

Estimate change	↔
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Rating change	↔

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Bloomberg	360ONE IN
Equity Shares (m)	356
M.Cap.(INRb)/(USD\$)	184.1 / 2.2
52-Week Range (INR)	538 / 396
1, 6, 12 Rel. Per (%)	12/-/2/10
12M Avg Val (INR M)	186

#### Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Net Revenues	15.6	17.1	19.5
Opex	7.2	7.8	8.4
Core PBT	8.5	9.3	11.1
PAT	6.6	7.4	8.8
EPS	18.5	20.7	24.8
EPS Grw (%)	13.5	12.0	20.0
BV	87.2	91.3	96.3

#### Ratios

PBT margin (bp)	31.6	31.2	32.1
PAT margin (bp)	24.5	24.8	25.6
RoE (%)	21.6	23.2	26.5
Div. Payout (%)	67.2	80.0	80.0

#### Valuations

P/E (x)	28.1	25.1	20.9
P/BV (x)	6.0	5.7	5.4
Div. Yield (%)	2.4	3.2	3.8

#### Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	22.0	22.0	23.1
DII	54.3	31.9	3.6
FII	12.8	31.5	22.1
Others	11.0	14.6	51.2

FII Includes depository receipts

**CMP: INR520**

**TP: INR620 (+19%)**

**Buy**

## Strong AUM growth; higher opex dents margins

- The company's total revenues for the quarter grew 8% YoY to INR 4b. This is in line with our estimates.
- Total opex grew 25% YoY and came in at ~INR2b, 12% higher than our estimates. Increased employee cost and 'other expenses' led to higher opex for the quarter.
- Employee costs increased 22% YoY. The total ESOP cost estimated ~INR 1-1.15b will be amortized over a period of seven to eight years. The cost/income ratio increased sharply by ~700bp YoY to 51.6% (est. 46%).
- PBT for the quarter came in line with our estimates at ~INR2.3b (as 'other income' came in higher than expectations). However, PAT grew 18% YoY to INR1.9b. Reduction in overall taxes led to a PAT beat of ~6%.
- Total AUM is up 22% YoY to INR 3.83t, with continued focus on scaling up ARR assets. ARR AUM was up 33% YoY at INR1.9t.
- The Board has approved an interim dividend of INR4.
- We broadly maintained our estimates for FY24/FY25. **We retain our BUY rating with a one-year TP of INR620 (based on 25x Mar'25E EPS).**

## Gross AUM grew 22% YoY to INR3.8t; shift in mix favors ARR assets

- On a closing AUM basis, ARR assets grew 33% YoY to INR1.9t. TBR assets grew 12% YoY to INR1.9t.
- AUM for 360ONE plus (IIFL ONE) grew 68% YoY and 28% QoQ to INR 543b. The increase is attributed to a sharp sequential increase of 85% in advisory AUM (from INR 143b to INR 263b in 1QFY24). However, discretionary PMS assets declined 7% YoY to INR 100b.

## Marginal fall in overall yields

- Overall retentions on net revenues stood at 45bp vs. 46bp/52bp in 4QFY23/1QFY23. ARR retentions stood at 72bp vs. 67bp/84bp in 4QFY23/1QFY23.
- Retentions in IIFL-ONE declined QoQ to 22bp as the share of advisory assets increased. NIM in the loan book improved 50bp QoQ to 6%. AMC retentions improved 4bp QoQ as retentions on AIF assets improved.

## Higher operating cost led to sharp increase in cost to income ratio

- Total opex grew 25% YoY to ~INR2b, 12% higher than our estimates. Increased employee cost and 'other expenses' led to higher opex for the quarter.
- Employee costs increased 22% YoY. The total ESOP cost estimated at ~INR 1-1.15b will be amortized over a period of seven to eight years. The cost/income ratio increased sharply by ~700bp YoY to 51.6% (est. 46%).
- Admin and other expenses increased 35% YoY to INR580m.

**Highlights from the management commentary**

- 360ONE believes that it has a significant market share in the INR500b revenue opportunity in the wealth management business.
- During the quarter, 70% of inflows were driven by promoter activity (IPOs and OFS), while the remaining portion consisted of transfers from other wealth and new AUM. A large portion of promoter-driven flows is currently not generating yield; however, there is a positive outlook for improvement in the next couple of quarters. It is estimated that about INR35b in NDPMS and INR50-55b should convert into fee-paying in the second half of FY24
- In the HNI segment, there are about 150k-160k families. 360ONE is already in touch with about 3,000 families. While it has had a slow start, the management expects to scale up and capture a market share of 7-8% over the coming years.

**Other highlights**

- 'Other income' came in at INR290m vs. our estimate of INR65m.
- The NBFC loan book grew 18% YoY to INR 50b (vs. INR43b in 1QFY23).

**Decent performance in 1QFY24; 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 IIFL-ONE, the company is looking to change the way wealth management services are offered in India by focusing on recurring revenue rather than the traditional approach of transaction-based revenue. In 1QFY24, inflows continued to show momentum and were well supported by MTM gains as markets reach an all-time high. We broadly maintained our estimates for FY24/FY25. **We retain our BUY rating with a revised TP of INR620 (based on 25x Mar'25E EPS).**

**Quarterly performance**

Y/E March	FY23				FY24E				FY23	FY24E	1Q	Act. Vs
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		FY24E	Est. (%)	
<b>Net Revenues</b>	<b>3,747</b>	<b>3,825</b>	<b>4,150</b>	<b>3,929</b>	<b>4,050</b>	<b>4,195</b>	<b>4,310</b>	<b>4,510</b>	<b>15,649</b>	<b>17,065</b>	<b>4,066</b>	<b>0</b>
Change (%)	32.2	21.7	9.7	-7.1	8.1	9.7	3.9	14.8	11.9	9.0	8.4	
ARR Assets Income	3,017	2,843	3,053	2,797	3,230	3,295	3,360	3,482	10,495	13,367	2,816	15
TBR Assets Income	730	982	1,097	1,132	820	900	950	1,028	5,154	3,698	1,250	-34
<b>Operating Expenses</b>	<b>1,670</b>	<b>1,794</b>	<b>1,863</b>	<b>1,850</b>	<b>2,090</b>	<b>1,958</b>	<b>1,974</b>	<b>1,777</b>	<b>7,184</b>	<b>7,799</b>	<b>1,869</b>	<b>12</b>
Change (%)	9.1	3.7	-16.1	-21.3	25.1	9.1	5.9	-3.9	-8.4	8.6	11.9	
Cost to Income Ratio (%)	44.6	46.9	44.9	47.1	51.6	46.7	45.8	39.4	45.9	45.7	46.0	563bps
<b>Operating Profits</b>	<b>2,077</b>	<b>2,031</b>	<b>2,286</b>	<b>2,079</b>	<b>1,960</b>	<b>2,237</b>	<b>2,337</b>	<b>2,733</b>	<b>8,465</b>	<b>9,267</b>	<b>2,197</b>	<b>-11</b>
Change (%)	59.3	43.7	46.4	10.7	-5.6	10.2	2.2	31.5	37.7	9.5	5.6	
Other Income	-60	225	-54	-78	290	70	80	-140	37	300	65	
<b>Profit Before Tax</b>	<b>2,017</b>	<b>2,255</b>	<b>2,232</b>	<b>2,001</b>	<b>2,250</b>	<b>2,307</b>	<b>2,417</b>	<b>2,593</b>	<b>8,502</b>	<b>9,567</b>	<b>2,262</b>	<b>-1</b>
Change (%)	33.6	19.1	12.7	-6.6	11.6	2.3	8.3	29.6	13.1	12.5	12.0	
Tax	449	512	517	447	401	531	556	596	1,924	2,200	520	-23
Tax Rate (%)	22.2	22.7	23.2	22.3	17.8	23.0	23.0	23.0	22.6	23.0	23.0	
<b>PAT</b>	<b>1,568</b>	<b>1,744</b>	<b>1,715</b>	<b>1,554</b>	<b>1,850</b>	<b>1,776</b>	<b>1,861</b>	<b>1,997</b>	<b>6,578</b>	<b>7,366</b>	<b>1,742</b>	<b>6</b>
Change (%)	34.2	21.5	12.0	-6.2	17.9	1.9	8.5	28.5	13.8	12.0	10.8	
PAT Margins (%)	41.9	45.6	41.3	39.6	45.7	42.4	43.2	44.3	42.0	43.2	42.8	283bps
<b>Key Operating Parameters (%)</b>												
<b>AUM (INR B)</b>	<b>3,147</b>	<b>3,333</b>	<b>3,447</b>	<b>3,408</b>	<b>3,827</b>	<b>3,936</b>	<b>4,051</b>	<b>4,172</b>	<b>3,408</b>	<b>3,827</b>	<b>2,839</b>	<b>35</b>
Change (%)	33.8	29.9	31.2	30.2	21.6	18.1	17.5	22.4	30.2	12.3	12.6	
ARR Assets	1,429	1,550	1,665	1,672	1,904	2,012	2,127	2,248	1,672	1,904	1,767	8
TBR Assets	1,718	1,783	1,782	1,737	1,923	1,923	1,923	1,923	1,737	1,923	1,072	79
<b>Yield on AUM - Calculated (%)</b>	<b>0.52</b>	<b>0.47</b>	<b>0.49</b>	<b>0.46</b>	<b>0.45</b>	<b>0.43</b>	<b>0.43</b>	<b>0.44</b>	<b>0.46</b>	<b>0.45</b>	<b>0.58</b>	
ARR Assets	0.84	0.76	0.76	0.67	0.72	0.67	0.65	0.64	<b>0.67</b>	<b>0.72</b>	0.66	
TBR Assets	0.20	0.22	0.25	0.26	0.18	0.19	0.20	0.21	<b>0.26</b>	<b>0.18</b>	0.47	



## Highlights from the management commentary

### Business

- In the domestic MF business, the company will look out for differential product opportunities, while expanding its distribution reach. 360ONE has been conservative on distribution payouts in this business and is in no hurry to grow the same with a hit on profitability.
- 360ONE believes that it has a significant market share in the INR500b revenue opportunity in the wealth management business.
- During the quarter, 70% of inflows were driven by promoter activity (IPOs and OFS), while the remaining portion consisted of transfers from other wealth and new AUM. A large portion of promoter-driven flows is currently not generating yield; however, there is a positive outlook for improvement in the next couple of quarters. It is estimated that about INR35b in NDPMS and INR50-55b should convert into fee-paying in the second half of FY24.
- Traction on credit and real estate is picking up momentum in terms of gross flows, but outflows from Special Opportunities funds are offsetting the same. In the medium term, the growth from RE, credit and listed equities should be strong.
- NDPS has seen an outflow of about \$125m from one client, primarily driven by liquidity concerns. However, it is anticipated that these funds will be returned over the next six months.
- The company expects to secure a couple of large mandates in the institutional advisory segment within the next nine months. To maintain profitability, it has decided to let go of certain businesses due to unfavorable pricing conditions.

### Target audience

- India has a base of about 35-40k families in the UHNI segment, of which, 360ONE is servicing about 2,800-3,000 and are in contact with another 3,000-4,000. The tailwinds for this segment include disproportionate growth of wealth in this segment and increasing acceptance of professional wealth management (share now stands at ~50%).
- In the HNI segment, there are about 150k-160k families. 360ONE is already in touch with about 3,000 families. While it has had a slow start, the management expects to scale up and capture a market share of 7-8% over the coming years.

### Finance

- Currently, there is no compelling reason to alter the guidance that was provided in the previous quarter. In the worst-case scenario, revenues in the range of INR750-1,000m could potentially shift from ARR to TBR.
- Expenses were higher during the quarter, owing to one-time marketing initiatives. The company maintained cost-to-income ratio guidance of 43.5-45%.
- Field force expansion – 1) Senior private bankers – these professionals are responsible for originating and managing large clients; they can independently manage their client portfolio and have the support of junior bankers; the total count of senior private bankers is between 70 and 75, and they play a significant role in business origination, 2) Junior bankers – There are around 160 to 170

junior bankers. 3) The Asset Management team currently comprises 20-25 members who are dedicated to servicing the INR650b AUM. Addition to the force are expected across the three categories.

- While gross inflows have been steady, volatility in outflows has led to volatility in net inflows.
- The company aims to significantly reduce the share of transaction revenues, which currently stands at about INR3.7b. However, about INR2b of this revenue cannot be easily shifted due to the nature of certain businesses, such as equity broking.
- Out of the total increase in employee costs, INR100m was allocated to new additions to the workforce, while the remaining amount was attributed to existing employees. For FY24, admin costs are not likely to exceed INR2.15b.

#### Exhibit 1: Marginal cut in estimates for FY24

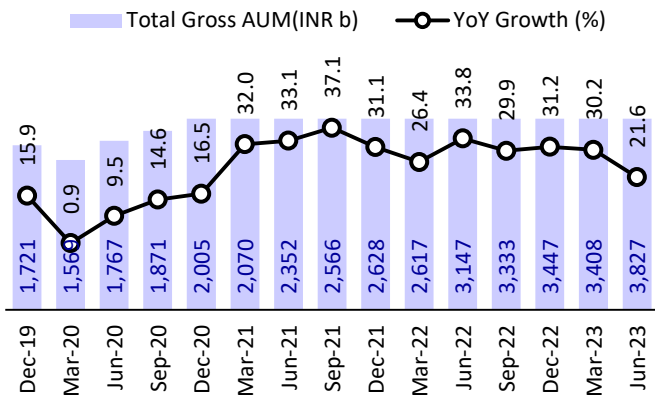
INR b	Old Est.		New Est.		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
ARR Revenue	12.2	14.3	13.4	15.3	9.4	7.3
TBR Revenue	5.0	5.1	3.7	4.2	-26.6	-18.1
<b>Total Income</b>	<b>17.3</b>	<b>19.4</b>	<b>17.1</b>	<b>19.5</b>	<b>-1.1</b>	<b>0.6</b>
Operating Expenses	7.8	8.4	7.8	8.4	0.0	0.0
<b>Operating Profits</b>	<b>9.5</b>	<b>11.0</b>	<b>9.3</b>	<b>11.1</b>	<b>-2.0</b>	<b>1.1</b>
Other Revenue	0.3	0.4	0.3	0.4	0.0	0.0
<b>PBT</b>	<b>9.8</b>	<b>11.4</b>	<b>9.6</b>	<b>11.5</b>	<b>-1.9</b>	<b>1.1</b>
Tax	2.2	2.6	2.2	2.6	-1.9	1.1
<b>PAT</b>	<b>7.5</b>	<b>8.7</b>	<b>7.4</b>	<b>8.8</b>	<b>-1.9</b>	<b>1.1</b>
<b>Total AUM</b>	<b>3,156</b>	<b>3,642</b>	<b>3,205</b>	<b>3,697</b>	<b>1.6</b>	<b>1.5</b>
Cost-to-core income	45.2	43.5	45.7	43.2	1.1	-0.6
RoE	23.6	26.2	23.2	26.5	-1.9	1.1
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

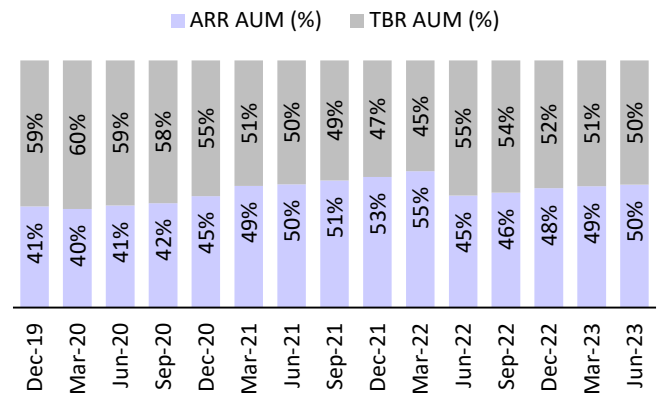
Key exhibits

Exhibit 2: Total AUM grew 22% YoY



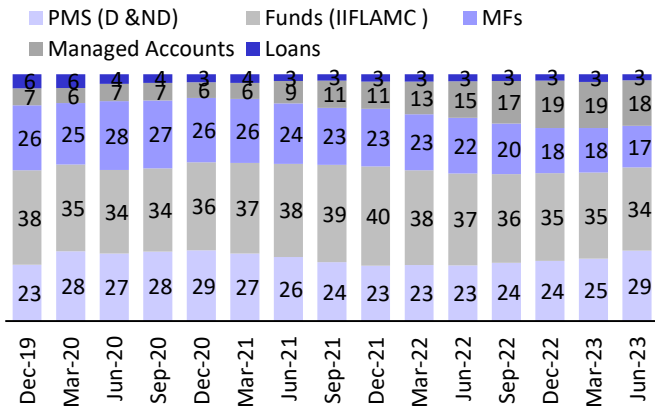
Source: MOFSL, Company

Exhibit 3: Gradual shift toward ARR AUM



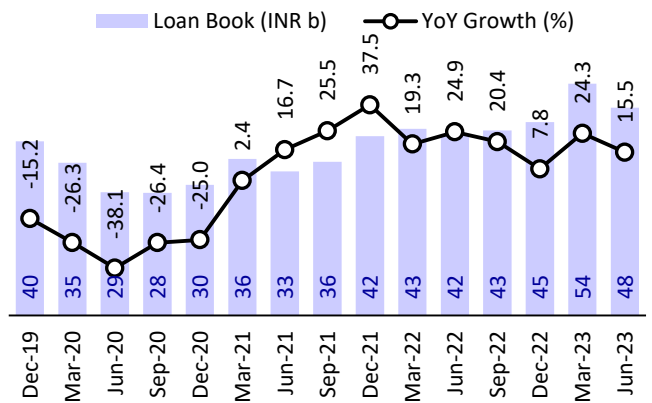
Source: MOFSL, Company

Exhibit 4: ARR AUM mix (%)



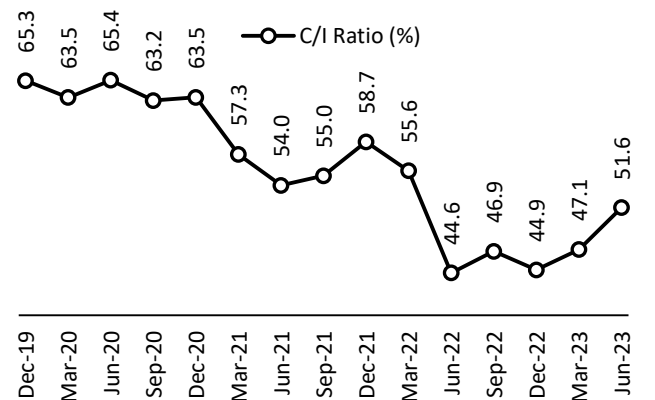
Source: MOFSL, Company

Exhibit 5: Loan book declined sequentially



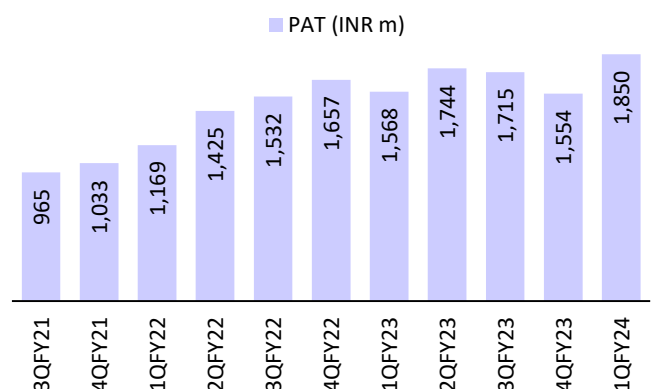
Source: MOFSL, Company

Exhibit 6: ~Sharp increase in cost-to-income ratio



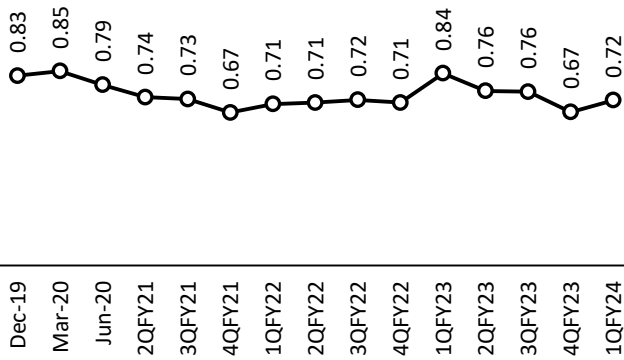
Source: MOFSL, Company

Exhibit 7: Trend in consolidated PAT (INR m)



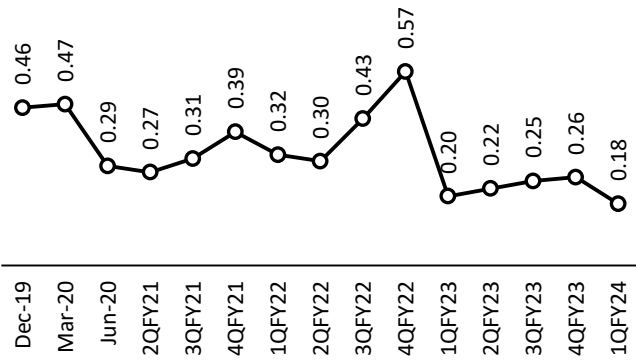
Source: MOFSL, Company

**Exhibit 8: Yields in ARR**



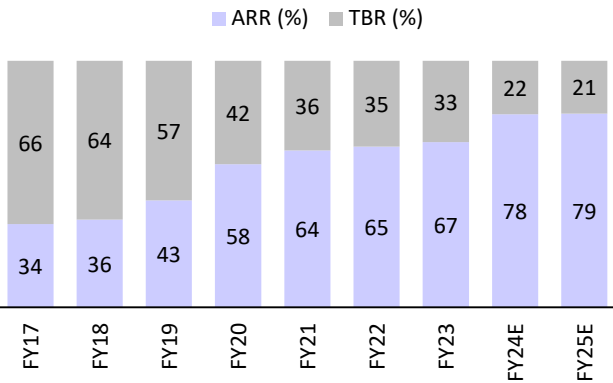
Source: MOFSL, Company

**Exhibit 9: Yields in TBR**



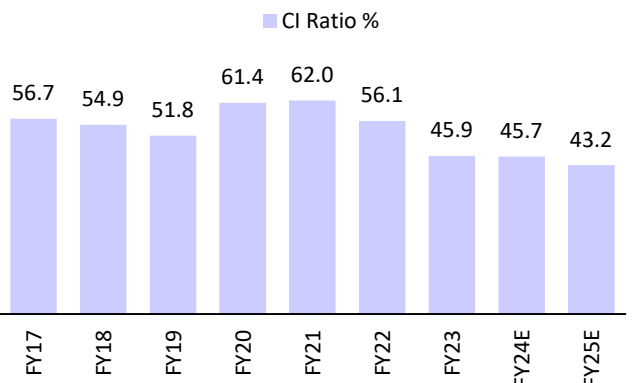
Source: MOFSL, Company

**Exhibit 10: Mix of revenues**



Source: MOFSL, Company

**Exhibit 11: Cost-to-income ratio**



Source: MOFSL, Company

## 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	13,367	15,335
Transactional/Broking Revenues Assets	6,618	5,794	3,855	3,325	4,862	5,154	3,698	4,167
<b>Net Revenues</b>	<b>10,288</b>	<b>10,231</b>	<b>9,200</b>	<b>9,154</b>	<b>13,982</b>	<b>15,649</b>	<b>17,065</b>	<b>19,502</b>
Change (%)	45.3	-0.5	-10.1	-0.5	52.8	11.9	9.0	14.3
Operating Expenses	5,652	5,297	5,645	5,679	7,841	7,184	7,799	8,423
<b>Core Profit Before Tax</b>	<b>4,636</b>	<b>4,934</b>	<b>3,555</b>	<b>3,474</b>	<b>6,141</b>	<b>8,465</b>	<b>9,267</b>	<b>11,079</b>
Change (%)	51.2	6.4	-28.0	-2.3	76.8	37.8	9.5	19.6
Other Income	140	445	-691	1,375	1,372	37	300	400
<b>Profit Before Tax</b>	<b>4,775</b>	<b>5,380</b>	<b>2,864</b>	<b>4,849</b>	<b>7,513</b>	<b>8,502</b>	<b>9,567</b>	<b>11,479</b>
Change (%)	24.2	12.7	-46.8	69.3	54.9	13.2	12.5	20.0
Tax	1,099	1,634	853	1,157	1,736	1,924	2,200	2,640
Tax Rate (%)	23.0	30.4	29.8	23.9	23.1	22.6	23.0	23.0
<b>PAT</b>	<b>3,676</b>	<b>3,746</b>	<b>2,011</b>	<b>3,692</b>	<b>5,777</b>	<b>6,578</b>	<b>7,366</b>	<b>8,839</b>
Change (%)	37.0	1.9	-46.3	83.5	56.5	13.9	12.0	20.0
Proposed Dividend	785	848	2,018	6,150	4,858	4,418	5,893	7,071

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	32,159	33,926
<b>Net Worth</b>	<b>18,629</b>	<b>29,104</b>	<b>29,915</b>	<b>28,278</b>	<b>29,976</b>	<b>31,041</b>	<b>32,515</b>	<b>34,283</b>
Borrowings	69,663	61,145	88,381	47,116	58,075	67,473	66,881	66,881
Other Liabilities	7,374	7,553	11,967	12,006	19,345	13,406	14,747	16,222
<b>Total Liabilities</b>	<b>95,666</b>	<b>97,802</b>	<b>1,30,263</b>	<b>87,400</b>	<b>1,07,396</b>	<b>1,11,921</b>	<b>1,14,142</b>	<b>1,17,385</b>
Cash and Investments	18,564	33,300	76,911	33,010	49,566	43,347	44,050	45,147
Change (%)	-43.6	79.4	131.0	-57.1	50.2	-12.5	1.6	2.5
<b>Loans</b>	<b>70,561</b>	<b>49,665</b>	<b>36,319</b>	<b>37,206</b>	<b>40,549</b>	<b>49,101</b>	<b>48,670</b>	<b>48,670</b>
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
<b>Total Assets</b>	<b>95,666</b>	<b>97,802</b>	<b>1,30,263</b>	<b>87,400</b>	<b>1,07,396</b>	<b>1,11,921</b>	<b>1,14,142</b>	<b>1,17,385</b>

E: MOFSL Estimates

## Financials and valuations

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
<b>AUM (Ex Custody assets) (INR B)</b>	<b>1,309</b>	<b>1,555</b>	<b>1,569</b>	<b>2,070</b>	<b>2,617</b>	<b>2,743</b>	<b>3,205</b>	<b>3,697</b>
Change (%)	33.1	18.7	0.9	32.0	26.4	4.8	16.8	15.3
Annual Recurring Revenue Assets	449	583	626	1,020	1,444	1,672	2,164	2,655
Transactional/Brokerage Assets	861	972	943	1,051	1,173	1,072	1,042	1,042

E: MOFSL Estimates

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
<b>As a percentage of Net Revenues</b>								
ARR Income	35.7	43.4	58.1	63.7	65.2	67.1	78.3	78.6
TRB Income	64.3	56.6	41.9	36.3	34.8	32.9	21.7	21.4
Total Cost (Cost to Income Ratio)	54.9	51.8	61.4	62.0	56.1	45.9	45.7	43.2
Employee Cost	37.9	32.4	40.5	44.7	43.0	33.3	32.9	31.1
PBT	45.1	48.2	38.6	38.0	43.9	54.1	54.3	56.8
<b>Profitability Ratios (%)</b>								
RoE	21.7	15.7	6.8	12.7	19.8	21.6	23.2	26.5
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	57.4	56.5
Operating Expenses	49.3	37.0	36.1	31.2	33.5	26.8	26.2	24.4
<b>Core Profit Before Tax</b>	<b>40.4</b>	<b>34.5</b>	<b>22.8</b>	<b>19.1</b>	<b>26.2</b>	<b>31.6</b>	<b>31.2</b>	<b>32.1</b>
Other Income	1.2	3.1	-4.4	7.6	5.9	0.1	1.0	1.2
<b>Profit Before Tax</b>	<b>41.6</b>	<b>37.6</b>	<b>18.3</b>	<b>26.6</b>	<b>32.1</b>	<b>31.7</b>	<b>32.2</b>	<b>33.3</b>
Tax	9.6	11.4	5.5	6.4	7.4	7.2	7.4	7.7
<b>ROAAAUM</b>	<b>32.1</b>	<b>26.2</b>	<b>12.9</b>	<b>20.3</b>	<b>24.6</b>	<b>24.5</b>	<b>24.8</b>	<b>25.6</b>

Valuations	2018	2019	2020	2021	2022	2023	2024E	2025E
BVPS (INR)	58	86	86	80	84	87	91	96
Change (%)	19.8	47.5	-0.4	-6.3	5.0	3.2	4.7	5.4
Price-BV (x)	<b>8.9</b>	<b>6.0</b>	<b>6.1</b>	<b>6.5</b>	<b>6.2</b>	<b>6.0</b>	<b>5.7</b>	<b>5.4</b>
EPS (INR)	12	11	6	11	16	18	21	25
Change (%)	33.9	-3.8	-47.9	82.0	55.0	13.5	12.0	20.0
Price-Earnings (x)	<b>45.1</b>	<b>46.9</b>	<b>90.1</b>	<b>49.5</b>	<b>31.9</b>	<b>28.1</b>	<b>25.1</b>	<b>20.9</b>
DPS (INR)	2	3	5	17	14	12	17	20
Dividend Yield (%)		<b>0.5</b>	<b>1.0</b>	<b>3.4</b>	<b>2.6</b>	<b>2.4</b>	<b>3.2</b>	<b>3.8</b>

E: MOFSL Estimates

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Explanation of Investment Rating	
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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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