February 29, 2024

360 ONE WAM Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term principal protected market linked debenture programme	300.00	300.00	PP-MLD[ICRA]AA (Stable); reaffirmed
NCD programme	100.00	100.00	[ICRA]AA (Stable); reaffirmed
Commercial paper programme	1,500.00	1,500.00	[ICRA]A1+; reaffirmed
Commercial paper programme (IPO financing)	1,000.00	1,000.00	[ICRA]A1+; reaffirmed
Total	**2,900.00**	**2,900.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings for 360 ONE WAM Limited (360 ONE WAM) are based on the consolidated view of the entity and its subsidiaries (referred to as 360 ONE/the Group), given the common senior management team and the strong financial and operational synergies among the Group companies.

The ratings factor in 360 ONE's leading market position in the wealth management business, supported by its experienced and stable senior management team. The ratings also consider the Group's comfortable capitalisation and strong profitability. However, the ratings are partly offset by the concentrated funding profile and the exposure of net flows, and hence the earnings, to fluctuations in the capital markets.

360 ONE's assets under management (AUM) and distribution stood at Rs. 4.54 lakh crore as on December 31, 2023. The franchisee, built over the years, has helped ensure low client attrition (loss of AUM of 1.7% in FY2023 due to annual client attrition). To reduce the volatility in income on account of transaction/brokerage assets, the management has been focusing on increasing the share of assets with a recurring nature of income (49% of AUM as on December 31, 2023 and 48% as on December 31, 2022). This, along with the increasing AUM, has also driven the company's healthy profitability. The return on equity (RoE) and return on assets (RoA) were strong at 23.2% and 5.9%, respectively, in 9M FY2024 (21.4% and 6.0%, respectively, in FY2023), leading to a comfortable capitalisation profile despite the high dividend payout rate.

Apart from working capital borrowings related to investments in transit and margins at the stock exchanges, the Group's borrowing requirements are driven by the lending operations for its wealth clients (undertaken by 360 ONE Prime). 360 ONE Prime had a loan book (including interest accrued) of Rs. 5,564 crore as on December 31, 2023 and is backed by the clients' AUM. The top 20 exposures formed 42% of the total loans and 68% of the consolidated net worth as on September 30, 2023. The ratings factor in the Group's funding concentration through principal protected market linked debentures (PP-MLDs) to its captive client base, which is likely to remain limited incrementally. The Group has been raising non-convertible debentures (NCDs)/zero coupon bonds (ZCBs)/bank lines with the changes in taxation of MLD instruments in the Union Budget 2023.

The outlook is Stable as the Group is expected to maintain its strong position in wealth management with the gearing (borrowings/tangible net worth) likely to remain under 3.5 times.

Key rating drivers and their description

Credit strengths

Strong market position in wealth management – The Group offers advisory, asset management, broking and distribution services to high-net-worth individuals (HNIs) and ultra HNIs. Its leading market position is reflected in the AUM and distribution of Rs. 4.54 lakh crore as on December 31, 2023 (YoY growth of 32% from Rs. 3.45 lakh crore as on December 31, 2022). It is

one of the largest managers of alternative investment funds (AIFs) with an AUM of Rs. 35,845 crore as on December 31, 2023 (Rs. 34,927 crore as on December 31, 2022). The Group has witnessed a transition with the increasing share of annual recurring assets and has a presence in wealth management across 5 countries with 23 offices, 64 team leaders and 140+ relationship managers as on March 31, 2023.

360 ONE Prime is a non-banking financial company (NBFC), which mainly provides loan against securities (LAS) to the clients of the wealth management business. The Group's senior management team has significant experience and expertise in the wealth management business, which has helped it grow into a leading player in this industry. Apart from the senior management, the relationship managers have average experience of over five years in the Group and overall experience of more than 13 years.

Comfortable capitalisation; demonstrated ability to raise equity – The Group's consolidated tangible net worth stood at Rs. 2,703 crore as on December 31, 2023 with a gearing of 3.4 times[1] on the tangible net worth. On a standalone basis, 360 ONE Prime reported a Tier I capital to risk (weighted) assets ratio of 23.7% as on September 30, 2023 (19.52% as on March 31, 2023). The company has demonstrated the ability to raise equity capital from various investors (Rs. 904 crore in FY2016 from General Atlantic and Rs. 745.71 crore in Q1 FY2019 from Amansa, General Atlantic, HDFC Standard Life Insurance, Rimco, Steadview and Ward Ferry), which supported the Group's acquisitions.

The Group's consolidated profitability remains strong with a profit after tax (PAT) of Rs. 562 crore in 9M FY2024 and an annualised RoE of 23.2% (21.4% in FY2023). The cost-to-income ratio increased to 65.8% in 9M FY2024 (51.8% in FY2023) due to the strengthening of the sales team for future business growth and higher one-time marketing and promotion expenses. ICRA expects the company's profitability to remain strong, supported by the growth in the AUM.

Given the large AIF investments managed by the Group, it has sizeable AIF investments in its own balance sheet made towards sponsor's own contribution as well as in-transit investments held for down-selling to clients. These AIF investments increased to 62% of the tangible net worth as on December 31, 2023 from 46% as on March 31, 2023 and the same is expected to reduce in the medium term with the redemption of some of the earlier schemes. With the expected rundown of these AIF investments, the low capital-intensive business and moderate growth plans for 360 ONE Prime's loan book, the Group's capitalisation remains comfortable at present. This is despite the high dividend payout ratio of ~75-80% during the last few years, which can be calibrated, if required, to support growth and keep the leverage within the desired levels.

Comfortable asset quality – 360 ONE Prime provides LAS (including AIFs) to its clients in the wealth management business and the same is sourced by the wealth relationship managers. The loan book accounted for 1.2% of the wealth management AUM as on December 31, 2023.

360 ONE Prime reported nil gross non-performing advances (GNPAs) on December 31, 2023. While the asset quality remains comfortable, the loan book, which is backed by financial assets, is susceptible to a decline in prices that may lead to an increase in the loan-to-value (LTV) ratios. Although the collateral held by the company against most of its loans is liquid, a part of the same may not be liquid in a few instances, which could impact the asset quality. ICRA derives comfort from the fact that the loan portfolio largely comprises the clients of the wealth management business and the company does not have any aggressive plans to grow its loan portfolio.

Credit challenges

Franchisee risks – The Group relies on its brand and the franchisee developed over a period for the retention and acquisition of clients. Any reputational damage could affect the overall business. The company's ability to retain its relationship managers will also be critical for maintaining low client attrition rates.

Loan book and funding profile remain concentrated – The Group's funding requirement is largely driven by the growth in the loan book, working capital for broking business, in-transit investments, and the Group's contribution to the AIFs. The funding profile remains concentrated to its captive client base, with the Group's borrowings largely comprising PP-MLDs (37% of the

[1] *Consolidated gearing (excluding Collateralized borrowing and lending obligation (CBLO) borrowings) on tangible net worth of 2.8 times*

overall borrowings as on December 31, 2023; 45% as on March 31, 2023). With the changes in the taxation on PP-MLD instruments announced in the Union Budget 2023, incremental PP-MLD borrowings have been limited and the Group has been raising funds through NCDs/ZCBs/bank lines. The share of commercial papers (CPs) remains high at ~25% of the consolidated borrowings as on December 31, 2023. CP borrowings partly fund the loan book, the investment in AIFs and the investment book for down-selling to clients. ICRA expects the share of CPs to reduce, going forward, as the company looks at longer-term borrowings to fund the investments in AIFs and the overall decline in the AIFs held on the books.

360 ONE Prime's lending operations remain modest with a loan book of Rs. 5,564 crore as on December 31, 2023. Further, the portfolio is largely concentrated on a single product, i.e. LAS to HNI clients. The portfolio is concentrated with the top 20 exposures[2] forming 42% of the total loans and 68% of the consolidated net worth as on September 30, 2023.

Earnings remain exposed to capital market movements and regulatory uncertainties – The Group's net inflows as well as AUM are exposed to fluctuations in the capital markets, which can impact revenue growth. Further, the revenues are susceptible to regulatory changes such as the regulations for the total expense ratio (TER). The management is focusing on increasing the share of recurring assets instead of transaction/brokerage assets, which has helped reduce the volatility in income. The Group's strategic shift to an advisory model from the broker model helps in reducing the regulatory uncertainties associated with distribution fees from the manufacturer. The Group's revenues had been impacted in FY2020 by the change in the revenue recognition model, whereby the revenues on distribution were payable on a trailing basis even for portfolio management services (PMS) and AIFs.

Environmental and social risks

The Group's direct exposure to environmental risks/material physical climate risks is not significant due to its service-oriented nature of business. While wealth management can be exposed to environmental risks indirectly through the portfolio of assets, such risks are not material for the Group as its portfolio is well-diversified. Further, the investments are typically short-to-medium-term, allowing the Group to adapt and take incremental exposure only to businesses that face relatively fewer downside environmental risks.

Data security and customer privacy are among the key sources of vulnerability in terms of social risk for wealth management institutions as any material lapse could be detrimental to their reputation and invite regulatory censure. The Group has not faced any such lapse over the years, which highlights its sensitivity to such risks. Moreover, the disclosures made by the Group outline the key policies, processes, and investments made by it to mitigate the occurrence of such instances.

Liquidity position: Adequate

As on December 31, 2023, the consolidated debt repayment for the Group stood at Rs. 5,608 crore until July 2024. It has cash and liquid investments of Rs. 3,354 crore and sanctioned but unutilised bank lines of Rs. 340 crore. Moreover, the inflows from the loan book, which has a quarterly put/call option, provide comfort. 360 ONE Prime had positive cumulative mismatches in the less-than-1-year bucket, as on December 31, 2023, and its liquidity position remains adequate.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company shows a sustained performance in terms of AUM and profitability through the market cycles coupled with reduction in AIFs in relation to tangible net worth.

Negative factors – Pressure on the ratings could arise if there is a material and prolonged erosion in the AUM. A sustained increase in the consolidated tangible gearing beyond 3.5 times and in the AIF investments in relation to the tangible net worth would be a negative factor.

[2] *Excluding loan NCDs*

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of 360 ONE WAM Limited

About the company

360 ONE WAM Limited (erstwhile IIFL Wealth Management Limited), founded in 2008, is one of the largest private wealth management firms in India. It was a part of the IIFL Group with IIFL Holdings Limited (renamed IIFL Finance) holding a majority stake of 53.3% as on March 31, 2019. After the scheme of arrangement (effective May 2019), the demerger of the wealth business undertaking of IIFL Finance Limited into IIFL Wealth became effective. It was listed on September 19, 2019.

360 ONE's (consolidated – referred to as 360 ONE/the Group) net worth stood at Rs. 3,337 crore as on December 31, 2023. It earned a net profit of Rs. 658 crore on total revenue of Rs. 2,064 crore in FY2023 against Rs. 578 crore and Rs. 2,078 crore, respectively, in FY2022.

Key financial indicators (audited)

360 ONE WAM Limited (consolidated)	FY2022	FY2023	9M FY2024*
Total revenues	2,078	2,064	1,877
Profit after tax	578	658	562
Total managed assets	10,744	11,192	14,086
Return on managed assets	5.9%	6.0%	5.9%
Reported gearing (times)	1.97	2.19	2.72
Reported gearing basis tangible net worth (times)	2.38	2.71	3.36
Gross NPA	NIL	NIL	NIL
CRAR^	23.6%	19.8%	22.2%

*Source: Company, ICRA Research; Amount in Rs. crore; * Provisional numbers; All ratios as per ICRA's calculations*
^ For 360 ONE Prime Limited

360 ONE WAM Limited (Standalone)	FY2022	FY2023	9M FY2024*
Total revenues	595	664	652
Profit after tax	407	496	478
Total managed assets	4,127	4,051	NA
Return on managed assets	11.9%	12.1%	NA
Reported gearing (times)	0.31	0.52	NA
Gross NPA	NIL	NIL	NIL
CRAR	-	-	-

*Source: Company, ICRA Research; Amount in Rs. crore; * Provisional numbers; All ratios as per ICRA's calculations*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr. No.	Instrument	Type	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years						
			Amount Rated (Rs. crore)	Amount Outstanding As on Jan 31, 2024 (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023				Date & Rating in FY2022	Date & Rating in FY2021	
					Feb-29-2024	Mar-27-2023	Mar-07-2023	Oct-12-2022	Apr-20-2022	Jan-18-2022	Jan-22-2021	Oct-28-2020
1	Long-term principal protected market linked debenture programme	Long term	300.00	249.80	PP-MLD [ICRA]AA (Stable)	PP-MLD [ICRA]AA (Stable)	PP-MLD [ICRA]AA (Stable)	PP-MLD [ICRA]AA (Stable)	PP-MLD [ICRA]AA (Stable)	PP-MLD [ICRA]AA (Stable)	PP-MLD [ICRA]AA (Stable)	PP-MLD[ICRA] AA(Stable)
2	Commercial paper programme (IPO financing)	Short term	1,000.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
3	Commercial paper programme (IPO financing)	Short term	-	-	-	-	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	Commercial paper programme (IPO financing)	Short term	-	-	-	-	-	-	-	-	-	-
5	Commercial paper programme	Short term	1,500.00	716.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
6	Secured NCD programme	Long term	100.00	-	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term PP-MLD programme	Moderately complex
Commercial paper programme	Very simple
NCD programme	Very simple
Commercial paper programme (IPO financing)	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE466L07027	Long-term principal protected market linked debenture programme	Dec 27, 2021	Linked to G-Sec	May 15, 2025	120.00	PP-MLD[ICRA]AA (Stable)
INE466L07027		Dec 30, 2021	Linked to G-Sec	May 15, 2025	100.00	PP-MLD[ICRA]AA (Stable)
INE466L07027		Jan 07, 2022	Linked to G-Sec	May 15, 2025	29.80	PP-MLD[ICRA]AA (Stable)
Not placed*		-	-	-	50.20	PP-MLD [ICRA]AA (Stable)
Not placed*	NCD programme	-	-	-	100.00	[ICRA]AA (Stable)
INE466L14BX5	Commercial paper programme	May 04, 2023	8.60%	May 02, 2024	11.00	[ICRA]A1+
INE466L14CB9		Aug 29, 2023	8.65%	Feb 23, 2024	100.00	[ICRA]A1+
INE466L14CD5		Sep 15, 2023	8.65%	Feb 28, 2024	50.00	[ICRA]A1+
INE466L14CI4		Nov 06, 2023	8.60%	Feb 02, 2024	100.00	[ICRA]A1+
INE466L14CI4		Nov 08, 2023	8.60%	Feb 02, 2024	25.00	[ICRA]A1+
INE466L14CJ2		Nov 09, 2023	8.60%	Feb 08, 2024	100.00	[ICRA]A1+
INE466L14CK0		Dec 11, 2023	8.70%	Mar 11, 2024	100.00	[ICRA]A1+
INE466L14CL8		Dec 14, 2023	8.75%	Mar 14, 2024	200.00	[ICRA]A1+
INE466L14CM6		Dec 28, 2023	8.00%	Mar 27, 2024	25.00	[ICRA]A1+
INE466L14CN4		Jan 25, 2024	8.70%	Apr 22, 2024	5.00	[ICRA]A1+
Not placed*		-	-	7-365 days	784.00	[ICRA]A1+
Not placed*	Commercial paper programme (IPO financing)	-	-	7-30 days	1,000.00	[ICRA]A1+

*Source: Company; *Proposed*

Annexure II: List of entities considered for consolidated analysis

Company Name	360 ONE WAM Ownership	Consolidation Approach
360 ONE Distribution Services Limited (formerly IIFL Wealth Distribution Services Limited)	100%	Full Consolidation
360 ONE Investment Adviser and Trustee Services Limited (formerly known as IIFL Investment and Adviser Trustee Services Limited)	100%	Full Consolidation
360 ONE Portfolio Managers Limited (formerly known as IIFL Wealth Portfolio Managers Limited)	100%	Full Consolidation
360 ONE Asset Management Limited (formerly known as IIFL Asset Management Limited)	100%	Full Consolidation
360 ONE Foundation (formerly known as IIFLW CSR Foundation)	100%	Full Consolidation
360 ONE Asset Trustee Limited (formerly known as IIFL Trustee Limited)	100%	Full Consolidation
360 ONE Prime Limited (formerly known as IIFL Wealth Prime Limited)	100%	Full Consolidation
360 ONE IFSC Limited (formerly known as IIFL Wealth Securities IFSC Limited)	100%	Full Consolidation
MAVM Angels Network Private Limited	100%	Full Consolidation
360 ONE Asset Management (Mauritius) Limited (formerly known as IIFL Asset Management (Mauritius) Limited)	100%	Full Consolidation
360 ONE INC (formerly known as IIFL INC)	100%	Full Consolidation
360 ONE Capital Pte. Limited (formerly known as IIFL Capital Pte Limited)	100%	Full Consolidation
360 ONE Private Wealth (Dubai) Limited (formerly known as IIFL Private Wealth Management (Dubai) Limited)	100%	Full Consolidation
360 ONE Capital (Canada) Limited (formerly known as IIFL Capital (Canada) Limited)	100%	Full Consolidation

Company Name	360 ONE WAM Ownership	Consolidation Approach
360 ONE Alternates Asset Management Limited	100%	Full Consolidation

Source: Company

Note: ICRA has taken a consolidated view of the parent (360 ONE WAM Limited), its subsidiaries and associates while assigning the ratings

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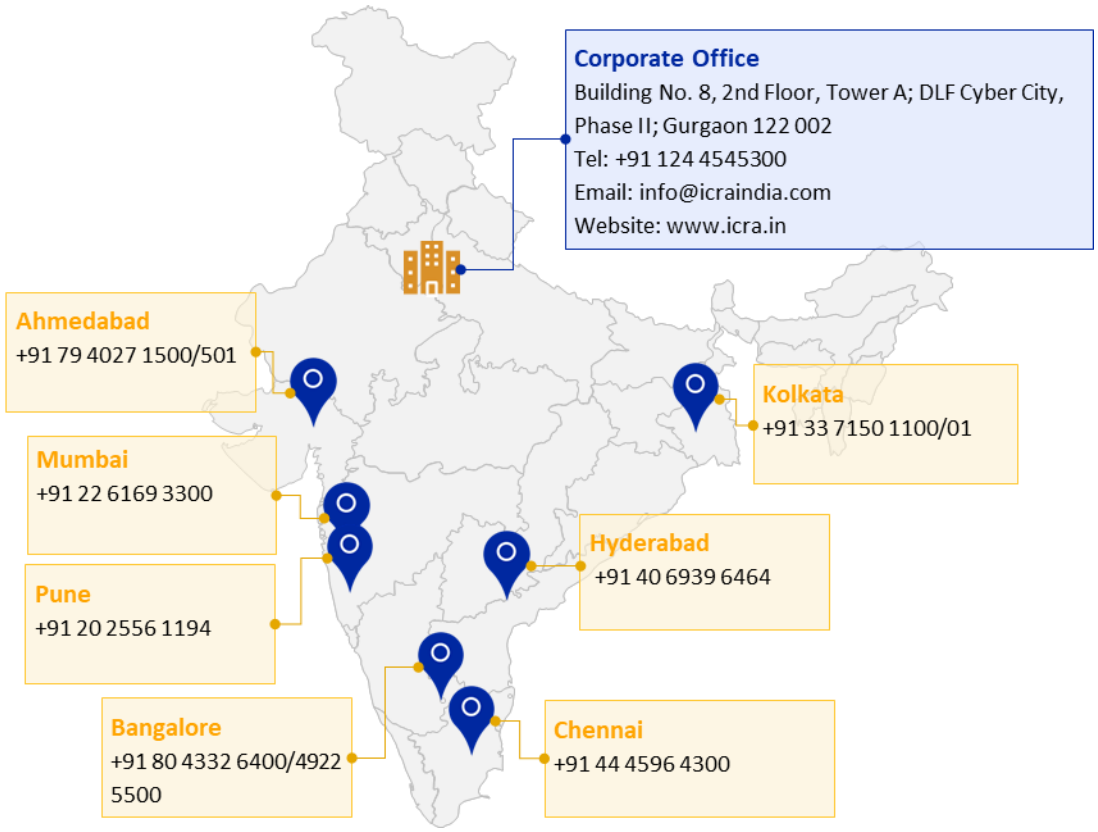

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