

360 One WAM

BSE SENSEX
80,717

S&P CNX
24,613

CMP: INR981

TP: INR1,150 (+17%)

Buy



Stock Info

Bloomberg	360ONE IN
Equity Shares (m)	359
M.Cap.(INRb)/(USDb)	355.9 / 4.3
52-Week Range (INR)	1065 / 469
1, 6, 12 Rel. Per (%)	17/37/66
12M Avg Val (INR M)	490
Free float (%)	82.3

Financials Snapshot (INR b)

Y/E March	2024	2025E	2026E
Net Revenues	18.5	22.0	25.2
Opex	9.6	10.7	11.6
Core PBT	8.9	11.3	13.6
PAT	8.0	9.6	11.6
EPS	22.4	26.7	32.4
EPS Grw (%)	21.3	19.3	21.2
BV	96.1	101.5	107.9

Ratios

PBT margin (bp)	22.0	22.6	23.9
PAT margin (bp)	19.9	19.2	20.5
RoE (%)	24.5	27.1	31.0
Div. Payout (%)	74.9	80.0	80.0

Valuations

P/E (x)	43.2	36.2	29.9
P/BV (x)	10.1	9.5	9.0
Div. Yield (%)	1.7	2.2	2.7

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	17.8	17.8	22.0
DII	8.3	8.9	2.2
FII	63.2	62.5	64.8
Others	10.7	10.9	11.0

FII Includes depository receipts

Improving client, geographical, and product diversity

Expect higher costs due to the new business initiatives

- In its FY24 Annual Report, 360 ONE WAM (360 ONE) outlined the emerging growth opportunities in the Wealth Management industry in India and expects a 13-14% AUM CAGR over the next 4-5 years. The drivers for this growth will be: 1) an increase in the number of UHNIs and HNIs, 2) an increase in the wealth of existing HNIs, and 3) wealth transfer between generations.
- The company is likely to focus on diversifying its customer base from the existing INR250m+ net worth customers to adding INR50-250m net worth customers in India as well as overseas. This would present a huge opportunity to double its market share over the next few years from 4-5% currently.
- In addition, 360 ONE is looking to diversify its geographical presence from the top cities and metros to tier II and tier III cities (i.e., shift in focus from the traditional 10-15 cities to over 60 cities over the next few years, reflecting a significant demographic transformation).
- It recently launched a platform, known as '360 One Global', to cater to the demands of non-resident Indians. With a robust product suite and human talent in place, 360 ONE is well-placed to address the growing global Indian wealth management opportunity (currently, ~30m Indians reside globally).
- Recently, 360 ONE acquired **ET Money**, a company that specializes in the digital distribution of financial products such as mutual funds, fixed deposits, NPS, and insurance. Further, it provides registered investment advisor services for investing in stocks and mutual funds. This acquisition is likely to expand the client base and solidify 360 ONE's position as India's premier wealth manager.
- In FY24, its total AUM surged 37% YoY to INR4.7t, with strong growth in both ARR and TBR assets. The ARR AUM jumped 36% YoY to INR2.28t, and Wealth Management's ARR AUM increased 43% YoY to INR 1.55t.
- For FY24, 360 ONE's operating revenue/PAT rose 18%/23% YoY to INR18.5b/INR8.0b. Operating expenses jumped 33% YoY to INR9.6b from INR7.2b in FY23, mainly due to a 36% YoY surge in employee costs to INR7.1b.
- Valuation and view:** The company is looking to diversify its presence in terms of the mass-affluent client segment and geography (lower tier cities + international regions). The resultant investments in team building have kept costs at elevated levels. The benefits of these investments, however, are likely to be back ended in nature. We are building in a minimal contribution from these new (mid-market segment and global platform) diversifications in FY25 and FY26. We have also modeled higher costs due to these new business initiatives. **We reiterate our BUY rating with a one-year TP of INR1,150 (based on 33x Mar'26E EPS).**

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

STORY IN CHARTS

Exhibit 1: ARR AUM growing at a healthy pace

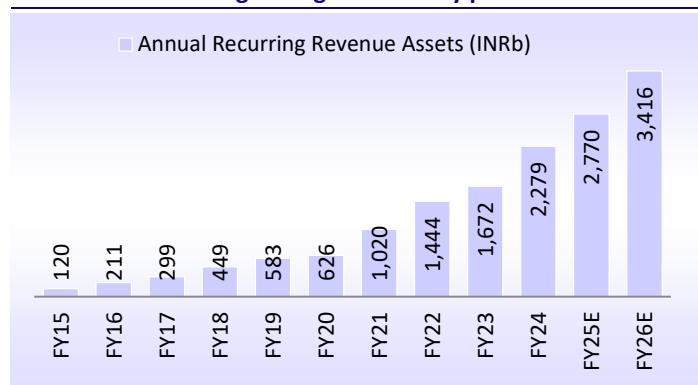


Exhibit 2: 360 ONE PLUS assets too seeing steady trends (INR b)

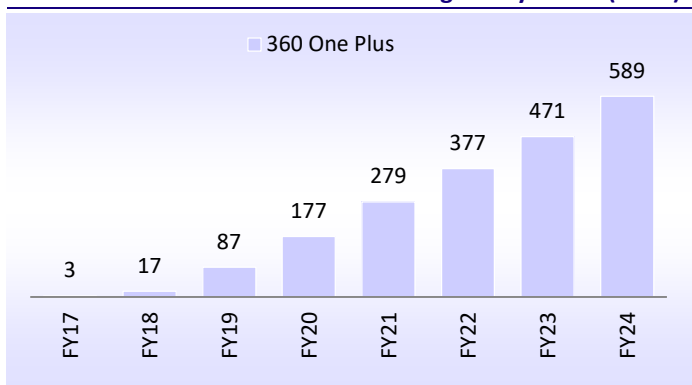


Exhibit 3: Team leaders enjoy high vintage in the system...

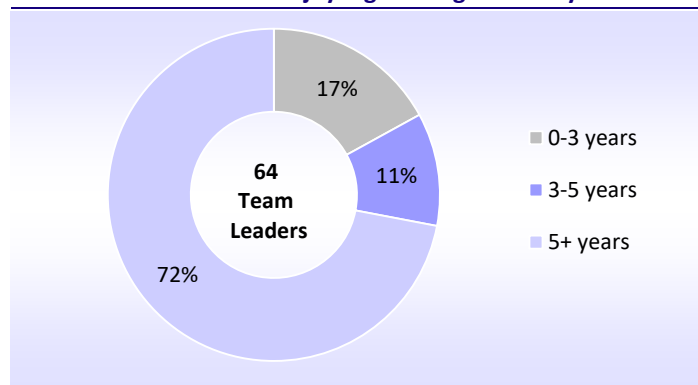


Exhibit 4: ...leading to an improvement in client vintage

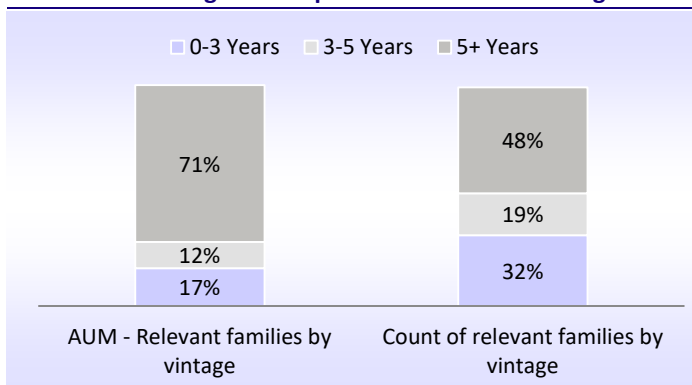


Exhibit 5: Average AUM per family by vintage (INR m)

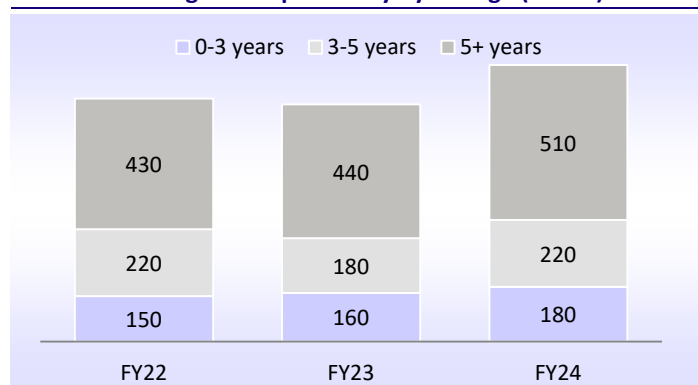


Exhibit 6: Diversified AUM in the Asset Management segment

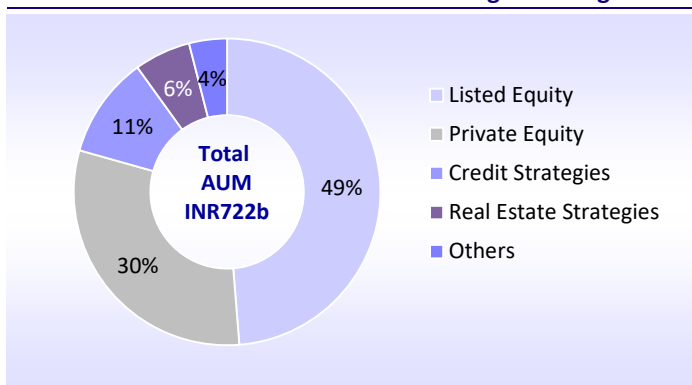
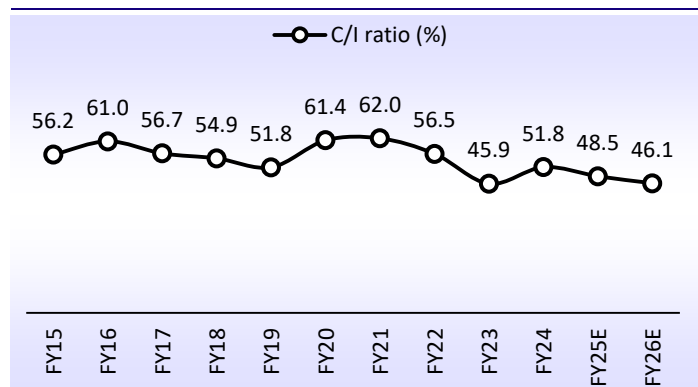
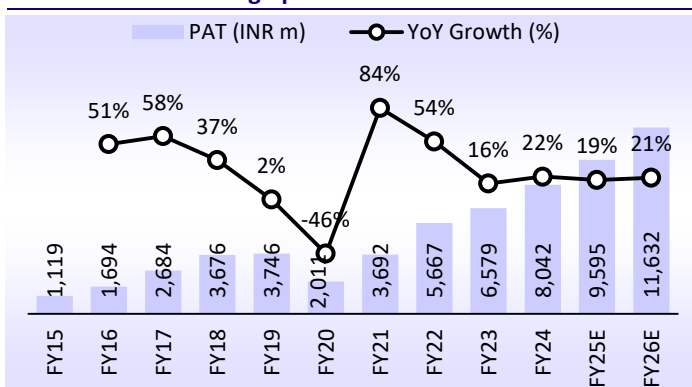


Exhibit 7: 360 ONE's cost-to-income trend



Source: MOFSL, Company

Exhibit 8: PAT trending upward



Source: MOFSL, Company

Wealth transfer the next prominent growth driver

- The industry is witnessing the greatest wealth transfer ever seen as wealth passes from baby boomers to the next generation. This has created a significant impact on the industry as the new generation of clients is shaped by a wholly different set of experiences, and thus, leads to a unique and new set of demands and expectations.
- Further, technology is also impacting the way businesses interact with their customers, enabling a higher degree of customization and value creation.

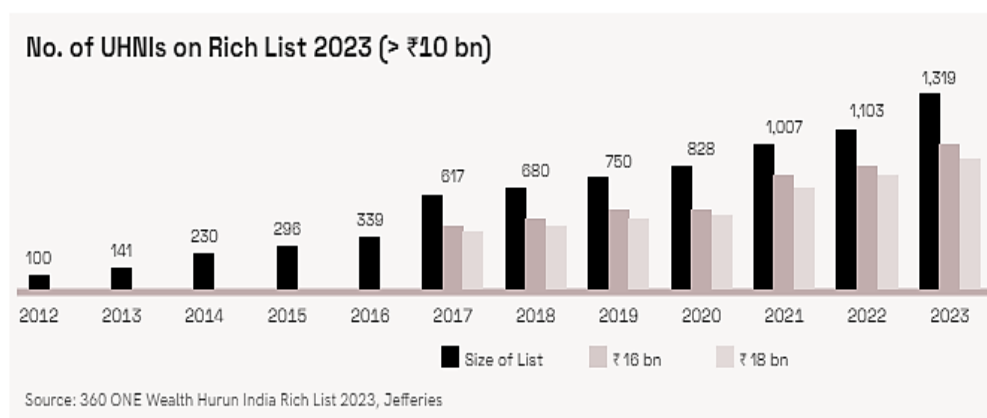
Exhibit 9: Strategies to win the emerging new generation clients



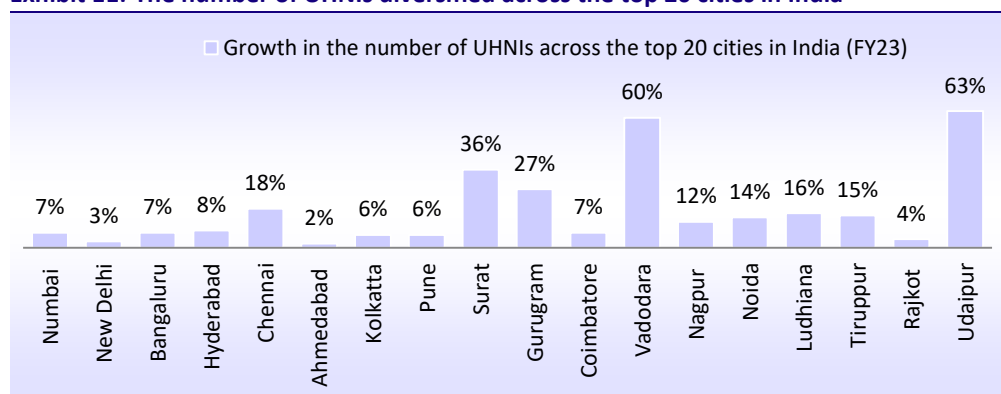
Source: Company, Capgemini, MOFSL

Ultra HNIs (with a wealth of over INR250m) remain its core category

- India is among the fastest-growing Asian countries in terms of its Ultra HNI population. It is set to grow at a rapid pace of ~13-14% CAGR over the next 4-5 years and is poised to witness the highest increase in the ultra-rich population globally.
- The concentration of UHNIs and HNIs has expanded beyond the traditional 10-15 cities to over 60 cities (as per Forbes India Blogs, Wealth Management, Mar'24), reflecting a notable demographic transformation. India is projected to have an 85% rise in millionaires by 2034.
- Currently, 360 ONE estimates its market share at around 4-5% in both the UHNI and HNI segments. The growing affluence and low penetration thus offer huge growth potential for India's wealth management industry.
- Of the overall investments made by HNIs in assets such as AIFs, PMS, and MFs, HNIs outpaced the overall savings pool, contributing ~45% of total AUM in FY24 vs. 34% in FY16.
- The overall client attrition rate stood at 1.4%, one of the lowest in the industry.

Exhibit 10: Rapid growth in UHNI assets (over INR500m)

Source: 360 One Wealth Hurun India Rich List 2023, Jefferies

Exhibit 11: The number of UHNIs diversified across the top 20 cities in India

Source: 360 One Wealth Hurun India Rich List 2023

Expanding in the new INR50-250m HNI segment

- 360 ONE, with expertise in the UHNI segment, is expanding its innovative product range to the flourishing HNI segment. In FY24, 360 ONE successfully onboarded 400+ clients (with more than INR100m ARR AUM).
- The company is increasingly targeting tier II and tier III cities in the UHNI segment due to their significant growth rate.
- With the introduction of new client segments (less than INR250m market) and an expanded domestic and overseas market, the company aims to double its market share in the next few years.
- Despite the challenge of a high cost-to-income ratio in this segment, the management aims to effectively address these pressures through scale and offering the right products.

Launch of 360 ONE Global platform

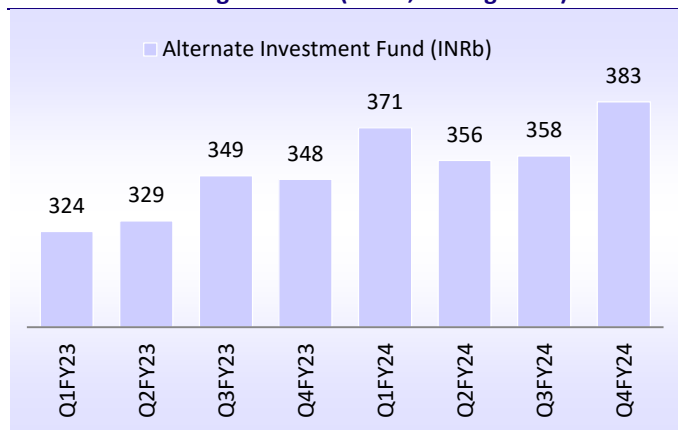
- 360 ONE has recently launched a platform called ‘**360 One Global**’ to meet the demand for managing assets of ‘Global Indians’ by leveraging its wealth and asset management capabilities, and also focusing on strengthening its presence in global institutional markets.
- During FY24, 360 ONE onboarded an experienced team to serve the global Indian population. With ~30m Indians worldwide, the market opportunity is huge and 360 ONE is actively seeking such investment opportunities.
- 360 One Global will cater to the HNI and UHNI categories across borders. Under this platform, it has on boarded three senior officials from the Bank of Singapore. The new team will be stationed in Singapore and Dubai, providing an extension of its services to a wider range of clients worldwide.
- Under this platform, the company will be using an open architecture model to provide access to the finest products, services, and propositions available in offshore wealth and investment markets.

360 ONE PLUS

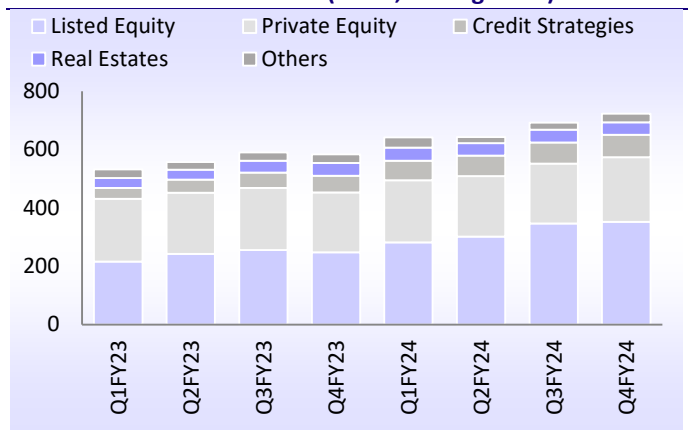
- 360 ONE PLUS offers solutions for the core portfolio of clients under a transparent fee model. The solutions are provided through discretionary, non-discretionary, and advisory propositions. Clients have been given the flexibility to choose the level of engagement, thus actively influencing investment decisions or entrusting the company with the heavy lifting, all within a defined framework.

PMS & AIFS:

- Over the past five years, the alternatives industry, comprising Portfolio Management Services (PMS) and Alternative Investment Funds (AIFs) segments, has experienced a remarkable CAGR of 26%. This growth shows the increasing adoption of alternates among the Indian investors.
- During the year, the company has launched 22 high value funds, with cumulative commitments of INR42b. Numerous additional funds are in the pipeline, as this category continues to attract strong client interest.
- According to the SEBI data from 2H’23, there has been an increase in the registration of new AIFs, particularly those focused on credit/special situations.

Exhibit 12: Growing AIF AUM (INR b, closing AUM)

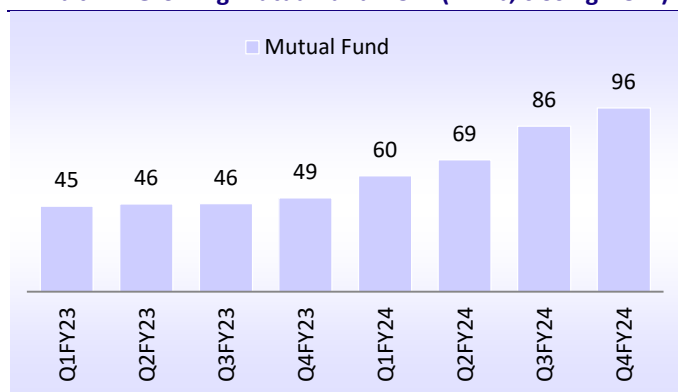
Source: 360 One Wealth Hurun India Rich List 2023, Jefferies

Exhibit 13: Mix of AIF assets (INR b, closing AUM)

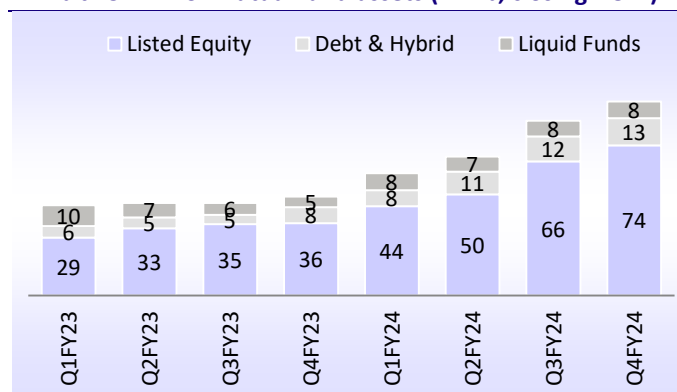
Source: 360 One Wealth Hurun India Rich List 2023

Healthy fund performance drives flows in the mutual fund segment

- The domestic penetration level in the mutual fund industry, as a share of GDP, is only 15% vs. the global average of 70%+, leaving significant room for expansion.
- The AMC continued to focus on scaling up the 360 ONE Focused Equity Fund. It launched the 360 ONE Flexi Cap Fund, an open-ended equity scheme investing across large-cap, mid-cap, and small-cap stocks.
- It also launched the 360 ONE Balanced Hybrid Fund, offering a well-diversified portfolio encompassing both equity and debt securities and providing a balanced risk-return profile.
- The company focused on increasing SIPs in the equity schemes and reducing the minimum investment amount, which is likely to ensure wider retail participation.

Exhibit 14: Growing mutual fund AUM (INR b, closing AUM)

Source: 360 One Wealth Hurun India Rich List 2023, Jefferies

Exhibit 15: Mix of mutual fund assets (INR b, closing AUM)

Source: 360 One Wealth Hurun India Rich List 2023

Four pillars of growth:

360 ONE will be shifting its focus to the following four dimensions to drive growth:

- **Geographically expanding the core for UHNI Wealth clients**, as the number of UHNIs in tier II and tier III cities has risen significantly. Two years ago, the top 10 cities accounted for 88-91% of 360 ONE's business, which has now declined to 80-83%.
- **Extending the core to be the wealth manager of choice for the HNI segment.**

- **Building a robust proposition** for global Indians, for which it has recently launched a platform known as ‘360 One Global’ to extend its product offerings worldwide.
- **Driving growth in the asset management business** through an expansion in institutional relationships and new fund strategies.

Intensified focus on the “Five P’s” of wealth management

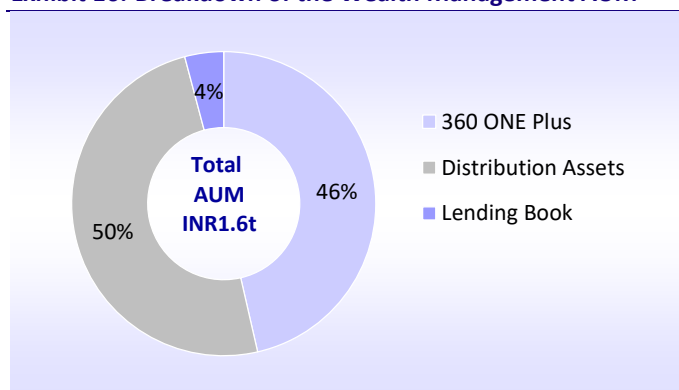
People

- Over 86% of the employees were upskilled during FY23-24, with an average of 15.9 training hours per employee.
- Several types of training were conducted, such as Service & Operations Excellence Journey, The Exceptional Presenter, TAT Teachback, RM Workshop/Wealth Workshop, Managerial Excellence, etc., which were accessible to all employees for personality development.
- Employees’ equity ownership and a strong internal culture have led to perhaps the lowest attrition in the industry for team leaders. The employee retention rate continues to be the highest within the industry, with voluntary attrition at only 5.4% for FY24.

Proposition

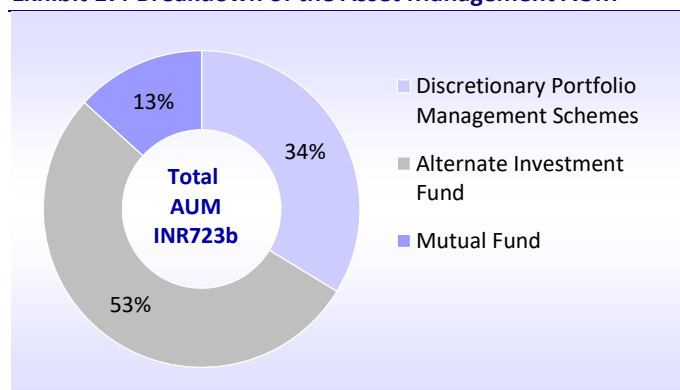
360 ONE’s ability to offer full-scale wealth management services gives it an edge over peers. It has established an open architecture with a mid-manager platform to cater to the needs of the clients. It offers opportunities for diversification across asset classes. This generates steady-state returns, above inflation, with less volatility and risks.

Exhibit 16: Breakdown of the Wealth Management AUM



Source: MOFSL, Company

Exhibit 17: Breakdown of the Asset Management AUM



Source: MOFSL, Company

Platform

- 360 ONE’s comprehensive and innovative suite of products and services is perhaps unmatched in the industry, which makes it premier in the wealth industry. It has one of the largest product and investment teams in place, which comes up with innovation and offers high-quality output.
- The cutting-edge technology in place provides best-in-class client portfolio reporting, in-depth analysis, data aggregation, and on-time output.
- An integrated lending solutions offering along with a strong estate planning practice completes the platform.

- Niche corporate finance services provided by 360 ONE help clients with capital structuring for their businesses.

Process

- The company has installed a stringent standardized control mechanism, which includes personalized review and assessment by the fund management team periodically.
- The portfolio management approach ensures that the client portfolios are managed in line with the defined Investment Policy Statements, which are constantly monitored. Strong business intelligence, state-of-the-art technology, and robust internal processes ensure seamless and efficient execution.

Pricing

The scale gives 360 ONE an edge in pricing products. With the launch of 360-ONE, the company pioneered the fee-based portfolio management model in India. The combined platform, which includes brokerage and allied services, allows for all-in-fee models that ensure efforts that are completely in alignment with the clients' objectives.

Financial analysis:

AUM and net flows:

- The company's total AUM surged 37% YoY to INR4.67t, with strong growth in both ARR and TBR assets. ARR AUM jumped 36% YoY to INR2.28t, and the yields stood at 64bp in 4QFY24. The TBR AUM scaled 38% YoY to INR2.39t, and the yields fueled to 37bp from 18bp in 3QFY24.
- Wealth Management's ARR AUM climbed to INR1.55t (+43% YoY), aided by robust growth across segments. Asset Management's ARR AUM increased to INR722b (+24% YoY), fueled by growth in AIF (+10% YoY) and Discretionary PMS (+31% YoY) segments, while MF's AUM nearly doubled to INR95.8b.
- 360 ONE PLUS jumped 71% YoY, while distribution and lending businesses grew 26%/ 20% YoY.

Operating costs:

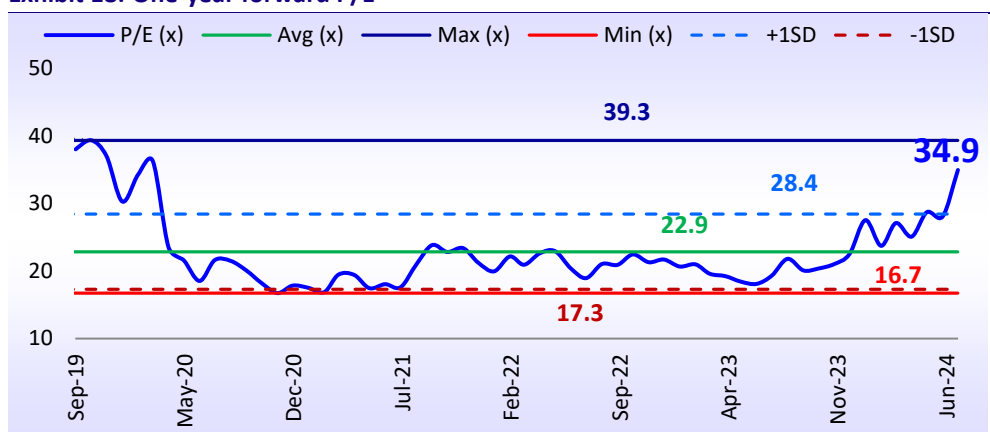
- Operating expenses grew 33% YoY to INR9.6b in FY24 from INR7.2b in FY23, mainly due to the 36% YoY jump in employee costs to INR7.1b. Employee costs include incremental new business bonus costs (some costs are proportionate to transactional revenue).
- Admin costs accelerated on account of legal, technology, and marketing expenses (likely in the range of ~INR700m per quarter, excluding extra spending in marketing). Consequently, the C/I ratio increased to 48.7% in FY24 from 45.8% in FY23. Excluding the incremental effect of new (global platform and mid-market) businesses, the current C/I ratio stood at 44.4%. Management expects the C/I ratio to contract in the coming years.
- Incremental costs of ~INR700m for new businesses are anticipated to be incurred every year (excluding a one-time team cost of INR200m). Adjusting for inflation, the gross cost should increase 6-7% annually.

Revenue and PAT:

- For FY24, 360 ONE's operating revenue/PAT grew 18%/23% YoY to INR18.5b/INR8.0b. The revenue growth was led by the increase in recurring revenue assets and traction in income assets to INR13.3b and INR5.2b (13.6% and 30.7% YoY), respectively.
- Total revenue grew 25% YoY to INR19.7b driven by strong growth in ARR AUM and higher transactional/brokerage income. Other income jumped to INR1.2b from INR40m in FY23.
- Management expects the new (global platform and the mid-market) businesses to contribute ~25-30% of net (wealth) inflows.
- The RoE improved to 24.5% from 21.6% in FY23 and dividend payout increased to 75% from 67% in FY23.

Valuation and view

- The company is looking to diversify its presence in terms of the mass-affluent client segment and geography (lower tier cities + international regions).
- The resultant investments in team building have kept costs at elevated levels. The benefits of these investments, however, are likely to be back ended in nature.
- We are building in a minimal contribution from these new (mid-market segment and global platform) diversifications in FY25 and FY26.
- We have also modeled higher costs due to these new business initiatives.
- **Reiterate BUY with a one-year TP of INR1,150 (premised on 33x Mar'26E EPS).**

Exhibit 18: One-year forward P/E

Source: Company, Capgemini, MOFSL

Financials and valuation

Income Statement							(INR m)	
Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E
Annual Recurring Revenues Assets	4,437	5,345	5,828	9,120	11,709	13,306	16,744	19,737
Transactional/Broking Revenues Assets	5,794	3,855	3,325	4,752	3,941	5,150	5,220	5,421
Net Revenues	10,231	9,200	9,154	13,871	15,650	18,455	21,965	25,158
Change (%)	-0.5	-10.1	-0.5	51.5	12.8	17.9	19.0	14.5
Operating Expenses	5,297	5,645	5,679	7,841	7,184	9,565	10,663	11,596
Core Profit Before Tax	4,934	3,555	3,474	6,030	8,466	8,891	11,302	13,562
Change (%)	6.4	-28.0	-2.3	73.6	40.4	5.0	27.1	20.0
Other Income	445	-691	1,375	1,372	37	1,195	1,000	1,350
Profit Before Tax	5,380	2,864	4,849	7,402	8,503	10,085	12,302	14,912
Change (%)	12.7	-46.8	69.3	52.7	14.9	18.6	22.0	21.2
Tax	1,634	853	1,157	1,736	1,924	2,043	2,706	3,281
Tax Rate (%)	30.4	29.8	23.9	23.4	22.6	20.3	22.0	22.0
PAT	3,746	2,011	3,692	5,667	6,579	8,042	9,595	11,632
Change (%)	1.9	-46.3	83.5	53.5	16.1	22.2	19.3	21.2
Proposed Dividend	848	2,018	6,150	4,858	4,418	6,023	7,676	9,305

Balance Sheet							(INR m)	
Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E
Equity Share Capital	169	174	176	177	356	359	359	359
Reserves & Surplus	28,935	29,741	28,102	29,798	30,685	34,138	36,057	38,384
Net Worth	29,104	29,915	28,278	29,976	31,041	34,497	36,416	38,743
Borrowings	61,145	88,381	47,116	58,075	67,473	94,111	1,03,883	1,12,749
Other Liabilities	7,553	11,967	12,006	19,345	13,406	22,581	24,839	27,323
Total Liabilities	97,802	1,30,263	87,400	1,07,396	1,11,921	1,51,189	1,65,138	1,78,815
Cash and Investments	33,300	76,911	33,010	49,566	43,347	65,859	71,049	76,366
Change (%)	79.4	131.0	-57.1	50.2	-12.5	51.9	7.9	7.5
Loans	49,665	36,319	37,206	40,549	49,101	63,687	70,300	76,300
Net Fixed Assets	5,100	5,754	8,153	8,163	8,798	9,397	10,337	11,371
Net Current Assets	9,737	11,278	9,030	9,117	10,675	12,246	13,452	14,778
Total Assets	97,802	1,30,263	87,400	1,07,396	1,11,921	1,51,189	1,65,138	1,78,815

E: MOFSL Estimates

Cash Flow (INR m)	2019	2020	2021	2022	2023	2024	2025E	2026E
PAT	3,746	2,011	3,692	5,667	6,579	8,042	9,595	11,632
Dep	215	410	430	417	463	486	511	536
Changes in working capital	-3,720	-1,541	2,248	-87	-1,558	-1,571	-1,206	-1,326
Op Cash flow	241	881	6,369	5,997	5,484	6,957	8,900	10,841
Capex	-4,792	-1,064	-2,828	-427	-1,098	-1,086	-1,450	-1,570
Loans	20,897	13,346	-887	-3,344	-8,551	-14,586	-6,613	-6,000
Changes in equity	7,577	817	821	889	-1,095	1,436	-	-
Debt	-8,339	31,650	-41,226	18,298	3,459	35,812	12,031	11,350
Dividend	-848	-2,018	-6,150	-4,858	-4,418	-6,023	-7,676	-9,305
Cash generation	14,736	43,612	-43,901	16,556	-6,219	22,512	5,190	5,316
Op Cash	18,564	33,300	76,911	33,010	49,566	43,347	65,859	71,049
CI Cash	33,300	76,911	33,010	49,566	43,347	65,859	71,049	76,366
FCFF	-4,551	-183	3,541	5,570	4,386	5,872	7,449	9,272

Financials and valuation

Ratios

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E
As a percentage of Net Revenues								
ARR Income	43.4	58.1	63.7	65.7	74.8	72.1	76.2	78.5
TRB Income	56.6	41.9	36.3	34.3	25.2	27.9	23.8	21.5
Total Cost (Cost to Income Ratio)	51.8	61.4	62.0	56.5	45.9	51.8	48.5	46.1
Employee Cost	32.4	40.5	44.7	43.4	33.2	38.4	36.2	34.4
PBT	48.2	38.6	38.0	43.5	54.1	48.2	51.5	53.9
Profitability Ratios (%)								
RoE	15.7	6.8	12.7	19.5	21.6	24.5	27.1	31.0
Dividend Payout Ratio	22.6	100.3	166.6	85.7	67.2	74.9	80.0	80.0

Dupont Analysis (Bps of AAAUM)

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E
Operating Income	71.4	58.9	45.4	48.4	46.9	45.7	43.8	44.3
Operating Expenses	37.0	36.1	28.2	27.4	21.5	23.7	21.3	20.4
Core Profit Before Tax	34.5	22.8	17.2	21.0	25.3	22.0	22.6	23.9
Other Income	3.1	-4.4	6.8	4.8	0.1	3.0	2.0	2.4
Profit Before Tax	37.6	18.3	24.1	25.8	25.5	25.0	24.6	26.3
Tax	11.4	5.5	5.7	6.1	5.8	5.1	5.4	5.8
ROAAAUM	26.2	12.9	18.3	19.8	19.7	19.9	19.2	20.5

Valuations	2019	2020	2021	2022	2023	2024	2025E	2026E
BVPS (INR)	86	86	80	84	87	96	101	108
Change (%)	47.5	-0.4	-6.3	5.0	3.2	10.3	5.6	6.4
Price-BV (x)	11.2	11.3	12.0	11.5	11.1	10.1	9.5	9.0
EPS (INR)	11	6	11	16	18	22	27	32
Change (%)	-3.8	-47.9	82.0	52.1	15.7	21.3	19.3	21.2
Price-Earnings (x)	87.3	167.8	92.2	60.6	52.4	43.2	36.2	29.9
DPS (INR)	3	5	17	14	12	17	21	26
Dividend Yield (%)	0.3	0.5	1.8	1.4	1.3	1.7	2.2	2.7

E: MOFSL Estimates

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NOTES

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BUY	>=15%
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NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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