
- Global business: The global Indian and NRI segments, especially in markets like Singapore, Dubai, and London, are expected to expand both in relation to wealth and asset management products and will be a strong lever for growth.

RM

- 360ONE has expanded its team to over 235 partners, comprising 150 client relationship partners, 44 investment partners and 41 operating partners.
- The overall attrition rate remains low at less than 4% annualized for FY24.
- Over the past six months, 360ONE has successfully augmented a team by onboarding senior professionals for growth verticals.

- New senior hires (headed by Sathish Krishnamurthy) will primarily steer new business initiatives, while the seasoned team members will continue to drive the growth of existing business lines.
- More than two-thirds of middle and senior leadership members have been associated with the company for over five years, reflecting their dedication and commitment to the organization.

Cost

- Expenses were ~3-4% higher because 1) 360ONE has 35-40 individuals working to prepare for launch of mid-market segment in Apr'24; 2) On the global side, it has created a team of around seven individuals; 3) On the geographical expansion, 360ONE has recruited at least 10-15 extremely senior recruitments from different banks, who joined on the wealth management side.
- On the core business itself, 360ONE has not seen any increase in costs.

Guidance:

- Incremental global business and geographical expansions over the next three to four years should drive ~20% to 30% growth in AUM.
- PAT guidance of INR8b can be achieved, but there would be some increase in costs (~INR 300-400m).
- 360ONE has decided not to continue with the long-short business. There was one-time outflow of INR16-17b. Most of the private equity outflows in the last few quarters are likely to come back by 4Q.
- It has guided for net flows of INR350-400b in FY24. 360ONE expects stable expenses related to technology and distribution spending.
- TBR revenue for FY24 would be INR3.5-4b, depending on market sentiment.

Exhibit 1: Broadly maintaining our estimates

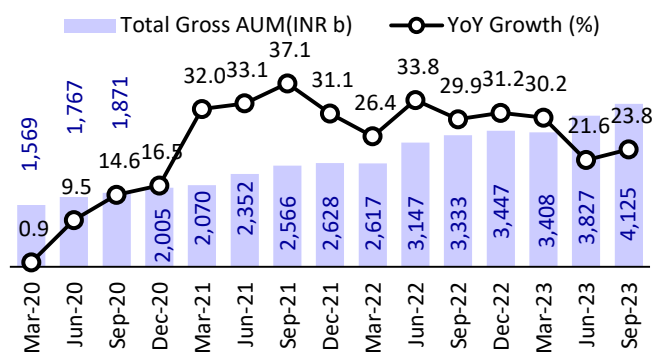
INR b	Old Est.		New Est.		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
ARR Revenue	14.1	16.6	13.2	16.2	-6.4	-2.6
TBR Revenue	3.6	3.6	4.2	4.4	18.2	21.2
Total Income	17.7	20.3	17.4	20.6	-1.4	1.6
Operating Expenses	8.2	8.9	8.6	9.3	4.4	4.4
Operating Profits	9.4	11.4	8.8	11.3	-6.5	-0.5
Other Revenue	0.5	0.4	0.6	0.7	33.3	75.0
PBT	9.9	11.8	9.4	12.0	-4.7	2.0
Tax	2.3	2.7	2.0	2.8	-13.0	2.0
PAT	7.6	9.1	7.5	9.3	-2.2	2.0
Total AUM	3,390	3,969	3,395	3,974	0.1	0.1
Cost-to-core income	46.5	43.8	49.3	45.0	5.9	2.8
RoE	24.0	27.1	23.4	27.7	-2.2	2.1
Dividend payout ratio	80.0	80.0	80.0	80.0	0.0	0.0

Note: Change in ARR & TBR revenue is on account of change in accounting policy for carry income

Source: MOFSL, Company

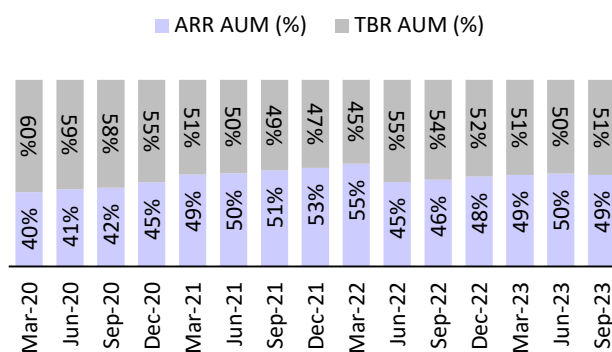
Key exhibits

Exhibit 2: Total AUM grew 24% YoY



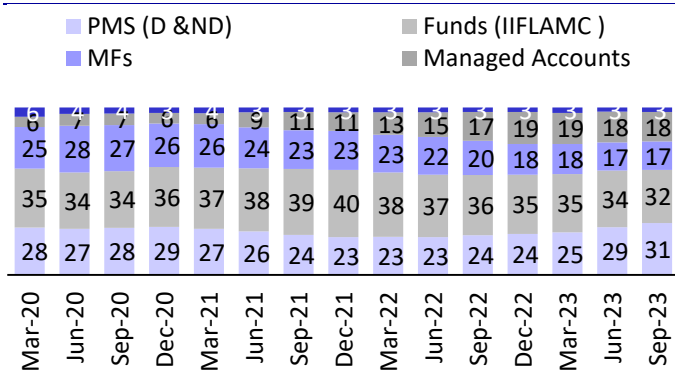
Source: MOFSL, Company

Exhibit 3: ARR AUM mix stable at ~49%



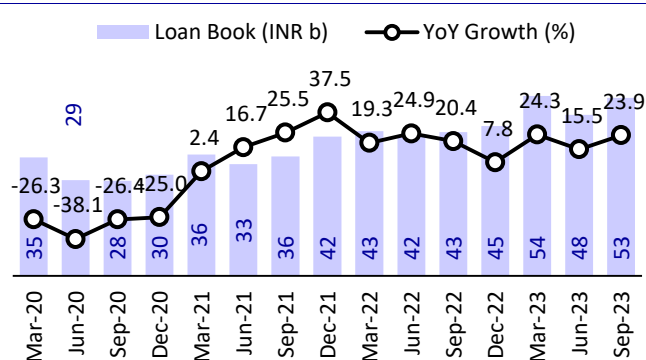
Source: MOFSL, Company

Exhibit 4: ARR AUM mix (%)



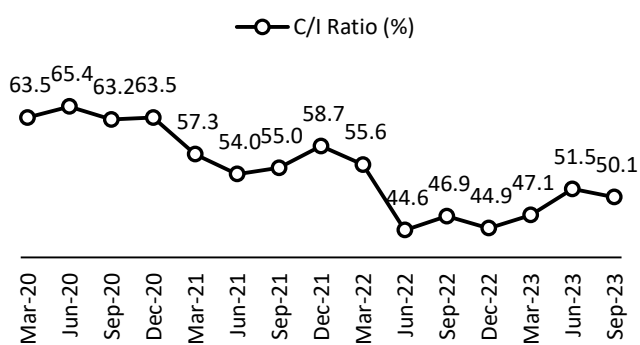
Source: MOFSL, Company

Exhibit 5: Loan book grew sequentially



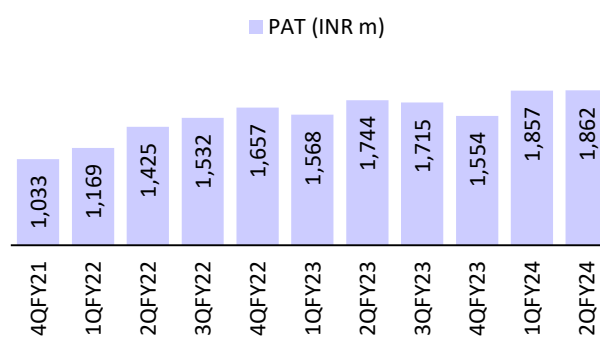
Source: MOFSL, Company

Exhibit 6: Cost-to-income ratio moderated sequentially



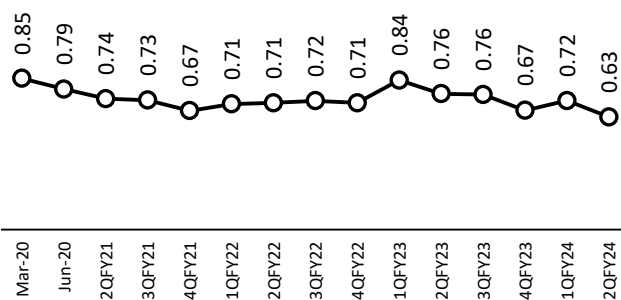
Source: MOFSL, Company

Exhibit 7: Trend in consolidated PAT (INR m)



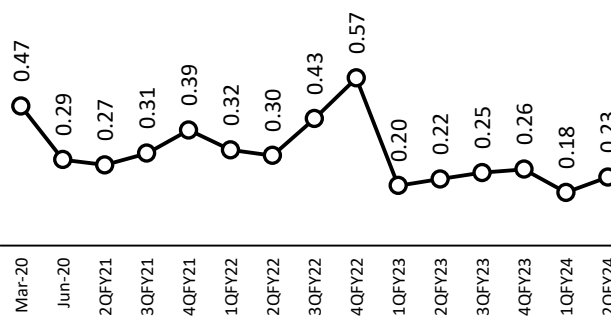
Source: MOFSL, Company

Exhibit 8: Yields in ARR



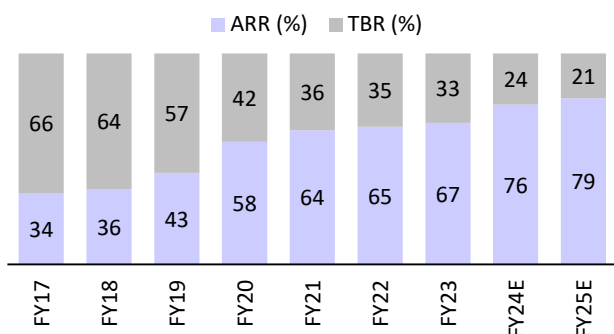
Source: MOFSL, Company

Exhibit 9: Yields in TBR



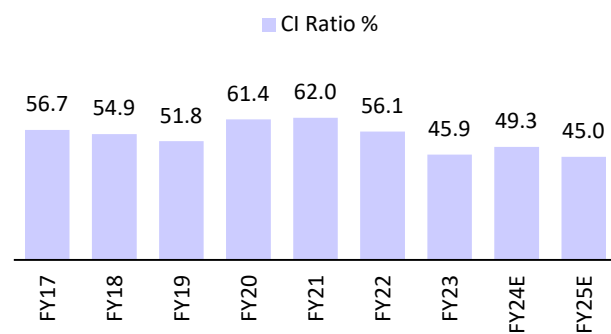
Source: MOFSL, Company

Exhibit 10: Mix of revenues



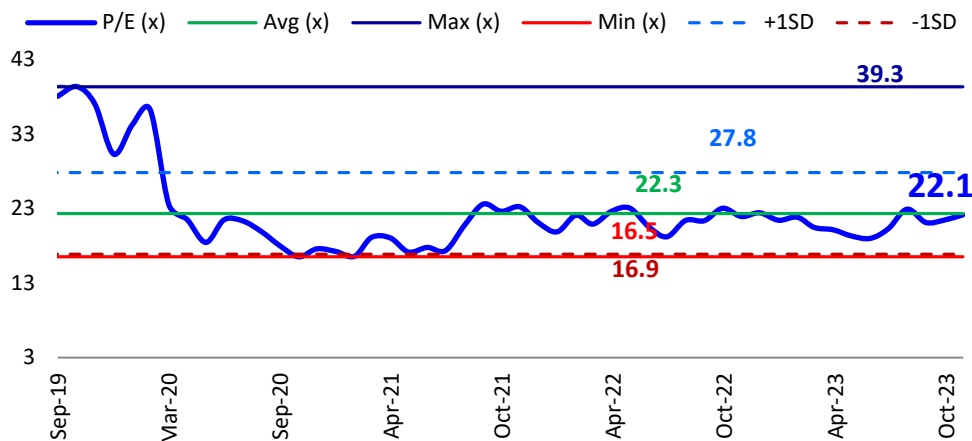
Source: MOFSL, Company

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	2018	2019	2020	2021	2022	2023	2024E	2025E
Annual Recurring Revenues Assets	3,670	4,437	5,345	5,828	9,120	10,495	13,183	16,208
Transactional/Broking Revenues Assets	6,618	5,794	3,855	3,325	4,862	5,154	4,226	4,381
Net Revenues	10,288	10,231	9,200	9,154	13,982	15,649	17,408	20,590
Change (%)	45.3	-0.5	-10.1	-0.5	52.8	11.9	11.2	18.3
Operating Expenses	5,652	5,297	5,645	5,679	7,841	7,184	8,577	9,263
Core Profit Before Tax	4,636	4,934	3,555	3,474	6,141	8,465	8,832	11,327
Change (%)	51.2	6.4	-28.0	-2.3	76.8	37.8	4.3	28.3
Other Income	140	445	-691	1,375	1,372	37	600	700
Profit Before Tax	4,775	5,380	2,864	4,849	7,513	8,502	9,432	12,027
Change (%)	24.2	12.7	-46.8	69.3	54.9	13.2	10.9	27.5
Tax	1,099	1,634	853	1,157	1,736	1,924	1,981	2,766
Tax Rate (%)	23.0	30.4	29.8	23.9	23.1	22.6	21.0	23.0
PAT	3,676	3,746	2,011	3,692	5,777	6,578	7,451	9,261
Change (%)	37.0	1.9	-46.3	83.5	56.5	13.9	13.3	24.3
Proposed Dividend	785	848	2,018	6,150	4,858	4,418	5,961	7,408

Balance Sheet							(INR m)	
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Equity Share Capital	160	169	174	176	177	356	356	356
Reserves & Surplus	18,469	28,935	29,741	28,102	29,798	30,685	32,176	34,028
Net Worth	18,629	29,104	29,915	28,278	29,976	31,041	32,532	34,384
Borrowings	69,663	61,145	88,381	47,116	58,075	67,473	73,752	73,752
Other Liabilities	7,374	7,553	11,967	12,006	19,345	13,406	14,747	16,222
Total Liabilities	95,666	97,802	1,30,263	87,400	1,07,396	1,11,921	1,21,030	1,24,357
Cash and Investments	18,564	33,300	76,911	33,010	49,566	43,347	45,937	47,119
Change (%)	-43.6	79.4	131.0	-57.1	50.2	-12.5	6.0	2.6
Loans	70,561	49,665	36,319	37,206	40,549	49,101	53,670	53,670
Net Fixed Assets	523	5,100	5,754	8,153	8,163	8,798	9,678	10,646
Net Current Assets	6,017	9,737	11,278	9,030	9,117	10,675	11,745	12,922
Total Assets	95,666	97,802	1,30,263	87,400	1,07,396	1,11,921	1,21,030	1,24,357

E: MOFSL Estimates

Financials and valuations

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
AUM (Ex Custody assets) (INR B)	1,309	1,555	1,569	2,070	2,617	2,743	3,395	3,974
Change (%)	33.1	18.7	0.9	32.0	26.4	4.8	23.7	17.1
Annual Recurring Revenue Assets	449	583	626	1,020	1,444	1,672	2,299	2,879
Transactional/Brokerage Assets	861	972	943	1,051	1,173	1,072	1,095	1,095

E: MOFSL Estimates

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
As a percentage of Net Revenues								
ARR Income	35.7	43.4	58.1	63.7	65.2	67.1	75.7	78.7
TRB Income	64.3	56.6	41.9	36.3	34.8	32.9	24.3	21.3
Total Cost (Cost to Income Ratio)	54.9	51.8	61.4	62.0	56.1	45.9	49.3	45.0
Employee Cost	37.9	32.4	40.5	44.7	43.0	33.3	36.5	33.3
PBT	45.1	48.2	38.6	38.0	43.9	54.1	50.7	55.0
Profitability Ratios (%)								
RoE	21.7	15.7	6.8	12.7	19.8	21.6	23.4	27.7
Dividend Payout Ratio	21.4	22.6	100.3	166.6	84.1	67.2	80.0	80.0

Dupont Analysis (Bps of AAAUM)

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Operating Income	89.7	71.4	58.9	50.3	59.7	58.4	56.7	55.9
Operating Expenses	49.3	37.0	36.1	31.2	33.5	26.8	27.9	25.1
Core Profit Before Tax	40.4	34.5	22.8	19.1	26.2	31.6	28.8	30.7
Other Income	1.2	3.1	-4.4	7.6	5.9	0.1	2.0	1.9
Profit Before Tax	41.6	37.6	18.3	26.6	32.1	31.7	30.7	32.6
Tax	9.6	11.4	5.5	6.4	7.4	7.2	6.5	7.5
ROAAAUM	32.1	26.2	12.9	20.3	24.6	24.5	24.3	25.1

Valuations	2018	2019	2020	2021	2022	2023	2024E	2025E
BVPS (INR)	58	86	86	80	84	87	91	97
Change (%)	19.8	47.5	-0.4	-6.3	5.0	3.2	4.8	5.7
Price-BV (x)	8.9	6.0	6.1	6.5	6.2	6.0	5.7	5.4
EPS (INR)	12	11	6	11	16	18	21	26
Change (%)	33.9	-3.8	-47.9	82.0	55.0	13.5	13.3	24.3
Price-Earnings (x)	45.1	46.9	90.1	49.5	31.9	28.1	24.9	20.0
DPS (INR)	2	3	5	17	14	12	17	21
Dividend Yield (%)		0.5	1.0	3.4	2.6	2.4	3.2	4.0

E: MOFSL Estimates

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

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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