



Optimistic in the long term...

Reported PAT came in at INR 247 cr, up by 33.5% yoy and 2% qoq. New flows during the quarter were at INR 9786 cr vs. INR 5549 cr in Q1FY25. Total ARR AUMs reported growth of 26% yoy / 10% qoq to INR 2.42 trillion while overall AUM grew by 38% yoy to INR 5.69 trillion. Overall retention yields in ARR AUMs was down to 68 bps in Q2 vs. 72 bps in Q1. While in retention yields in the NDPMS was down to 27 bps from 30 bps qoq. During the call, management is highlighted that dividend payout ratio which is at 80% currently is likely to come down to 50-60% henceforth. Also, in Q3 quarter, it is likely to raise capital amounting to INR 2200 cr and the proceeds of the same will get utilized for NBFC lending and AIF investments. While the dilution works out to be ~6%. Retain ACCUMULATE with revised TP of INR of 1184, upside of 14% from the current levels.

FY25 Outlook

- Net new flows are likely to be INR ~30,000 cr for FY25e vs. INR 26,915 cr flows received in FY24
- C/I ratio is expected to be at 46-47% in FY25
- ARR AUMs retention yields is likely to be ~70 bps in near term & ~67-68 bps in longer term horizon i.e 3-5 years time period.
- The company now has taken a conservative stance change its dividend policy from 75-80% earnings payout earlier to now 30-50% payout ratio.
- Mr Anirudha Taparia, co-chief executive officer at 360 ONE WAM who has been associated with the firm for more than 12 years has announced his exit from the firm in current quarter.

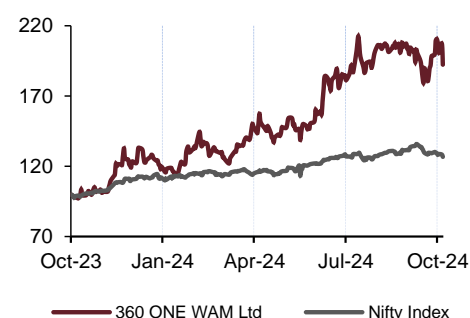
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	1,184	14

Market data

Current price	Rs	1,035
Market Cap (Rs.Bn)	(Rs Bn)	375
Market Cap (US\$ Mn)	(US\$ Mn)	4,457
Face Value	Rs	1
52 Weeks High/Low	Rs	1215.8 / 501.95
Average Daily Volume	('000)	1,296
BSE Code		542772
Bloomberg		360ONE.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	15.71	15.79
Public	84.29	84.21
Total	100.00	100.00

Source: BSE

Consol (Rs Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	1,398	1,565	1,843	2,320	2,936	3,458
Operating Profit	614	847	887	1,181	1,563	1,845
Net Profit	578	658	757	990	1,292	1,518
Growth (%)	56.5	13.9	15.0	30.8	30.6	17.5
Cost/ Income Ratio	51.1	45.8	49.3	47.0	45.0	45.0
EPS (Rs)	16.4	18.5	21.1	26.1	34.0	40.0
P/E (x)	41.3	55.7	48.9	39.5	30.3	25.8
RoE (%)	19.3	21.1	21.9	25.7	28.8	28.9
RoCE (%)	7.2	8.7	7.0	7.9	9.0	9.1

Source: Dalal & Broacha Research, Company

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Valuations

Currently, it is trading at P/E of 39x/30x/26x FY25e/FY26e/FY27e EPS with ROE of 25.7%/28.8%/28.9% for the same period respectively. We have positive outlook on the long term growth prospects of the wealth management industry and believe the industry has structural tailwinds. 360 ONE is the largest non-bank wealth management player in the country & with 15+ years of presence - the company has carved its own moat within the industry. Retain ACCUMULATE rating with revised TP of INR 1,184 (discounting Sep-26E EPS by 32x) giving us an upside of 14% from the current levels.

Financial Highlights Q2FY25

- 360 One WAM posted Q2FY25 mixed set of Q2 numbers - PAT came in at INR 247 cr, up by 33.4% yoy & 1.6% qoq.
- Total revenues grew by 37.7% yoy to INR 589 cr - this includes ARR revenue of INR 397 cr (up by 27.8% yoy), transactional/brokerage revenue INR 191 cr (vs. 225 cr in Q1FY25) and other income of INR 30 cr.
- Total AUMs of the company was up by 38% yoy / 9% qoq to INR 5.69 trillion. While ARR AUMs grew by 26% yoy / 10% qoq to INR 2.42 trillion. On the other hand, transaction AUMs show sharp growth of 49% yoy / 9% qoq to INR 3.26 trillion as some portion of ARR AUMs was shifted to transaction AUMs. Currently, ARR AUMs contribute 42% in the overall AUMs of the company
- Total ARR net flows were to the tune of INR 9786 cr vs. INR 5550 cr seen in Q1FY25. Wealth assets received flows to the tune of INR 8391 cr vs. INR 4678 cr in Q1. And AMC ARRs flows were to the tune of INR 1395 cr in Q2 vs. INR 871 cr in Q1FY25.
- Within wealth AUMs, 70% of the incremental flows move to distribution asset trailing fees (which includes MFs and managed accounts). While 360 One Plus saw flows of INR 2187 cr vs. INR 3091 cr in Q1.
- In the asset management business, the company has received lumpy institutional mandate ~INR 2000 cr. While flows in the AIF since last 5 quarters has been on weaker side - total net flows were negative amounting to INR ~5500 cr (implying maturity of funds). Q2 was AIF net outflows of INR 1457 cr.
- In Q2 FY25, it raised ~INR 5,000 cr in commitments through our private equity funds and private credit funds. Also, we raised ~\$350mn from a marquee global investor under the Institutional Mandates segment

- Retention yields on ARR assets has dropped by 4 bps qoq to 0.68% vs. 0.72% in Q1FY25 which was due to maturity of high-yielding AIF funds and lower margins on lending business. Additionally, NDPMS retention yields also came off marginally on qoq basis from 0.3% in Q1FY25 to 0.27% in Q2FY25 which management is hopeful to revive it back to previous levels
- In Q2 FY25, 360 ONE Wealth successfully onboarded 160+ clients (with more than INR 10 cr ARR AUM). During this period, clients having ARR AUM above INR 50 cr, increased by 70+. Overall, the segment manages assets for 7,500+ relevant clients
- Net flows estimates – We expect net flows to the tune of INR ~320 cr in FY25, INR 367 bn in FY26e and INR 422 in FY27e. While ARR AUMs to grow by 28% in FY25e and 21% in FY26e period – nearly 60-70% of the growth in the AUMs is driven by net new flows and balance is MTM gains. Share of ARR AUMs which currently at 43% in FY25e will increase to 46.7% in FY26e.

Concall Highlights – Q2FY25

Strategic Initiatives for FY25 onwards: HNI Platform targeting mid-market segment & Global Business

- In FY25, 360 ONE ventured into the HNI/Mid-market segment – which went live in Aug'24. A team size of 75-80 people has been hired for the same which may be ramped up to 100 by FY25 end
- HNI / Global will start seeing meaningful flows beginning next fiscal April 2025

New Flows

- Management expects run-rate of net flows to the tune of ~12-15% of the opening AUM for the year – this trend to continue for next 2-3 years time. Also, 55-65% of net new flows to come from new clients and balance from existing clients
- Management has observed that nearly 60% of the net new flows are derived from monetization events like sale of stake by promoters, monetization of ESOPs and balance flows are led by transfer of money due to change in wealth manager preference by clients.

Wealth Management

- In Q2FY25, ~8391 Cr of new flows were garnered in wealth management side and INR 13000 for H1FY25. Total wealth management AUM now stands at INR 156,849 cr – 42.6% share in the overall AUM
- Flagship 360 One Plus Assets has received total new flows of INR ~2187 Crs in Q2FY25 & a total of ~5278 Cr in H1FY25 indicating growing acceptability of the advisory-based model.

Asset management:

- The AMC division saw strong gross inflows INR >7000 cr and net flows of INR 1395 cr in Q2FY25.
- INR ~5000 Cr worth commitments were received on the AIF side, however drawdowns were only to the extent of 40% i.e. INR ~2197 crs. The same was offset by ~3600 Cr outflows due to closure and maturity of AIFs launched in 2016-17.
- The institutional mandates were boosted by \$350 Mn inflow this quarter – this is company's 6th ever institutional mandate received.
- The mutual funds have grown well with INR ~414 cr worth new flows. Focused equity scheme now INR >8,500 cr, Flexi Cap Scheme INR >1000 cr & Quant fund now has crossed INR ~500 cr.

- AMC Revenue growth to improve in coming 1-2 years on account of operating leverage – the same team is sufficient to handle 2.5 times the current AUM.
- Also flows coming from new HNI platform to further boost AUM's on the AMC side as well.

Transactional brokerage revenue (TBR) & Lending Income

- TBR Income generated in H1FY25 of ~INR 416 cr from multiple asset classes, namely INR 100 cr from listed equity, INR 50-60 cr credit, INR 100 cr from fixed income brokerage, INR 40-50 cr from investment banking, syndication and M&A activities, INR 65-70 cr as upfront income from product distribution & balance 80 cr from NSE related dealings.
- Company has guided for generating atleast ~INR 125 Cr of TBR income per quarter for the next 2 quarters & anticipates TBR revenue to remain robust in the current bull markets.
- **Lending Income:** During the quarter, margins improved slightly from 4.86% in Q1 to 4.92% in Q2FY25. Management expects higher cost to be passed onto the customers hence, quarterly margins run-rate to rebound to ~5% to 5.5% levels gradually in coming 6-8 quarters.

Retentions

- Company remains confident about retentions in the near term sticking around 70 bps. In the current quarter margins dropped by 4 bps to 68 bps on account of the following:-
 - INR ~2800 cr flows were received in the distribution assets earning trail fees (mainly consists of MFs & managed accounts) through transfer of broker code & shall start yielding revenue with a lag of 3-6 months, hence yields here will help recovery in overall retentions by ~1-1.5 bps in next 1-2 quarters
 - Lower net interest margin has impacted yields by 1.5 bps
 - Lower carry income in AMC has also affected retentions this quarter.
- In the longer run i.e. next 3-5 years time - sustainable retentions on overall AUM including wealth & asset management verticals to be around 67-68 bps.

Cost to Income Ratio :

- C/I Ratio for Q2FY25 – 49.2%, cost have been on the higher side mainly due to the rise in employee variable costs – which were higher due to sales incentivization for

distribution of certain products as well as bonus provisioning for some significant senior level hirings.

- In FY25, C/I ratio expected to settle around 46-47% & to improve by another 100-150 bps towards ~45-46% by FY26 on account of operating leverage since there is no major hiring planned at senior level.
- In the longer term taking a 5-year view management expects Cost /Income ratios to settle around 43-45%.

Other Takeaways:

- **Dividend payout ratio which in the recent past has been at 75% - 80% will reduce to around 30-50% henceforth**

Valuations

Currently, it is trading at P/E of 39x/30x/26x FY25e/FY26e /FY27e EPS with ROE of 25.7%/28.8%/28.9% for the same period respectively. We have positive outlook on the long term growth prospects of the wealth management industry and believe the industry has structural tailwinds. 360 ONE is the largest non-bank wealth management player in the country & with 15+ years of presence - the company has carved its own moat within the industry. Retain ACCUMULATE rating with revised TP of INR 1184 (discounting Sep-26e EPS by 32x) giving us an upside of 14% from the current levels.

Quarterly Comparison

Particulars (Rs in Cr)	Q2FY25	Q2FY24	Y-o-Y %	Q1FY25	Q-o-Q %
ARR AUM (Closing)					
On Account of Net inflows	9,786	5,937	65%	5,549	76%
On Account of MTM's	11,546	24,074	-52%	15,319	-25%
Total AUMs	569,372	412,549	38%	521,208	9%
ARR AUMs	242,619	193,126	26%	221,287	10%
Transactional AUMs	326,753	219,423	49%	299,921	9%
New Flows	9786	5743	70%	5549	76%
Revenue					
ARR Revenue	397	311	28%	376	6%
TBR Revenue	191	117	63%	225	-15%
Other Income	30	14	114%	97	-69%
Total Revenue from Operations	618	442	40%	698	-11%
Total Expenses	299	213	40%	265	13%
Cost-to-Income Ratio	48.2%	48.2%	1.0	48.2%	0.00
Operating Profit Before Tax (OPBT)	289	213	35.68%	336	-14%
Exceptional Item	88	0		0	
PBT after exceptional	319	227	40.5%	315	1%
Tax %	23%	13%		25%	
PAT incl OCI	247	185	33.5%	243	2%

Source: Dalal & Broacha Research, Company

Financials

P&L (Rs Cr)	FY23	FY24	FY25E	FY26E	FY27E
ARR Revenue	1,171	1,328	1,644	2,136	2,618
TBR Revenue	394	515	676	800	840
Total Revenue	1,565	1,843	2,320	2,936	3,458
Employee Costs	520	709	837	1,007	1,183
Admin & Other costs	198	247	303	366	430
Total Operating Expenses	718	956	1,140	1,373	1,613
Operating Profit	847	887	1,181	1,563	1,845
Other income	4	95	105	115	126
PBT	850	982	1,285	1,678	1,972
Provision for tax	192	226	296	386	453
PAT (From continuing operations)	658	757	990	1,292	1,518

Balance Sheet (Rs Cr)	FY23	FY24	FY25E	FY26E	FY27e
Equity capital	36	36	38	38	38
Reserves & Surplus	3,086	3,414	3,810	4,456	5,215
Net worth	3,122	3,450	3,848	4,494	5,253
Minority Interest	-	4	-	-	-
Borrowings	6,625	9,290	11,156	12,896	14,983
Other Liabilities	1,445	2,379	2,513	2,683	2,868
TOTAL LIABILITIES	11,192	15,123	17,517	20,072	23,105
Cash & Cash Equivalents	509	443	1,119	1,053	974
Investments	3,609	5,948	6,542	7,524	8,652
Current Assets	5,737	7,307	8,333	9,863	11,725
Fixed Assets	919	1,004	1,104	1,215	1,336
Goodwill	418	418	418	418	418
TOTAL ASSETS	11,192	15,119	17,517	20,072	23,105

Ratios	FY23	FY24	FY25E	FY26E	FY27E
AUM Details					
ARR AUMs (INR Cr)	167,174	200,419	256,507	309,532	372,859
TBR AUMs (INR Cr)	173,660	266,490	336,753	353,591	371,270
Total AUMs (INR Cr)	340,834	466,909	593,260	663,123	744,129
ARR AUM growth (%)	15.7	19.9	28.0	20.7	20.5
Total AUMs growth (%)	4.2	37.0	27.1	11.8	12.2
ARR AUM / Total AUM (% shar	49.0	42.9	43.2	46.7	50.1
TBR AUM / Total AUM (% shar	51.0	57.1	56.8	53.3	49.9
Retention yields (%)					
Wealth ARR (including lending)	0.72	0.71	0.73	0.76	0.77
Wealth ARR (ex-lending)	0.54	0.51	0.51	0.54	0.55
AMC AUM	0.80	0.74	0.70	0.75	0.76
Total ARR Assets	0.75	0.72	0.72	0.75	0.77
Total ARR Assets (ex-lending)	0.61	0.58	0.58	0.61	0.63
Total AUMs	0.47	0.46	0.45	0.48	0.50
Total AUMs (Ex-lending)	0.40	0.39	0.39	0.41	0.43
Growth Ratios (%)					
Net Sales	11.9	17.8	25.9	26.5	17.8
Operating Profit	37.9	4.8	33.0	32.4	18.0
PBT	13.2	15.5	30.8	30.6	17.5
PAT	13.9	15.0	30.8	30.6	17.5
Per Share Data (Rs)					
EPS (prior to split & bonus)	73.9	84.3	104.2	136.1	159.9
Restated EPS (post bonus & s	18.5	21.1	26.1	34.0	40.0
Payout ratio (%)	23.4	94.9	60.0	50.0	50.0
Dividend Per Share	17.3	20.0	15.6	17.0	20.0
BV	88	96	101	118	138
Other Ratios (%)					
Cost/Income	45.8	49.3	47.0	45.0	45.0
Valuation Ratios (x)					
P/E(x)	55.7	48.9	39.5	30.3	25.8
P/B(x)	11.7	10.7	10.2	8.7	7.4
EV/EBIDTA(x)	50.5	51.6	41.6	32.6	28.8
Div. Yield(%)	1.7	1.9	1.5	1.7	1.9
Return Ratios (%)					
ROE	21.1	21.9	25.7	28.8	28.9
ROCE	8.7	7.0	7.9	9.0	9.1
Others Ratios					
Equity	35.6	35.9	38.0	38.0	38.0
Face Value	1	1	1	1	1

Source: Dalal & Broacha Research, Company

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