December 30, 2024

360 One Alternates Asset Management Limited: [ICRA]AA (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
NCD programme	500.00	[ICRA]AA (Stable); assigned
Total	**500.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating for 360 ONE Alternates Asset Management Limited (360 ONE AAM) is 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 rating factors in 360 ONE's leading market position in the wealth management business, supported by its experienced and stable senior management team. The rating also considers the Group's comfortable capitalisation and strong profitability. The capitalisation has been further strengthened by the infusion of Rs. 2,250 crore through a qualified institutional placement (QIP) in October 2024. However, the rating is partly offset by the exposure of net flows, and hence earnings, to fluctuations in the capital markets.

360 ONE's assets under management and distribution (AUM) stood at Rs. 5.69 lakh crore as on September 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 (43% of AUM and 59% of revenues as on September 30, 2024). Supported by the growth in the AUM, the profitability has remained strong. The annualised return on equity (RoE) and return on assets (RoA) were strong at 26.6% and 6.3%, respectively, in H1 FY2025 (24.5% and 6.1%, respectively, in FY2024).

Apart from borrowing requirements for the lending operations for its wealth clients (undertaken by 360 ONE Prime, a wholly owned subsidiary), borrowings are needed for investments made towards sponsor contributions in alternative investment funds (AIFs) and for working capital, including margins placed with the stock exchanges for the broking business. 360 ONE Prime had a loan book of Rs. 6,311 crore as on September 30, 2024, and is backed by clients' AUM. The top 20 exposures formed 53% of the total loans and 86% of the consolidated net worth as on September 30, 2024 (55% of the pro forma consolidated net worth including QIP proceeding). The company has reliance on its captive client base (57% of the non-convertible debenture (NCD)/principal protected market linked debenture (PP-MLD) outstanding as on September 30, 2024), though the same has been reducing. The reliance on commercial paper (CP) remained high at 28% of the overall borrowings as on September 30, 2024, which is expected to decline to ~20% after the recent QIP and the expected replacement of short-term debt with long-term debt. Further, the Group's investments in AIFs remained high at 63% of the tangible net worth as on September 30, 2024, which is expected to have moderated to 37% after the recent QIP. The management has also guided towards lower dividend payouts from the consolidated profit going forward, which will be a positive for the future capitalisation profile.

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 22% over six months to Rs. 5.69 lakh crore as on September 30, 2024, with strong market performance leading to mark-to market (MTM) gains. The AUM in the asset management business stood at Rs. 85,770 crore as on September 30, 2024. The Group is one of the largest managers of AIFs with AUM of Rs. 40,180 crore as on September 30, 2024 (Rs. 38,313 crore as on March 31, 2024). It has witnessed a transition with the increasing share of annual recurring assets and 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. 3,251 crore as on September 30, 2024, with a gearing of 3.4 times[1] (basis tangible net worth). On a standalone basis, 360 ONE Prime reported a capital to risk (weighted) assets ratio of 21.3% as on September 30, 2024 (21.2% as on March 31, 2024; 19.8% as on March 31, 2023). The company raised sizeable equity of Rs. 2,250 crore in October 2024 through a QIP, which will further support its capitalisation and growth plans. Of the overall equity raised, Rs. 1,198.80 crore was infused to strengthen the capital base of 360 ONE Prime to support the growth plans for its loan book while Rs. 800 crore was infused in the alternate assets management business under 360 ONE AAM. 360 ONE AAM will hold the investments (both sponsor and non-sponsor[2]) in AIFs manufactured by the Group and over the near term, investments in own manufactured AIFs, which are currently held across various Group entities, will be consolidated under this entity. The company has previously demonstrated its 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. 489 crore in H1 FY2025 (Rs. 804 crore in FY2024) and annualised RoE of 26.6% (24.5% in FY2024). The cost-to-income ratio[3] 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. The cost-to-income ratio, however, reduced to 45.5% in H1 FY2025. 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 towards sponsor's own contribution as well as in-transit investments held for down-selling to clients. AIF investments increased to 63% of the tangible net worth as on September 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

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

[2] Including the contribution towards units held as skin in the game and not classified as sponsor units

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

sheet investments to valuation risks. The sizeable equity infusion and the management's guidance for lowering the dividend payout are expected to keep the Group's capitalisation comfortable.

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 1.3% of the wealth management AUM as on September 30, 2024.

360 ONE Prime reported nil gross non-performing advances (GNPAs) on September 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.

Credit challenges

Franchisee and reputational risks – The Group relies on its brand and 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 of 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. 6,311 crore as on September 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[4] forming 53% of the total loans and 86% of the consolidated net worth as on September 30, 2024. With the completion of the QIP, the share of the top 20 exposures is expected to decline to 55% of pro forma consolidated net worth.

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. Of the overall long-term borrowings of NCD/PP-MLD, 57% is from the captive client base. The share of CP remained high at ~28% of the consolidated borrowings as on September 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 to ~20% of the consolidated borrowings, going forward, as the company has raised equity capital and looks to raise long-term borrowings and reduce the 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).

[4] *Excluding loan non-convertible debentures (NCDs)*

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.

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 November 30, 2024, the Group's consolidated debt repayment obligations stood at Rs. 6,060 crore till May 2025. It has cash and liquid investments of Rs. 4,879 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 October 31, 2024, and its liquidity position remains adequate.

Rating sensitivities

Positive factors – The rating 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 rating 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 rating, ICRA has considered the consolidated financials of 360 ONE WAM Limited

About the company

360 One Alternates Asset Management Limited (360 ONE AAM) is a public limited company incorporated under the Companies Act, 2013 on October 31, 2023. It acts as an investment manager for the category I & II schemes of alternative investment funds. 360 One Asset Management Limited transferred its business operations, including the management of category I & II alternative investment funds, along with the co-investment portfolio management business to 360 ONE AAM.

As on September 30, 2024, 360 ONE AAM's net worth stood at Rs. 81.1 crore. It reported a net profit of Rs. 61.8 crore on total revenue of Rs. 132.4 crore in H1 FY2025. Post the QIP, Rs. 800 crore was infused into 360 ONE AAM and its net worth is currently estimated at Rs. 895-900 crore.

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. 3,908 crore as on September 30, 2024. It reported a net profit of Rs. 489 crore on total revenue of Rs. 1,826 crore in H1 FY2025 (Rs. 804 crore and Rs. 2,925 crore, respectively, in FY2024).

Key financial indicators (audited)

360 ONE WAM Limited (consolidated)	FY2023	FY2024	H1 FY2025
Total revenue	2,062	2,925	1,826
Profit after tax	658	804	489
Total managed assets	11,192	15,119	15,746
Return on managed assets	6.0%	6.1%	6.3%
Reported gearing (times)	2.2	2.8	2.8
Reported gearing basis tangible net worth (times)	2.7	3.4	3.4
Gross NPA	NIL	NIL	NIL
CRAR^	19.8%	21.2%	21.3%

Source: Company, ICRA Research; Amount in Rs. crore; ^ For 360 ONE Prime Limited

360 One Alternates Asset Management Limited (standalone)	FY2024^	H1 FY2025*
Total revenue	0.0	132.4
Profit after tax	(0.3)	61.8
Total managed assets	0.0	279.0
Return on managed assets	NM	44.3%
Reported gearing (times)	(0.86)	2.21
Gross NPA	NIL	NIL
CRAR	-	-

*Source: Company, ICRA Research; Amount in Rs. crore; ^ Company was incorporated on October 31, 2023 and had no business operations as on March 31, 2024; * Provisional*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Dec 30, 2024	Date	Rating	Date	Rating	Date	Rating
NCD programme	Long term	500.00	[ICRA]AA (Stable)	-	-	-	-	-	-

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
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
Not placed*	**NCD programme**	-	-	-	500.00	[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 rating

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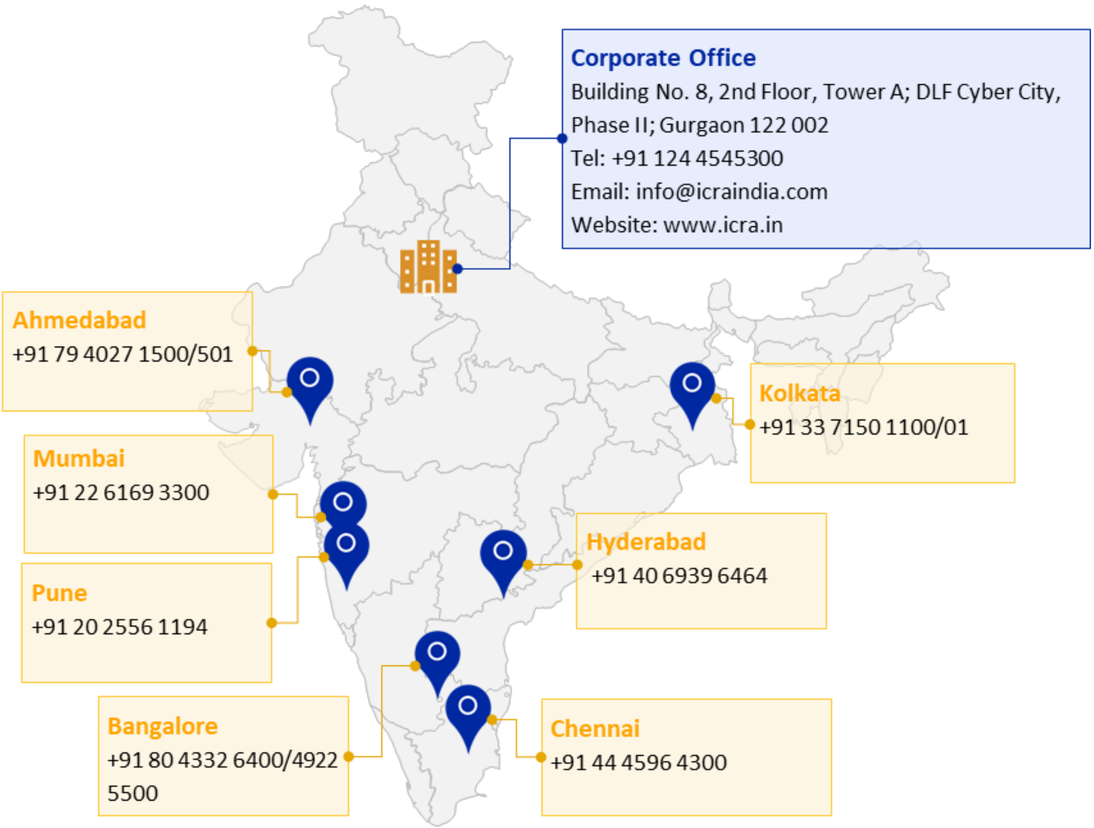

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