360 One Prime Limited (Revised)

September 22, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Market-linked debentures	100.00	CARE PP-MLD AA; Stable	Reaffirmed
Market-linked debentures	100.00	CARE PP-MLD AA; Stable	Reaffirmed
Commercial paper	5,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation of the ratings assigned to 360 One Prime Limited (360 One Prime) continues to factor in the long-standing track record and strong market position of its parent, 360 One WAM Limited, as a leading player in the wealth management, distribution, and advisory business in India; the experienced management team; and the strong institutional shareholding and demonstrated ability to raise capital from marquee investors.

The ratings further factor in the synergies enjoyed by 360 One Prime with the group companies and the support from the parent, the healthy capitalisation levels along with the comfortable liquidity profile and asset quality parameters.

These ratings' strengths are, however, partially offset by the limited track record of 360 One Prime, the concentrated resource profile, and the product concentration with majority of the loan portfolio being loan-against-securities (LAS) given largely to the group's wealth customers.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in the profitability on a sustained basis, with consolidated return on net worth (RoNW) of >35% and growing assets under management (AUM) with the proportion of Annual Recurring Revenue (ARR) >75%.
- Diversification in the product portfolio.
- Improvement in the credit profile of the parent.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in the credit profile of the parent company.
- High client and employee attrition rates, leading to material erosion on AUM, income, and profitability on a sustained basis.
- Deterioration in the asset quality of the non-banking finance company (NBFC) book on a sustained basis.
- Overall gearing exceeding 4x on a consolidated basis.
- Regulatory action in the wealth management segment, resulting in a change in the business profile.
- Negative cumulative mismatches in less than the one-year bucket on a consolidated basis.

Analytical approach: Standalone

Care Ratings Limited (CARE Ratings) has taken a standalone approach for the rating of 360 One Prime. CARE Ratings has factored in its linkage with the parent, i.e., 360 One WAM, owing to its operational, business linkages, demonstrated capital support and shared brand name being a wholly-owned subsidiary of 360 One WAM.

Outlook: Stable

The 'stable' outlook reflects the expectation of the continued financial performance of the company while maintaining synergies with the group companies and the support from the parent. Also, the capitalisation level is expected to remain comfortable.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of the key rating drivers

Key strengths

Long-standing track record and established franchise

360 One WAM is one of the leading private wealth management firms in India with consolidated AUM of ₹382,731 crore as on June 30, 2023. It has presence in 15 states and international footprints in five countries with an employee strength of 1,074 employees as on March 31, 2023. 360 One WAM offers a broad range of products and services to participate in a larger share of the client wallet, including distribution of financial products, advisory, asset management, and credit solutions.

360 One Prime is a wholly-owned subsidiary of 360 One WAM and a systematically important Reserve Bank of India (RBI)-registered non-deposit taking NBFC operating as a lending vehicle for the wealth business of the 360 One group, with its key products being LAS, loan-against-property (LAP), and unsecured loans for the existing customers of the wealth business.

360 One Prime provides funding to high-net-worth individual (HNI) and ultra-high-net-worth individual (UHNI) clients against diversified portfolios as collaterals. As on June 30, 2023, 360 One Prime had gross AUM of ₹4,480 crore, mainly consisting of the LAS portfolio, which contributed 83% of the total AUM.

Experienced and stable management team

As on March 31, 2023, the company is governed by a 10-members board of directors, including four independent directors. 360 One WAM has experienced professionals on its board and a key management team with strong experience in their respective business segments. The board is ably supported by a senior management team, led by Karan Bhagat as the Founder, Managing Director (MD) and Chief Executive Officer (CEO) of 360 One WAM. He is responsible for providing direction and leadership towards the achievement of the organisation's philosophy, mission, vision, and its strategic goals and objectives.

Strong institutional shareholding and the ability to raise capital from marque investors

360 One Group is backed by strong institutional shareholders, with the ability to raise capital from time to time. The shareholding of the promoters (Nirmal Jain and the promoter group) stood at 21.46% as on June 30, 2023.

In November 2022, Bain Capital, a leading global private multi-asset alternative investment firm took 24.98% equity stake in the company. This stake was acquired from General Atlantic Singapore Fund Pte Ltd and FIH Mauritius Investments Ltd, a wholly owned subsidiary of Fairfax India Holdings Corporation. Despite the change in the institutional shareholding, 360 One Group continues to be backed by marquee investors, which further gives it an advantage to raise debt in the capital market.

Synergies with group companies along with support of the parent company

360 One WAM is a holding company, having nine wholly owned domestic subsidiaries, and five wholly owned international subsidiaries for business optimisation. As on June 30, 2023, 360 One Prime, a wholly owned subsidiary of 360 One WAM, contributed 33% to the total income and is also the largest revenue contributor of 360 One WAM (consolidated) and predominantly provides funding to its customers.

Healthy capitalisation with comfortable gearing levels

360 One Group. had a consolidated tangible net worth (TNW) of ₹2,524 crore (PY: ₹2,490 crore) and a consolidated gearing of 2.67x as on March 31, 2023 (PY: 2.33x).

The funding profile remains concentrated, with the consolidated borrowings largely comprising principal protected (PP)-market-linked debentures (MLDs) (61% of the total borrowings as on March 31, 2023), however, the company is expected to diversify the resource base by raising non-convertible debentures (NCDs) and bank borrowings. Going forward, CARE Ratings expects the consolidated gearing to remain below 4x.

The company reported majority of the consolidated debt in the books of 360 One Prime, which is the lending arm of 360 One Group. The company continues to be comfortably capitalised, as it is mainly present in fee-based businesses where capital requirements are relatively low. Also, the capital requirement mainly stems from the NBFC business, which currently has moderate growth plans, as well as any additional sponsor commitments in alternative investment funds (AIFs) that are on the lower side compared to historical levels.

Furthermore, 360 One Prime has consistently been able to maintain a capital adequacy ratio (CAR) above 20%. It reported a capital-to-risk weighted assets ratio (CRAR) of 21.71% with a Tier-I CAR of 21.48% as on June 30, 2023.

Improved profitability parameters at the group level

On a consolidated basis, during FY23, 360 One Group reported a profit-after-tax (PAT) of ₹658 crore on a total income of ₹2,064 crore as compared with FY22 when it reported a PAT of ₹578 crore on a total income of ₹2,078 crore. The company reported a RoNW at 21.49% as on March 2023 (FY22: 19.84%) Overall, with regard to profitability, the company has been able to maintain sustained growth and has seen healthy momentum across its wealth and asset management businesses.

For Q1FY24, 360 One Group reported a consolidated PAT of ₹184 crore on a total income of ₹567 crore.

During FY23, the PAT for 360 One Prime (standalone) stood at ₹235 crore (FY22: ₹283 crore) on a total income of ₹674 crore. The profitability remains moderate on account of the concentrated low-yielding LAS book and the subdued growth in its AUM, which stood at ₹4,837 crore as on March 2023. 360 One Prime reported a PAT of ₹102 crore as on June 30, 2023.

Key weaknesses

Limited track record and concentration in the lending business

360 One WAM acquired Chephis Capital Markets Limited by infusing ₹900 crore as equity. It was later renamed as IIFL Wealth Finance Limited (IWFL) on March 12, 2016 (renamed as IIFL Wealth Prime Limited (IWPL) with effect from December 07, 2020) and started its lending operations. IWPL was later renamed to 360 One Prime in August 2023. However, the lending arm of the group, which contributes majorly to its lending business, has only a few years of vintage. 360 One Prime is a systemically important RBI-registered non-deposit taking NBFC, which acts as an enabler for 360 One Group, catering to the financial needs of corporate and high net-worth customers.

360 One Prime is primarily engaged in financing and investing activities through product offerings such as LAS, employee stock ownership plan (ESOP) and initial public offering (IPO) financing, margin trade funding and LAP, catering to the financial needs of corporate and high net worth customers. As on June 30, 2023, 360 One Prime reported a modest AUM of ₹4,480 crore, mainly consisting of the LAS portfolio, which contributed 83% of the total AUM, followed by unsecured loans (8%) and LAP (9%).

Regulatory and attrition risks in the wealth management business

Attrition risk and regulations are the two main pillars influencing the business environment in the wealth management business. The increased regulation, volatile markets, and behaviour of clients remain key monitorable. The ability to retain key personnel is important in the wealth management business, as a change in relationship personnel may bring a change in the relationship with the client as well. The company had a total of 64 team leaders and over 160 relationship managers as on March 31, 2023. The team leaders have an average experience of over six years at the 360 One group and a total industry experience of over 15 years. The wealth and asset management business is still in its nascent stage in the country, and thus, susceptible to regulatory changes and the time taken to adapt to these changes by the company is also critical while eventually balancing the earning profile, profitability, and stability of the company as a whole.

Liquidity: Strong

360 One Prime has a strong liquidity, with no cumulative negative mismatches as per the asset and liability management (ALM) profile dated June 30, 2023. In addition, 360 One Group (consolidated) had liquidity of ₹1,953 crore (excluding the unutilised lines), which consisted of cash and fixed deposits (FDs) of ₹639 crore, and ₹1,314 crore of liquid investments as on June 30, 2023.

Applicable criteria

Policy on default recognition
Factoring Linkages Parent Sub JV Group
Financial Ratios - Financial Sector
Rating Outlook and Credit Watch
Short Term Instruments
Market Linked Notes
Non Banking Financial Companies

About the company

360 One Prime is a systemically important RBI-registered non-deposit taking NBFC and a 100% subsidiary of 360 ONE WAM (rated 'CARE A1+'), which acts as an enabler for the 360 One group, catering to the financial needs of corporates and high net-worth customers.

The company is primarily engaged in financing and investing activities through product offerings such as LAS, capital market and IPO financing, and LAP, catering to the financial needs of corporate and high net-worth customers. As on June 30, 2023, 360 One Prime's AUM stood at ₹4,480 crore, mainly consisting of the LAS portfolio, which contributed 83% of the total AUM.

360 One Prime (Standalone)

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total income	755	674	231
PAT	283	235	102
Overall gearing (times)	4.16	4.35	-
Total assets	6,796	7,720	-
Net stage 3 (%)	0.00%	0.00%	-
RoNW	20.86%	17.58%	-

A: Audited; UA: Unaudited.

360 One WAM (Consolidated*)

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total income	**2,078**	**2,064**	**567**
PAT	**578**	**658**	**184**
Overall gearing (times)	2.33	2.67	-
Total assets	10,740	11,192	-
Net stage 3 (%)	0.00%	0.00%	-
RoNW	24.11%	26.24%	-

A: Audited; UA: Unaudited

*IIFL Wealth Capital Markets Limited (erstwhile L&T Capital Markets Limited) was acquired in April 2020.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated for this company: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial Paper-Commercial Paper (IPO Financing)*	-	-	-	-	5000.00	CARE A1+
Debentures-Market Linked Debentures*	-	-	-	-	100.00	CARE PP-MLD AA; Stable

Debentures-Market Linked Debentures*	-	-	-	-	100.00	CARE PP-MLD AA; Stable

*All facilities rated are proposed

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debentures-Market Linked Debentures	LT	100.00	CARE PP-MLD AA; Stable	-	1)CARE PP-MLD AA; Stable (23-Sep-22)	1)CARE PP-MLD AA; Stable (28-Sep-21)	1)CARE PP-MLD AA; Stable (29-Sep-20)
2	Commercial Paper-Commercial Paper (IPO Financing)	ST	5000.00	CARE A1+	-	1)CARE A1+ (23-Sep-22)	1)CARE A1+ (28-Sep-21)	1)CARE A1+ (29-Sep-20)
3	Debentures-Market Linked Debentures	LT	100.00	CARE PP-MLD AA; Stable	-	1)CARE PP-MLD AA; Stable (23-Sep-22)	1)CARE PP-MLD AA; Stable (28-Sep-21)	1)CARE PP-MLD AA; Stable (29-Sep-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (IPO Financing)	Simple
2	Debentures-Market Linked Debentures	Highly Complex

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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