Q2 FY24 Earnings Call - 360 ONE WAM Limited

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**
- Good afternoon, ladies, and gentlemen and welcome to 360 ONE WAM's Q2 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.
- In the first half of this financial year, the domestic capital markets maintained its positive momentum and rose to all-time highs, despite global concerns related to geopolitics and inflation. Although, there has been some correction at the start of Q3, we continue to remain bullish in the long run about the "India growth story", with our business showing resiliency across phases
- 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 third interim dividend for this fiscal, taking the total dividend to Rs 12 per share
- Coming to the business and financial numbers; In line with our focus on ARR assets, total ARR AUM increased to Rs 202,536 Crs - up 30.7% YoY. This growth was driven by strong net flows at Rs 5,743 Crs during the quarter
- Our Wealth ARR AUM stood at Rs 1,38,243 Crs - up 39% YoY, while AMC ARR AUM stood at Rs 64,293 Crs - up 15% YoY
- As noted in all our previous calls, our focus remains to increase ARR assets and, the resultant high-quality recurring revenues. Our Recurring Revenues increased by 9.6% YoY at Rs 311 Crs, and up 8.3% YoY at Rs 635 Crs in H1 FY24, led by growth in assets across all business segments. H1 recurring revenues comprise 76% of overall operating revenue
- Total Revenues for Q2 FY24 are up 9% YoY and 1.6% QoQ at Rs 441 Crs and 13.1% YoY at Rs 875 Crs for H1 FY24
- H1 Retention on ARR assets was 69 bps with Wealth "ARR" retention at 65 bps and Asset Management at 75 bps
- Excluding carry, the ARR retentions have remained relatively stable at 61 bps
- For the quarter, operating costs rose by 2% QoQ, and 19.5% on a YoY basis, to Rs 214 Crs
- The employment costs increased 4.8% QoQ, on account of additional headcount, including certain senior level hires, which Anshuman will cover later
- Cost-to-Income ratio stood at 48.6% vis-à-vis 48.4% in Q1 FY24. We expect the costs to remain at these levels for the rest of the year as we continue to strengthen our workforce across various new initiatives, including Global and domestic HNI propositions

- Q2 FY24 PAT remained strong at Rs 185 Crs - up 7.3% YoY and 2.2% QoQ, and at Rs 367 Crs for H1 FY24, an increase of 10.2%
- Importantly, our tangible ROE (i.e., ROE excluding goodwill & intangibles) was robust at 28.3% for the quarter. 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.
- At the outset, as Sanjay shared, our overall financial performance and key business metrics remains strong. We are excited at reaching a milestone of 200k crs ARR AUM at the end of the last quarter, which translates to a 30+% growth over last year. Our overall AUM has also increased to $50bn, highlighting the strength of our platform, relationships and positioning in the Indian Wealth and Alternates Asset space. While we focus on growth and continue to invest for the same, our Profit after Tax shows a healthy 10% growth over last year - at Rs. 367 Crs for H1 FY24 - in line with our guidance for FY24.

Some key highlights from our business performance that I would like to call out:

- Firstly, our core Wealth business remains very strong, with ARR net flows of nearly Rs 20K Crs in H1, with ~75% of this coming to our discretionary and non-discretionary advisory proposition
- The overall retention of this non-discretionary advisory proposition looks low and therefore, as part of our enhanced disclosures, we have shared detailed information on our "Active ARR AUM". Apart from the treasury assets, active ARR AUM excludes assets of approx. Rs 20k Crs which are non / low fee-bearing, reflecting the lag between flows coming in from new clients that are yet to be charged regular retentions or flows from select old mandates which are continuing at low legacy retentions. A firm-wide strategic initiative is currently underway to actively drive conversion of mandates to regular retentions and we expect this to happen over the next 6-9 months, under appropriate engagement models
- On Asset Management, while overall net flows have been muted, it is important to note that we had ~Rs 3.5k crs of planned distributions / redemptions in the quarter. Excluding the same, we saw strong flows across our listed equities funds, including the new Hybrid MF, as well as some of our new PE funds, and we remain confident on the outlook on Asset Management. The continued focus on deepening our channel presence in the domestic market, specifically through MFDs, as well as the increased traction from global institutions across various strategies has been very positive. We understand that the present market cycles are quite volatile, but our diversified strategies on alternates - across listed, unlisted, credit, RE & Infra - allow us to go through these cycles with a higher resilience
- On our new businesses, the first half has been very interesting for us. On the domestic front, we have been making continual progress in sharpening our digital-first HNI proposition. As noted in our previous calls, this segment opens a new segment of approx. 160-170K households in the domestic markets. We are excited by the prospect of being able to take our sharp and unique Wealth proposition as well as the strengths of our current platform to this client segment. The business buildout is progressing well, and we have a 100+ CUG pilot underway while being on track for going to market towards the end of the financial year. We are very happy to announce

that industry veteran, Satheesh Krishnamurthy has recently joined us to head this business. Satheesh has been instrumental in developing similar businesses from scratch in his earlier stints with large banks

- Our focus on expanding beyond the Tier I cities in the domestic markets will further strengthen our existing UHNI client base as well as support the HNI initiative
- Also, we see significant opportunities in serving the growing "Global Indian" client segment and are in the process of building our Wealth and Asset platform for the same. By leveraging our existing deep connect with the Indian diaspora globally, we expect this segment to be a strong engine of our growth in the medium to long term. Industry veteran Vikram Malhotra has joined us to build this growth engine. Vikram brings a wealth of experience to his new role, having served as the Global Market Head for Global South Asia & Middle East at Bank of Singapore. With more than three decades of experience across prestigious institutions, Vikram has demonstrated his ability to build thriving businesses across diverse geographies including Singapore, Hong Kong, Dubai and London
- We are excited by the strong talent we are attracting across our existing and new businesses. But even more so with our existing seasoned team, with over 2/3rd of our middle & senior leadership having a vintage exceeding 5 years, with overall attrition rate in low single digits. We continue to be a platform of choice for the best talent in the country
- Overall, we are excited for the second half as we continue to enhance our innovative, comprehensive wealth and alternates' focused product shelf and venture into new areas of growth
- 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 and thank you Karan for joining us. We now open the lines for Q&A. Kindly click on the raise hand icon to ask your question. We'll just give it a minute for the questions to queue up. First in line, we have Prayesh. Prayesh, kindly unmute yourself and ask your question.

- **Mr. Prayesh Jain - Participant:**
- Hey, hi, everyone. Good set of numbers, but there has been a sustained drop on your ARR realizations for the past few quarters and earlier when it started it was mentioned that there are some legacy assets which were given at low realizations and eventually it will trend higher with the mixed shifting towards you know newer assets. Then in the last couple of quarters, we've heard that the flows have been lumpy and, the benefit of those flows will start flowing through over the next couple of - over the next few quarters, but somehow this trend doesn't seem to be changing and the retentions continue to drop. So, how should we look about this in the future going ahead?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Thanks, Prayesh. So now, you have kind of summarized it correctly. The assets, in some sense, are broken up into two parts. We've given a breakup of the Rs 62,000 Crs in which you have around about Rs 32,000 Crs, which have stabilized at the 20 to 30 basis points. There's a little bit of scope of this also improving. Maybe potentially this will move from 30 to 35 basis points, but otherwise the Rs 32,000 Crs is well settled. On the remaining Rs 30,000 Crs, we have two breakups. We have Rs 10,000 Crs on the corporate treasury, which has always continued to be at 4-5 basis points. So that's unlikely to change. It will always be in that region of Rs 9,000 to 10,000 Crs. We were really not focusing on corporate treasuries that much. The remaining Rs 20,000 Crs has nearly Rs 10-12,000 Crs of flows which have come through over the last quarter or the last two odd quarters, maybe maximum three quarters. That essentially has a bit of a lag effect and that takes on about two to three quarters to largely move into a normal fee mandate
- Typically, our experience is 65% to 70% of that number moves into the fee mandate, 25%-30% might not actually move in, but 65%-70% of that would definitely move into the fee mandate, with the same ratio of around about 35 basis points. So, actually the intent of showing the break is the stable state retention is about 30 to 35 basis points on the new flows. There's a continuous lag impact and, whenever the flows are slightly larger in terms of percentage terms, nearly 4% to 5% - in this specific case, if you see the first quarter was nearly Rs 11,000-odd Crs followed by Rs 4,000-5,000 Crs in this quarter. It is practically close to around about 10% to 15% of the existing AUM and that has the largest impact on retention. So, our existing AUM, on which we are charging fees, was itself in the region of, outside of the Rs 16,000 Crs, around 46,000 crores. So, it's effectively adding 16,000 on 46,000, of which let's say 10,000-12,000 is not yet fee bearing.
- So, the immediate impact on the quarter looks large, but over the next two to three quarters, it should normalize as these assets become fee bearing. Obviously, having said that if there are a couple of quarters, where the incremental AUM is not that large, then, automatically the yields will also stabilize. If the incremental net flows are very, very large, then again that can for 1-2 quarters show 1-2 basis points dip because of the lag effect of the conversion of the new flows

into chargeable assets, but we've had two largest quarters. So, it's more or less there where it should be. The fees will automatically kind of move up without us actually increasing the yields because of the lag effect.

- **Mr. Prayesh Jain - Participant:**
- Okay. That helps. Secondly, if I look at your expenses also and expenses have been on the elevated side and much and are relatively higher than what we had earlier guided for. So, how should we look at this for say this year and next year?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- That's right. The expenses are about 3%-4% higher, but the firm is looking at a little bit more of a growth bias over the next three to four years as compared to where we were potentially over the last 12 to 24 months. It is fair to say that we were looking at the last two years as consolidation of our two key businesses and segments, which is wealth and alternate asset management. Over the last 6 odd months, as we've dug deeper, we have much more confidence in our own brand and our ability to reach out to multiple new segments and also we invested in a whole set of people in building these three different segments. So, for example, on the high net worth space as distinct from the ultra-high net worth space, we've now got a team of nearly 35-40 individuals working very strongly over the last three to six months to prepare for our launch in April 24. On the global side, we've added a team of about 6 to 7 individuals. Again, by the time we launch that business, it will be between April to September 24 and thirdly, obviously on the geographical expansion. We've been able to recruit at least 10 to 15 extremely senior recruits from different banks who joined us on the wealth management side. So, outside of normal salary increases, we've had a fairly interesting expansion of individuals on the platform. We're fairly confident that all of these three different sets of individuals will deliver the right results over the next 6 to 18 months and therefore we feel this 3% to 4% increase in cost to income, in some sense, is a temporary dislocation. On the core business itself, we have honestly not seen any increase. It continues to be in the region of 44-45% of C/I. We have added three or four new growth initiatives, which we believe will play out very well in the next 12 to 24 months.

- **Mr. Prayesh Jain - Participant:**
- Karan, on these three new business initiatives, the global, so would you be running them as separate business units altogether and we could expect some reporting also coming in differently for these?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Sure, we will do that. The geographical expansion piece obviously will happen much faster because that's the product, the platform everything set is just about getting the right set of people in different locations. So, that pretty much kind of happens here and now in the sense over the next two to three months. Between high net worth business and the global business, for high networth business we would be in a position to start reporting separately from April, which is essentially first quarter of next financial year and, the global businesses maybe

potentially a quarter after that. The HNI business would be around April 2024, the global business, potentially July 24, worst case September 24.

- **Mr. Prayesh Jain - Participant:**
- Just this last question from my side. If you have to look at the next three years' time frame, how would you see the share of your current business, the HNI business, and the global business in terms of AUM, revenue, and profitability?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- So, this is specific, okay. So, I'm going to exclude the asset management side and try and answer the question. If we see the existing business, the business is going to grow substantially, right. So, we'll have to kind of balance it with that, but purely in percentage terms, the two new businesses which is broadly the global business and the geographical expansions. On an incremental basis, the next three to four years should allow us to add on about 20% to 30% of what we've kind of already built, not in the sense of today's numbers, but on the expanded base, because the existing wealth business itself will also expand quite a bit over the next three to four years. So, of that round about 20% to 30% should get added.

- **Mr. Prayesh Jain - Participant:**
- From both these engines?

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

- **Mr. Priyesh Jain - Participant:**
- Great. Thanks. I'll come back.

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

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**
- Thank you, Prayesh. Next in line we have Mohit Mangal. Mohit, kindly unmute yourself and ask your question.

- **Mr. Mohit Mangal - Participant:**
- Right. Thanks, and congratulations on achieving Rs 2 trillion of ARR AUM. My first question is on profitability. So, if you look at the first half, we are around Rs 367 Crs while we have been given a guidance of around Rs 800 Crs for the entire year. So, do you think that you know that would be achievable going by current numbers?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- So, Mohit, honestly, we feel comfortable with that guidance of Rs 800 Crs. However, we will end up incurring about Rs 30-40 Crs of extra costs, for the reasons I just explained. But obviously Rs 30-40 Crs, from a revenue perspective, is not a large number and we would work hard to ensure

that we can cover that through a little bit of transaction and brokerage revenue. So, all things being equal, we should still aim for Rs 790-800 Crs on PAT. But just to give the context right, we'll have to get to the Rs 800 Crs number with an incremental cost of Rs 30 to 40 Crs.

- **Mr. Mohit Mangal - Participant:**
- Perfect. I was looking at your net flows, I think if I look at the AMC, you know both private equity and long-short have been giving outflows over the last two quarters. This quarter the number looks little amplified as well. So, what could be the reasons for that and how do you see that going forward?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Long-short fund closure is episodic. We've decided not to continue with that business, so it's a one-time Rs 1,600-1,700 Crs of outflows. For private equity - we started the fundraise. So, it's broadly going to culminate around February-March. We would expect most of these private equity outflows, which we've seen through this quarter and in the last two quarters, to return in Q4. We don't see this as a permanent outflow at all. We would be surprised if we didn't end up getting higher than what we've seen as an outflow, in Q4.

- **Mr. Mohit Mangal - Participant:**
- Okay. Other thing is that if I look at your transactional revenue, it has grown by around 40% sequentially. So, any major deals that we have done this quarter, syndication or something?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Nothing major. It's just pretty much part of the normal thing. We would have had Rs 10-15 Crs extra income from a little bit of NSE syndication, but outside of that, nothing really to be amplified or talked about.

- **Mr. Mohit Mangal - Participant:**
- Alright. Thanks, and wish you all the best.

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**
- Thank you. Next in line we have Gaurav Jain. Gaurav, kindly unmute yourself and ask your question.

- **Mr. Gaurav Jain - Participant:**
- Yeah. Hi, Karan. Thank you for the opportunity. In the last con call, you highlighted that the secondary liquidity events that were on the higher side and we got a major chunk at 65%-70% of those money. So, just wanted your perspective on how has this quarter been in that regard?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- It's similar, honestly. we still would be between the 60% to 70% number. So very, very, very happy with that market share participation. As we speak even in this quarter, they are already three or four large transactions, and we are pretty much proud of all of them. So, overall, feel comfortable with our ability to be able to access clients with new liquidity events.

- **Mr. Gaurav Jain - Participant:**
- Great. The second question is on the balance sheet. What is the reason for this borrowings? Excluding debt securities going up to some Rs 1980 odd Crs as on September 23, which was just Rs 200 Crs as on March 23? And this has also led to finance cost going up and correspondingly what has gone up in the investment line item? And if you can also help us understand why is this other income not adding up to the investments that we carry, I mean other income for half year has been only Rs 42 Crs on a Rs 4,500-Crs book investment, so, why is this line item gone up and why does other income not match to the investments?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- So, part of our investments are in Government of India bonds. So, we have a structured note essentially through which clients get participation to the G-Secs. It allows us to borrow substantially cheaper. For that portion of borrowing, we effectively end up borrowing at sub 8% rates, so effectively the balance sheet on the investment side gets bloated a bit because of investments into G-Secs through the CBLO market which is approximately about Rs 1,400-1,500 Crs. On the investment book itself, we broadly got a liquid net worth of round about Rs 2,450 Crs of which round about Rs 1,450 to 1,500 Crs is in the NBFC, round about Rs 900-950 Crs is the liquid net worth outside of that. We've got a working capital of approximately 25% of our revenue, so approximately Rs 350 to 400 Crs, which leaves us with around about Rs 500 to 550 Crs of which we've got Rs 75 to 100 Crs in our fixed deposits for the brokerage account. So, you got around about Rs 400 to 450 Crs of net cash surplus. So, really the investment book in some senses gets offset for the borrowing cost. So, it adds a relatively lower portion to the other income. So, really the way to look at other income would be on a Rs 500-Crs investment book. I hope that makes sense. Rs 500 Crs investment book plus Rs 100 Crs of FD.

- **Mr. Gaurav Jain - Participant:**
- Okay and anything around these borrowings going up or all of this is just to?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- So, borrowings are effectively against the G-Secs and the loans. Our loan book has gone up by Rs 300 to 400 Crs and the borrowing is effectively on the same road. There's no real increase in borrowing as such.

- **Mr. Sanjay Wadhwa - Chief Financial Officer, 360 ONE WAM Limited:**
- So, G-Sec and CBLO both are rotating the balance sheet. So, one is on the investment side, and one is on the borrowing side.

- **Mr. Gaurav Jain - Participant:**
- Okay. Thank you.

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Thank you. So, there is increase in G-Sec of exactly Rs 1,100 crores, against the CBLO borrowing exactly of the same amount.

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

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**
- Thank you. Next in line we have Abhijit. Abhijit, kindly unmute yourself and ask your question.

- **Mr. Abhijit Sakhare - Participant:**
- Hey, hi everyone. The first question is that, if you look at the results for the past few quarters, you get a sense that the franchise is getting stronger, but there is some sort of normalization because of past money which is going out. So, you've given some sense on the wealth side, but is there a flow pipeline on the AMC side given the planned fund raisings?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Yeah, that's a fair question. On the private equity side, we had a scheme for special opportunities which was a fairly large scheme. It was, at cost, close to about Rs 7,500 to 8,000 Crs and on realization nearly about Rs 15,000 to 18,000 Crs. The Rs 15,000 to 18,000 Crs is obviously being paid out over the last 2 to 2½ years, but the residual part of the scheme which is around about Rs 6,000 to 6,500 Crs of the Rs 18,000 Crs gets redeemed through the year as we speak. So, out of the Rs 6,500 Crs, you'll see a redemption of Rs 1,000 Crs earlier in the year and another Rs 1,500-1,600 Crs now. But our new funds are also getting launched now. Most of the Rs 6,500 Crs will come back but the scheme will only end in Q4. So, of the Rs 2,500 Crs which has gone back plus another Rs 4,000 Crs which will go back over the next 14-15 months, we expect the same amount to come back into the new schemes given the decent performance of the old schemes and initial indications of the launches are also fairly positive. So, the private equity outflow which you're seeing in the last quarter and this quarter will get more than complemented by the new scheme at the end of the financial year, not in Q3, but in Q4. The schemes are already launched, they will close by February thereabouts.

- **Mr. Abhijit Sakhare - Participant:**
- One clarification, Karan, here is that given that the relationships that we have with these clients, people who invested in these funds, that remains alive, but the funds have got redeemed. So, do you really, I mean, need the clients to reallocate those amounts of funds or the redemption is sitting somewhere in your books itself that gets redeployed?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- It would be a combination. I think, 55%-60% would be still sitting in our books. So, there are obviously two parts, right. There are funds which are distributed by our own distribution, business on the Wealth Management side and other funds which are distributed by external distributors. I might be off by a few percentage points but if I remember correctly, of the Rs 7,500 crores of special opportunities, about 75% was by our own distribution unit and around about 25% by other distributors. So, of the distribution which is 25% to the other distributors, obviously, goes back to the clients and needs to get reallocated. Of the 75% which is gone to our wealth clients, 65%-70% would be sitting within the system itself.

- **Mr. Abhijit Sakhare - Participant:**
- Got it. Karan, second question is that on the mid-market piece, so we don't have good market comparable but going by the recent disclosures by another firm, this business tends to operate at maybe 60%-70% sort of cost-to-income, is that a fair number to look at? And what would be your, let's say, guidance or let's say target where you would like to operate this?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Initial couple of years 60%-70% may be fair but eventually, 45% which is where it should end up. 60%-70% is too large.

- **Mr. Abhijit Sakhare - Participant:**
- That's only in the initial phase, you are saying?

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

- **Mr. Abhijit Sakhare - Participant:**
- So, even the midmarket can operate at the current wealth business?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Yeah. So, we are only going to add distribution cost, right. Everything else for us is already there whether it is the product, technology. In that sense, every other part of the business outside of distribution, we've already kind of got covered. We don't really need to build out absolutely full-fledged teams for product, for advice, for analytics, for compliance, regulatory. It's absolutely, in that sense, it's a new segment for us. It's not a new business, if that makes sense.

- **Mr. Abhijit Sakhare - Participant:**
- Understood. Just the last final one, how do we look at the impact of MTM on the unlisted side of the investment book, both on the investments as well as the Balance Sheet? Because I think that's not as correlated to what we are seeing in the public market, so fairly difficult to project.

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- On last 4-5 year basis, it will be close to around about 13%-16% on the unlisted side. So, it'll be relatively higher than what we've seen on the listed piece. But you're right, on a quarter-on-quarter basis it's not that easy to kind of correlate it with the index itself. But for all our unlisted investments, broadly returns been in the region of maybe 13%-17%. So, in that sense, it's paid off well. But, quarter-on-quarter, there can be a bit of an aberration compared to the listed markets.

- **Mr. Abhijit Sakhare - Participant:**
- Got it. Thanks a lot.

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**
- May I remind you, to ask your questions kindly click on the raise hand icon. Next in line we have Dipanjan. Dipanjan, kindly unmute yourself and ask your question.

- **Mr. Dipanjan - Participant:**
- Hi. So, Karan, just a few questions. First, over the last few quarters you have mentioned that there is this pipeline of institutional mandates that might come in. So, just wanted to get some idea of the traction on that part for the quarter or maybe for the next 9-12 months. Second, on the cost front, again, what proportion of the cost do you think has already been absorbed or fronted? And what can be the recurring cost that can come in this sort of a business growing incrementally? You mentioned that 60%-70% for the initial few years might be a legit estimate but just wanted to get some sense of how do you think of the cost that has been absorbed and the new cost that might still be incurred in rolling out the team or the tech capabilities, et cetera? And lastly, in terms of your lows on the ARR business, you mentioned that the current quarter is also seeing strong traction. So, do you kind of expect to increase your guidance on that, both from let's say 2H and FY25 going out there?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- I'll start with the last question first and then come back to the first two. From our net flows guidance, we've given a guidance of somewhere between the Rs 35,000-40,000 Crs number. That's a fair number. I think that's really where we'll end up for the for the current year. FY25 might be higher but it's early days but I feel confident about a stronger FY25 on net flows. But for the current financial year Rs 40,000 Crs number is broadly in the right ballpark. In terms of expenses itself, both from a technology spend as well as a distribution spend perspective, we've kind of reached a little bit of a stable cost. We will be adding a little bit more on the distribution side of the business for sure but, obviously, revenues will also start kind of coming in. I personally feel we have a lot of operating leverage in the business just given our own experience over the last 10-15 years as well as all the other parts of the business which are well set up. 60%-70% is obviously a function of how quickly we are able to scale up. But I would like to believe Year 3 onwards we should be below 50%. But obviously, it is still early days. We've not yet gone to market yet. So, we are in more of an expense bearing mode for the next six months as opposed to revenue booking mode. But I'm fairly confident from April onwards in it will be net positive and we'll see some kind of fruits coming up for an extra 3%-4% expenses.
- On the third question, I would like to believe, the 3%-4% is also kind of a temporary dislocation. We have some efficiencies in our core business, which over a period of time we will be able to reduce our costs by 2%-3%, and eventually over a period of maybe 12-18 months, including the new incremental cost, we'll be able to get the cost-to-income ratio down to 45% because we've recruited a huge number of people over the last 3-6 months. There are certain efficiencies which can be derived in the existing teams and setup itself. And, honestly, to adjust that in a quarter or two is difficult but we see a clear road map to be able to get our core business of the ultra-high-net-worth and the alternates down from 45% to maybe 42-43% and then kind of absorb this extra 3%-4% on top of that itself.

- On the institutional mandate, it is going well. Honestly, we have 3-4 large mandates of which one mandate is partially already converted this quarter. So, I would expect at least a couple of mandates to go through now to end of March.

- **Mr. Dipanjan - Participant:**
- Got it. And if I can squeeze in one more question, you know, TBR revenues have obviously been quite high, obviously to some extent linked to the current market conditions. Any guidance or any sort of visibility that you have for the second half or going forward?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- To be honest, on TBR revenue, we're very comfortable between that Rs 350-450 Crs number. That's the ballpark number we are comfortable with for the year. Obviously, if markets are super tepid it can move towards the Rs 350 number, if the markets are stable to positive it can move towards the Rs 450 number. So, that's the broad number we're comfortable with. For the current year, given the fact that the first six months are over and even for the current quarter we've already been through the first 30-45 days, being closer to that Rs 400+ number seems a fairly comfortable number for the financial year.

- **Mr. Dipanjan - Participant:**
- Got it. Thank you, Karan, and all the best.

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

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**
- May I remind you, to ask your questions please click on the raised hand icon. Mohit, you've raised your hand again, you have a follow up question?

- **Mr. Mohit - Participant:**
- Yeah. So, just one thing. So, a couple of questions. So, one, I think we acquired Mumbai Angels around 7-8 months back and just wanted to know how that is progressing?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- It is progressing well. Our app is just about got prepared. We launched it maybe end of this month or next month and post that we start our distribution efforts there. We're working with the existing team as well as incubating new people. So, around Dec-Jan is when the new version of Mumbai Angels will get launched for us.

- **Mr. Mohit - Participant:**
- Alright. Just a follow up on our previous participant's question on Other Income. So, you said that around Rs 42 Crs on our Rs 500 Crs investment would be the right thing to look but I believe Other Income is more of an MTM gains and losses on our investments in AIFs. So, do we have some MTM losses there?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- No, Mohit, it has to be netted of the interest cost, right. So, broadly, what I'm trying to say is around about let's take Rs 500 Crs. Let's assume if you're having Rs 600 Crs or let's say Rs 500-600 Crs as net investment after working capital and on that Rs 600 Crs broadly if you're earning Rs 60 Crs and we have investment in our own AIF assets of around about Rs 1400-1500 Crs, so the remaining Rs 800-900 Crs also has to be netted of the interest cost. So, the Other Income of Rs 60 Crs is basically the net income post the interest cost.

- **Mr. Mohit - Participant:**
- Alright. Thanks for the clarification. That's it from my side.

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Yeah. So, okay, just to explain again, the interest cost relevant to the investment book is netted of the Other Income, not part of the NIM. NIM is only the interest cost relevant to NIM, yeah.

- **Mr. Mohit - Participant:**
- Okay.

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**
- Yeah. Thank you, Mohit. Next in line we have Ajas Lakhani. Ajas, kindly unmute yourself and ask your question.

- **Mr. Ajas Lakhani - Participant:**
- Yeah. Hi, Karan. Thanks for the opportunity. So, Karan, just two questions. Could you speak about how the competitive landscape is shaping up? And point number two, could you give some granular color about the mid-market? And, you know, how is the scale up going to happen? What are you going to chase first? Is it going to be asset gathering from Day 1? Does the scale require you to sort of develop relations and asset gathering is about granular process in the mid-market? So, some color on this would be nice.

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- So, on the competitive landscape, honestly, it stays the same. Largely there are four or five different pools of competition. Obviously, you have the banks, largely some of the banks which have an ultra-high-net-worth sort of wealth offering. There, not too much of change, honestly, over the last 12-18-24 months. Most of it continues to remain the way it was.
- Second, largely is some bit of boutique players. So, you've got three or four boutique players who are relatively aggressive and positively wanting to build a business in the space. We continue to see, outside of us and one bank, one of these 4 or 5 players in every mandate. We really don't have a trend yet to say that it's a similar player across every client, but it seems that there's one player across every 4-5 mandates.
- Third, obviously, you've got brokers, who already got a good client base trying to upscale to wealth management.
- And, fourthly, you've got a little bit of independent financial advisors and some new boutique setups which are kind of wanting to set up more as external Asset Managers.

- So, all of these are in different stages. From our own competitive positioning perspective, along with one of the bank competitors, we continue to believe that between the two of us we have a large market share. Really have not seen big change there. We will have to wait and see how the global names play out in the country. As of now, really very little traction there. But we will have to wait and see whether they want to make a renewed push into the country, into the business. So, right now I feel fairly sanguine about the competitive landscape.
- Having said that, obviously, we need to keep our eyes and ears open. But there's no drastic change in the competitive landscape over the last 3-6 months. Does that answer your question?

- **Mr. Ajas Lakhani - Participant:**
- Yes.

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Yeah. On the second question around the granular colour on high net worth, you're absolutely right. The asset gathering exercise has to be substantially more granular and it has to be slightly more segment-driven, as opposed to looking at specific ultra-high net worth families and only going after a certain circle of influence. The good news, however, is every ultra-high net worth family of ours would himself or herself be a large circle of influence for a large pool of clients within the high net worth space itself. So, if you just look at our existing 5,000-6,000 families, they themselves, from a connection perspective, give us access to at least another 40,000-50,000 families. And, obviously, our own coverage through our own other businesses gives us access to another potential 100-200 connections, therefore leading to another 3,000-4,000 families. So, the initial build out in Year 1 would see us kind of going out with a lot of our already built connections over the last 12-15 years, both from a sales force perspective as well as from a client perspective.

- Having said that, you're fully right. The product proposition as well as the asset gathering has to be substantially more granular, but in terms of our ability to reach out and our ability to actually access the final client, it's not an absolute shot in the cold exercise. We have a very good feel as well as the reach on where exactly we want to head towards.

- **Mr. Ajas Lakhani - Participant:**
- Oh! Got it. Thanks, that's helpful.

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**
- Okay, thank you. Next in line we have Bhuvanesh. Bhuvanesh, kindly unmute yourself and ask your question.

- **Mr. Bhuvanesh - Participant:**
- So, thank you for the opportunity, Sir, just a question on the business model. So, one of our competitors was talking about they are having a model of external RMs where the RMs are not on their payroll. I mean, it is purely on a variable basis, and they were saying that it is quite workable in international markets as well. So, just wanted to understand your thoughts on that. Are we looking at that?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- No. So, I've kind of studied that model multiple times over the last 10-15 years and my personal view is it's too early for us to have external Asset Managers. The market is extremely large, and in a sense, handing over control of the client to an external Asset Manager so early in the lifecycle, it's bit of a challenge. You're losing the lifetime value of the client. We have a unique combination of having the right set of Relationship Managers and a very strong platform for us to be able to reach out to potentially every ultra-high net worth family in the country. So, for us, we really wouldn't like to believe that we need to take a shortcut to use an external Asset Manager to reach the client because once you do that, in some sense, you give up control of the client and therefore, give up lifetime value of the client. And given this capability and the brand we build on the platform, honestly, our ability to access every client, either as a service through our advisory platform or sometimes the clients already tied up on a service-based model with somebody else, get the right inroad to a product and finally convert into service is both there.
- So given the size of the market and the deep inroads we're going to see over the next decade, we wouldn't really want to get into the external relationship model. At some point, we believe that model will come through, but I feel we are nearly a decade away from the market being that deep that we need to go into that model.

- **Mr. Bhuvanesh - Participant:**
- Got it. And, Sir, if I look at our discretionary PMS under 360 ONE+, so that AUM has kind of declined sequentially and hasn't grown, I mean, much in the last couple of quarters. So, how do you see that? And why is that?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Yeah. That strategy had a couple of large redemptions but it's done extremely well. It needed a little bit of rejig. We are very positive on it next year. It will add a huge amount of momentum over the next 3-4 quarters. It's come up quite well. It's going to be an integral part of our strategy.

- **Mr. Bhuvanesh - Participant:**
- Right. I think in press release you mentioned that you are strengthening that advisory proposition, so particular steps you can outline?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- It's really a large learning exercise, because it's, in some sense, 9 quarters old. So, it sounds old but, in reality, it's 2.5 years old. So, we've also gone through our own learnings. But I personally feel, what we built on the advisory and the discretionary PMS side as well as on the RIA platform, nobody in the country has built out and, that distinctive edge is available for the client to see as and when we go out and meet our clients and it's shown to a certain extent in the Rs 30,000- 35,000 Crs of fee-bearing assets we have given about where we are in the platform, but it's not impossible to believe that number. The first one-third can take some time to come but for the first one-third to become one whole may not take that long because once Rs 30,000- 35000 Crs is established, the operating leverage on that platform becomes very large because,

unlike the Wealth Management distribution, that piece has huge amount of operating leverage, pretty much like any other Asset Management business. So, I'm quite confident the ability to scale that Rs 30,000-35,000 Crs quickly will be substantially larger as compared to Wealth Management distribution model.

- **Mr. Bhuvanesh - Participant:**
- Got it. And, Sir, in terms of yields, so I couldn't understand clearly what was the steady state yield you mentioned on this?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- On the nondiscretionary advisory side, around about 30-35 basis point and discretionary side around about 50-55. I know the numbers are 5 basis points lower than what I'm saying but it'll stabilize at the 30-35 basis points on the nondiscretionary and 45-50 basis points or 55 basis points on the discretionary.

- **Mr. Bhuvanesh - Participant:**
- 55 basis points on discretionary? Okay.

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- 50-55, yeah.

- **Mr. Bhuvanesh - Participant:**
- Okay. Got it, Sir. Thank you. That's it from my side. Thank you.

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**
- Thank you. We have one last follow up question from Prayash Jain. Prayash. Kindly unmute yourself.

- **Mr. Prayesh Jain - Participant:**
- Yeah, hi. Thanks for this. Okay.

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

- **Mr. Prayesh Jain - Participant:**
- So, you know, just a very broad question, Karan. There has been a lot of trends changing in the way people are investing today and we've seen a lot of global investing happening, global citizenships that people are talking about and especially we've heard about this in the ultra HNI families, and they want dual citizenships in the geographies like Portugal. So, how much are we playing a role out there? And anything that can be meaningful here?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Honestly, we don't play a role in facilitation of individuals relocating or something like that. That's not something which we play a role in. But if people do have one family member

becoming an NRI, they are able to remit a little bit more money because current income comes without the cap of a million dollar which is available for an NRI. So, dividends, rent and interest, in that sense, can be additionally moved out over and above the capital amount of $1 million available for NRIs. I think that's really where we've seen pretty much. Maybe in the super-ultra-high net-worth space, a few families have one family member move out, maybe to Dubai, Singapore, London and so on and so forth, in which case, even then 90%-95% of their assets have to remain in India because you really can't move capital. 5%-10%, over a period of time, can move outside India and that's really where our desire to set up a bit of a global platform comes in, because we already own the relationship with the client and he sees us as a trusted advisor and, so there's no reason for us to lose that 5%-10% wallet share also, as he goes outside. Though, we may not have the full-fledged platform to service him like a private bank but, definitely, he would want to use us as an advisor and to ensure that we are able to continue to capture that 5%-10% market share is really where you're seeing us also build out a global platform over the last couple of months. We've had a very experienced team and hopefully, by September of next year maximum, we would have a comprehensive advisory global platform set up.

- **Mr. Prayesh Jain - Participant:**
- I am saying transaction revenues on the wealth side have seen possibly one of the highest numbers in the past many quarters. Any thoughts there as to how should we look at it? Because in the past meet you mentioned that transaction is something that you wouldn't want to be a higher share of your part, so how should we think about this say from a medium-term perspective?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- So, as I said earlier, the Rs 400-450 Crs is the number we're comfortable with. On a stress case basis, around Rs 350 Crs. See, not-so-exciting part of the transaction revenue is the fact that it doesn't have a mark-to-market element. It doesn't scale up in the same way as the ARR revenues scales up, right. So, otherwise we like transaction revenue. There's no harm in it. The only problem is the scale up on transaction brokerage revenues not equal to the ARR revenue. Because of the ARR revenue, you don't have to start the treadmill again, it's already all set and you also benefit from the mark-to-market, increase in wallet share as well as the expansion of the client's wealth itself.
- I would be surprised if the numbers are below Rs 350-400 Crs at any point in time. And as our ARR revenues increase, the percentage of TBR will automatically come down. I don't think so TBR is going to come down because we start booking lesser transaction revenue. It's going to come down as a percentage purely on account of the fact that our ARR revenues will keep increasing in a higher, absolute form as compared to the TBR revenue.

- **Mr. Prayesh Jain - Participant:**
- And what would be the share of equity brokerage in your transaction revenues in this quarter?

- **Mr. Karan Bhagat: Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Approximately Rs 14-15 Crs a quarter for us.

- **Mr. Prayesh Jain - Participant:**
- Okay, got that. Thank you so much and all the best.

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Well, equity broking is relatively small portion, around about Rs 60 Crs out of the Rs 400 Crs for the year.

- **Mr. Prayesh Jain - Participant:**
- Parking of some stocks like NSE and all, would also that be a part of it?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Yes, all that would be part of transaction. Yeah.

- **Mr. Prayesh Jain - Participant:**
- And how much that would have been in this year or a half year?

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Would be around about Rs 30-35 Crs.

- **Mr. Prayesh Jain - Participant:**
- Okay, got that. Thank you so much.

- **Mr. Anil - Moderator, 360 ONE WAM Limited:**
- Thank you. that's all we have time for. Thank you and that brings us to the end of this conference. Thank you all for joining us and look forward to hosting you next quarter. Wishing you and your family a very Happy Diwali in advance. Thank you.

- **Mr. Karan Bhagat - Founder, Managing Director & CEO, 360 ONE WAM Limited:**
- Thank you. Happy Diwali everybody. Thank you.