

Q2 FY25 Earnings Call - 360 ONE WAM Limited

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

- Good afternoon, ladies, and gentlemen and welcome to 360 ONE WAM's Q2 FY25 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 Maheshwary - 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 Ltd:**

- Thank you, Anil, and a very good afternoon. Indian equities continued to remain buoyant in Q2 with benchmark indices hovering around all-time highs supported by robust economic momentum, encouraging macro indicators, and sustained domestic flows. Although geopolitical developments induced some tensions and volatility, the broad outlook remains stable. We continue to believe in India's long term growth story which will act as a tailwind for India's Wealth & Asset Management sector, supported by faster wealth creation outside traditional pockets and overall low penetration
- Coming to the business and financial numbers - in Q2, our total ARR AUM increased to Rs 2,42,619 Crs - up 41% YoY. This growth was supported by strong net flows at Rs 9,786 Crs. With this, our overall H1 FY25 flows stood at Rs 15,335 Crs as against Rs 4,323 Crs in H1 FY24. We saw very healthy gross flows in the asset management business, both on the institutional side and on new fund launches in private equity AIFs which helped us counter the overall outflows of Rs 3,600 crore in AIFs during the quarter.
- Our Wealth ARR AUM stood at Rs 1,56,849 Crs - up 45% YoY, while AMC ARR AUM stood at Rs 85,770 Crs - up 33% YoY
- Our ARR Revenues for the quarter grew by 27.8% YoY at Rs 397 Crs, led by growth in assets across business segments and healthy retentions. Our ARR Revenues, as a % of total revenues from operations, stood at 67%. As mentioned in our previous calls, we continue to focus on increasing the share of ARR revenue in the overall pie.
- Total Revenue from Operations is up 38% YoY at Rs 589 Crs for Q2 FY25. While ARR revenues stood strong, the quarter also witnessed higher transactional / brokerage Income, mainly driven by opportunities in the private markets

- Total Revenues are up 40% YoY at Rs 618 Crs for Q2 FY25
- Total Costs stood at Rs 299 Crs in Q2 FY25
- The employee costs were Rs 224 Crs while other costs stood at Rs 75 Crs.
- The variable employment costs were high during the quarter, as compared to the previous quarter on account of account of sales incentivisation arising out of certain specific product offerings. The costs also include provisioning towards bonus's related to the significant senior hirings done recently. Directionally, we continue to move towards long term incentivisation in the form of ESOPs, which allows wealth creation for the employees.
- Our cost-to-income ratio stood at 48.4% for Q2 and 42.9% for H1
- Our operating profit grew by 36% YoY at Rs 289 Crs
- Once again, we are very happy to report our highest ever quarterly PAT in Q2. PAT rose by 33.4% to Rs 247 Crs with Tangible RoE at 31.2%.
- With that, I would like to hand it over to Anshuman to cover key business and strategic highlights

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

- Thanks Sanjay and good afternoon, everyone.
- Taking the cue from Sanjay's opening commentary on wealth and asset management industry's structural growth story, I would like to highlight few data points that helps hold our premise strong. As a country, India is still in early stages with regard to financial investments vis-à-vis global developed countries. Only 6% of our population can be categorised as unique investors investing in stocks vs 61% penetration in the US. Our MF AUM as a % of GDP still is as low as 15% vs global average of 61%. Many data points that highlight the opportunity and journey ahead for us on the overall investment landscape, despite recent growth in asset classes and valuation concerns.
- Tying this up with our business, we strongly believe that our continued focus on our platform, product innovation, execution and most importantly, client interest, positions both our Wealth and Asset Management business uniquely for these opportunities.
- Coming to Q2, Sanjay has covered the financial outcomes, let me share some of the highlights on our key input variables:
 - o The quarter saw very strong net flows at Rs 9,786 Crs, with robust flows in both Wealth Management at Rs 8,391 Crs and Asset Management at Rs 1,395 Crs.

- On Wealth Management, while our total client base has risen to 7,500+ clients, importantly we have successfully onboarded 160+ clients with over 10 crs AUM and 70+ clients with 50+ crs AUM. Total number of families with 10 crs+ AUM now stands at ~3,160 and account for 94% of our Wealth AUM.
 - With Rs 13,069 Crs of net flows in Wealth for the half year of this year, we are already at 80% of the FY24 flows and over 10% of our opening ARR AUM. These flows reflect our investments made over the recent past on expansion in our senior teams and geographies.
 - On asset management, our flows remain strong both on Listed Equity and Alternates. Our overall gross flows were over 7k crs pared down for the planned distributions made primarily in private equity. We are now in the last stage of completing the planned distributions from our first set of alternate funds raised in 2016-17.
 - Specifically, we have raised ~Rs 5,000 Crs in commitments through our private equity and private credit funds. Also, in Listed Equities, we have been awarded our sixth institutional mandate - a ~\$350mn mandate from a marquee global investor.
 - We are also witnessing rising level of interest and engagement with global institutions for private market ideas in India. With strong alternative investment capabilities in this sphere, we are well placed to benefit from such opportunities.
 - Additionally, in our Mutual Fund offerings, we have seen ourselves grow on the back on superior fund performance and strengthened sales & distribution infrastructure. 360 ONE Focused Equity Fund, our flagship MF Scheme, has crossed Rs 8,500 Crs in AUM. Also, our Flexi Cap MF and Quant Fund AUM crossed the mark of Rs 1,000 Crs and Rs 500 Crs respectively. We continue to focus on deepening our channel presence in the domestic market, specifically through MFDs.
 - Our new product pipeline remains strong for the upcoming quarters. We understand that the present market cycles can be quite volatile, but our diversified asset classes - across listed, unlisted, credit, RE & Infra - allow us to go through these cycles with a higher resilience.
- On the new growth initiatives
- The HNI segment is live with our initial set of bankers getting onboarded and select new-to-firm clients getting onboarded. The initial response to the platform and proposition has been strong with high appreciation for the tech build that has been done. We believe we are still in early stages and will look for learnings and refinement of our offerings as we widen the client reach out over next few months.

- The Global business build has also been completed with the required platform and EAM agreements for our initial proposition in place. We already have new flows of USD 160mn in this segment and remain confident of the planned ramp up over the next few quarters.
- Additionally, our investments in technology and digital continues with a sharp focus on both internal efficiency related deployments as well client facing developments. Specifically, we are excited by the initial outputs from our work on data and analytics – we believe this will be a key differentiator for us in the coming future.
- With that, I would like to hand over to Karan and open the session for Q&A.
 - **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**
 - Thank you. Thanks Anshuman. Thanks to everyone for joining in. I just want to start off by making 2-3 observations on the quarter very quickly and then halt for questions. From the business perspective, fairly exciting quarter from the flows perspective. The wealth management flows are reflecting a large part of the contribution from the teams which have joined in over the last 12-18 months. Especially, the 3 teams, which have joined us over the last 12-18 months, are coming up on their own. Some part of the contribution, which they made over the last 12-15 months, is reflected in the growth of the AUM but specially on the mutual fund side, most of them have come through broker code changes. So, the revenue reflection would start 6 months post the change but, overall, I am quite excited about the ability to attract their set of older clients on to the platform.
 - On the asset management side, again, we have had a good 4-5 months. We have been able to close 2 large funds. Small one on the credit side but a much larger one on the private equity side with a commitment of nearly Rs 4,500 - 5,000 Crs. Obviously, the gross sales on the asset management side is a much more encouraging number. The net sales is slightly lower, largely on account of the SOF series 1 to 7 reaching its maturity stage. We have raised about Rs 6,500 - 7,000 Crs of funds and returning round about Rs 14 - 15,000 Crs. Of that, nearly 90% is returned. The remaining 10% would get distributed over the next 6 - 12 months.
 - On the listed equity side, again have been a fairly encouraging quarter for us where we have been able to not only maintain net flows but also been able to win a couple of more mandates. So, overall, from flows and client perspective, it was fairly exciting quarter. From a retention perspective, one odd basis points reduction largely on account of couple of advisory accounts which have come in with a slightly larger weightage towards slightly lower retentions. Also, a basis point reduction is largely on the mutual fund assets coming through broker code change which still doesn't give us income because it needs 6 months cooling off period before we start getting brokerages. Another 1 - 1.5 basis points reduction on account of lower carry income and, round about 1 basis point reduction on account of net interest margin. Of the 4 factors, most of them are quarter specific rather

than long term trends. So, we expect the retention to come back up by 2-3 basis points. But systematically, from input variables, both on net flow side as well as number of families, both are encouraging for us from a last quarter perspective. From a new build business perspective, as Anshuman pointed out, early shoots, both on the HNI side and the global side, are encouraging. It's been slightly slower from a launch perspective, maybe we are quarter delayed, but we've got the operating principles right, and over the next six odd months, we should be able to catch up on most of the numbers we've thought through to achieve for the current financial year.

- On the cost side, we've added obviously a lot of resources, both on the UHNI side as well as on the Investment team. A little bit of optimization needed on the existing task force. So, we're going through a phase, over the last year and in this current year, where we'll continue to be towards the late 40s, in terms of cost to income. But as we optimize the existing task force, as well as add new, together with the increase in revenues, we will end up seeing our cost-to-income at the 46 - 47% range. So, that is very well much on track, and towards the last quarter of the current year as well as the next whole financial year, we should be definitely closer to our cost-to-income ratios of 46 - 47%.
- Those were the broad headlines from a business perspective. Overall, we continue to be fairly buoyant on the broader trends in the market.

Question & Answer Session:

– **Mr. Anil Mascarenhas - Moderator:**

- Thank you, Karan. We'll now open the floor for questions. To ask your question, please tap on the 'raise hand' icon. First on line, we have Mohit Mangal. Mohit, kindly unmute yourself and ask your question.

– **Mr. Mohit Mangal – Participant:**

- Congratulations on the good set of numbers. So, I've got four questions. So, first is that, considering that the strong flows we've had this quarter, so your full year guidance of Rs 250 - 300 billion, do you think that will be revised upwards? The second question is that, now that we have added more clients, specifically in the Rs 10 Crs category, I would be a little curious to know how is the net flows from the existing versus the newer clients? So, if you can give some colour on that? Third is in terms of Other Income. So Other Income, if I look, fell sequentially in Q2. So just wanted to know if it is purely M2M movements or there's something else to it? And lastly, in respect of the QIP, just wanted to know, so two sub questions on that, basically. Any timeline when it is expected to complete? And would you be tinkering with the dividend policy in that?

– **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- Thanks, Mohit. we've covered a lot of questions for the quarter. Your second question, I didn't get.

– **Mr. Mohit Mangal – Participant:**

- So net flows from the existing versus newer clients.

– **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- Got it. From a flows perspective, obviously, Rs 25,000 - 30,000 Crs flow number for the year is a fairly reasonable number. Just given the flows in the 2nd Quarter, all things being equal, it can lead to potentially Rs 5,000 crs flows more for the entire year. But we should wait and see how the markets hold up for the next six months before I quickly increase the guidance. But all things being equal, from a flow perspective, our attractiveness as a platform for clients continues to be very high. And therefore, all things being equal, I don't see any reason why our net flows won't continue fairly strong. I wouldn't want to just increase the guidance. There are a lot of parameters which influence it. But, again, most importantly, relationship managers, attractiveness of relationship managers to our platform, and attractiveness of our platform to our clients, continues to be super high.

- On the existing versus the net flows, the numbers remain similar. Our existing clients are contributing to around about 25 - 40% of the net flows. And the new clients are contributing about 55 - 65% of the net flows. This number broadly remains similar. Having said that, the new clients of 55 - 65% also have a couple of mixes in the blend. One is a

type of a client, who's got a new liquidity event, and the other type of client is a client who's transferring some part of his AUM from another institution to us. The further break of that would be around about 60% of new liquidity and 40% would be transfer of broker code changes and so on and so forth. So overall, I would say 25-40% is new liquidity events, 30-odd% would be existing clients of the firm, and the remaining 30% would be largely on account of relationship managers who joined the firm from other organizations.

- The Other Income is just a translation of mark-to-market. There's really no other component to it as such. We have about Rs 1,800 Crs of exposure as a sponsored, non-sponsored capital to our Alternates funds. Broadly speaking, approximately 10 - 12% of Rs 1,800 Crs is effectively, or maybe 9% of that is in NSE. And last quarter, that obviously saw a fairly large revision in price going up from, Rs 4,200 to 5,500-odd. This led to a bit of a jump in the mark-to-market. But on the Other Income side, that's largely the only component. There's really no other component to it. So, largely reflects the mark-to-market on our sponsored investments on the Alternate side.
- Fourth, obviously, from a dividend policy perspective, in retrospect, the dividends came out from the profits of the Alternate business, as well as part of the profits coming out of the Lending business of the Wealth Management piece. We want to be slightly more conservative in declaring dividends from those two components. The two components, where we would want to continue with a relatively more liberal dividend policy, would be on the listed part of the Asset Management business as well as the Wealth Management business. The Wealth Management business and the listed part of the Asset Management businesses are the two businesses which don't need too much of capital. The Alternate business as well as the NBFC would continue to have some redeployment. If you just combine the mix of these four, that's really what is going to dictate our dividend policy. Just broad ballpark, if you give 70% to 85% of our profits of the Wealth Management, as well as the listed Asset Management business, and 20% to 30% of the profits out of the Alternates and the Lending business, that's really going to be broadly the basic math to decide our dividend policy going forward. And, from a number perspective, it's broadly going to come to around about 30% to 40% or 30% to 50% of the overall profits of the firm. And obviously, a little bit of balancing to that number basis other opportunities available, is what we are really going to look at. To summarize, as opposed to a 65% to 80% dividend policy, we are going to be relatively more conservative.
- Lastly, for the QIP, obviously, I really can't indicate too much on the timelines, apart from the fact that the shareholder approval from a shareholder perspective has been approved. So effectively, we can do a QIP anytime through the next year.
- **Mr. Mohit Mangal – Participant:**
- Understood. Sir, just one follow up. So, you said that dividend policy would be... I mean, the change in the dividend policy would only be for this year. So next year, will we be back to the 70% to 80%?

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**
- No, no, no. I am saying as a method of computation, the lending portion of profits attributable to the Wealth Management business, as well as the Alternates business. Both of these require some degree of reinvestment back into the business. That would be a substantially more conservative number of profits as dividend. The listed part of the Asset Management business as well as the Wealth Management business don't require too much of capital to be reinvested apart from strategic reasons. The profits accruing out of those two businesses will be largely paid out as dividend. The profits accruing out of the Lending as well as the Alternates business, very conservative amount of that profits will be paid out as dividend. On a weighted average basis today, if I was to calculate it, we would end up doing 25 to 40% of profits as dividends on a constant currency basis.
- **Mr. Mohit Mangal - Participant:**
- Understood. That's it from my side. Thanks, and wish you all the best.
- **Mr. Anil Mascarenhas - Moderator:**
- Thank you. Next in line, we have Sanketh. Kindly unmute yourself and ask your question.
- **Mr. Sanketh - Participant:**
- Thank you for the opportunity. So, Karan, I have one simple question. Given yesterday, you have highlighted in the exchange that Anirudha Taparia, who is the co-CEO and co-Founder, has chosen to move out. So just wanted to understand some numbers around him. How much AUM was under his management? Whether it is the only person who has quit or have some people around his team also moved out? And just if you can tell me, as a total percentage of the total wealth revenue, maybe his team contributed how much to our numbers? Sir, just to understand. And what is the succession planning for the region that he was heading? How are you planning to fill those big shoes, in that sense? That's my first question.
- And the second question is with respect to a bit of broker change MF flows. So just wanted to understand, out of the entire flows, what we had in managed/MF folios, how much came because of the broker change code?
- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**
- Got it. As an organization, we follow a policy where really, every client has at least four points of contact. One is the Relationship Manager. The second is the Managing Partner or the Managing Director in this case. Third is, obviously, the entire Advisory team. And fourth is out of the three-four of us, we are attached to every client. So, from a continuation or a succession perspective, historically, impact of Relationship Manager change over a period of three to five years has typically impacted the book anywhere between 1 to 4% over a period of time. Typically, in the first couple of years, it's relatively

much lower, it's closer to 1 to 2%. And depending on the succession plan we put in place, the number can spread can increase to 3 to 5% of the overall business.

- Having said that, we don't like change, we would love to have everybody at all points in time. But this specific change was largely a culmination of a couple of things, including us, more or less, appointing a single Head for Wealth Management. So that's going to be announced in due course. It was the structural change which was necessitated also.
- In terms of the roles and responsibilities, it's fairly well covered by the team. We have a fairly large team on the Wealth Management side, nearly 140-150 senior bankers. So, in that sense, succession is not an issue. It won't be material enough to, for me to estimate a percentage impact on the Wealth Management revenue itself. But having said that, North and East as regions, and largely he was focused more on North. North, as a region, contributes close to about 12% to 13%, or 14% of our Wealth Management revenues. So, relatively, even if I was to look at a short-term impact, assuming there is a consequential impact, it would not be more than 2 to 3% of our Wealth Management revenues.
- As we speak now, I don't have a number to give you in terms of people who are looking to leave. But it's fair to say that it's a team which has been working together for the last 15 to 20 years. So, two or three people might be par for the course in that sense. But it's part of natural attrition. Out of 130-140 bankers, two to three bankers a year is par for the course. So, from a business materiality impact perspective, I don't see it impacting much.
- Having said that from a firm perspective, I would love to have everybody all the time, assuming things can fit into the structure and align. And at the same point of time, I wish him the best in his future endeavours.
- **Mr. Sanketh - Participant:**
- Good. But Karan, is it fair to assume that the incremental hiring, which you have done in 12 to 18 months, will be more than sufficient, if there is any immediate attrition at the North, region in that sense?
- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

No, we have enough capacity in North itself; we don't need to hire. They're a fairly large, very mature team in North. Out of our 3,200 odd clients, above Rs 10 Crs, we would have roundabout 12 to 14-15% of our clients coming from North. Of the 12 to 15%, 400-450, we would have more than 30-40 senior bankers in North. So, we're very well covered. We don't have any capacity issues at all.
- **Mr. Sanketh - Participant:**
- Got it. Perfect. And the second question, on broker code change, if you can quantify that.

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**
- Yeah, on the broker code change, I don't have the exact number, but I have a very good approximate. It will be in the region of around 25% of the flows i.e. ~Rs 2,800 Crs is the entire change. Of the Rs 2,800 Crs, about ~Rs 1,900 to 2,000 Crs is in Mutual Funds and Rs 600 - 800 Crs would be in Managed Accounts. In Managed Accounts, obviously, the trail will start faster. On the Mutual Fund side, the trail will only start six months after the change.
- **Mr. Sanketh - Participant:**
- And, lastly, on this broker code change, have you seen the maximum to come already in the second quarter? Do you think this flow can further continue going ahead?
- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**
- No, hopefully it has a long way to go because we have got a very, very experienced team of nearly 30 senior bankers. So Rs 3,000 Crs is a part of the exercise and not the exercise in itself.
- **Mr. Sanketh - Participant:**
- Perfect. That's it from me, Sir. Thank you. Thank you for the answers.
- **Mr. Anil Mascarenhas - Moderator:**
- Thank you. Next in line we have Abhijeet Sakhre. Abhijeet, kindly unmute yourself.
- **Mr. Abhijeet Sakhre - Participant:**
- Hey, hi. Good afternoon.
- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**
- Hi, Abhijeet.
- **Mr. Abhijeet Sakhre - Participant:**
- Hey. Hi, Karan. The first question was an Opex. So, how do we look at the Opex growth over the next 12 months or so? Specifically, the challenge is, how much of it is actually linked to TBR, which is where there is a little bit of an uncertainty? How the next 12 months could look like?

– **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- No, there's no direct correlation between TBR and Opex as such. Obviously, our Opex this quarter was maybe slightly higher for two large users. we've done a U.K. case settlement last quarter. By the time we paid it, there was a further Forex currency translation costs of around about a million dollars, which got added on to the Admin and Legal expenses. And we've had 4-5 crores of legal cost on the same thing, which got cascaded. So, about 10 crores of Opex cost has increased this quarter on account of the same thing. But outside of that, it's fairly standard. what used to be broadly a 60 - 65 crores Opex cost a quarter is now closer to the range of 68 - 75 odd crores. So, that's really where it is. Don't expect too much of a massive variation in the Opex cost coming out of any linkage to TBR.
- TBR obviously has a fairly largest impact on the variable cost of the firm. So, the variable bonuses of the employees can change quite a bit depending on the quantum of TBR. The ARR is obviously very well modeled both in terms of predictability as well as in terms of variable compensation to the Relationship Managers. But the TBR itself, while it doesn't impact the opex, it does impact the variable bonus portion in a fairly straight line pass through way.

– **Mr. Abhijeet Sakhre - Participant:**

- Got that. That second one was on the new commitments that you've raised. Any sense on how much of this is insourced and what's the realization range in these funds?

– **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- So, in these funds, it's on our pre-IPO funds and Special Opportunities Funds, we don't charge on the commitment. We charge on the drawdown. So, while we've got commitments of nearly Rs 6,000 Crs, what shows up in the AUM is only Rs 1,500 or 2,000 Crs because that's the amount which is drawn down. And we are also charging fees only on the Rs 1,500 - 2,000 Crs. The remaining Rs 3,000 – 4,000 Crs comes in automatically as net flows over the next potentially 12 - 18 months. In that sense, only 30 - 35% of the flows and 30 - 35% of the fees is really captured potentially over the last two quarters.
- In our pre-IPO funds, our realizations are quite decent. Given the track record and the market leadership we have in those funds, we are able to between our role as a manufacturer as well as a wealth manager and distributor, we are able to capture around about 130 - 140 basis points of retention. 80 - 90 basis points as a manufacturer, potentially 50 - 60 basis points as a distributor because we are distributing 60 - 70% of the funds inhouse.

- **Mr. Abhijeet Sakhre - Participant:**

- Got that. Sorry, one last one. What we've seen in the last couple of years is that the client base seems to be fairly active on the TBR side as well given how the markets have been. Just to understand your client base better, when we move to markets which are relatively more sort of sideways moving or downward drifting, how do you expect the client base to behave? And do you see some of the AUMs shift to recurring revenues from TBR?

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- That's a great question. Actually, our market share improves dramatically in a flattish market; the market share because clients, Relationship Managers, everybody typically comes back to basics. So, they want to do the investment policy statement again, they want to do the asset allocation again, they want to follow the discipline again, they want to have the right ratio between single instruments, single stocks, a pool of funds and so on and so forth. And that's really when organized players like us who are slightly more focused on asset allocation and IPOs typically see our market share go up. Volume of activity for us also comes down like it would come down for everybody else. The TBR numbers as well as the volume of activity would definitely come down. But, overall, as you're rightly saying, our ability to attract new clients as well as increase our market share on a relative basis will be even better as compared to a very, very active market on the TBR side.
- On steady state basis, we feel comfortable. We've been comfortable with about Rs 100 - 225 Crs of TBR, a quarter historically. The TBR numbers for the last two quarters or last three quarters have been substantially higher and that, to a certain extent, is a reflection of the capital market activity across the country. But if the markets were to stay flat, drift down and stay slightly drifted down, we have a little advantage because we are very active across all asset classes including fixed income, equities, commodities, and so on and so forth and Alternates. We have a little bit of flex on the TBR side. But at the same point of time whether it would remain the same numbers then the answer is no. It would be some number under 125 range as a steady state basis, which it was a couple of quarters back. And in absolute stress scenarios, if you see the markets go down by 15 - 20 - 25%, the TBR numbers towards the lower end would be absolutely at the 75-80 crores range. So, if you really stress the business at 20 - 25% lower markets, it's fair to say with a combination of mark-to-market AUM as well as a little bit of TBR reduction you'll potentially see a 10 - 15%...around 50% of reduction in profits, obviously, which can be offset with growth and MTM on the fixed income side as well as net new flows and net new clients at that point in time. So, that's really the way I would look at it.

- **Mr. Abhijeet Sakhre - Participant:**

- Thank you so much.

- **Mr. Anil Mascarenhas - Moderator:**

- Thank you. Next in line we have Nidesh Jain. Nidesh, kindly unmute yourself.

- **Mr. Nidesh Jain - Participant:**

- So, first question is on retention. How should we think about the ARR retention from a medium to long term perspective? If we look at last 2-3 years, there has been slight, gradual downward pressure on the retention on the ARR side. Sir, from a 3-4 year perspective how should we think about that?

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- 1 - 2 year perspective, Nidesh, back to the 70 - 72ish number which we were at. From a 4-5 year perspective, I would say closer to the 67 - 68 basis points. Largely not because the headline retention is going to change. The headline retention is going to be more or less the same. So, on the pure RIA Advisory side, I would expect incremental business on an average of 34 - 35 basis points. And as time was to go by, I would expect our retention on the Advisory assets to be between 30 - 35. I would expect the pure discretionary piece to be between 45 and 50 basis points. The listed piece is where the retention would come down a bit. We are currently closer to the 64 - 65 that I expect to be 55 - 60 basis point. Net Interest Margin would remain around the same. Alternates remains broadly around the same, including carry, in the region of 85 - 90 basis points.

- So, if you see the headline retention of each of the components, we don't really see too much of a reduction apart from listed equity. Managed Accounts distribution, now which is broken up both on Mutual Funds and Managed Accounts. So, they are also I see a similar trend. Mutual Funds, we have today at 45-50 basis points and, Managed Accounts, we are in the region of 75-80 basis points. All of these retentions remain fairly similar apart from listed equity. Even then the headline weighted average retention drops a bit from 71-72 to around about 68 because of the change in the mix of the business. So, three things will change from the change in the mix of the business. The first thing is that the Loan book obviously won't grow in the same proportion of the AUM. Secondly, the second change will be the broad mix of distribution and advice will be slightly more in favor of advice as compared to distribution today. And, listed equity, there will be a little bit of reduction. So, these three things result in a little bit of reduction on a weighted average basis. On a headline basis in each of the segments, I don't expect too much of a change in retention.

- **Mr. Nidesh Jain - Participant:**

- Sure. Secondly, on the transaction based income, historically we have been guiding around Rs 100 Crs of steady state quarterly run rate on transitional income but last three

quarters we are running around Rs 200 Crs. So, still on a steady state basis do you believe that Rs 100 Crs is the right number or we should take that number up?

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- No, I would still say about Rs 100 - 125 Crs is the right number to look at.

- **Mr. Nidesh Jain - Participant:**

- Okay. And this quarter how much of the transaction income is coming from NSE block?

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- NSE block? This quarter would not be much Rs 25 - 30 Crs.

- **Mr. Nidesh Jain - Participant:**

- Okay.

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- Approximately. Might be Rs 2 - 3 Crs off.

- **Mr. Nidesh Jain - Participant:**

- Okay, sure. So, around Rs 30 Crs.

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- Rs 30 Crs, yeah.

- **Mr. Nidesh Jain - Participant:**

Okay. Thank you. That's it from my side. Thank you.

- **Mr. Anil Mascarenhas - Moderator:**

- Thank you. Next in line we have Himanshu Taluja. Himanshu, kindly unmute yourself.

- **Mr. Himanshu Taluja - Participant:**

- Yes, Sir. Thanks for the opportunity. Just a few questions, Sir, especially in terms of your transaction based revenue, which is very difficult to project. Because if you look at the

last 3 - 4 years journey, broadly we remain around Rs 300 - 400 Crs and last few quarters we have seen a very sharp. So, can we really say probably 20 - 25% of your transaction based AUM in a good environment get churned every year which gives you practically 80 - 100 bps of the yield? And what are the other components in the transaction based revenues? Lastly, thirdly, in this transaction in last 3-4 years how much is the NSE shares contributing? So, if you can help me understand that how one should have a realistic projection around the transaction based.

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- To be honest, your first way of calculating is approximately the best way to calculate. It's not necessarily the absolute scientific way, but from a TBR perspective, it's fair to say around about the transaction AUM churns once in five or six years and broadly gives a retention of 80 - 100 basis points, which effectively results in that blended retention of 30 basis points on the entire transaction AUM. But is that a scientific way to look at it? From a reverse calculation perspective that's the way it works out but, broadly, those two assumptions are right. 15 - 25% of the AUM churns once in four or five years and broadly gives you 80 - 100 basis points of retention leading to around about a 30 - 35 basis points retention on the TBR AUM.
- On the second portion on NSE, broadly speaking last 3-4 years the broad component is around about Rs 60 - 70 Crs a year.

- **Mr. Himanshu Taluja – Participant:**

- Okay. And what are the other components in your transaction based revenues apart from these two?

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- Approximately Rs 100 odd Crs comes from listed equity, around about Rs 50 - 60 Crs from fixed income brokerage. Another round about Rs 80 - 90 Crs from NSE, which is around about Rs 250 Crs. Then you have another Rs 50 - 100 Crs fixed income brokerage like NSE. So, we've done a lot of fixed income transactions over the last year, year and a half; maybe last three odd years. So, it's a combination of these three or four things. And a little bit of Rs 50 - 75 Crs of upfront income on products distributed in the form of Managed Accounts and so on and so forth. And Rs 40 - 50 Crs of referral from investment banking, M&A activities and so on and so forth.

- **Mr. Himanshu Taluja – Participant:**

- Yeah. Sir, second part of the question is basically around your lending book. You currently have a lending book of Rs 6,900. You're also looking like in terms of the capital raise one

of the primary reason you want to scale this lending book as well. How one should, if we have to think from a 2-3 years viewpoint how do you expect this lending book to grow?

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- From a lending book perspective, broadly we see it around the 2 to 2½% AUM on the wealth management side. If you were to just look at our AUM on the wealth management side around give or take Rs 4 lakh odd Crs, a loan book of around about Rs 8,000 to 10,000 Crs is the sustainable number. So purely from a loan book growth perspective, assuming the wealth management AUM can grow at about 20%-25% a year. Broadly speaking, you know the loan book will grow out a number of round about 2½% to 3% of that number. Today, obviously they're slightly maybe Rs 1,000 Crs short. So, effectively at a full mature basis, Rs 1,000 Crs plus around about 2% to 2½% of the wealth management AUM growth is really the metric to grow the loan book.

- **Mr. Himanshu Taluja – Participant:**

- Sir, just last one question will be in terms of your active AUM ARR advisory is one of the key in a way to go forward in terms of the growth, but when we look in terms of your retention yields over the last 8-10 quarters, probably it has come down from 37 to 30. What is an ideal sustainable range in this basically retention yields because I believe the share of this, 360 ONE assets in the overall active AUM will keep increasing.

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- Maybe around about 35 basis points like I pointed out slightly earlier. The RIA fees will be in the region of 35 basis points. It can be towards 30 basis points, if we end up getting only large clients, but in the mix of large-small clients, we'll be trending towards 35 basis points. Right now, it's got a lot of little of maybe approximately out of the Rs 40,000 to 45,000 Crs, nearly a third are accounts which we've onboarded prior to 18 months from today and those accounts are onboarded at substantially lower fees and that's having a drawdown impact on the on the retentions, but with every new incremental AUM, that impact is coming down, so I would expect the RIA to move towards the 30 to 35 basis points range, hopefully closer to the 35 basis points range depending on the weighted average AUM of the clients or the number of clients and discretionary in the region of 45 to 50 basis points and assuming we can have a similar proportion or a 2/3 or 1/3 proportion in favor of advisory versus discretionary. The mix of both will give us around about a 40-basis points retention.

- **Mr. Himanshu Taluja – Participant:**

- Yeah. Sir, just last question, since you have recently set up the team to create the midmarket HNI segment as well, how do you plan to ramp up in the next like the from in next 12 months now from here? You've already set up the team and everything, how one should see in terms of the flows and all?

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**
- The big ramp up only starts from April next year. From our perspective right now, we are doing the following three things. We've set up the entire platform that tech is set up, the operating market leaders for the four regions, the key team members 15-20 members are in place. We're going to use what we call as, the network effect for the top 3½ thousand families whom we are already servicing on the UHNI side, adding each of those families has at least three or four people around the ecosystem who are clients of getting to the 10 to 50 crore range. Our first port of call really is going to be those 10,000 families around our existing 3½ thousand families and that's the benefit we have of going a little bit from the top to the next level and for the next six months, it's really about 25-30 relationship managers who we've recruited, 20 - 25 relationship managers from our existing team, which we are transferring into the high network business. So, first six months are really going to be about these 50 - 60 people and these 8,000 to 10,000 families are figuring out our success parameters. Only in April is when we go out and hire 150 to 200 people and expand to 25-30-35 cities based on our own assessment of our own strength's weaknesses. Over the next six months, you'll see us ramp up that business, but in a fairly measured manner without disproportionately increasing the cost and from April 2025, you'll really see us give a much, much larger impetus in terms of growth and recruitment to the business.
- **Mr. Himanshu Taluja – Participant:**
- Sir, thanks a lot.
- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**
- Thank you.
- **Mr. Anil Mascarenhas - Moderator:**
- Thank you. Next in line, we have Dipanjan Ghosh. Dipanjan, kindly unmute yourself and ask your question.
- **Mr. Dipanjan Ghosh – Participant:**
- Hi, am I audible?
- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**
- Yeah. Dipanjan, Hi.
- **Mr. Dipanjan Ghosh – Participant:**
- So, just a few questions, Karan. First, on the AMC side of the business, obviously, if I concluded one of the institutional mandates and just want to get some sense of are there

more in the pipeline or how the team is shaping up on that front? Second, now that most you know quite a lot of fuel plant redemptions are done as you as you said 90% is almost complete over the next 12-18 months, how is the pipeline in terms of new product cost, things tracking up on that part of the business and what sort of gross sales do you really expect? My third question is more from an RM based perspective. I mean in this first half of the second quarter, have you onboarded new teams on the ultra HNI side and they also mentioned that the teams at your onboarded last year are operating in steady state. So, you should get some color of the flows or revenue contribution that some of these teams probably have given in the last, let's say 6 to 12 months and finally on the new client that have been occurring over the last 2 to 3 quarters, which have been quite strong. If you can give some color on are these like new too many customers or these are customers of existing who have existing relationships with other wealth managers and shopping to 360 or new waters, just want to get some sense of the clientele quality and what is the market drawdown, you mentioned that there can be market share application, but in terms of new money generation, how historically are things are shape upon that, right?

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- Thank you. Thank you, Dipanjan. I hope I remember all the orders in question in that order I've tried to write it down, but otherwise, if I forget we'll I'll come back to you. On the asset management side, on the gross sales, you're absolutely right. We had a large episodic contribution in 2018 on the pre IPO fund. Outside of that, all our funds are fairly well distributed on an even basis, so it's unlikely that any one redemption will have such a large impact. As I said earlier, in the last 10%, which may potentially get paid out of 6 to 8 months, our overall strategy on the gross sales side continues to be fairly exciting. We've got a lot of new products in the pipeline. So, while our redemptions ease off a bit, the gross sales will continue to happen and as I explained earlier, the gross sales we've still not called for because that really doesn't show up in our AUM as of now, because we don't charge on the on a commitment basis, but we charge on a drawdown basis. So, overall on the alternate side without describing a specific number, we definitely believe we'll be in a good position to be able to grow our overall alternate AUM on a net basis by at least 10% to 12% a year as we've indicated earlier. Obviously, that would mean a slightly larger number on the gross side, but effectively we feel fairly confident of being able to add those numbers over the next 18 to 20 months. On the on the wealth management side, in terms of the new team members, I would not jump to say that they're a steady state. They've settled in well. It's less than 12 months as they joined. And hence, a large part of their clients have started to get onboarded with us, but it will take full time for them to fully scale up and get us to get a large wallet share from those clients. Early offshoots are very, very positive, very encouraging. Large portion of the onboarding board started. Having said that, for the teams to fully settle is any time period between 30 to 42 months. So, we still have some time to go and as I indicated earlier, purely from numbers perspective, they have the potential to grow substantially larger than where they are today. From a new plant perspective, again it's broadly a third or third or third.

1/3 is old relationship of ours, which we've been prospecting for many years, scaling up over a period of - over the period of last year. The third is absolutely out of new liquidity events and a market share gain from other competitors. To your question, if the capital markets were to slow down and really come off, it has a little bit of impact on that last 35%, but the first 35% we should be able to do equally well. Hopefully even if the markets stay flat or slightly more towards the downside, our input variables, especially in terms of number of new clients, we keep chugging along and that doesn't really fall that much in proportion with the markets, because that's something which you know a firm like us should be able to do. I did forget whether the question in the middle. I'm not quite sure, but yeah

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

- Sir, just one just follow up, Karan on one of the questions passed by early participant, which was on the exit of one of the senior members, if I had correctly mentioned that historically over a three to five year period, because there's any other attrition, the book attrition is around 3% to 5%, is that's the correct answer?

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- That's right.

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

- And they're not a part of segment of 12% to 14% of your revenues. So, if you do a triangulation map, it basically means that the overall 15% should be capped at?

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- Wealth management revenues, overall revenues less than 7% to 8%.

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

- So, in that sense the triangulation would suggest that any significant effect should not materially alter the peer alignment?

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- Yeah, obviously, we've RM exists at that level unless it's something which is systemic and something that impacts the capacity of the firm or in some ways, you know led by an event which is rather brand diluting in some ways. From a platform perspective today, both in terms of multiple engagements with clients as well as the power of the platform to attract new people as well as offer the right set of products, it's not really purely, purely based on RM exits. So, the ability to do revenues, the ability to charge fees, it's a, I won't call it a complex formula, but it's a very complete formula, so everything needs to be

there. The RM is a very important component of that formula, but it's not the only component in the formula. That's something which we have to be cognizant of.

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

- Karan, the question in the middle was on the institutional mandate anymore lumpy mandate that you foresee?

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- Yeah. So, we continue to work on a lot of mandates, but these cycles are fairly long. Whatever we started work on last year converts after 9 to 15 months, so obviously at all points of time we have a good number of mandates. Any point of time we would have any number between 2 to 6 mandates, which are at different stages of hopefully.

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

- Got it. Thank you and all the best.

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- Thank you.

- **Mr. Anil Mascarenhas - Moderator:**

- Thank you. we'll take one last question from Neeraj Toshniwal. Neeraj kindly unmute yourself and ask your question.

- **Mr. Neeraj Toshniwal – Participant:**

- Yeah. Hi. Just wanted to understand on the discretionary, nondiscretionary part of the flows, we have been seeing the nondiscretionary has been you know growing quite steadily while discretionary flows have been actually muted, so is the trend going to continue because discretionary retention have a little better in history and as these nondiscretionary clients move to discretionary at some point or it actually means there?

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- No, I mean you're absolutely right. From a behavior change perspective also, there is a little bit of transition from nondiscretionary to discretionary. The behavior change happens over a period of time, not only from a clients' perspective, but even from a relationship manager perspective. And also, you need a little bit of a track record in terms of performance which we luckily have now. Overall, you know we would like the proportion to be closer to around about 2/3 to 1/3 with 2/3 coming in advisory and 1/3 coming to discretionary. Aspirationally, I don't think we are that mature yet, but we're trying to move towards the 2/3 to 1/3 in terms of in terms of flows between discretionary

and advisory, which is something which is going to be a good benchmark for us to follow. Having said that, as a wealth management firm, obviously you need a good investment in terms of building out your investment teams, asset allocation specialists, as well as a team which can boost of our fairly good track record across diversified allocations both as multi - both as fund practically as fund of fund managers as well as allocation to ETS and so on and so forth. We're early in the game. We've done well for the last two and a half - three years, the track record is really good. We're getting decent flows. We are not getting phenomenally high flows, but having said that directionally, we should be in a position over the next 12 odd months where 25% to 35% of our incremental flows start coming on the discretionary side.

- **Mr. Neeraj Toshniwal – Participant:**

- Okay. That is helpful. Thank you.

- **Mr. Anil Mascarenhas - Moderator:**

- Thank you. That's all we have time for this afternoon. Thank you all for joining us and on behalf of 360 ONE, wish all of you a very happy festive season. Thank you once again.

- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM:**

- Thank you.