360 One Prime Limited

September 18, 2024

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: Factors likely to lead to rating actions.

Positive factors - Factors that could individually or collectively 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 individually or collectively 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 the NBFC for less than one-year bucket.

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 ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of the key rating drivers

Key strengths

Long-standing track record and established franchise

360 One WAM is among the leading private wealth management firms in India, with consolidated AUM of ₹5,21,208 crore as on June 2024 (₹4,66,909 crore as on March 31, 2024, as against ₹3,40,834 crore as on March 31, 2023). It has offices in 24 domestic locations and 4 international geographies with an employee strength of 1,200+ employees as on June 30, 2024. The company serves the highly specialised and sophisticated needs of around more than 7,400 high net-worth individuals (HNIs) and ultra-high net-worth individuals (UHNIs), family offices, and institutional clients through a comprehensive range of tailored wealth and asset management 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, 2024, 360 One Prime had a gross AUM of ₹6,308 crore, mainly consisting of the LAS portfolio, which contributed 92% of the total AUM.

Experienced and stable management team

As on March 31, 2024, the company is governed by 11-members board of directors, including five 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, 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 15.79% as on June 30, 2024.

In November 2022, Bain Capital, a leading global private multi-asset alternative investment firm took 24.98% (24.42% as on June 30, 2024) 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 the required financial flexibility 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 Ten wholly owned domestic subsidiaries, and five wholly owned international subsidiaries for business optimisation. As on June 30, 2024, 360 One Prime, a wholly owned subsidiary of 360 One WAM, contributed 29% 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 ₹2,798 crore (PY: ₹2,524 crore) and a consolidated gearing of 3.43x as on March 31, 2024 (PY: 2.71x).

The funding profile remains concentrated, with the consolidated borrowings largely comprising Market-linked debentures (MLDs) (23% of the total borrowings as on March 31, 2024), 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.

Furthermore, the company reported majority of the consolidated debt in the books of 360 One Prime, which is the lending arm of 360 One Group. On a standalone basis, 360 One Prime reported a capital-to-risk weighted asset ratio (CRAR) of 20.72% as on June 30, 2024, with Tier-I at 20.42%. The company continues to be comfortably capitalised, even after continuously paying dividends. Also, the capital requirement mainly stems from the NBFC business, which has moderate growth plans, as well as any

additional sponsor commitments in alternative investment funds (AIFs) that are on higher side on consolidated basis compared to historical levels.

Improved profitability parameters at the group level

On a consolidated basis, during FY24, 360 One Group reported a consolidated profit-after-tax (PAT) of ₹804 crore on a total income of ₹2,925 crore as compared with FY23 when it reported a PAT of ₹658 crore on a total income of ₹2,062 crore. The company reported an improved RoNW of 30.22% as on March 31, 2024 (FY23: 26.24%). 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 Q1FY25, 360 One Group reported a consolidated PAT of ₹244 crore on a total income of ₹936 crore.

During FY24, the PAT for 360 One Prime (standalone) stood at ₹274 crore (FY23: ₹235 crore) on a total income of ₹897 crore. The profitability remains moderate on account of the concentrated low-yielding LAS book and the subdued growth in its AUM, which stood at ₹6,308 crore as on March 2024. 360 One Prime reported a PAT of ₹79 crore as on June 30, 2024.

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 April 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 Reserve bank of India (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, loan against property (LAP) and unsecured loans catering to the financial needs of corporate and high net-worth customers. Loans against securities are given to client against high quality collateral and Loan to Value (LTV) is maintained conservatively at ~33% compared to minimum regulatory limit of 50%. LAS book is concentrated with top 20 borrowers contributing around 54% of total LAS book as on March 31, 2024. As on June 30, 2024, 360 One Prime reported modest AUM of ₹6,308 crore, mainly consisting of the LAS portfolio, which contributed 92% of the total AUM, followed by unsecured loans (4%) and LAP (4%).

Regulatory and attrition risks in the wealth management business

Regulatory changes and attrition risk are the two main pillars influencing the business environment in the wealth management business. 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 92 team leaders and over 148 relationship managers as on June 30, 2024. 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 liquidity and maintains cash & liquid investments for two months. Furthermore, there are no cumulative negative mismatches as per the asset and liability management (ALM) profile dated June 30, 2024. In addition, 360 One Group (consolidated) had liquidity of ₹3,615 crore, which consisted of cash and cash equivalents of ₹899 crore and liquid investments of ₹2,716 crore as on June 2024.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Service Sector Companies
Short Term Instruments
Market Linked Notes
Non Banking Financial Companies

About the company

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Capital Markets	Other Capital Market related Services

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, LAP and Unsecured Loans catering to the financial needs of corporate and high net-worth customers. As on June 30, 2024, 360 One Prime's AUM stood at ₹6,308 crore, mainly consisting of the LAS portfolio, which contributed 92% of the total AUM.

360 One Prime (Standalone)

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY24 (UA)
Total income	672	897	267
PAT	235	274	79
Overall gearing (times)	4.42	4.64	4.66
Total assets	7,720	8,133	8,539
Net stage 3 (%)	0.00%	0.00%	0.00%
RoNW	17.58%	19.34%	21.39%

A: Audited; UA: Unaudited.

Note: 'the above results are latest financial results available.

360 One WAM (Consolidated*)

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total income	2062	2925	936
PAT	658	804	244
Overall gearing	2.71	3.43	3.55
Total Assets	11,192	15,119	16,115
RONW (%)	26.24%	30.22%	33.45%

A: Audited; UA: Unaudited.

Note: 'the above results are latest financial results available.

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)-Proposed	NA	NA	NA	NA	5000.00	CARE A1+
Debentures-Market Linked Debentures-Proposed	NA	NA	NA	NA	100.00	CARE PP-MLD AA; Stable
Debentures-Market Linked Debentures-Proposed	NA	NA	NA	NA	100.00	CARE PP-MLD AA; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Debentures-Market Linked Debentures	LT	100.00	CARE PP-MLD AA; Stable	-	1)CARE PP-MLD AA; Stable (22-Sep-23)	1)CARE PP-MLD AA; Stable (23-Sep-22)	1)CARE PP-MLD AA; Stable (28-Sep-21)
2	Commercial Paper-Commercial Paper (IPO Financing)	ST	5000.00	CARE A1+	-	1)CARE A1+ (22-Sep-23)	1)CARE A1+ (23-Sep-22)	1)CARE A1+ (28-Sep-21)
3	Debentures-Market Linked Debentures	LT	100.00	CARE PP-MLD AA; Stable	-	1)CARE PP-MLD AA; Stable (22-Sep-23)	1)CARE PP-MLD AA; Stable (23-Sep-22)	1)CARE PP-MLD AA; Stable (28-Sep-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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