January 24, 2024

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

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

Dear Sir / Madam,

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

This is further to our intimation dated January 4, 2024, informing the exchanges regarding the details of the earnings call scheduled on Friday, January 19, 2024, at 2:00 p.m. (IST) to discuss the Company's performance for the quarter and nine months ended December 31, 2023.

Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the earnings call held on January 19, 2024. We wish to confirm that no unpublished price sensitive information was shared / discussed in the aforesaid earnings call.

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

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

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

ROHIT SHRINIWAS BHASE

Digitally signed by ROHIT SHRINIWAS BHASE
DN: c=IN, o=PERSONAL, title=2863, pseudonym=adf03087596c449a948dcd5b20a184a4, 2.5.4.20=f3ccb280e3934ee3cab27d2a8d3957f3b42d472b212e856194b18be1d313495c, postalCode=400606, st=Maharashtra, serialNumber=f3a29d477a6af302b6e994490a879ca18ef7c528c4cce233d82e23f8dfd4e0bb, cn=ROHIT SHRINIWAS BHASE
Date: 2024.01.24 14:14:15 +05'30'

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

360 ONE WAM LIMITED (Formerly known as IIFL Wealth Management Limited)

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Q3 FY24 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 Q3 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 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. In the last nine months, Indian equity markets have reached new heights, strengthened by better-than-expected GDP growth, positive momentum in manufacturing capex, strong corporate earnings, and consumption trends. While the discussion around rich valuations continues, equities saw new highs as India remains poised to be the fastest growing large economy in the world. The current momentum is driven by strong institutional flows, both foreign and domestic, as well as robust retail participation. We continue to remain bullish about the "India growth story" in the long term, 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 4.5 per share. This is our fourth interim dividend for this fiscal, taking the total dividend to Rs 16.5 per share

- Coming to the business and financial numbers; in line with our focus on ARR assets, total ARR AUM increased to Rs 220,768 Crs - up 32.6% YoY. This growth was driven by strong net flows at Rs 8,865 Crs during the quarter. Further, the overall active ARR AUM increased by 14K crore during the quarter.

- Our Wealth ARR AUM stood at Rs 1,51,614 Crs - up 41% YoY, while AMC ARR AUM stood at Rs 69,154 Crs - up 17% YoY

- Our Recurring Revenues increased by 10.8% YoY at Rs 338 Crs, and up 9.2% YoY at Rs 973 Crs in 9M FY24, led by growth in assets across all business segments. 9M recurring revenues comprise 76% of overall operating revenue. As noted in all our previous calls, our focus remains to increase ARR assets and, the resultant high-quality recurring revenues.

- Total Revenues for Q3 FY24 are up 14% YoY and 6% QoQ at Rs 467 Crs and 13.4% YoY at Rs 1342 Crs for 9M FY24

- 9M Retention on ARR assets was 67 bps with Wealth "ARR" retention at 63 bps and Asset Management at 74 bps

- Excluding carry, the ARR retentions have remained relatively stable at 61 bps

- For the quarter, operating costs rose by 8% QoQ, and 24.3% on a YoY basis, to Rs 232 Crs

- The employment costs rose by 8.1% QoQ, on account of additional headcount, including certain senior level hires, which Anshuman will cover later

- Cost-to-Income ratio stood at 49.6%. We have given an additional slide in the deck, explaining the cost contributed by the new segments, and on account of addition of some senior bankers in the UHNI segment which is not supported by corresponding revenues at this stage. We expect this ratio to gradually settle down over the next few quarters as the new business initiatives / new teams start generating revenues

- Q3 FY24 PAT remained strong at Rs 194 Crs - up 7.7% YoY and 4.7% QoQ, and at Rs 561 Crs for 9M FY24, an increase of 9.3%

- Importantly, our tangible ROE (i.e., ROE excluding goodwill & intangibles) was robust at 28.9% for the quarter. This is a result of prudent capital management and regular dividend payout

- We are very happy to announce that our maiden NCD public issue for the NBFC arm, was over-subscribed on the very first day of issuance. Such a strong response is a testament to the trust and confidence by institutional and retail investors in the 360 ONE brand. This success reaffirms our leadership position in the wealth and asset management spheres and, the significant growth opportunities that lie ahead

- 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, good afternoon, everyone. As covered by Sanjay, it has been once again an exciting quarter, in terms of market performance as well as our business.

- Overall, as you've seen through the last 3 quarters, growth remains strong across our business segments and asset classes. Our sharp focus on Recurring Revenue Assets continues with ARR AUM now at over 220K crores and ARR revenues accounting for over 75% of our Revenue from Operations.

- ARR Net Flows continues to be very strong at 27.5K crs for the first 9 months - this is equivalent to the full year 2023 levels. Additionally, net flows on Wealth is already 22% higher than our full year FY23 flows - showcasing the strong wealth creation continuing to be seen in the Indian economy as well as our leadership position in the UHNI Wealth management space. Important to highlight that 80%+ of these flows are coming to our flagship advisory proposition “360 ONE Plus”, with retentions on active ARR for this proposition gradually increasing to ~35 bps for the last quarter.

- I want to highlight two key underlying growth parameters that give us tremendous confidence on our ability to sustain our leadership position in Wealth.

- Firstly, growth in our client base has been very healthy. In the first 9 months of this financial year, we have onboarded over 400 new clients with Rs 5 Crs+ ARR AUM, while the number of clients, having ARR AUM above Rs 50 Crs, increased by over 100 for the same period. Clients, having total AUM of 5 Crs+, stand at 3,750+ and account for 97% of Wealth AUM (excl. custody)

- Secondly, we continue to be the employer of choice for senior wealth advisors in the country. During FY24, at the Partner & above level, 35+ new hires are being onboarded in the Wealth Sales teams allowing us to significantly expand our market coverage and penetration. Additionally, average tenure with the firm at this senior level remains high at 8+ years, with attrition at less than 4.5% (annualized)

- The lag between flows and conversion to steady state retentions continues, specifically given the market conditions. However, we saw strong growth in the active ARR AUMs in this quarter with improving retentions and expect this to continue over the next few quarters.

- Our Asset Management business witnessed planned outflows during the last nine months due to maturity of some our late stage / pre-IPO funds - for last quarter I had shared the planned distribution was ~3.5k crs with an additional 1.2k crs this quarter. However, at gross levels, we continue to see strong traction which supports our confidence in each of the strategies and our product offerings. The performance of our funds, across the different strategies and vintages, also remains in the top quartile.

- Our new product pipeline remains strong for the upcoming quarters. Additionally, the level of interest and engagement with global institutions across public and private market opportunities in India remains very high. We remain bullish on alternatives, given its under-penetration in India's overall investment landscape. With the "India Growth Story" holding strong, we expect the alternates space to growth at 20%+ CAGR. This puts us as market leaders in the alternate asset space, with proven track record and vintage in a sweet spot.

- To augment our investment capabilities, we are also investing in deepening our channel presence in the domestic market, specifically through MFDs

- On the HNI proposition, we are on track on go live in Q1 FY25 with the business buildout progressing well. We have completed our extensive CUG and our undertaking an expanded pilot over the next couple of months. The build out on the go-to-market and sales teams is progressing well. This segment remains highly attractive and underpenetrated and opens an additional prospective client base of approx. 160-170K households in the domestic markets. As we had shared in Q1, together with our current client segment, we see an addressable asset pool of USD 1 trillion+, growing at double digit teens over next few years.

- Given our investments in high opportunity new business segments as well as our current Wealth business with extensive senior hirings, our cost to income is trending at a higher level that originally projected. While the overall C/I is at 48.9% for the first nine months, we have provided a bridge which separates the areas of investments which are yet to start accruing revenues. This gets us to just over 45% C/I for our existing business. We believe, the C/I levels will taper down over the next year as we see revenues coming through on the strategic investment areas. In addition, we continue to focus on driving further efficiencies in our existing business through digital / technology and operating model interventions.

- With that, I would like to hand over to Karan and open the session for Q&A.

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

- Thank you. We now open the line for the interactive session. Kindly tap on the 'raised hand' icon to ask your question. First online we have Mohit. Mohit, request you to kindly unmute yourself and ask your question.

- **Mr. Mohit - Participant:**

- Thanks for the opportunity and congratulations on a good set of numbers. So, my first question is that I think you have pretty much said that your cost to income ratio has remained high primarily because of business expansion. But just wanted to know your view that from FY25 onwards, how do you see that business contributing to the existing business? Any sort of colour would be very helpful.

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

- Thanks Mohit. To be honest, the last 6 to 9 months and maybe potentially the next 6 to 9 months is going to be a little bit of a period of an investment phase. We're building out both businesses, the global business as well as the mid-market business, and we've also had the opportunity to add three fairly large teams on the wealth sales side. Wealth sales team typically mature and break even quickly in our system, over 15 to 18 months. So, it's fair to say that cost to income ratio from those set of 35-40 individuals will start showing itself towards Q3, Q4 of FY25.

- On the global business as well as the high net worth or the mid-market business, I think it's going to be a slightly longer tail. In the sense, Q4 of FY25 onwards is where we'll see the numbers coming through. But, from a business construct perspective and opportunity, we stay super convinced to be investing that extra 2-3% cost to income through the next year.

- **Mr. Mohit - Participant:**

- I think it makes sense. Now coming to flows, I think we are now at around Rs. 27,500 Crs and you have guided for Rs 40,000. So just wanted to understand for FY25 and beyond, what kind of a flows are we expecting?

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

- So, there are two points there. It's a great question and one element of flows is obviously the quantum of flows and second is the flows which kind of start paying us a fee. So, we'll want to achieve both. The Rs 27,500 Crs, we'll want it to be closer to the Rs 35,000-40,000 Crs level for the current year, and for the next year, maybe potentially push at least 20-30% higher than that. But, more importantly, we have to ensure instead of a ratio of maybe potentially 50% or 60% of that being active, we are able to push the active number closer to the 65% to 70% of the ARR flows. So, to answer your question in summary, if you can push the Rs 40,000 to Rs 50,000-55,000 Crs and instead of 50-60% becoming active, look at 70-75% being active, is really that's the way we would look at it.

- **Mr. Mohit - Participant:**

- All right. So, Rs 50,000 Crs would not include your global and HNI business, right?

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

- Yes, that wouldn't. You can potentially add another ~Rs 10,000 Crs there.

- **Mr. Mohit - Participant:**

- All right. One question basically is in terms of you have hired around 35 plus new hires for the existing business. Now, assuming a partner looks at 100 plus families, so are we foreseeing adding that number of families that we have added that kind of partners?

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

- No, partners would not look at 100 families. A senior partner, basically a managing partner with a team of two partners, would look at around about 100 families. So those teams we after the addition of these 35 people, we would move to around about close to 85 to 90, potentially 100 teams. So, theoretically from a capacity perspective, we would be well set to be able to manage around about 8,000 - 9,000 families as compared to ~4,000 families we have above Rs 5 Crs. Now on the 4,000 families that we have, obviously, we have a similar number or slightly lower number which we're constantly engaged with on a day-to-day basis, in terms of prospective clients. We believe this segment itself is close to the 30,000 - 50,000 families. So, from a capacity perspective, these 100-odd teams should be good to manage 8,000 to 10,000 families.

- **Mr. Mohit - Participant:**

- Right, perfect. My last question is in terms of the mutual fund business. I think we saw great amount of flows this quarter. Now the size is around $1 billion. And I think we have been saying that we don't look actively in developing mutual fund, but now given the size and all, are we looking at any kind of a stack?

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

- Yes, for sure. Our asset management business will see a bit of a double effort with the expansion of the high networth business. The high networth business will have a little bit incremental duplication with the asset management business as compared to the ultra-high-networth business. The ultra-high networth business obviously is built on a very strong platform of open architecture with a very strong awareness with all the relationship managers not to invest more than 15-20% into our own asset management products. But that number could be double in case of the HNI build out. So, that's something which we should be able to also leverage and benefit a bit as we build out the mid-market business next year.

- And secondly, obviously on a standalone basis, from a brand perspective and both from a performance perspective, we've come a long way in the last 12 to 15 months, and recognition between both national distributors and MFDs has substantially increased. We've obviously not let down our guard on retentions and we've kept it very-very tight. We would want to continue that and within that constraint going out and building it out with MFDs and the national distributors together with the high-net-worth business which will complement a little bit on the asset management distribution also. We should see a better mutual fund outcome in the next 12 to 24 months.

- **Mr. Mohit - Participant:**

- Perfect. Thanks, and wish you all the best.

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

- Thank you. Thank you, Mohit.

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

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

- **Mr. Akash - Participant:**

- Thanks for taking our question. Sir, the flows have been quite good in this quarter, but large part of the flows have come in the non-discretionary space. So why it's not coming in the discretionary space, that's one. And secondly, in the non-discretionary space, the yields aren't improving. So, if you can just throw some light there.

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

- Yes. So, as indicated in the last quarter, we've done a little bit of a rejig on the discretionary platform. And that you will see do slightly better in the next quarter, but substantially better in the next year. We've rejigged the platform a bit and reorganized the strategy. So that would still take another quarter to go, but I'm expecting the flows to considerably start picking up from the next financial year. In terms of non-discretionary, the yields have stabilized at 29-30 odd basis points. On the active non-discretionary assets, I see that moving towards the 35 basis points by Q2 of FY25. So, you'll see the 30 basis points move towards 35 with all the new mandates coming in closer to the 35-40 basis points levels. And that's the broad yield we'll stay at. Potentially, if we can add some smaller clients, may move towards 40 basis points and discretionary will be higher. So, on a blended basis, we should be at 40-45, including both discretionary and non-discretionary. But non-discretionary should move up by 5 basis points from the current 30 basis points number.

- **Mr. Akash - Participant**:

- Okay. And the new flows of money that you elaborated on for the next 2 years, so does it include the HNI as well? And if you can just elaborate a little bit more about your HNI strategy, how much the ramp up of platforms that you have done so far and how much flows of money you expect from that segment.

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

- Our expectation for next financial year is quite moderate, to be honest. We expect our Rs. 40,000 Crs number for the current financial year to move towards the Rs. 48,000 - 50,000 Crs number from our core wealth management business. Both on the high networth business and the global business, we're expecting ~Rs 10,000 Crs combined next year. Maybe it'll be a combination of 65-70% or 60% on the high networth side and 40% on the global platform. Our high networth platform, as Anshuman pointed out, will be up and running from first week of April. The global platform may be potentially first week of July. So, that's really where we are. It is too early to look beyond the initial Rs 10,000 Crs numbers in both these businesses, which might happen in the first, somewhere between 9 to 18 months. We will have a much better handle on our right to win in these two strategies by the end of the next financial year. And then we would be able to have a much clearer picture of the ability to scale, both in terms of size as well as in terms of pace of scaling. But we feel we have a right to win. And over the next financial year, we are fairly confident between the two businesses we should be at the Rs 10,000 - 11,000 Crs incremental net flow number.

- **Mr. Akash - Participant:**

- Sir, just one add on question on that. What kind of retentions are we expecting on the flows of HNI and global segment?

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

- Retentions will be in the region of 70-75 basis points on both of them.

- **Mr. Akash - Participant:**

- On both of them?

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

- On both of them, yes.

- **Mr. Akash - Participant:**

- And sir, one more thing. From a strategy standpoint, how do we see this HNI segment even growing over the next 3 to 5 years' time? Can it potentially be equivalent to the current size of ultra HNI from a strategy standpoint? Can it become…?

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

- For sure it can. If you just look at the size of the market for a minute and these numbers are dynamic because obviously the country is changing very fast. But if I was to just look at Rs 5 Crs plus purely as a number today of financial assets, our view is at least Rs 40,000 to 50,000 families are there today. That number will change from Rs 5 Crs to 10 Crs very soon. And if I just look at the Rs 1 Cr to the Rs 10 Crs or the Rs 2 Crs to the Rs 10 Crs number, I would like to believe there's at least 1,60,000-1,70,000 families are out there. So, in terms of our ability to scale up both, which is effectively take the number of families above Rs 5 Crs or Rs 10 Crs after 3 years, from 4,000 to potentially 10,000 families and obviously the benefit of the consequent net flows on account of that, as well as potentially have a double or triple number of that number on the high networth business, will result in a lot of flows. So, I don't see any reason why on a steady mature basis, maybe 2½-3 years from today, or maybe year 3 from today, where the yearly flows on the HNI business should not be 30, 40, 50% at least of the ultra-high networth flows, and maybe potentially 4-5 years from today, may be equal to the entire flows of the ultra HNI business also.

- **Akash - Participant:**

- Thank you.

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

- Thank you. We'll move to the next caller. We have Swarnabh online. Swarnabh, kindly unmute yourself and ask your question.

- **Mr. Swarnabh - Participant:**

- Thank you for the opportunity. So, my first question is on the capacity side. So, with the 35 number of people in the team count increasing and you kind of mentioned, I think the capacity kind of more or less doubles so what would be the timeline for this to mature? If you could help me understand that. What would be the different pit stops on the way and by when can we see kind of reasonable amount of flows coming in from this added team?

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

- To be honest, flows start coming in quickly. Over the next 3 to 4 months, you'll see a decent number of flows from these people. But the flows need to convert it to active and small things like broker code change and so on and so forth, doesn't really result in the brokerage being paid to us. So, it takes a little bit of time for really the assets to start becoming productive assets, in that sense. So, our typical experience has been relationship managers and partners at such senior levels end up breaking even by the 15th to the 18th month in a platform like ours. The expression of these 35 team members will start showing itself towards Q4 of FY25 in a fairly productive way. Having said that, obviously there is a fair degree of growth potential even within the existing 70-75 senior partners we already have.

So, there too, we draw a lot of comfort from the fact that we've added close to around about 404 to 410 odd relationships above Rs 5 Crs for the last financial year itself. And that, if you just look at the number and stretch it to above Rs 10 Crs, the number is close to around about nearly 300-odd clients. And if you just size it up relative to our entire business for the last 15 years, where we added 2,300 - 2,400 such clients, we nearly added 10-11% last year itself in the first 9 months. So, the numbers may change quite a bit. You might see us even from here on, with our focus and our platform, which has got built for the ultra-high networth piece, we will have an ability to potentially add 25-30% of our entire stock of what we built in the last 15 years, every year for the next 3-4 years.

- **Mr. Swarnabh - Participant:**

Okay, understood. That was helpful. On the non-discretionary side of 360 ONE Plus assets given that the yields look significantly lower than what they used to be, if you could tell me how much of the assets are not earning any yield?

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

- Out of our total of Rs 2,20,000 Crs we got Rs 1,85,000 earning actively. So ~Rs 34,000 Crs is not earning any yield right now.

- **Mr. Swarnabh - Participant:**

- Okay and any timelines you think when they will kind of, you know, retentions will start on that?

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

- See, so what we've seen is, out of Rs 34,000 Crs, 40%-45% may not immediately convert. It may take a longish period of time or potentially may not convert also because we’ve got 50%-55% or ~Rs 17,000 Crs. First, ~8,000 - 9000 Crs is Treasury. So, that's not going to change. The remaining Rs 8,000 - 9000 Crs, the clients might end up using for tax, for buying houses or buying another business and so on and so forth. The remaining Rs 17,000 Crs, we will convert. Typically, it takes anywhere from couple of quarters to three quarters. At a stretch, it may get extended to the fourth quarter but it's not going to be binary. Every quarter, a portion of it will keep getting converted. So, I would expect it to get converted over the next four quarters.

- **Mr. Swarnabh - Participant:**

- Okay, understood. A couple of more data points on which I wanted a little bit explanation on the wealth side, one is of the NIM compression on the lending book and also on the TBR income given that how the market conditions are but it has not increased, I mean, that significantly of what we are seeing for other players in the capital market. If you could highlight how to read that?

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

- So, NIM compression is next to really, really marginal. It's 579 to 575 bps. So, really nothing specific, largely a function of the incremental borrowing cost for the last two quarters is resulted in a 3-4 basis points reduction. So, no real trend there. As a weighted average cost of borrowing, obviously, the borrowing done in the last 6-12 months as replacement borrowing is slightly higher than what we had borrowed a couple of years back. So, that has had a minor impact of 3-4 basis points.

- Our transaction income is not really in the nature of ECM, Capital Markets and Investment Banking fees in that sense. So, our transaction income is to a certain extent quite symmetrical. It ends up being in the region of Rs 75-110-115 Crs because it's a combination of sale of financial products but more in terms of direct stocks, bonds and unlisted ideas as compared to flows on capital markets or ECM side.

- So, though market activity is likely higher both on ECM and capital market side, that really doesn't necessarily translate to a huge increase in our transaction and brokerage income for every quarter. And, similarly, also doesn't in a slightly tougher quarter in terms of the markets will also not result in a massive drop on the other side.

- **Mr. Swarnabh - Participant:**

- Understood. So, if I could squeeze in a couple of quick questions on the AMC side. One is, on the cost-to-income of AMC, if I did my math correctly, I see a little bit of increase there also. So, if you could highlight the reason for that? And also, the sequential yield increase in the alternative investment side, in say, listed equities or private equity, what is driving that?

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

- It's really no big yield increase on listed equity. It's more or less in the same range. Maybe just a small function of the change in mix for the quarter given the flows. Not really a trend change in the yield.

- Cost-to-income on the AMC is also pretty much similar. Cost-to-income on the AMC, honestly, is only going to improve as we go along because, more or less, all our investment teams are in place across all our strategies and as we build out our AUM, only on the private equity side, we need to add 2-3 investment professionals. Otherwise, our teams are well set and potentially have the ability to manage 2x or maybe even 2.5x the AUM from where we are today.

- **Mr. Swarnabh - Participant:**
- Have we added anybody in the last say quarter?
- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM Ltd.:**
- On the asset management investment?
- **Mr. Swarnabh - Participant:**
- On the Asset Management, yes.
- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM Ltd.:**
- Not really. Not anybody super senior. Normal recruitments have been going on.
- **Mr. Swarnabh - Participant:**
- Okay, got it. Thank you so much. That's all from me.
- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM Ltd.:**
- Thank you.
- **Mr. Anil Mascarenhas - Moderator, 360 ONE WAM Ltd.:**
- Next on the line we have Nidhesh Jain. Nidhesh, kindly unmute yourself and ask your question.
- **Mr. Nidhesh Jain - Participant:**
- Hi. So, on the cost-to-income side you explained that because of the investments that we are doing, the cost-to-income is elevated in this quarter. But how do we see the trajectory of cost-to-income going into FY25-26?
- **Mr. Karan Bhagat - MD & CEO, 360 ONE WAM Ltd.:**
- So, as I said earlier, FY25 also can remain a little elevated. The investment in both the businesses will be going on. Wealth sales we are fairly well equipped in terms of capacity. So, unlikely to add super large teams on the Wealth sales side, unless we get some really, really attractive talent.

- But on the global side and High networth business, we will continue to invest. So, 2.5%-3% incremental cost-to-income for FY25 can be assumed. And by the time, you kind of get operating leverage in those two businesses and start booking incremental revenues and have even an average Rs 10,000 Crs AUM for the year, it would become FY25-26 because for both of the businesses as we raise assets, it will come through FY24-25. So, actually Rs 10,000 Crs of average AUM practically becomes Rs 5,000 Crs and the 70 basis points is on the 5,000 Crs number. So, from an investment perspective, next year will also be an investment year for both the businesses. So, 2%-2.5% elevated cost-to-income ratio on account of those two businesses is likely to continue.

- **Mr. Nidhesh Jain - Participant:**

- But the cost-to-income ratio should not increase from the current level which we have reported in Q3 or…?

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

- No, it won't increase.

- **Mr. Nidhesh Jain - Participant:**

- Secondly, what I understood is that the investment that we are doing, the benefit of that will be visible in FY26. So, FY26 could be a significantly sharp jump year in terms of net flows.

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

- Yes, net flows and also, cost-to-income. I would like to believe we'll be able to claw back to that 45%. So, 49% should hopefully come down Q4 of next year, closer to the 47-47.5% and FY26 we should be able to claw back to the 45% number.

- **Mr. Nidhesh Jain - Participant:**

- Sure. And how should we model carry income? Because I think we have changed the computation of carry income. My understanding is that, going forward, it should be quite a smooth number but still there is volatility in AMC. I don't know what is the carry income for Wealth Management but in AMC there is an increase in carry income this quarter?

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

- Carry Income, to be honest, whatever I have seen typically across our system, ends up being around about 10 basis points approximately of the AUM we have. So, effectively around about 15-16 basis points of the non-listed equity AUM. That's the good number to be focused on approximately on an annual basis. So, today our non-listed AUM plus some listed carry AUM would be approximately Rs 40,000 Crs. So, around about 15 odd basis points. So, that Rs 60 - 65 Crs is the steady state number, which is around about Rs 15 Crs a quarter. And, you know, plus or minus Rs 5 Crs will happen every quarter depending on the realization. But, typically, Rs 15 Crs a quarter should be the broad benchmark. So, from a model perspective, 15 basis points of the carry AUM is broadly the right number to look at it.

- **Mr. Nidhesh Jain - Participant:**

- And this carry income you're talking about AMC only, right? Or AMC plus Wealth Management both?

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

- AMC. In Wealth, it is more periodic because Wealth only is on a certain set of products distributed for Asset Managers and, with all Asset Managers we don't share carry and with some we do. But Wealth will be slightly more episodic, but we'll definitely be around about Rs 20 Crs a year, at least for the next 4-5 years. So, both put together, approximately the numbers will be between Rs 15 - 20 Crs a quarter.

- **Mr. Nidhesh Jain - Participant:**

- Okay, sure. That's it from my side. Thank you.

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

- Thank you. Next in line we have Prayesh Jain. Prayesh, kindly unmute yourself and ask your question. Prayesh?

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

- Hey. Hi, Karan.

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

- Hi, Prayesh.

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

- Yes. So, firstly on just extending the previous participant's question on the margin front, so how would you look at each of these new businesses in terms of margin profile as compared to what you have on the Wealth Management side? So, if I recollect well, you said that the steady state margins for the Wealth Management business should be around 45%. Sorry, the cost-to-income ratio should be around 45%. So, would these be similar level segments, or I would understand that the HNI segment would be relatively lower margin business? Or how would you stack each of these businesses?

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

- Actually, we're very similar. I don't see a reason why any of them should be phenomenally different. The variables are broadly the same. Obviously, there will be a little bit of function of operating leverage but that I am hoping we will be able to manage because a lot of the functions including products, investments, compliance, platform; all of that are already set up for our ultra-high networth business. So, we really don't need to reinvest back in those businesses. So, unlike absolutely starting a new business, we should be able to get those benefits pretty much right.

- So, we should be around the 45%-47% lines on cost-to-income. But, typically, just to kind of take a step back, if you look at our Wealth and Asset Management business, even today our Wealth business might be slightly higher than 45% and Asset Management business will be slightly lower than 45% which blends out at 45%. So, the core Wealth business is closer to the 46-47% number, which is where the HNI global business will also end up being towards.

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

- Okay, got that. And with respect to further RM count addition, how would you say it should trend going ahead say in the next 2-3 years?

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

- So, as I said earlier, I feel we're going to get to know largely on account of how we add clients. So, personally, I feel on the Wealth sales senior side, we are more or less 85% - 90%

done in terms of capacity. Obviously, we're always, always open and looking for teams which are relatively senior and able to move books. So, that we are always open to. But outside of that, we feel very comfortable with the team we have, and we are well capitalized to garner market opportunities for the next 12-18 months. So, I don't see a massive surge in recruitment on the Wealth sales side after these 35 people join through this year. So, we feel happy with where we are.

- On the HNI space, like I had pointed out on the call last time, we add people there, there will be some people within the existing system with whom we'll be able to do at least a good part of the first year pilot. So, in some senses the cost, both on the high networth and the global side, will be there but will be contained to that 1.5% odd from a cost-to-income perspective. It's not going to balloon up because we have a huge number of operating leverages and systems and platforms already built on the core Wealth Management business.

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

- Yes, last question from my side. In terms of the Top 10 cities contribution to AUM for you guys, what would be it today? What would have been say a couple of years back? And what would it be say 2 years down the line? And would you say the expansion into newer geographies, would it be at similar margin profile or some experience is different in these geographies with regards to any…?

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

- So, margin profile is very similar, not really different. We've got, broadly, 45 - 50 cities in mind, of which half or maybe 40% can be done on hub-and-spoke model and, potentially 60% where we'll actually end up having small offices or large offices. So, not really seen any big difference in margin profile in these locations.

- Having said that, I don't have the exact numbers for our percentage of AUM and revenues between the Top 10 cities for the last four years and now, but directionally, and I may be off by 1% or 2%, but I think 6%-7% dispersion would be there over the last two years. So, if the Top 10 cities would be accounting for around 88% - 91% of our business two years back, today it would be closer to 80% - 83%.

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

- And do you think that this would go further, and you will have more diversified and say somewhere around 70:30?

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

- For sure. I think it will be 70:30 over the next 3-4 years ahead.

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

- Got that. Thanks, Karan, and all the best.

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

- Thank you.

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

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

- **Mr. Abhijit - Participant:**

- Yes. Hi, everyone. First question is on the ultra-HNI business, like how should we look at the client level profitability or yields? My guess is that, I think, that would be let's say around 50-60 basis points. Now, if the business is moving towards advisory lot faster, does that, level of yield, sustainable on those sort of client segments? Any color there?

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

- So, Abhijit, the pure advisory even today it's at 40-45 basis points. On Distribution, we don't mix it and report it with our direct, but our Distribution also is actually at 40-45 because, if you kind of merge both the broker plans and the direct plans, you end up at the same 40-45 basis points, even maybe 35 basis points because today our Mutual Fund AUM is approximately Rs 34,000 - 35,000 Crs on the broker plan and, another Rs 50,000 - 55,000 Crs on the direct plan, part of which has already moved to Advisory. So, even the Distribution business, in some sense and even in PMS and so on and so forth, the Distribution of standalone business also, if you don't do Advisory and just do Distribution, you'll end up clients doing a mix of broker and direct resulting in a very similar 40-45 basis points yield.

- The yield is going to be around that level. The question is fair to the extent that some Distribution products, especially alternates, will end up having a slightly higher yield. In the longer term, it will have 75-80 basis points as opposed to the 45-50 basis points on the Mutual Funds because the Mutual Fund will end up being a mix of broker and direct very easily. So if there is a big change in the mix between Alternates and Mutual Funds and Managed Accounts, that may result in a bit of a drop in yield in Distribution and therefore, a drop in yield in the overall mix of things.

- And finally on the 70 basis points, obviously, you got a little bit of TBR to add together with. That is, obviously, most importantly is the Asset Management fees and another 10 odd basis points coming from lending. So, we'll remain around the 70 basis points, may go off to 67-68 or potentially 71-72 depending on this change of mix. But I don't see that changing dramatically different from where it is today.

- **Mr. Abhijit - Participant:**

- Got it, that's useful. And the 10%-20% share of wallet that could be your own internal products. That number doesn't change significantly, right, when the engagement moves towards Advisory?

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

- Not really. That stays the same.

- **Mr. Abhijit - Participant:**

- Got it, got it. And just last one, I think just little bit of clarification on the cost commitments for next year. The 250-300 basis points that you mentioned, I mean, how are we looking at it? Because you also mentioned that the cost-to-income ratio is not changing for next year, so just trying to understand that better.

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

- No, I won't say that the cost-to-income ratio might not change. It might change by a percent here or there, might go down by 1-1.5%. What I meant to say was the 1.25% cost, for example, let's say this year 1.25-1.5% on the Rs 1,800 Crs revenue number, which has let's say Rs 25-30 Crs spent on the mid-market team and so on and so forth and Rs 25-30 Crs spent on the global team, that's likely to continue without the large amount of corresponding revenue coming in. That's what I meant.

- So, that extra 2.5%-3% without corresponding revenue is likely to continue because those extra costs will be there, and the full revenue will not be there. Some bit of operating levels will obviously come in on the core Wealth and the Asset Management businesses because the teams, we recruited this year, will become partially productive and our current team will also be more productive than what it is this year. So, overall, of the extra 4%-4.5% cost-to-income, the first 1.5% which is the Wealth sales incremental cost, recruitment will get digested as part of ordinary course of business through increase in productivity from my existing sales team as well as them. So, I expect that to disappear and that will be back to the normal 45 number. The 2.5-2.75-3% of the two new businesses, that's likely to continue.

- **Mr. Abhijit - Participant:**

- Got it, very helpful. Thank you.

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

- Thank you.

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

- Thank you. Next in line we have Vivek Ramakrishnan. Kindly unmute yourself and ask your question.

- **Mr. Vivek Ramakrishnan - Participant:**

- Hi, Karan. I'm a fixed income guy, so I'll ask the traditional fixed income question. It is in terms of your gearing. I mean, actually, most people in similar lines of businesses are seeing basically the gearing going up in terms of loans and borrowings, how do you see this going? And what are the peak levels that you'll maintain? And also, in one of the prior calls, you had mentioned that you don't have to invest as much as you did in the past in your various AIFs and so on and you're expecting some release. So, is there anything meaningful that we can expect. Those are my all questions.

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

- Yes, there are three parts. One is the core loan book itself. It gets broken in two parts, the loan book and investments into our AIFs. There should be, in the next 2-3 years, a constant move of around Rs 300 - 400 Crs a year, where it'll get moved from investments to the loan book. So, our current investments into our own AIFs will be close to around Rs 1,400 – 1,500 Crs, which obviously will keep getting released in the pace of around about Rs 300 - 350 Crs a year. Incrementally, we are putting in much, much lower amount of capital into our AIFs. Last year itself lesser than Rs 150-odd Crs of new capital. So, in some sense, we should be able to get Rs 300 - 350 Crs out every year.

- And, secondly, from a balance sheet perspective, we've done a little bit of MLDs last year for almost Rs 700 - 750 Crs against Government of India debentures or G-secs. So, that bloats the balance sheet a bit to the extent of Rs 1,500 – 2,000 Crs. So, that will also wind down over the next 12 odd months.

- So, eventually, we would like to maintain is Rs 1,500 Crs NBFC capital book and a gearing of around about 4x.

- **Mr. Vivek Ramakrishnan - Participant:**

- Sure. Thanks a lot, and wish you all the best.

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

- Thank you.

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

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

- **Mr. Dipanjan - Participant:**

- Hi, Karan.

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

- Hi, Dipanjan.

- **Mr. Dipanjan - Participant:**

- Good afternoon. So, firstly on the flow side on 360 ONE Plus, if you can give some color on whether the entirety of the flows is coming in from new clients or is there a mixture of wallet share gains at existing clients or more money coming in from existing clients? Or let's say a shift from, as you said maybe the private equity that is getting redeemed, maybe some of it is coming into Advisory. So, if you can give some color on that?

- Second, on the AMC business if you can kind of shed some light on the incremental product pipeline. And what sort of flows would you anticipate maybe going in the next few quarters?

- And, lastly, on the Institutional Mandates, what is the sort of color on that? Are there new flows coming in? If you can give some color on the trajectory incrementally?

- Sorry, one more question on the ESOP side. Are there any ESOP issuance plans or any strategy around that or whether you kind of tweak the variable payouts based on how many ESOPs you're issuing? You know, this is basically in conjunction with the fact that how do you really see the overall payouts in the industry. I mean, are you in line or do you think that it is getting heated up a little bit?

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

- Yes. So, I'll try and quickly cover all. On the Advisory side, like earlier I mentioned, it's broadly a 70:30 mix. ~70% ends up coming from new clients and I'm defining new clients here as clients we've got from April and not necessarily clients we got for the quarter, right, because that gets very blurred with the active, non-active kind of flows. But broadly speaking, through the year 70%-75% ends up coming from new clients, 25%-30% from existing clients. You know, I'm just loosely saying a new client is any client who's at least not given us Rs 5 Crs before earlier. So, that number is approximately 70:30. We've got to see a good increase in wallet share also from our existing clients.

- On the Asset Management side product pipeline, that's a great question. To compensate or rather complement the maturity of our older SOF schemes, we're launching SOF 12 this week and we will have the first close in the current quarter itself. So, I expect a fairly decent response to that and, towards the end of this quarter and next quarter, we would expect the fund will at least end up being maybe potentially Rs 3,000 - 4,000 Crs on the late stage IPO side. In addition to that, obviously, we're doing a lot of things on a regular basis. We've got a Healthcare fund, which has already crossed Rs 500-odd Crs, that will head towards the Rs 1,000 – 1,500 Crs number. We launch our next Credit Fund over the next 10-15 days, which would also be closer to the Rs 2,000 - 2,500 Crs number. So, that's the pipeline on the Asset Management side.

- On the Institutional Mandates, we've got a lot of active discussions going on. It's fair to say we've kind of built a very good platform as well as a lot of recognition. We've got at least potentially 8-10 discussions going and, over the course of the next 12 odd months, we'll hope to convert at least 20%-25% of those. So, hopefully, 2-3 institutional mandates, we should be able to add over the next 6-9 odd months.

- And, lastly, on the ESOP side. You know, we have gone out to the shareholders and taken an approval for ESOPs. So, we've got a combination of both ESOPs as well as a kind of incentive plan for employees, which is largely based on three parameters. The smallest parameter is the time period spent of the employee within the firm and, around about 15%-20% of the options or incentives gets time vested over the next 4-5-6 years. A large part of it is a function of the business plan, achievement, and performance, which is nearly 50-60% and the last 10-20% is a function of the performance of the firm. So, through our ESOP policy, we've been able to get alignment of all our senior folks for the next 4-8 years along with the firm. And, hopefully, like we've seen over the last 10-12 years, it's a key component of each person's compensation and it's well aligned with the objectives of both the shareholders as well as the organization, as a whole.

- **Mr. Dipanjan - Participant:**

- Got it. Karan, thanks and all the best.

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

- Thank you.

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

- Thank you. Next in line we have Abhinav Yadav. Abhinav, kindly unmute and ask your question.

- **Mr. Abhinav Yadav - Participant:**

- Hi, Karan. Great set of results. Just had a quick question. In the Wealth segment, what amount would be the custody assets? I think couple of quarters back you said around a lakh crore is the number, has that moved or not moved?

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

- Not moved a lot. The Custody Assets are around Rs 1.2 Lakh Crs, of which largely 50-60% would have moved on account of the mark-to-market.

- **Mr. Abhinav Yadav - Participant:**

- Oh! Okay, Rs 1.2 lakh crores. Okay.

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

- Yes.

- **Mr. Abhinav Yadav - Participant:**

- Okay, thank you.

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

- Thank you, ladies and gentlemen. I think that's all we have time for today. Thank you for joining us and we look forward to your participation in the next conference. Thank you once again.