September 13, 2024 (Revised)

360 ONE Portfolio Managers Limited: [ICRA]AA (Stable) assigned to NCD programme; Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
NCD programme	-	250.00	[ICRA]AA (Stable); assigned
NCD programme	500.00	500.00	[ICRA]AA (Stable); reaffirmed
Unsecured NCD programme	250.00	250.00	[ICRA]AA (Stable); reaffirmed
Long-term principal protected market linked debenture programme	750.00	750.00	PP-MLD[ICRA]AA (Stable); reaffirmed
Total	**1,500.00**	**1,750.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings for 360 ONE Portfolio Managers Limited (360 ONE PML) are based on the consolidated view of 360 ONE WAM Limited (360 One WAM) 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 exposure of net flows, and hence the earnings, to fluctuations in the capital markets.

360 ONE's assets under management and distribution (AUM) stood at Rs. 5.21 lakh crore as on June 30, 2024. The franchisee, built over the years, has helped ensure low client attrition (loss of AUM of 1.4% in FY2024 due to annual client attrition). To reduce the volatility in income on account of transaction/brokerage assets, the management has been focussing on increasing the share of assets with a recurring nature of income (42% of AUM as on June 30, 2024). Supported by the growth in the AUM, the company's profitability has remained strong. The return on equity (RoE) and return on assets (RoA) were strong at 24.5% and 6.1%, respectively, in FY2024 (21.4% and 6.0%, respectively, in FY2023). Despite this, the consolidated gearing has seen an uptick due to the high dividend payout rate.

Apart from borrowing requirements for the lending operations for its wealth clients (undertaken by 360 ONE Prime), borrowings are needed for investments made towards sponsor contributions in alternative investment funds (AIFs) and for working capital, including margins at the stock exchanges. 360 ONE Prime had a loan book of Rs. 6,308 crore as on June 30, 2024 and is backed by the clients' AUM. The top 20 exposures formed 53% of the total loans and 98% of the consolidated net worth as on March 31, 2024. While the company's reliance on its captive client base has reduced, dependence on commercial paper (CP) remained high at 22% of the overall borrowings as on June 30, 2024. Further, the Group's investments in AIFs remained high at 66% of the tangible net worth as on June 30, 2024. ICRA, however, expects that the investments in AIFs shall decline in the medium term and the short-term borrowings will be replaced by longer-term borrowings.

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 of Rs. 4.67 lakh crore as on March 31, 2024 (year-on-year (YoY) growth of 37% from Rs. 3.41 lakh crore as on March 31, 2023). The AUM grew further by 12% on a quarter-on-quarter (QoQ) basis to Rs. 5.21 lakh crore as on June 30, 2024, with strong market performance leading to mark-to market (MTM) gains. The Group is one of the largest managers of AIFs with AUM of Rs. 40,118 crore as on June 30, 2024 (Rs. 38,313 crore as on March 31, 2024; Rs. 34,770 crore as on March 31, 2023). It has witnessed a transition with the increasing share of annual recurring assets and it had a presence in wealth management in 5 countries with 28 offices, 94 team leaders and 152 relationship managers as on March 31, 2024. While the company was previously focussed on the ultra HNI segment, it has been expanding its reach to the HNI segment. Further, it has acquired ET Money, which focusses on the advisory space targeting clients in the Rs. 10 lakh to Rs. 1 crore segment.

360 ONE Prime is the Group's 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 become 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. 3,031 crore as on June 30, 2024 with a gearing of 3.5 times[1] (basis tangible net worth). On a standalone basis, 360 ONE Prime reported a capital to risk (weighted) assets ratio of 20.7% as on June 30, 2024 (21.2% as on March 31, 2024; 19.8% as of 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. 804 crore in FY2024 and an RoE of 24.5% (21.4% in FY2023). The cost-to-income ratio[2] increased to 55.6% in FY2024 (48.9% in FY2023) due to the strengthening of the sales team for business growth, expansion of the target segment and higher one-time marketing and promotion expenses. ICRA expects the company's profitability to remain strong, supported by the growth in the AUM. Its annualised RoE was 27.3% in Q1 FY2025.

Given the large AIF investments managed by the Group, it has sizeable AIF investments in its own balance sheet towards sponsor's own contribution as well as in-transit investments held for down-selling to clients. Overall AIF investments increased to 66% of the tangible net worth as on June 30, 2024 from 46% as on March 31, 2023 (64% as on March 31, 2024). Apart from investments in high-yielding credit, the AIFs are largely in the unlisted equity/real estate segment, exposing the on-balance sheet investments to valuation risks. The AIF investments are, however, expected to decline in the medium term with the redemption of some of the earlier schemes. With the expected reduction of these AIF investments, the low capital intensity of the wealth management business and the moderate growth plans for 360 ONE Prime's loan book, the Group's capitalisation remains comfortable. This is despite the high dividend payout ratio of ~75-80% in 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 loan against AIFs as security) 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 June 30, 2024.

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[1] *Consolidated gearing (excluding collateralised borrowing and lending obligation (CBLO) borrowings) on tangible net worth of 2.9 times*

[2] *Income includes net gain on fair value changes and other income*

360 ONE Prime reported nil gross non-performing advances (GNPAs) on June 30, 2024. 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 and reputational risks – The Group relies on its brand and the franchisee developed over a period for the retention and acquisition of clients. Also, as a fund manager, it manages significant amounts of AUM across funds in its asset management business, leading to risks associated with the underperformance of the underlying investments. Any sustained underperformance may result in reputational damage, which could affect the overall business. Also, the company's ability to retain its relationship managers will be critical for maintaining low client attrition rates. However, ICRA notes that client attrition (in AUM) was low in FY2024 at 1.4% (1.7% in FY2023), while 49% of the team leaders have a vintage for over five years.

Loan book remains concentrated; high reliance on CP – 360 ONE Prime's lending operations remain modest with a loan book of Rs. 6,308 crore as on June 30, 2024. 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[3] forming 53% of the total loans and 98% of the consolidated net worth as on March 31, 2024.

Apart from borrowing requirements for the lending operations, borrowings are also needed for investments towards sponsor contributions in AIFs and for working capital, including margins at the stock exchanges. With the changes in the taxation on PP-MLD instruments announced in the Union Budget 2023, incremental PP-MLD borrowings (through the captive client base) reduced to 20% of the overall borrowings as on June 30, 2024 (49% as on March 31, 2023; 24% as on March 31, 2024). The share of CP remained high at ~22% of the consolidated borrowings as on June 30, 2024. CP borrowings partly fund the loan book, AIF investments and the investment book for down-selling to clients. ICRA expects the share of CPs to decline, going forward, as the company looks to raise long-term borrowings and reduce AIF investments.

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 Group's revenues had been impacted in FY2020 by the change in the revenue recognition model, whereby the revenues on distribution were received on a trailing basis even for portfolio management services (PMS) and AIFs. The management is focussing 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 the advisory model from the broker model helps in reducing the regulatory uncertainties associated with distribution fees from the manufacturer. However, transaction-based income and other income, which would include MTM gains on the investment book and gains on the down-selling of in-transit investments among others, remained high at 32% of the overall revenues in FY2024 (26% in FY2023).

Environmental and social risks

The Group's direct exposure to environmental/material physical climate risks is not significant due to the service-oriented nature of its 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.

[3] Excluding loan non-convertible debentures (NCDs)

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 July 31, 2024, the Group's consolidated debt repayment obligations stood at Rs. 6,214 crore till January 2025. It has cash and liquid investments of Rs. 3,737 crore and sanctioned but unutilised bank lines of Rs. 100 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 July 31, 2024, 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 market cycles along with a reduction in the AIFs in relation to the 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.

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 Portfolio Managers Limited (360 ONE PML) is a wholly-owned subsidiary of 360 ONE WAM Limited. It acts as an investment manager for AIF schemes and obtained registration from the Securities and Exchange Board of India (SEBI) for portfolio management services.

360 ONE PML's net worth stood at Rs. 332 crore as on March 31, 2024. It reported a net profit of Rs. 78 crore on total revenues of Rs. 422 crore in FY2024 compared to a net profit of Rs. 41 crore on total revenues of Rs. 133 crore in FY2023.

360 ONE WAM Limited

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. 3,689 crore as on June 30, 2024. It reported a net profit of Rs. 804 crore on total revenue of Rs. 2,925 crore in FY2024 against Rs. 658 crore and Rs. 2,062 crore, respectively, in FY2023.

Key financial indicators (audited)

360 ONE WAM Limited (consolidated)	FY2023	FY2024	Q1 FY2025*
Total revenues	2,062	2,925	936
Profit after tax	658	804	244
Total managed assets	11,192	15,119	NA
Return on managed assets	6.0%	6.1%	NA
Reported gearing (times)	2.19	2.78	2.84
Reported gearing basis tangible net worth (times)	2.71	3.36	3.46
Gross NPA	NIL	NIL	NIL
CRAR^	19.8%	21.2%	20.7%

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

360 ONE Portfolio Managers Limited	FY2023	FY2024
Total revenues	133	422
Profit after tax	41	78
Total managed assets	570	2,898
Return on managed assets	9.0%	4.5%
Reported gearing (times)	1.11	7.55
Gross NPA	NIL	NIL
CRAR	-	-

Source: Company, ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Date & rating in FY2025	FY2024		FY2023		FY2022	
			Sep 13, 2024	Date	Rating	Date	Rating	Date	Rating
Long-term principal protected market linked debenture programme	Long term	750.00	PP-MLD[ICRA]AA (Stable)	29-FEB-2024	PP-MLD[ICRA]AA (Stable)	12-OCT-2022	PP-MLD[ICRA]AA (Stable)	02-AUG-2021	PP-MLD[ICRA]AA (Stable)
				-	-	12-OCT-2022	PP-MLD[ICRA]AA (Stable)	18-JAN-2022	PP-MLD[ICRA]AA (Stable)
				-	-	07-MAR-2023	PP-MLD[ICRA]AA (Stable)	-	-
NCD programme	Long term	250.00	[ICRA]AA (Stable)	29-FEB-2024	[ICRA]AA (Stable)	07-MAR-2023	[ICRA]AA (Stable)	-	-
NCD programme	Long term	500.00	[ICRA]AA (Stable)	29-FEB-2024	[ICRA]AA (Stable)	07-MAR-2023	[ICRA]AA (Stable)	-	-
Unsecured NCD programme	Long term	250.00	[ICRA]AA (Stable)	29-FEB-2024	[ICRA]AA (Stable)	07-MAR-2023	[ICRA]AA (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term principal protected market linked debenture programme	Moderately complex
NCD programme	Very simple
Unsecured NCD programme	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
INE196P07039	Long-term principal protected market linked debenture programme	Sep 15, 2022	Linked to G-Sec	Mar 17, 2025	30.50	PP-MLD[ICRA]AA (Stable)
INE196P07039		Sep 27, 2022	Linked to G-Sec	Mar 17, 2025	63.00	PP-MLD[ICRA]AA (Stable)
INE196P07039		Nov 10, 2022	Linked to G-Sec	Mar 17, 2025	11.50	PP-MLD[ICRA]AA (Stable)
INE196P07039		Nov 17, 2022	Linked to G-Sec	Mar 17, 2025	16.50	PP-MLD[ICRA]AA (Stable)
INE196P07039		Nov 24, 2022	Linked to G-Sec	Mar 17, 2025	4.00	PP-MLD[ICRA]AA (Stable)
INE196P07039		Dec 01, 2022	Linked to G-Sec	Mar 17, 2025	1.00	PP-MLD[ICRA]AA (Stable)
INE196P07039		Dec 08, 2022	Linked to G-Sec	Mar 17, 2025	13.20	PP-MLD[ICRA]AA (Stable)
INE196P07039		Dec 15, 2022	Linked to G-Sec	Mar 17, 2025	6.00	PP-MLD[ICRA]AA (Stable)
INE196P07039		Dec 16, 2022	Linked to G-Sec	Mar 17, 2025	20.00	PP-MLD[ICRA]AA (Stable)
INE196P07039		Dec 22, 2022	Linked to G-Sec	Mar 17, 2025	15.70	PP-MLD[ICRA]AA (Stable)
INE196P07039		Dec 29, 2022	Linked to G-Sec	Mar 17, 2025	17.50	PP-MLD[ICRA]AA (Stable)
INE196P07039		Jan 12, 2023	Linked to G-Sec	Mar 17, 2025	13.40	PP-MLD[ICRA]AA (Stable)
INE196P07047		Sep 22, 2022	Linked to performance of Nifty	Sep 23, 2024	34.90	PP-MLD[ICRA]AA (Stable)
INE196P07047		Sep 30, 2022	Linked to performance of Nifty	Sep 23, 2024	26.80	PP-MLD[ICRA]AA (Stable)
Not placed*		-	-	-	476.00	PP-MLD [ICRA]AA (Stable)
INE196P07054	NCD programme	Sep 01, 2023	8.50%	Feb 28, 2025	17.30	[ICRA]AA (Stable)
INE196P07070		Sep 12, 2023	8.50%	Mar 12, 2025	100.00	[ICRA]AA (Stable)
INE196P07096		Sep 21, 2023	8.50%	Mar 21, 2025	11.50	[ICRA]AA (Stable)
INE196P07120		Oct 12, 2023	8.50%	Apr 11, 2025	35.00	[ICRA]AA (Stable)
INE196P07153		Nov 10, 2023	8.80%	May 10, 2025	40.00	[ICRA]AA (Stable)
INE196P07237		Aug 02, 2024	9.00%	Feb 02, 2028	35.50	[ICRA]AA (Stable)
INE196P07245		Aug 13, 2024	9.65%	Aug 13, 2027	25.00	[ICRA]AA (Stable)
Not placed*		-	-	-	235.70	[ICRA]AA (Stable)
Not placed*	NCD programme	-	-	-	250.00	[ICRA]AA (Stable)
Not placed*	Unsecured NCD programme	-	-	-	250.0	[ICRA]AA (Stable)

*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 Alternates Asset Management 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

Source: Company

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

Corrigendum

Document dated September 13, 2024, has been corrected with revisions as detailed below:
The irrelevant part pertaining to withdrawal of instruments from 'rationale section' on 'page No. 1' of the document deleted.

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Anil Gupta
+91 124 4545 314
anilg@icraindia.com

Neha Parikh
+91 22 6114 3426
neha.parikh@icraindia.com

Jui J. Kulkarni
+91 22 6114 3427
jui.kulkarni@icraindia.com

Bharat Toplani
+91 22 6114 3428
bharat.toplani@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches