

HOLD

TP: Rs 890 | ▲ 11%

360 ONE

| Diversified Financials

| 25 April 2024

Strong quarter, but price runup limits the upside

- ARR AUM and ARR revenue grew 36% and 28% YoY respectively in Q4; strong commentary for growth in the medium term
- We bake in the newer businesses to constitute 2-3% of ARR AUM and ARR revenue in FY25/FY26
- Downgrade to HOLD on pricey valuations post a 13% stock price jump in CY24 YTD; TP increased to Rs 890 (from Rs 747)

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PAT beats estimate: Q4 PAT increased 56% YoY (+24% QoQ) to Rs 2.4bn, beating our estimate of Rs 1.9bn. Recurring revenue came in at Rs 3.6bn (+28% YoY), whereas non-recurring income grew a massive 90% YoY to Rs 2.2bn, making for overall income of Rs 6.2bn (+62% YoY, +34% QoQ) vs our estimate of Rs 4.9bn. ARR yield (calc.) softened 3bps YoY to 64bps but was flat sequentially. The C/I ratio declined sequentially to 48.2% with total costs of Rs 3.0bn. We expect an unchanged C/I ratio of 47%/45% for FY25/FY26. We raise PAT estimates by 4% for FY25 along with a marginal hike in FY26 to end at Rs 9.2bn/ Rs 11.1bn.

Strong AUM growth: 360 One's recurring AUM grew 36% YoY (+3% QoQ) to Rs 2.3tn, with the 360 One Plus business surging 71% YoY to Rs 722bn at end-FY24. Net outflows were Rs 6.7bn for Q4 but ended FY24 with Rs 269bn, with the wealth and AMC businesses generating inflows of Rs 265bn and Rs 4bn respectively. Management expects to generate inflows of 15-20% of active ARR AUM which we believe is achievable. We built in 25%/24% YoY growth in ARR AUM to Rs 2.8tn/ Rs 3.5tn at end FY25/FY26.

Clear plans for new markets: The HNI platform with a client base worth Rs 50mn-250mn is live in Apr'24 and the global business by Oct'24. Management expects these businesses to generate 1.3%/2.5% of ARR AUM and 1.7%/3.1% of ARR revenue in FY25/FY26. Management predicts this business will be 10% of the total in the next three years.

Downgrade to HOLD post stock price runup: Baking in a strong Q4 print, we value the company at a higher 30x FY26E P/E (vs. 25x) – a 30% premium to the long-term average translating to a revised TP of Rs 890 (from Rs747). However, we downgrade to HOLD owing to a 13% run up in the stock in CY24YTD with a potential upside of 11%. We remain positive on 360 One considering continued traction in the ARR model, where recurring AUM hit Rs 2.3tn in Q4, and a well-defined expansion strategy.

Key changes

| Target | Rating |
|--------|--------|
| ▲ | ▼ |

| | |
|------------------|------------------|
| Ticker/Price | 360ONE IN/Rs 801 |
| Market cap | US\$ 3.5bn |
| Free float | 78% |
| 3M ADV | US\$ 5.5mn |
| 52wk high/low | Rs 901/Rs 398 |
| Promoter/FPI/DII | 22%/23%/2% |

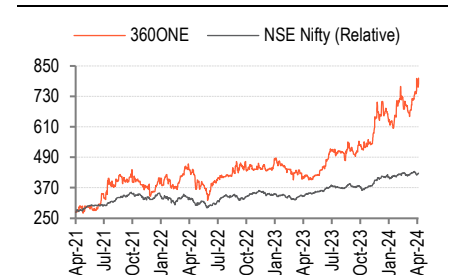
Source: NSE | Price as of 24 Apr 2024

Key financials

| Y/E 31 Mar (Rs mn) | FY24P | FY25E | FY26E |
|-------------------------|--------|--------|--------|
| PBT (Rs mn) | 10,085 | 11,783 | 14,182 |
| PBT growth (%) | 18.6 | 16.8 | 20.4 |
| Adj. net profit (Rs mn) | 8,018 | 9,190 | 11,062 |
| EPS (Rs) | 21.9 | 24.7 | 29.7 |
| Consensus EPS (Rs) | 20.0 | 24.9 | 30.0 |
| P/E (x) | 36.7 | 32.4 | 27.0 |
| MCap/AUM (%) | 0.0 | 0.0 | 0.0 |
| ROE (%) | 24.4 | 25.8 | 29.0 |

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

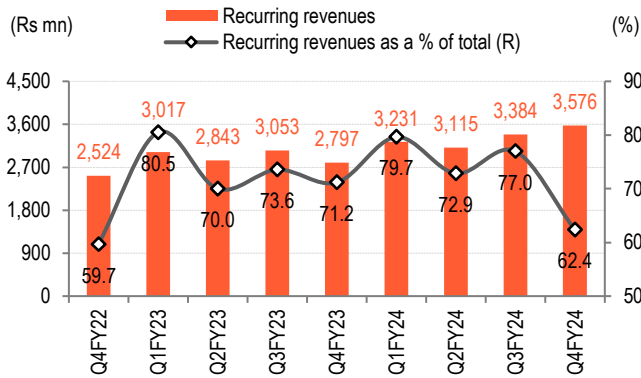
Stock performance



Source: NSE

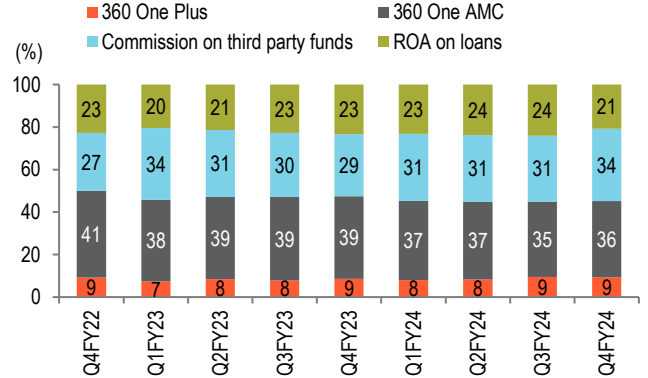


Fig 1 – Recurring revenue continues to gain traction...



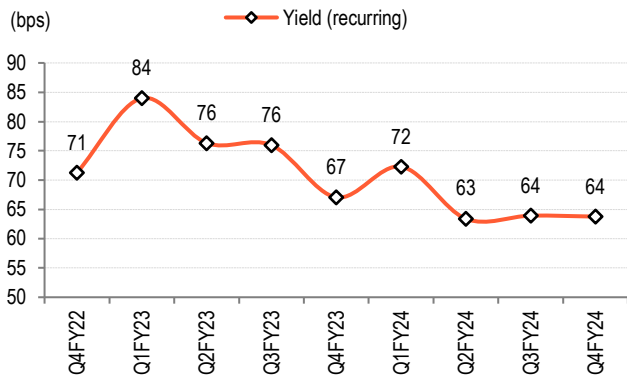
Source: Company, BOBCAPS Research

Fig 2 – ... with a focus on 360 One Plus and AMC segments



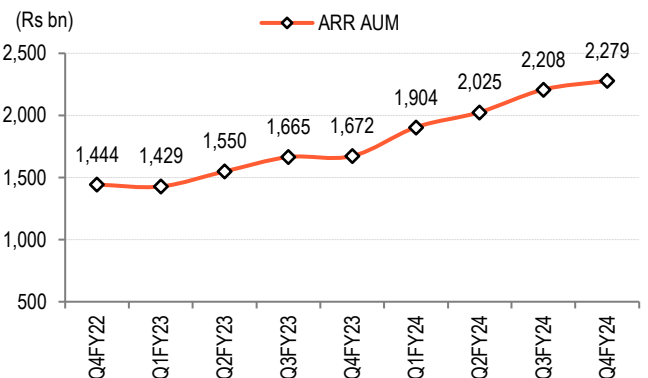
Source: Company, BOBCAPS Research

Fig 3 – ARR yield stable QoQ in Q4FY24



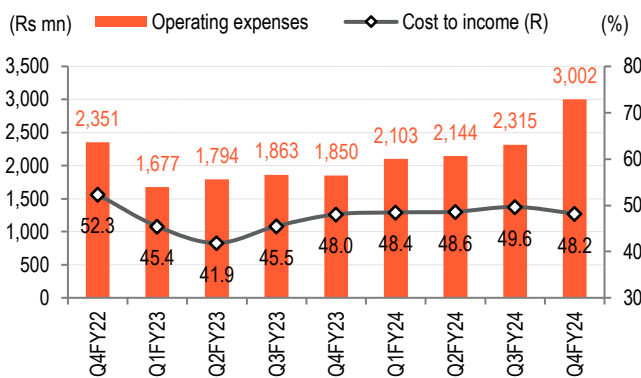
Source: Company, BOBCAPS Research Note: The above yields are calculated

Fig 4 – Sturdy growth in ARR AUM



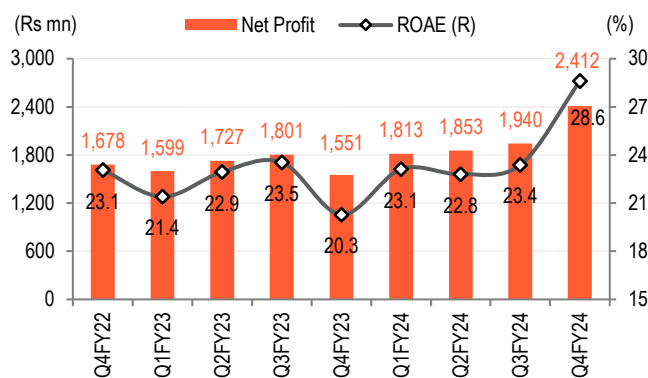
Source: Company, BOBCAPS Research

Fig 5 – C/I ratio declined in Q4



Source: Company, BOBCAPS Research

Fig 6 – Net profit grew 56% YoY; ROAE stood at 28.6%



Source: Company, BOBCAPS Research

Fig 7 – AUM mix shows strong growth in recurring AUM

| (Rs mn) | Q4FY24 | Q4FY23 | YoY (%) | Q3FY24 | QoQ (%) |
|--|------------------|------------------|-------------|------------------|------------|
| Recurring AUM | 22,78,786 | 16,71,744 | 36.3 | 22,07,678 | 3.2 |
| 360 One Plus Assets | 7,22,404 | 4,23,066 | 70.8 | 7,36,250 | (1.9) |
| Funds managed by 360 One AMC | 7,22,479 | 5,82,983 | 23.9 | 6,91,540 | 4.5 |
| Trail commissions managed by third party funds | 7,69,604 | 6,12,026 | 25.7 | 7,22,246 | 6.6 |
| Loans | 64,299 | 53,670 | 19.8 | 57,643 | 11.5 |
| Total AUM (incl. custody) | 46,69,086 | 34,08,344 | 37.0 | 45,38,860 | 2.9 |

Source: Company, BOBCAPS Research

Fig 8 – ARR AUM positively impacted by MTM gains in Q4FY24

| (Rs bn) | Opening AUM Q3FY24 | Net Flows | MTM | Closing AUM Q4FY24 |
|--|--------------------|--------------|-------------|--------------------|
| Total ARR | 2,207.7 | (6.7) | 77.8 | 2,278.8 |
| Wealth ARR | 1,516.1 | (8.6) | 48.7 | 1,556.3 |
| 360 ONE Plus | 736.3 | (30.0) | 16.2 | 722.4 |
| Distribution Assets Earning Trail Fees | 722.3 | 14.8 | 32.6 | 769.6 |
| NBFC | 57.6 | 6.7 | - | 64.3 |
| AMC ARR | 691.5 | 1.9 | 29.1 | 722.5 |
| Discretionary portfolio manager | 246.8 | (11.7) | 8.5 | 243.5 |
| AIF | 358.5 | 7.4 | 17.3 | 383.1 |
| MF manager | 86.3 | 6.2 | 3.3 | 95.8 |

Source: Company, BOBCAPS Research

Fig 9 – AMC net flows strategy-wise show large inflows in listed equity but outflows in private equity

| (Rs bn) | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 |
|------------------------|------------|------------|-------------|-------------|-------------|---------------|-------------|------------|
| Total | 9.6 | 0.5 | 25.7 | 18.5 | 12.4 | (21.5) | 11.4 | 1.9 |
| Listed Equity | 3.0 | (0.0) | 5.3 | 1.0 | 3.3 | 2.2 | 14.1 | (6.9) |
| Private Equity | (0.5) | (3.3) | 5.5 | 5.0 | (1.4) | (9.8) | (5.1) | 3.2 |
| Credit | 3.0 | 7.5 | 6.2 | 6.8 | 4.3 | 2.5 | 1.7 | 2.0 |
| Real Assets | - | (0.8) | 6.9 | 4.6 | 1.8 | (3.6) | (0.9) | (1.3) |
| Long Short | (0.2) | (0.0) | (0.8) | (0.8) | (0.7) | (13.6) | (0.2) | - |
| Customised Multi Asset | 3.3 | 0.3 | 3.6 | 3.0 | 2.0 | 1.8 | 1.6 | 4.6 |
| Liquid | 1.0 | (3.1) | (1.2) | (1.1) | 3.0 | (1.0) | 0.1 | 0.4 |

Source: Company, BOBCAPS Research

Fig 10 – Revenue breakdown – Recurring revenue up 11% YoY in Q3FY24

| (Rs mn) | Q4FY24 | Q4FY23 | YoY (%) | Q3FY24 | QoQ (%) | FY24 | FY23 | YoY (%) |
|---|--------------|--------------|-------------|--------------|--------------|---------------|---------------|-------------|
| Recurring Revenues | 3,576 | 2,797 | 27.9 | 3,384 | 5.7 | 13,306 | 11,709 | 13.6 |
| Fees on PMS- (360 One Plus) | 336 | 242 | 38.9 | 321 | 4.8 | 1,170 | 944 | 24.0 |
| Management Fees on funds managed by 360 One AMC | 1,282 | 1,083 | 18.3 | 1,200 | 6.8 | 4,834 | 4,546 | 6.3 |
| Trail commission on third party funds | 1,217 | 820 | 48.5 | 1,048 | 16.2 | 4,255 | 3,645 | 16.7 |
| ROA on loans | 741 | 652 | 13.7 | 815 | (9.1) | 3,047 | 2,574 | 18.4 |
| Non-recurring revenues | 2,155 | 1,132 | 90.3 | 1,011 | 113.2 | 5,150 | 3,941 | 30.7 |

Source: Company, BOBCAPS Research

Fig 11 – ARR yields decreased annually but stable sequentially

| Calculated yields (bps) | Q4FY24 | Q4FY23 | YoY (%) | Q3FY24 | QoQ (%) | FY24 | FY23 | YoY (%) |
|---|--------|--------|---------|--------|----------|------|------|---------|
| Recurring | 64 | 67 | (3bps) | 64 | (0bps) | 63 | 74 | (11bps) |
| Fees on PMS- (360 One Plus) | 18 | 23 | (5bps) | 19 | (0bps) | 18 | 25 | (7bps) |
| Management Fees on funds managed by 360 One AMC | 73 | 74 | (1bps) | 72 | 1bps | 72 | 80 | (9bps) |
| Trail commission on third party funds | 65 | 53 | 12bps | 59 | 6bps | 59 | 62 | (3bps) |
| ROA on loans | 486 | 530 | (44bps) | 589 | (103bps) | 546 | 563 | (17bps) |

Source: BOBCAPS Research

Fig 12 – Segmental snapshot

| (Rs mn) | Q4FY24 | FY24 |
|--------------------------------------|--------|--------|
| Wealth Management Summary | | |
| Revenue from Operations | 4,450 | 13,622 |
| Cost | 2,369 | 7,188 |
| Operating Profit before Taxes (OPBT) | 2,081 | 6,434 |
| Other Income | 450 | 1,066 |
| Profit before Taxes (PBT) | 2,531 | 7,500 |
| Asset Management Summary | | |
| Revenue from Operations | 1,282 | 4,834 |
| Cost | 634 | 2,377 |
| Operating Profit before Taxes (OPBT) | 648 | 2,457 |
| Other Income | 51 | 129 |
| Profit before Taxes (PBT) | 699 | 2,586 |

Source: Company, BOBCAPS Research

Fig 13 – P&L – PAT exceeds expectations

| (Rs mn) | Q4FY24 | Q4FY23 | YoY (%) | Q3FY24 | QoQ (%) | FY24 | FY23 | YoY (%) |
|----------------------------------|--------------|--------------|-------------|--------------|-------------|---------------|---------------|-------------|
| P&L | | | | | | | | |
| Total income | 6,231 | 3,851 | 61.8 | 4,665 | 33.6 | 19,650 | 15,687 | 25.3 |
| Recurring Revenues | 3,576 | 2,797 | 27.9 | 3,384 | 5.7 | 13,306 | 11,709 | 13.6 |
| Transactional / Brokerage income | 2,155 | 1,132 | 90.3 | 1,011 | 113.2 | 5,150 | 3,941 | 30.7 |
| Other income | 500 | (78) | (741.4) | 271 | 84.9 | 1,195 | 37 | 3,111.8 |
| Costs | 3,002 | 1,850 | 62.3 | 2,315 | 29.7 | 9,565 | 7,184 | 33.1 |
| Employee Costs | 2,252 | 1,324 | 70.1 | 1,723 | 30.7 | 7,090 | 5,204 | 36.3 |
| Admin and Other expenses | 751 | 526 | 42.6 | 592 | 26.7 | 2,475 | 1,981 | 24.9 |
| Profit before Taxes (PBT) | 3,229 | 2,001 | 61.4 | 2,350 | 37.4 | 10,085 | 8,503 | 18.6 |
| Taxes | 817 | 450 | 81.6 | 410 | 99.3 | 2,068 | 1,824 | 13.3 |
| Profit after Tax (PAT) | 2,412 | 1,551 | 55.5 | 1,940 | 24.3 | 8,018 | 6,679 | 20.0 |

Source: Company, BOBCAPS Research

Fig 14 – Balance sheet

| (Rs mn) | Q4FY24 | Q4FY23 | YoY (%) | Q3FY24 | QoQ (%) |
|-------------------------------------|-----------------|-----------------|-------------|-----------------|-------------|
| Financial assets | 1,37,494 | 99,865 | 37.7 | 1,27,683 | 7.7 |
| Cash and cash equivalents | 4,428 | 5,095 | (13.1) | 8,201 | (46.0) |
| Bank Balance | 1,954 | 2,161 | (9.6) | 2,158 | (9.4) |
| Derivative financial instruments | 0 | 8 | NA | 11 | (100.0) |
| Receivables | 4,232 | 4,554 | (7.1) | 4,478 | (5.5) |
| Loans | 63,687 | 49,101 | 29.7 | 54,062 | 17.8 |
| Investment | 59,477 | 36,092 | 64.8 | 53,256 | 11.7 |
| Other financial assets | 3,717 | 2,855 | 30.2 | 5,518 | (32.6) |
| Non- Financial assets | 13,695 | 12,056 | 13.6 | 13,174 | 4.0 |
| Current tax assets | 2,168 | 1,558 | 39.2 | 1,851 | 17.1 |
| Deferred tax assets | 45 | 14 | 232.6 | 229 | (80.4) |
| Property plant and equipment | 3,002 | 2,850 | 5.3 | 2,878 | 4.3 |
| Capital work in progress | 0 | 0 | (100.0) | 30 | NA |
| Goodwill | 4,176 | 4,176 | - | 4,176 | - |
| Other Intangible assets | 2,294 | 1,833 | 25.2 | 2,159 | 6.3 |
| Right-of-use Assets | 565 | 330 | 71.0 | 505 | 11.9 |
| Other non-financial assets | 1,446 | 1,296 | 11.6 | 1,349 | 7.2 |
| Total Assets | 1,51,189 | 1,11,921 | 35.1 | 1,40,857 | 7.3 |
| Financial liabilities | 1,15,098 | 79,520 | 44.7 | 1,06,424 | 8.1 |
| Derivative financial instruments | 1,853 | 957 | 93.6 | 1,731 | 7.0 |
| Payables | 5,694 | 5,249 | 8.5 | 4,742 | 20.1 |
| Debt Securities | 68,340 | 64,234 | 6.4 | 65,511 | 4.3 |
| Borrowings | 24,563 | 2,014 | 1,119.6 | 22,303 | 10.1 |
| Subordinated Liabilities | 1,208 | 1,225 | (1.4) | 1,175 | 2.8 |
| Finance Lease obligation | 609 | 364 | 67.3 | 538 | 13.2 |
| Other financial liabilities | 12,831 | 5,478 | 134.2 | 10,426 | 23.1 |
| Non-Financial liabilities | 1,594 | 1,136 | 40.3 | 1,065 | 49.7 |
| Current Tax liabilities | 63 | 514 | (87.8) | 196 | (68.0) |
| Provisions | 173 | 103 | 68.4 | 158 | 9.2 |
| Deferred Tax liabilities | 733 | 246 | 197.9 | 419 | 74.9 |
| Other non-financial liabilities | 625 | 274 | 128.5 | 291 | 114.6 |
| Total Liabilities | 1,16,691 | 80,656 | 44.7 | 1,07,489 | 8.6 |
| Equity | 34,497 | 31,264 | 10.3 | 33,368 | 3.4 |
| Equity share capital | 359 | 356 | 0.8 | 358 | 0.1 |
| Other equity | 34,138 | 30,908 | 10.5 | 33,010 | 3.4 |
| Total Liabilities and Equity | 1,51,189 | 1,11,921 | 35.1 | 1,40,857 | 7.3 |

Source: Company, BOBCAPS Research

Fig 15 – Ratio analysis

| (%) | Q4FY24 | Q4FY23 | YoY (%) | Q3FY24 | QoQ (%) | FY24 | FY23 | YoY (%) |
|--|--------|--------|----------|--------|------------|------|------|----------|
| Recurring Revenues as a % of total revenue from operations | 62.4 | 71.2 | (878bps) | 77.0 | (1,460bps) | 72.1 | 73.7 | (161bps) |
| Non-Recurring Revenues as a % of total revenue from operations | 37.6 | 28.8 | 878bps | 23.0 | 1,460bps | 27.9 | 26.3 | 161bps |
| Other income as a % of total revenue | 8.0 | (2.0) | 1,005bps | 5.8 | 223bps | 6.1 | 0.2 | 585bps |
| Cost to Income Ratio | 48.2 | 48.0 | 13bps | 49.6 | (144bps) | 48.7 | 45.1 | 356bps |
| ROAE | 28.6 | 20.3 | 833bps | 23.4 | 522bps | 24.2 | 21.8 | 239bps |

Source: Company, BOBCAPS Research

Earnings call highlights

Active ARR

- The ARR AUM grew 36% YoY to Rs 2.3tn at end FY24. Active ARR AUM (excluding the non-fee bearing assets and treasury/ other assets with fee <5bps, and liquid funds) stood at Rs 2tn in FY24 compared to Rs 1.5tn in FY23. The company intends to increase its active ARR AUM going forward.
- Combined Active ARR retention remained stable at 77bps. Within that, the wealth management retention was at 78bps, while AMC was at 75bps.

New business

- 360 One expects 2-2.5% addition to the revenue in FY25 due to the mid-market segment and international operations (slated to open in Oct). This is expected to go up to 10% over the next three years.
- The longer-term target is to have these two businesses contribute 25-30% with a slightly larger bias towards mid-market offerings.

Revenue

- The total revenue grew 62% YoY to Rs 6.2bn at end Q4, with recurring revenue increasing by 28% YoY and non-recurring at 90% YoY.
- The growth in non-recurring revenue was mostly due to the massive block placement of National Stock Exchange shares, which generated an additional income of Rs 750mn-800mn. In addition, there was another share issue that brought in an additional Rs 300mn-400mn. Together, they brought in an additional Rs 1.1bn-1.2bn.

Yields

- ARR yield (calc.) held steady QoQ at 64bps at end Q4. At end FY24, the ARR yield was 63bps whereas on active ARR AUM it was 70bps. Yields are expected to remain stable on an annual basis.
 - Yield (calc.) for 360 One Plus slipped 5bps YoY to 18bps but was broadly stable sequentially.
 - Yield (calc.) on AMC remained broadly stable at 73bps.
 - Yield (calc.) on distributing third-party managed funds grew 12bps YoY to 65bps.
 - The NBFC business's NIM fell 44bps YoY owing to higher lending costs in Q4 that would be passed on to the customers from Q1FY25. Also, the company had a small public issue in Jan and the money was unutilised for 30 to 45 days, which led to a spike in the cost.

Cost-to-Income (C/I)

- 360 One's C/I ratio declined sequentially to 48.2% in Q4FY24 (49.6% in Q3FY24). In FY24, the cost to income ratio remained elevated at 48.7% as the company invested in hiring for the newer segments as well as for the existing business.
- The variable employee cost grew to Rs 740mn in Q4 from Rs 354mn in Q3 owing to (i) extra bonus paid for higher transaction revenue (Rs 170mn-180mn) (ii) Rs 110mn-120mn of new joiner bonus.
- The admin cost too grew to Rs 750mn in Q4 from Rs 590mn in Q3 owing to incremental spending on legal, marketing and technology.

Net flows

- The total ARR net outflows stood at Rs 6.7bn for Q4FY24; however, for FY24 the number stood at Rs 269bn.
- In Q4, wealth had an outflow of Rs 8.6bn whereas the asset management business saw inflows of Rs 1.9bn.
- 360 One Plus saw outflows of Rs 30bn at end Q4. To find out its preferences for distribution or advice, the company reached out to its larger clients, particularly those who monetised in the last 12 to 18 months. Some of them preferred the distribution side instead of the advisory and hence the outflow, but the money is still in the system.
- The private equity fund started in 2018/19 and was up for redemption in FY24 which impacted the flows. Moreover, the company expects more redemption in the next six months. Though the alternates registered outflows of Rs 17bn in FY24, the gross numbers were inflows of Rs 65bn-66bn.
- Management guided for 15-20% net flows of Active ARR AUM. Thus, management expects to have net flows of Rs 200bn-300bn in FY25 (based on active ARR AUM) and intends to grow this piece by 20-25% assuming 8-9% of MTM gains.
- 360 One continues to see strong inflows in the mutual fund (MF) business in Q4FY24 of Rs 6.2bn and Rs 29bn for FY24.

Other updates

- 360 One onboarded 400+ clients during FY24, each with AUM exceeding Rs 100mn in ARR assets. The overall client base stood at 7,200 at end FY24.
- Employee retention continues to be high with voluntary attrition at 5.4% for FY24.
- Compared to the current 3,000 families, management anticipates more room for the current relationship manager base to manage at least double the clientele base with a size of at least Rs 100mn.
- Custody assets totalled Rs 1.25tn at end-Q4.
- Management announced the first interim dividend of Rs 3.5 for FY25 (FY24; Rs 16.5). Dividend payout is proposed to continue at 70-80% of PAT.

Valuation methodology

360 One retains its niche positioning in the wealth management business, enjoys a track record of innovative products and has a strong team leader-driven model that boasts of low attrition at the client and senior banker levels. Management’s decision to venture into new domestic geographies and target the HNI category besides global markets is likely to spur the next leg of growth and have a positive impact on the topline from FY25. We have estimated 1.3%/2.5% of the revenue to come from these in FY25/FY26.

Management’s aim to build 15-20% of net flows of active ARR AUM looks achievable. We have built in Rs 300bn/Rs 350bn of ARR net flows for FY25/FY26. We broadly retain our C/I ratio as we hope for operating leverage to kick in in FY25/FY26. We estimate PAT for FY25 to increase by 4% and marginally for FY26.

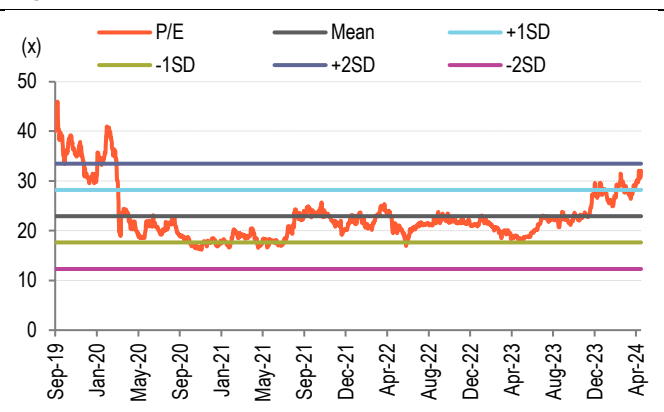
Baking in a strong Q4, we value the stock at a higher 30x (25x earlier) FY26E P/E – a 30% premium to the long-term average translating to a revised TP of Rs 890 (from Rs 747). Our premium multiple stems from continued traction in the company’s ARR model where AUM has reached Rs 2.3tn in FY24, strong flows, better growth visibility as operations expand, and positive market sentiment. However, the stock rose 13% in CY24 YTD vs 3% for the index. We remain positive on the company but due to the pricey valuations, we downgrade to HOLD (from BUY) with an 11% upside.

Fig 16 – Revised estimates

| (Rs mn) | New | | Old | | Change (%) | |
|--------------------|--------|--------|--------|--------|------------|--------|
| | FY25E | FY26E | FY25E | FY26E | FY25E | FY26E |
| Recurring revenue | 16,981 | 20,885 | 16,319 | 20,165 | 4.1 | 3.6 |
| Total revenue | 22,231 | 25,785 | 21,119 | 25,365 | 5.3 | 1.7 |
| Cost to income (%) | 47.0 | 45.0 | 47.0 | 45.0 | 0bps | 0bps |
| PBT | 11,783 | 14,182 | 11,193 | 13,951 | 5.3 | 1.7 |
| Tax rate (%) | 22.0 | 22.0 | 21.0 | 21.0 | 100bps | 100bps |
| PAT | 9,190 | 11,062 | 8,843 | 11,021 | 3.9 | 0.4 |

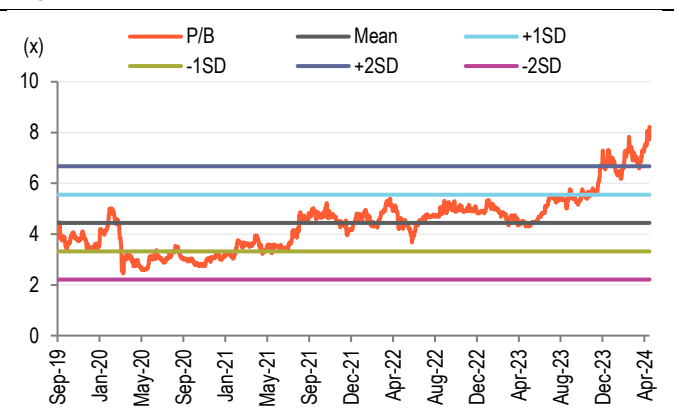
Source: BOBCAPS Research

Fig 17 – 1Y fwd P/E band



Source: Bloomberg, BOBCAPS Research

Fig 18 – 1Y fwd P/B band



Source: Bloomberg, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- **Goodwill risk:** 360 One's business is built on the goodwill of existing clients with new clients being acquired by word of mouth. Any change in the company's reputation due to a customer's bad experience could result in loss of goodwill, thereby hampering its ability to acquire new customers or even lead to attrition among existing clients.
- **Volatile capital markets:** Volatility in capital markets persists owing to geopolitical tensions, erratic oil prices and fluctuating corporate earnings. This could lead to abnormal losses/profits in client portfolios. Should new wealth creation drop, the pace of estimated growth in the wealth industry may slow, which may result in lower AUM growth for the company. As per management, a 20% fall in the benchmark could result in an 8-12% decline in AUM.
- **Slower-than-anticipated growth in 360 One Plus assets:** The company has been a pioneer in pushing for the shift to a recurring revenue model, spearheaded by the 360 One Plus proposition, where revenue is earned in the form of fees from clients rather than commissions from mutual funds. However, the speed of client conversion to this proposition may be slower than expected. Also, pricing pressures may arise as other competitors move to similar models.
- **High dependence on senior team leaders:** 360 One is dependent on senior team leaders, bankers and relationship managers to retain and expand the client base over the long term. Any substantial senior-level attrition may lead to a corresponding increase in client attrition or may even slow AUM growth.
- **Regulatory issues:** Several regulatory changes have been introduced over the last few years, altering the dynamics of the business (for example, the change in commission earned from upfront to trail). Any further unfavourable changes can affect the income earned by the company.

Glossary

| Glossary | | | |
|------------|-----------------------------|--------------|----------------------------------|
| AIF | Alternative Investment Fund | MTM | Mark to Market |
| AMC | Asset Management Company | NDPMS | Non-Discretionary PMS |
| ARR | Annual Recurring Revenue | NRI | Non-Resident Indian |
| AUM | Assets Under Management | PMS | Portfolio Management Services |
| HNI | High Net Worth Individuals | UHNI | Ultra-High Net Worth Individuals |

Financials

Income Statement

| Y/E 31 Mar (Rs mn) | FY22A | FY23A | FY24P | FY25E | FY26E |
|-----------------------|--------|--------|--------|--------|--------|
| Recurring revenue | 9,120 | 11,709 | 13,306 | 16,981 | 20,885 |
| Non-recurring revenue | 4,862 | 3,941 | 5,150 | 4,250 | 4,000 |
| Other income | 1,372 | 37 | 1,195 | 1,000 | 900 |
| Total income | 15,354 | 15,687 | 19,650 | 22,231 | 25,785 |
| Operating expenses | 7,841 | 7,184 | 9,565 | 10,449 | 11,603 |
| PBT | 7,513 | 8,503 | 10,085 | 11,783 | 14,182 |
| PBT growth (%) | 54.9 | 13.2 | 18.6 | 16.8 | 20.4 |
| Tax | 1,696 | 1,824 | 2,068 | 2,592 | 3,120 |
| Tax rate (%) | 22.6 | 21.5 | 20.5 | 22.0 | 22.0 |
| Reported PAT | 5,818 | 6,679 | 8,018 | 9,190 | 11,062 |

Balance Sheet

| Y/E 31 Mar (Rs mn) | FY22A | FY23A | FY24P | FY25E | FY26E |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Equity capital | 177 | 356 | 359 | 359 | 359 |
| Reserves & surplus | 29,798 | 30,908 | 34,138 | 36,436 | 39,201 |
| Net worth | 29,976 | 31,264 | 34,497 | 36,795 | 39,560 |
| Total debt | 58,250 | 67,837 | 94,719 | 1,08,385 | 1,34,691 |
| Other liab. & provisions | 49,145 | 44,084 | 56,469 | 59,931 | 63,240 |
| Total liabilities & | 1,07,395 | 1,11,921 | 1,51,189 | 1,68,316 | 1,97,932 |
| Cash & bank balance | 10,222 | 7,256 | 6,382 | 9,464 | 15,360 |
| Fixed & Other assets | 97,173 | 1,04,665 | 1,44,806 | 1,58,852 | 1,82,571 |
| Total assets | 1,07,395 | 1,11,921 | 1,51,189 | 1,68,316 | 1,97,932 |

Per Share

| Y/E 31 Mar (Rs) | FY22A | FY23A | FY24P | FY25E | FY26E |
|----------------------|-------|-------|-------|-------|-------|
| EPS | 64.1 | 18.1 | 21.9 | 24.7 | 29.7 |
| Dividend per share | 55.0 | 17.3 | 16.5 | 18.5 | 22.3 |
| Book value per share | 332.6 | 85.7 | 92.7 | 98.9 | 106.3 |

Valuations Ratios

| Y/E 31 Mar (x) | FY22A | FY23A | FY24P | FY25E | FY26E |
|--------------------|-------|-------|-------|-------|-------|
| P/E | 12.5 | 44.2 | 36.7 | 32.4 | 27.0 |
| P/BV | 2.4 | 9.4 | 8.6 | 8.1 | 7.5 |
| Dividend yield (%) | 6.9 | 2.2 | 2.1 | 2.3 | 2.8 |

DuPont Analysis

| Y/E 31 Mar (bps of AAAUM) | FY22A | FY23A | FY24P | FY25E | FY26E |
|---------------------------|-------|-------|-------|-------|-------|
| Operating income | 113.5 | 100.4 | 93.4 | 82.8 | 77.8 |
| Operating expenses | 63.6 | 46.1 | 48.4 | 40.7 | 36.3 |
| Other income | 11.1 | 0.2 | 6.0 | 3.9 | 2.8 |
| PBT | 61.0 | 54.6 | 51.1 | 45.9 | 44.3 |
| Tax | 13.8 | 11.7 | 10.5 | 10.1 | 9.8 |

Ratio Analysis

| Y/E 31 Mar | FY22A | FY23A | FY24P | FY25E | FY26E |
|--|-------|--------|-------|-------|-------|
| YoY growth (%) | | | | | |
| PBT | 54.9 | 13.2 | 18.6 | 16.8 | 20.4 |
| EPS | 53.5 | (71.7) | NA | 13.0 | 20.4 |
| Profitability & Return ratios (%) | | | | | |
| Operating to Total income | 91.1 | 99.8 | 93.9 | 95.5 | 96.5 |
| Cost to Income ratio | 51.1 | 45.8 | 48.7 | 47.0 | 45.0 |
| PBT margin | 48.9 | 54.2 | 51.3 | 53.0 | 55.0 |
| ROE | 20.0 | 21.8 | 24.4 | 25.8 | 29.0 |
| Dividend payout ratio | 85.8 | 95.5 | 75.5 | 75.0 | 75.0 |

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

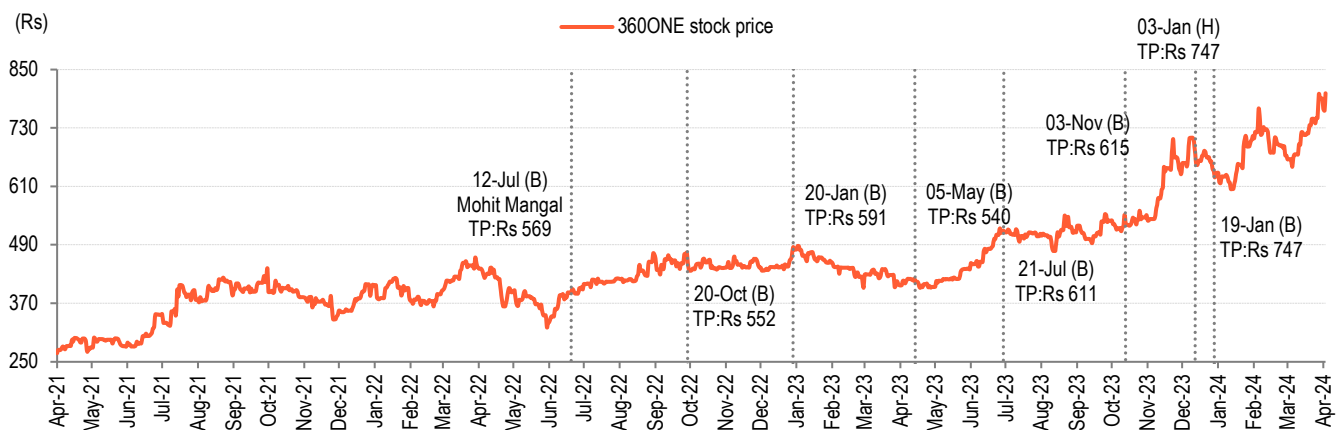
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): 360 ONE (360ONE IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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