July 26, 2023

The Manager,
Listing Department,
BSE Limited,
Phiroze Jeejeebhoy Tower,
Dalal Street,
Mumbai 400 001.
BSE Scrip Code: 542772

The Manager,
Listing Department,
National Stock Exchange of India Ltd.,
Exchange Plaza, 5 Floor, Plot C/1, G Block,
Bandra - Kurla Complex, Bandra (E),
Mumbai 400 051.
NSE Symbol: 360ONE

Dear Sir / Madam,

<u>Subject: Transcript of earnings call</u>

This is further to our intimation dated July 13, 2023, informing the exchanges regarding the details of the earnings call on Friday, July 21, 2023, at 2:00 p.m. (IST) to discuss the Company's performance for the quarter ended June 30, 2023.

Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the earnings call held on July 21, 2023. We wish to confirm that no unpublished price sensitive information was shared / discussed in the aforesaid earnings call.

The said transcript shall also be made available on the website of the Company.

We request you to kindly take the above information on record.

Thanking you.
Yours truly,
For 360 ONE WAM LIMITED
(Formerly known as IIFL Wealth Management Limited)

ROHIT SHRINIWAS BHASE

Digitally signed by ROHIT SHRINIWAS BHASE
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Date: 2023.07.26 17:28:33 +05'30'

Rohit Bhase
Company Secretary
ACS: 21409
Encl.: As above

360 ONE WAM Limited - Earnings Call Q1 FY24

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**

- Good afternoon, ladies, and gentlemen and welcome to 360 ONE WAM's Q1 FY24 Earnings Call. As a reminder, all participant lines will be in listen only mode. There will be an opportunity for you to ask questions after the management shares their thoughts. Should you require assistance during the conference, kindly signal the host by tapping on the 'Raise Hand' icon. Please note this conference is being recorded.

- On the call today we have with us Mr. Karan Bhagat - Managing Director & CEO, Mr. Anshuman Maheshwari - Chief Operating Officer and Mr. Sanjay Wadhwa - Chief Financial Officer.

- I now hand it over to Sanjay to take this conference ahead. Thank you.

- **Mr. Sanjay Wadhwa - Chief Financial Officer, 360 ONE WAM Limited:**

- Thank you, Anil and a very good afternoon.

- Public market sentiment saw a significant improvement in Q1 as against H2 FY23. The benchmark indices touched all-time highs boosted by strong FII flows and encouraging macro indicators. The global growth and risk sentiment continue to remain cautious on the back of uncertainty related to global central banks' policy updates. However, India, with its strong domestic drivers, is expected to show continued resiliency and growth recovery.

- On the current quarter at 360 ONE WAM. A diversified portfolio mix, healthy net flows and focus on recurring revenue streams continued to hold us in good stead. We saw growth across key metrics such as ARR assets, net flows and retentions, which led to a strong rise in profitability. The business and financial performance is in line with our FY24 guidance.

- Before we deep dive into financials, we would like to highlight that we have announced an interim dividend of Rs 4 per share. This is our second interim dividend for this fiscal, taking the total dividend to Rs 8 per share.

- Now coming to the financials - some specific financial numbers:

Assets Under Management (AUM)

- In line with our focus on ARR assets, total ARR AUM increased to Rs 191,390 Crs - up 33.3% YoY. This growth was driven by strong net flows at Rs 12,975 Crs during the quarter

- Our Wealth ARR AUM stood at Rs 1,26,285 crores - up 42% YoY, while AMC ARR AUM stood at Rs 64,105 crores - up 20% YoY

- As noted in all our previous calls, our focus remains to increase ARR assets and high-quality revenues generated from them.

Coming to Revenues & retentions

- Our Recurring Revenues increased by 7.1% YoY and 15.5% QoQ to Rs 323 Crs. As a percentage of operating revenue, recurring revenues now comprise 80%. As stated in the previous call, we have now moved to an accrual method of accounting for carry income. The accrual is based on conservative fair value estimations of the carry income in funds, which are in the last 18 months of their maturity. The carried interest accrual or carry income is now included in the recurring revenues. During the quarter, we have accrued Rs. 40 crore. To reflect this change, we have restated the numbers from previous quarters in our Q1 disclosures. This change is mainly on account of our multiple strategies in Alternates and ageing profiles of various schemes, which now adds to the steadiness and predictability of carry estimations.

- Hence, to repeat - the carry income is now a part of ARR revenues

- Our Total Revenues for the quarter were up 17.6% YoY and 12.7% QoQ at Rs 434 Crs driven by growth across business segments and higher Other Income

- Our Retentions on ARR assets have remained strong at 73 bps as against 70 bps in Q4 FY23, with Wealth "ARR" retention at 70 bps and Asset Management at 80 bps

Coming to Expenses

- For the quarter, operating costs rose by 25% to Rs. 210 Crs due to strengthening of sales team and higher marketing & promotion expenses

- Cost to income ratio stood at 48.4% v/s 48% in Q4 FY23. We expect this to moderate over the year, as the current quarter included certain one-time marketing expenses.

Profitability

- PAT stood at Rs 181 Crs - an increase of 13.4% YoY and 16.9% QoQ

- Importantly, our tangible ROE (i.e., ROE excluding goodwill & intangibles) continues to remain strong at 28.6% for the year. This is a result of prudent capital management, and regular dividend payouts

With that we come to the end of the financial highlights. I'll hand it over to Anshuman to cover key business and strategic highlights.

Mr. Anshuman Maheshwary - Chief Operating Officer, 360 ONE WAM Ltd:

- Thanks Sanjay, good afternoon, everyone.

- The last 4-5 quarters have been interesting for industry and us - both in terms of equity market movements and business trends. In this period, 360 ONE WAM has been able to showcase agility, resilience and steady growth in contrasting periods of weak momentum as well as new market highs.

- We strongly believe that we have significant growth opportunities given the outlook on India and our leadership positioning in select business segments. The competitive moats that we have built through our sharp focus on Wealth & Asset, leading proposition, deep client relationships, continuous product innovation, and robust risk & governance, position us uniquely for the opportunities ahead.

- Accordingly, in this quarter's investor deck, we have provided a summary of our view on the medium-long term view of the addressable market opportunity and our focus areas.

- On Wealth, we see a USD 1 trillion market opportunity, doubling over the next five years.

- Firstly, our core Wealth proposition focused on the UHNI segment is an 800 billion+ market across ~30-35K households currently. The growth in Wealth is expected to be the highest in this segment, combined with increased professional Wealth Management penetration. Our focus remains on:

    - Deepening our current relationships and increasing our share of wallet of existing and future wealth of these clients;
    - Continuing our geographic expansion across domestic cities as we expect this phase of growth in Wealth to be far more dispersed across India;
    - Selectively expanding in offshore locations as we expect a global presence to become increasingly important for this segment of clients;
    - Continuously sharpening our advisory proposition and product platform to cater to emerging client needs

- Secondly, our ability to address the next segment of HNI clients opens another 160-170K households for us. We are excited by the prospect of being able to take our sharp & unique Wealth proposition and all the strengths of our current platform to this segment of clients. The business build, including significant digital developments, for being able to address the requirements of these clients effectively is progressing well and we are on track for going to market towards end of Q3 / beginning Q4 of this FY.

- On Asset Management, India remains a relatively nascent market with tremendous growth potential. At ~600 billion USD of AUM, we are only at about 15-20% of GDP while the global average for asset management AUM is 70% of GDP.

- At over USD 7 billion AUM and with a high single digit market share, we have unparalleled leadership on the Alternates (AIF and PMS) space in India. Our build out in each key strategy of Listed Equities, Private Equity, Private Credit, Infra and RE, is playing out well with strong traction from UHNI/HNI clients, Family offices and as well as increasing domestic & institutional interest. We expect Alternates to remain the fastest growing segment within Asset Management and we will continue to gradually add strategies and further ramp up our investment teams.

- Mutual Funds remains an interesting market opportunity – we have successfully built out selective equity products with strong, sustained top decile performance and will continue to be on the lookout for differentiated offerings. Our distribution reach, specifically with individual MF distributors is also getting build out well and we maintain the optionality of growing our presence further in this market.

- Overall, while we have leadership presence in our core Wealth and Alternates business segments and these will continue to be the bedrock for our growth in the near future, it's important to note that we have a potential addressable revenue pool of over Rs 50K Crs growing at double digits annually. We are excited by our positioning and ability to tap into this expanded revenue pool and are confident of being able to drive strong double-digit growth in AUM, revenues and profits over the next few years.

- With that, I would like to open the session for Q&A and I'll invite Karan to come on as well.

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**

- Thank you, Anshuman. To ask your questions, kindly tap on the 'Raise Hand' icon. We request you to introduce yourself and the organization you represent before asking your question. Thank you.

- We'll give it a minute for the queue to come in.

- We'll begin with Prayesh Jain. Prayesh, could you unmute yourself and ask your question?

- **Mr. Prayesh Jain - Participant:**

- Hi, everyone. A good set of numbers. Just a few questions. Firstly, I think on the 360 ONE Plus, we saw very strong inflow in this quarter. Could you highlight as to what were the differentiating factors that played out in this quarter? And, is there anything specific one off out there or do we see the moment sustaining there?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- Thanks. So, from 360 ONE Plus point of view, it's been a special quarter because there were 3-4 large public market listings, where effectively there were a few promoters, who ended up doing an offer for sale. In addition, the level of market activity, in terms of secondary sales of even unlisted businesses, continued to gain traction. It's not a one off in that sense, but we've ended up having a fairly large market share in the new wealth creation over the last quarter. And it's safe to say, around 65%-70% of the larger clients who ended up with a secondary liquidity event, we were able to convert in the last quarter.

- Having said that, a large amount of the conversions have happened through the quarter. A lot of these flows will get invested over a period of time and with some of these clients we've not yet finalized the final fee structure. So, in the yield, you see the effect only of around about half of these mandates. The remaining half are going to be finalized, as we speak, over the next quarter or so. But, yes, our general market share and conversion of new clients, especially for secondary sales either through IPOs or otherwise, has been phenomenally high in the previous quarter.

- **Mr. Prayesh Jain - Participant:**

- So, Karan, is it fair to assume that the yields on this business will improve in the second half and once you'll finalize because…

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- Yes, for sure. The yields will definitely improve. It's a combination of three things - Around Rs 3,000 - 3,500 Crs on our nondiscretionary PMS will become fee payable more or less starting second half of this year. This AUM currently is a legacy chunk which we are carrying in basket for the last 2 - 2.5 years, pre-2019, where we received distribution commissions and, hence, we are not able to charge any fees as advisors. This automatically becomes largely fee-bearing from the second half of this year. Having said that, Rs 5,000 - 5,500 Crs under advisory are not still fee bearing at all.

- In addition, even on the balance assets we had fixed the fees slightly earlier. I think there'll be a slight bit of pick up there as well. So, overall, towards the second half of the year you'll definitely see the largest pickup in yield. Maybe only for that quarter and subsequent quarters, the yield pickup may not be large enough to make up for the first two quarters but there will be a substantial pickup in yields in Q3 – Q4.

- **Mr. Prayesh Jain - Participant:**

- Great. On the alternate investment side, you know, like we have been discussing about the flows should move towards credit and, beyond listed equity is a space that you would look to garner higher flows. But, honestly, we haven't seen any differentiated traction out there. So, could you throw your outlook there?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- No, actually, the traction in credit has been quite good, in the last couple of quarters. It's just that it got shaved off by outflows of Rs 1,000 - 1,500 Crs from our special opportunities funds, which have come up for redemption. These are the funds we have raised in 2018-19 and, obviously, for good value they've kind of appreciated. Broadly Rs 6,000 - 7,000 Crs that we've collected, we've returned approximately the same amount or slightly more to clients and, then we had another Rs 4,500 - 5,000 Crs yet to be returned to clients. A large part of this Rs 4,500 - 5,000 Crs happened in Q4 and also in Q1 and, now we've got another Rs 2,500 - 3,000 Crs to be returned. So, from a return perspective, this year, we will see a little bit of preplanned outflows in private equity, but in the real assets and the credit category, there will be enough amount of inflows to make up for that. And, supplemented by listed equity flows, which are expected to be substantially better in the current quarter or next quarter but to answer your question, credit in general has done fairly well over the last two quarters.

- **Mr. Prayesh Jain - Participant:**

- Okay. There are couple of bookkeeping questions. Firstly, the restatement of the carry income, that's only there in the AIFs and nothing on the PMS, right? Is the understanding correct?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- Yes, that's correct.

- **Mr. Prayesh Jain - Participant:**

- Okay. Secondly, on the employee cost front, so is this a sustainable rate?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- Employee cost is sustainable. That's pretty much per as per budget. We've been Rs 5 - 10 Crs over budget on the admin side. We had a large employee event for the first time after COVID and, you know, we had a 15-year completion. We also did a similar client event in Q1. So, that's added to round about Rs 5 - 6 Crs and another Rs 3 - 4 Crs were driven by specific tech initiatives. But outside of that, it is pretty much in line. Not really something which we're really concerned about showing up every quarter.

- **Mr. Prayesh Jain - Participant:**

- Okay. And no change in targets, right, which we'd highlighted for FY24?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- No, as of now pretty much as per plan. I don't see any reason for change. The only thing which we would kind of be a little fungible about is Rs 75-odd Crs between ARR and TBR. But outside of that, I don't see any change in the headline, topline and bottom line.

- **Mr. Prayesh Jain - Participant:**

- Thank you. Thank you so much for all the answers.

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**

- I'll request Bhavin Pande to come in. Bhavin, kindly unmute yourself and go ahead with the question.

- **Mr. Bhavin Pande - Participant:**

- Sure, thanks. So, yeah, thanks for taking my question. Just wanted to understand what our guidance on this cost to income would be going forward? As sir mentioned that it might come down a little more, so how much are we looking at?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- It'll be in the same region 43.5%-44%-45% per our guidance.

- **Mr. Bhavin Pande - Participant:**

- Okay. And, secondly, as we mentioned that we had strong inflows because of the large listings, OFS by promoters and benign secondary market, so can you give us the breakup with the Rs 120 billion inflow that we had? Out of that how much was this?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- Around 70%-72% would be this. 25%-28% would be a transfer of accounts from other wealth managers and increase in wallet share.

- **Mr. Bhavin Pande - Participant:**

- Okay. And just one last thing, as you mentioned that Mutual Fund is an interesting opportunity and the performance has been in top this side but aren't we concerned about yields as compared to what we have in our alternate space?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- So, Bhavin, for our Mutual Fund space, as of now we've been conservative in our distribution payout to our distribution partners. We've kept the yields closer to the 50 basis points even for our Mutual Fund business. On the PMS side and alternate side, obviously, it is closer to the 80-90 basis points. And I'm just talking about listed right now.

- And on the SMA side, which is the larger institutional mandates, it comes off to around about 35-40 basis points. So, as a combination of these three, we will continue to be around the 65-70 basis points and we are in no hurry to grow on the Mutual Fund side by sacrificing yields and retentions. We are fairly confident that we'll be able to grow steadily with decent performance at the 45-50 basis points retentions. Alternates, PMS will continue at the 75-80 basis points and the Institutional Mandates at 40 basis points.

- So, the listed space, on a combination of these three will continue to be in and around the 65-70 basis points.

- **Mr. Bhavin Pande - Participant:**

- Okay. And, just one last thing, how do we sort of, you know, over the next five-year period look at our salesforce expanding; the Relationship Managers that we're looking to add?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- Bhavin, this is a great question, and I'll try to give as comprehensive an answer as I can but some things keep evolving. I would divide our Relationship Managers/salesforce largely between three big verticals. The first large vertical really is largely going to be, for the lack of a better word, the Senior Private Banker. The private banker who has the ability to originate and manage large clients on an advisory asset allocation basis and, pretty much could manage his own book. He is, in some cases, assisted by a couple of Junior Bankers or in some other cases, he also runs a team of 5-6 Junior Bankers. These individuals in our system are close to around about 60-70 or rather 70-75 and, make up the core of our wealth management business, in terms of origination of large clients.

- The second set are essentially Relationship Managers. So, this team includes the Junior Bankers, for the lack of a better word. Some of the Junior Bankers are obviously very senior with 15-20 years’ experience, but I'm just talking from a role perspective. This would make around about 160-170 people across the firm for us.

- We have another 60-70 bankers who are currently, that's a relatively slightly fresh, more focused on the distribution part of the business and may not have the seniority or the expertise to be able to manage clients on the broad asset allocation or advisory basis.

Those Relationship Managers, today as we speak, will play a very pivotal role for us to expand our midmarket / high net worth business as we go along.

- And, third, where we need to really add to our sales force is on the Asset Management side. We've got a really good experience, feedback and response for our set of products and ideas across the board from individual Mutual Fund distributors or others and we have a lot more confidence in our ability to have external facing distribution partners. Therefore, we need to expand our sales team a bit. We are only 20-22 people on the Asset Management side. We've kept our sales team very tight and conservative in building out our AUM of Rs 65,000 Crs on the Asset Management piece. I think that's something which we look forward to expand as things go along over the next 6-12 months.

- So, if I look at the sales team, these are 3 places which we'll kind of buildout and I see expansion in all three. Having said that, the profile of people along with their strengths and capabilities which we are looking at recruiting across these three verticals are quite disparate and quite unique in their own ways.

- **Mr. Bhavin Pande - Participant:**

- Okay. That was pretty much helpful, Karan. And just one last thing before we can close, the guidance stays intact for yield? Blended?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- Yes. As I said earlier, I'm quite comfortable with the guidance. The only thing I would say is, depending on the pace of the ARR and the adoption of fees, approximately Rs 75-100 Crs odd swap between TBR and ARR might happen. But that's really a function of the pace of flows and the quantum of flows.

- **Mr. Bhavin Pandey - Participant:**

- Wonderful! Thank you. Thank you so much. All the best for quarters ahead. Thank you.

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- Thank you.

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**

- Thank you. Next, we have Mohit Mangal on the line. Mohit, kindly unmute yourself and ask your question.

- **Mr. Mohit Mangal - Participant:**

- Hi. Congratulations on your set of numbers. I got three questions. First is, you know, if I look at your ppt, you have included a new line item - Registered Investment Advisors (RIA), okay. So, basically that has, you know, increased from Rs 214 billion to Rs 345 billion, so wanted to know if I have to bifurcate between the NDPMS and RIA, what would be the number?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- Approximately 60% - 65% would be NDPMS, 35% would be RIA. But what we've done, Mohit, is something slightly different. So, a lot of the new advisory wealth clients are also coming on the RIA, so these are essentially clients on RIA who are coming in a similar format to NDPMS, which is consult. For Corporate Treasury side, we started reporting them separately because they really come at a very different yield from the core wealth business. So, the second line item outside of the engagement, being NDPMS or RIA, really has no impact either from a yield perspective or from a segment of client perspective. So, both are exactly the same.

- **Mr. Mohit Mangal - Participant:**

- Okay. So, if I see, NDPMS is earning around 20 bps and if I'm not wrong historically we used to earn around 35 basis points on that. So, are they coming at a discount?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- No, there is nothing to do with pricing. It is just a function of time. Both have the same pricing, same model of engagement. There is really no difference between the two. There is no difference on the account of pricing, whether somebody is coming on NDPMS or somebody is coming on RIA. It is just that we started with NDPMS and now we started taking clients on RIA also. That's the only difference.

- And the reason there is a difference in yield is, what I said earlier, because the newer clients who've come in in the last quarter, around Rs 5,500 - 6,000 Crs, we have not yet frozen the fee structure. That's the only difference. There's no difference in yield because of the engagement model being RIA or Consult. Both are exactly the same.

- The only difference is the Corporate Treasury, which we've taken out in a separate line.

- **Mr. Mohit Mangal - Participant:**

- All right. And if I look at the discretionary PMS within the 360 ONE, that has remained flat. So, is there any outflow in that?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- There's an outflow in that. There's one single client who had around about USD 100 million as an outflow. The outflow is not really an account of either performance or anything else like that. The client needed liquidity for one of his businesses, so we expect it to come back over the next six odd months. But there is an outflow of 100 million or slightly more of 125 million there.

- **Mr. Mohit Mangal - Participant:**

- Now, coming to alternative flows, we saw this quarter having around Rs 600 Crs of flows and if I look at 7 to 8 quarters now, we saw a pretty uneven kind of data. Some quarters they have Rs 500 to 600 Crs of flows and some much lesser within this alternative space.

- **Mr. Karan Bhagat – Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- Actually, to be fair, the gross flows are not that patchy, what is patchy is the outflows. Maybe from next time we'll start reporting gross sales and net sales because if you see the gross sales numbers, they're quite consistent. I think what becomes simply patchy is the net sales because of the outflows happening only in a few quarters without happening in the other quarters. So, a couple of quarters through the year have outflows because of maturity redemptions and for that specific quarter, the net flows look slightly tepid, but from a gross flow perspective, it is pretty consistent every quarter.

- **Mr. Mohit Mangal - Participant:**

- Perfect. My last question is towards the transactional revenue. So, if you see you know earned around Rs 80 - 82 Crs this quarter and that considering the market was pretty good, do you think the syndication income lagged this quarter?

- **Mr. Karan Bhagat – Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- No. So, we are making a conscious effort to try and move as much income stream as possible from even the syndication income and trying to see how they can be converted into packaged products, pool ideas which last over a longer period of time. So, as from our side, the effort will be sequentially over a period of next 2-3 years. All things being equal, try and reduce this bucket to the minimum possible, which would mean that there are certain forms of income which can only be booked in the form of brokerage and upfront transaction fees, which would be around about Rs 200 Crs a year, Rs 50 Crs a quarter. The rest obviously, depending on how you package the product, how you format it, how you kind of offer it to the client, can be potentially turned into long-term income. So, our effort perpetually is to try and move everything outside that Rs 200 Crs into a longer-term engagement with the client. Having said that, we will continuously balance the requirements between the two. So all things being equal, we would like that number to not exceed Rs 375 - 400 Crs for the year and is unlikely to be below Rs 300 Crs, but that's the number in a span of maybe 12 to 24 months, unless we start some new business which kind of contributes to transactional income. On the current set of businesses, Rs 200 Crs as long-term transaction income, provided we can shift the rest to long-term annuity is the place we would want it to be, but that is not something which is immediate.

- **Mr. Mohit Mangal - Participant:**
- Perfect. Thanks, and wish you all the best.
- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Thank you.
- **Mr. Anil - Moderator, 360 ONE WAM Limited:**
- Thanks, Mohit. Next online we have Anirudh Agarwal. Kindly unmute yourself and ask your question.
- **Mr. Anirudh Agarwal - Participant:**
- Thanks, Karan. So, first one was on our own asset management side. So, you know, we've spoken about the expected outflows on the private equity side, but on the listed equity side, do you now see flows resuming with the market performance? So, first quarter there would have been some profit booking etc. by certain clients. How do you look at the outlook on the listed side going ahead?
- And secondly just to close on the own asset management side, do you see opportunities for on the private equity side also opening up later half of the year with this kind of sentiment?
- **Mr. Karan Bhagat – Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- I think it is quite bullish on both. We are already seeing lots of positive tailwinds on the listed side, especially given the performance of all the three products which are pretty much ranking among the top three schemes in every category. So, on the listed side, you will definitely see a fairly large pickup in flows over the next three to six months. On the private equity side obviously, we had a fairly good year last year where we ended up collecting a large chunk of money and towards the quarter four of the year before that. We typically need to give it a 12 - 18 months breather because we need to invest at least 60% - 70% of the money we've collected before we can go out to the market for a large new fund. Quarter three is the time where we can really go out to the market for a large fund and that's really when the flows on the private equity would pick up. But listed equity will start seeing definitely large improvements and flows from this quarter itself.

- **Mr. Anirudh Agarwal - Participant:**

- Got it and where would we be on the institutional mandates that we were targeting on the listed equity side?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- So, we are in last stage of discussion with a few. We missed a few on account of pricing and not really on account selection or performance. It is a fine balance between pricing and getting the right mandate. Obviously, with our existing four large investors, we have a commitment not to go below a certain price and we are going to stick to that. We're in close discussions with a couple of institutions. Over the next 9 odd months, we would expect at least a couple to come through.

- **Mr. Anirudh Agarwal - Participant:**

- Got it. Just on the cost side, I mean, could you quantify what part of the employee cost increase or salary increments versus, you know, just the cost to roll out the new team?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- I think it will be half-half, broadly into just the delta of the increase.

- **Mr. Anirudh Agarwal - Participant:**

- So, Rs 10 Crs odd would be the new team.

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- That's right, approximately

- **Mr. Anirudh Agarwal – Participant:**

- Okay and just to reconfirm on the admin cost side, essentially, we'll broadly stick to our guidance for this year?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- I think maybe Rs 10-15 Crs off. So, effectively what we had is Rs 200 Crs might end up at Rs 210 Crs or maybe maximum Rs 212-213 Crs, but unlikely to exceed beyond that.

- **Mr. Anirudh Agarwal – Participant:**

- Got it and last question was on the cash balance. So, we will have certain cash variances that get released through the course of this year, right, the money that was invested in our own AIFs essentially, any plans on that, anything on the inorganic side? I know we've made a couple of small ticket sort of acquisitions or taking some stakes, but anything that you are seeing?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- Honestly, nothing immediately. So, our hypothesis on acquisitions typically has been around saying that they should definitely add a new segment or a client base which we can't go after otherwise. Honestly, we believe that given our entire product depth and our ability to add people 8 or 9 times out of 10, we are able to get access to the client. We really don't want to spend too much money on acquisitions to get that access too fast. I think we're able to get there. Having said that, we would want to make some bit of investments to see how to kind of cement our franchise a little bit more in some areas and some specific cities, but it's more likely to be through acquisition of teams rather than acquisition of businesses. We would also need to invest a bit in building out our sales teams in Singapore and Dubai because those two markets are kind of emerging as very large Indian hubs in that sense. So, while our domestic and investment expertise will continue to be focused on India investments, our ability to have somewhat of an outreach in these two locations will also become important. So, though I really wouldn't call it hiring a business, I think we would end up investing a bit in terms of acquiring the right teams to build platforms both in some cities as well as in a few overseas locations, specifically Singapore and Dubai.

- **Mr. Anirudh Agarwal - Participant:**

- Got it. Just on the other income, the Rs 30 Crs other income is just on mark to market or is there anything else?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- No, just the mark to market.

- **Mr. Anirudh Agarwal - Participant:**

- Okay. So, is there a case wherein other income this year would be materially higher than the Rs 30 Crs that we guided for the full year

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- All things being equal, if markets are broadly at similar levels, we might end up with a slightly higher number. We might end up with Rs 70 - 80 Crs, but just from a conservative perspective, there's really something out of our control. So, we've kind of modeled that Rs 30 to 40 Crs, but yes, all things being equal might end up at Rs 70 - 80 Crs.

- **Mr. Anirudh Agarwal - Participant:**

- Got it. Thanks. Thanks a lot, Karan.

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**

- Thank you. Next in line we have Abhijit Sakhare. Abhijit, kindly unmute yourself and ask your question.

- **Mr. Abhijit Sakhare - Participant:**

- Hey, hi everyone. So, first question, helpful slide on the HNI midmarket numbers. So, the question was that seems like from the commentary, we've been getting good share on the ultra HNI side. So, looking out, let's say you know, 3-5 years what's your sense on the kind of growth we can deliver from this space itself? And then further on how do you, how are you looking at you know uplift to growth numbers coming from the midmarket side?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- So, there are three factors really, and that also kind of comes out clearly in that slide. First, I'll refer to the 30,000 - 40,000 people on the on the ultra-high net worth side. So, my sense is we have active wallet shares from round about 2,800 to 3,000 families on the ultra-high net worth side. My sense is we are in touch with another 3,500 to 4,000 of these families. So, we have a sight to round about 15% to 20% of this client base and maybe potentially a market share of dealing with 6% to 7% of this client base. Now, obviously from tailwinds perspective, there are three things which are happening here, right. So, the growth of wealth of these sorts of clients is slightly disproportionate compared to the rest of the triangle. So, we see wealth for these clients potentially grow by 10% to 15% as opposed to the 7% to 8% growth across the broader economy. Second is maybe the most important. The acceptance of having professional wealth managers is definitely on the rise. We would put that number closer to maybe half the set of 35,000 - 40,000 people, but that number is going to definitely progressively increase. Therefore, that kind of increases our coverable market and third, obviously, is our own ability to increase market share, both in terms of new clients as well as in terms of wallet share. So, I would like to believe if the base level growth is 10% to 12% multiplied by half, which is effectively the reachable client base, improve that half by a little bit, and then factor in wallet share growth as well as our own market share growth. If the entire industry is growing at 11% - 12%, we should be able to grow at 15% - 18% number on the ultra-high net worth piece itself. On the midmarket, if I look at the current business, around 15% to 20% of our current business is already coming from this segment and 80% to 85% of our segment is in the ultra-high net worth. So, as we build out, what we are calling the high net worth or the midmarket segment and, we'll get to the right branding and so on and so forth over the next 2-3 months before we launch. But, if I look at that segment, we will have a bit of a launching pad.

- We're not going to go into it absolutely blind, both in terms of sales teams as well as in terms of the investment understanding as well as in terms of the tech, we built over the last 12-18 months. We have a very good understanding of the business as well as maybe potentially having another 2,500 - 3,000 families we've already kind of dealing with, in that segment. So, it's too early for me to kind of project our numbers there, but I feel very, very confident about our brand or about our ability to be seen as the right wealth managers for that segment and, the most important vote of confidence we really have is a combination of our brand with this segment as well as our ability to be able to map out the right side of products and ideas. So, we should be able to make a progressive show of strength in that segment. We may start off slightly slow over the first 6-9 months, but I'm quite confident a similar market share of potentially 7% to 10% is what we can get to over the next three to five years in that segment.

- **Mr. Abhijit Sakhare - Participant:**

- Thanks, Karan for that. Just a small follow up on the midmarket side. I think what we're picking up generally is that it seems like the product platform has a lot more importance on the midmarket side, but parallelly the challenge also seems to be that it's also tougher to get the right RMs or probably tougher to retain them. So in that context, I mean how do we kind of figure it out?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- No, I think it's a fair point. The persistency ratios for both clients and relationship managers are unlikely to be as high as it is on the ultra-high net worth side. But what we see on the ultra-high net worth side is practically impossible to repeat on the high net worth side, because if you see the persistency ratios of both clients as well as relationship managers, they'll be in the high 90s,. So, it's virtually impossible to repeat that on the on the high net worth side, but it would still be better than in the asset management business where you see persistency ratios of the mid-80s or the late 80s for very good performing products. For products which are average, you see it dropping between the mid-70s. The high net worth segment will be somewhere between the late 80s or the early 90s, but I see it quite repeatable. On the ultra-net worth side, I would put a little bit of higher weightage to access to last mile as compared to products. I would put it put it as a 60:40 ratio, whereas on the high net worth side or the midmarket side, I would practically say it's equal, we need both. We need access to the last mile as well as we need a good combination of products. On the asset management, obviously it moves a little off, it goes to maybe 40% access to last mile and 60% product innovation. So, that's the split. So, yes, you're right, persistency ratios as well as importance to last mile access is slightly low, but that's the opportunity for us also.

- If we reach - if we can get the right amount of product standardization, adoption, and distribution along with the right set of training tools for our relationship managers, we might be able to bridge the divide, which is there currently.

- **Mr. Abhijit Sakare - Participant:**

- Got it. Thanks a lot.

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**

- Thank you. Next, I invite Dipanjan Ghosh, kindly unmute yourself and ask your question.

- **Mr. Dipanjan Ghosh - Participant:**

- Yeah, so a few questions. Karan, just going back to that point on RIA versus NDPMS, you have given some numbers on last quarter and this quarter, some triangulation and - again there can be differences in calculation based on daily AUMs, but it seems that the yields on RIA are bit lower than the NDPMS or if you can give some color on why are the clients incrementally getting onboarded more on RIA rather than NDPMS or compared to some other DPMS or distributed managed accounts, it seems these clients are gradually to more of the low yielding advisory platform. So, from medium term perspective, how do you see this really shaping up out there?

- **Mr. Karan Bhagat – Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- So, basically the non-discretionary portfolio management regulations and the RBI regulations are practically merged. Now in some senses, both from a client perspective as well as a firm perspective, there's really no difference between offering the client and non-discretionary PMS platform or an RIA platform.

- The only thing is, in the case of a nondiscretionary PMS platform, we'll have to obviously have a portfolio manager involved and, we'll have to have a second licensed entity involved. In the case of an RIA, as long as the relationship manager has cleared his advisory exams, he can handle the client. So, preferably going on the medium to long-term, we would like to onboard our non-discretionary clients on an RIA license as opposed to the non-discretionary PMS license and, clients who are giving us the discretionary mandate would obviously come in the discretionary license on the PMS side. See, globally, the RIA license actually itself covers discretionary and non-discretionary. In India, they have kind of split it into two licenses, PMS and RIA. So, we have to have both the segments handled differently, but between non-discretionary PMS and RIA, there's honestly no difference. No impact or reason for the yield to be different apart from the fact that our initial advisory clients effectively who were onboarded, are non-discretionary PMS and, more or less over the last four to five months, have got onboarded on the advisory side, but really no difference as you go ahead between the two yields. The current yield on non-discretionary PMS will look higher, but that's not because of the segment or both of them being different, it's just because they were onboarded at a different time and RIAs got onboarded more over the last three to four months. Exactly after six months, both the yields will look more or less similar.

- **Mr. Dipanjan Ghosh - Participant:**

- Got it. Second, you know on your cost targets, now given that you know you're expanding geographically or you know onboarding new teams, you also plan to you know get some

RMs for senior leaders in your offshore locations and also the midmarket strategy so how confident are you on the cost trajectory maybe from a near term perspective?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- So, actually quite confident. But obviously if you end up recruiting a very large team or building out a new business altogether, employee cost, in the region of 5% to 6% can potentially change, but those are obviously a fairly large recruitment decisions which would be immediately outside the ambit and mostly by the time these people join, it will be towards quarter four of the current year, unlikely to happen prior to that, but outside of that, we don't see any large risk to costs. In the event of us getting some large team either on the wealth management side or on the asset management side, which is strategic in nature and allows us to build one of the new newer initiatives, we pretty much have cost under control.

- **Mr. Dipanjan Ghosh - Participant:**

- Got it and lastly on the product pipeline, you're given some color in 4Q, has there been any change to that?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- Product pipeline continues to be fairly exhaustive. On the alternate side, we will plan for the current quarter and the next quarter because these need about six months of planning. On the mutual fund side, we've launched Flexi cap fund which has started off with a good small size of Rs 300-400 Crs in the current quarter and, on the institutional mandates, I've already spoken. On the wealth management side, we had a very good last quarter in terms of distribution of new products and ideas including mutual funds, alternates as well as PMS. So, product wise, we are fairly well set for most of the year. As we go along, we keep innovating all along the way, but even outside of that, we're fairly well set, from a business plan perspective, for the year.

- **Mr. Dipanjan Ghosh - Participant:**

- Sure. Thank you and all the best.

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**

- Okay. Next, we'll move to Rahil Shah. Rahil, if you could unmute yourself and ask your question.

- **Mr. Rahil Shah - Participant:**

- Yeah. hi. good afternoon, Mr. Bhagat. So, I will just, given everything you've spoken on, so just if you can also provide a perspective on the revenue and operating margins for this year, like how do you see it shaping up, broader view?

- **Mr. Karan Bhagat – Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- There will be a roll-on effect for the full year for advisory and non-discretionary PMS, a little bit. So yields might be 5-6 basis points lower, but it will get complemented with the Rs 75 Crs of extra TBR, which I've already spoken about. So, that's the only change from a revenue perspective. All the other line items, more or less, remain the same. Even our AUM numbers would be well maintained, the yields will potentially take like three to six months in terms of conversion. Operating margins again are pretty much within the guided numbers. Employee costs could be largely in the region of the 30% to 33% and other expenses could be largely in the region of 11% to 12%. So, these are the broad numbers, a percent or 2% fungibility will be there. But approximately 30% to 33% on the employee cost and 11% to 12% on the other cost and therefore 44.5% to 45% on cost to income.

- **Mr. Rahil Shah - Participant:**

- Okay, Sir. Thank you and all the best.

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- Thank you.

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**

- Thank you. Next in line we have Bhuvnesh Garg. Bhuvnesh, could you unmute yourself and ask your question? Bhuvnesh, go ahead, ask your question.

- **Mr. Bhuvnesh Garg - Participant:**

- Hello. Thank you for the opportunity. Most of my questions have been answered. Just two, three things. Firstly, about our ARR inflows, so, this Rs 13,000 Crs in our ARR inflows, how much of it would be shift from TBR and what would be net new money in the company?

- **Mr. Karan Bhagat – Founder, Managing Director & CEO, 360 ONE WAM Limited:**

- I think less than 20% would be TBR shift or 15%. I think 80 - 85% would be net new flows.

- **Mr. Bhuvnesh Garg - Participant:**

- Okay, okay, and what would be the net new money in the company? I mean I see some decline in our transactional AUM from Rs 1.07 lakh Crs to 1 lakh Crs, so just want to understand that overall company level?

- **Mr. Karan Bhagat – Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Actually, that's just a reclassification between TBR and custody. So, there's no decline on the TBR side also. There were some AUM which has got reclassified from TBR to custody. TBR also has seen net inflow. After adjusting for that, around about Rs 2,000 to 3,000 Crs.
- **Mr. Bhuvnesh Garg - Participant:**
- Okay, okay. Fine and secondly on your yield. So, what would be our steady state yield in RIA model or NDPS model? So, what would be a steady state deal there?
- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- So, steady state on discretionary is maybe 5 basis points lower than what we've historically looked at. We would still want it to be in the region of 50-55 basis points and non-discretionary will settle down at the 35-40 basis points number.
- **Mr. Bhuvnesh Garg – Participant:**
- Okay. That's it from my side. Thank you. All the best.
- **Mr. Anil - Moderator, 360 ONE WAM Limited:**
- Thank you, ladies and gentlemen for joining us this afternoon. We look forward to hosting you for the next quarter results. Thank you.
- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Thank you.

End of Transcript