August 13, 2024

To

National Stock Exchange of India Limited	**BSE Limited**
Exchange Plaza, 5th Floor,	**Department of Corporate Services/ Listing**
Plot No. C/1, G Block,	**Phiroze Jeejeebhoy Towers,**
Bandra-Kurla Complex,	**Dalal Street, Fort,**
Bandra (East), Mumbai – 400051	**Mumbai – 400001**
SYMBOL: POLICYBZR	**SCRIP CODE: 543390**

Sub.: Transcript of the Earnings Call conducted on August 07, 2024

Dear Sir/Madam,

In furtherance to our earlier communication dated July 22, 2024 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of the Earnings Call conducted on August 07, 2024.

The transcript of Earnings Call is also available on the website of the Company at https://www.pbfintech.in/investor-relations/.

You are requested to kindly take the same in your records.

Thanking You

Yours faithfully,
For PB Fintech Limited

BHASKER JOSHI
Digitally signed by BHASKER JOSHI
Date: 2024.08.13 23:05:26 +05'30'

(Bhasker Joshi)
Company Secretary and Compliance officer

Encl.: A/a

PB FINTECH LIMITED

Q1 FY2024-25

Earnings Call

August 07, 2024

Management: A very warm welcome to PB Fintech Limited Earnings Call Q1 FY 2024-2025. Today we have with us:

- Yashish Dahiya, Chairman & CEO, PB Fintech
- Alok Bansal, Executive Vice Chairman, PB Fintech
- Sarbvir Singh, Joint Group CEO, PB Fintech
- Naveen Kukreja, Co-founder & CEO, Paisabazaar
- Mandeep Mehta, Group CFO, PB Fintech
- Rasleen Kaur, Head, Corporate Strategy & Investor relations, PB Fintech

I hand over the call to Yashish for the initial address.

Management: Thank you very much, Rasleen. Today we share our performance update for the Quarter ended June 30, 2024. We are extremely thrilled with our Health and Life insurance business, which are a bulk of our long-term values; which are witnessing a combined growth of 78% year on year in new premium for Q1 FY25. I just wanted to pause at this moment and kind of give you a sense of the overall picture. I think every organization has a stage. There is a growth stage; there is a majority stage, and perhaps there is a death stage at some point. I believe we are still in the very, very early days of our growth stage. Just to put in perspective; we haven't had growth like this in a very long time and this is on the Core business itself. In anticipation of that growth, we have built up some additional capacity. We have probably overspent by about $3 million this quarter in terms of actual operating capacity but that's a sign of our confidence that we believe this growth could carry on and that's why we've done that.

Our total insurance premium for the quarter was ₹4,871 Cr; new Core insurance premium grew at 66% for the quarter; Core insurance premium grew 46% for the quarter with the Core insurance revenues growing at 40% YoY. The slight disappointment in this quarter compared to where we thought it would end - we thought Credit would end up somewhere between 0 to 10%, that's what we mentioned but it's actually below that. Credit is at ₹130 Cr, but it is about -8% YoY or so. That is something that we need to repair quite quickly. New initiatives grew 2.3 times. New initiatives have really surprised on the positive, 2.3x growth. I just wanted to kind of again lay the landscape out here. Last year, if you notice in the same quarter, we hadn't grown so much, and what we had actually done, and what we explained at that time was, we had moved from large consolidators into smaller and smaller partners, and so we had gone more granular in terms of our distribution base. Now, of course, that granular distribution base is growing and so it is now 2.3x. What you would notice is the losses are actually lower than last year, and in terms of percentage they were -31% last year and today they are about -12%. There is a significant improvement in the percentage of revenue.

Our revenue for the quarter grew 52% year on year to just over ₹1,000 Cr, and PAT improved to a profit of ₹60 Cr. But once more, as I mentioned, we are in the growth phase and we are not trying to optimize profits. Again, as I clarified, this could have easily been ₹90 Cr or so, but it is ₹60 Cr, and that is the over investment in operations. Our renewal / trail revenue is at an ARR of ₹559 Cr, up from ₹418 Cr last year. This typically operates about 85% margin. Don't worry about renewals at all. They are in very good shape, and as the year progresses you'll see that very clearly.

We continue to improve our customer onboarding and claims support services. This is something we track very diligently. The insurance CSAT is now at 89.9% and I'm really hoping we cross 90% soon. We were 87%, I think, a few quarters ago. Credit business has seen moderation and growth, however, continues to be EBITDA positive which it has been since December 2022. We really need to think hard and figure out how we grow this business. Our total credit score consumer base is now at about 46 million consumers.

We continue to strengthen our leadership in New initiatives. As I said, growth to 2.3x, 131% year on year, with adjusted EBITDA margin improving from -31% to -12%. PB Partners, our agent aggregation platform, continues to lead the market in scale and efficiency, and if I look at the last 6 months, that differentiation in scale growth and quality growth on competition versus PB Partners is now becoming strikingly clear. Which is what we were trying to explain in the last 6-7 quarters but that's now actually playing out. We have moved the business increasingly towards smaller and higher quality advisors and we are most diversified across different lines of business. We are present in 18k+ pincodes covering over 95% of the country. This business really helps us because if you notice, a bulk of this business is still Motor insurance. Our Core business is increasing on the Health and Life side, whereas this business is really increasing on the Motor side. Our UAE insurance premium have grown 64%. I must say I'm very pleased with the way the UAE business is going; it is growing beautifully. It's an absolute B2C business, building a strong brand, and vying for leadership in the UAE market. We are happy to take questions now. Thank you.

Management: Thank you. Yashish. We'll take the first question from Sachin Salgaonkar from Bank of America. Sachin, please unmute yourself.

Sachin Salgaonkar: Thanks Rasleen. Hi Management, thank you for the opportunity. I have three questions. First, following up on Paisabazaar or Credit. It looks like the industry's recovery towards unsecured is also slow. Any general thoughts in terms of how much time we could see from a recovery perspective, or any plans to completely revisit what you are doing from a business perspective out here?

Management: Hi Sachin, this is Naveen. Like you said, we're seeing industry moderation for the last few quarters driven by the advisory from the regulator on the unsecured specifically and, also equally driven by the changes in the processes at the industry level to strengthen the overall ecosystem. Our sense right now is that on an annual level the growth will come back. If you look at the fundamental level, GDP growing at about 11% nominally and retail credit growing a little higher; and within that, unsecured a little higher than secured, because of NIMs and Margins. The industry should get back to growth in H2 is our estimate, and hence we expect to resume our growth trajectory in H2. We are meanwhile also strengthening our secured business focus. So we expect the secured business to outgrow or grow at a much faster pace than unsecured. Our longer-term strategy is for the secured business is to come to about half of our overalls disbursals, currently stands at about ~15% percent. We are also evaluating a couple of other channels like POSP distribution but that is right now at an evaluation and background building stage.

Sachin Salgaonkar: Naveen, a quick follow to you. What's the right to win in the secured lending for you guys as a fintech because you end up competing with the traditional guys who have been in the space for many years?

Management: The right to win would be similar as it is in unsecured. What we offer is a transparent choice, options to consumers and go over a period of time as you have developed the unsecured ecosystem. We go deeper than any other individual player that can offer thoseoptions to the consumers, so those parts will remain similar. What is different in secured is the last mile fulfilment, which in unsecured is moving digitally, faster in credit cards, followed by unsecured. And as account aggregator systems stabilizes, it is expected to move even more digital. In secured, the last mile continues to be offline. We will build fulfilment capacity and we are building, working on that for the last couple of quarters and we'll start to see some results in Q2 and H2. I think that will be the differential in terms of our ability to fulfil. We already see good demand in secured. It's just that we were not able to fulfil that in a digital fashion, and the industry is not yet there from a digital perspective and we're now building the offline capacity.

Management: Sachin to your first point. Yes, with Naveen and the Board, we are really trying to figure out how do we make this a more sticky business rather than only an unsecured credit platform. There is value as an unsecured platform and that will continue to be there, but at the unsecured, every few years, there is a big fluctuation in supply and that makes it a little challenging at times. I think we are really thinking through what is the way there, whether secured is the way. If you look at the European market, out there, secured is the largest part of what Fintechs do from a lending perspective. So there is a value there. Re-mortgage market is largely on what you would basically call Fintechs. That is a market you could be quite large in. I would say, maybe in the next quarter or two, you will have a lot more clarity on the direction of Paisabazaar. But our hope is we come out with a stronger direction compared to where we are right now.

Management: Sachin, just to add one more point. Our credit score business continues to be super strong, and is a way for consumers to experience our brand as a first kind of product that they invariably do, and that has over a period of time helped us build engagement, and hence cross sell and increase the Lifetime value. We are working in the background on strengthening the engagement part by launching more personal finance products, riding on account aggregator framework. Right now, it's at a development stage, so hopefully, I can share more details same time next quarter.

Management: Absolutely. I think it's going to be a data led strategy one way or the other. I think that's where it will play out.

Sachin Salgaonkar: Thank you both. My second question is - I just wanted to check if there is any one offs in employee expense or ESOP, because that appears to have moved on a QoQ basis out here.

Management: There was a GST cost of ₹25 Cr which we have paid, and that is a one off.

Sachin Salgaonkar: Got it, and this came both in Employee as well as ESOP, right?

Management: This will not be in Employee or ESOP. This is Other expenses. Sachin, very simply, on operating cost, I explained - we have over invested from a capacity point of view, so leave that out. In other costs, there is a ₹25 Cr which we have paid on account of GST, and that is what you're seeing. It's a one off.

Sachin Salgaonkar: Got it. Last question what I have is regarding, your perhaps possibility of shareholder returns. The way we look at it, your new initiatives business is scaling. There's no big

M&A which you guys are looking to do. And with the Core business growing clearly, you guys will be generating a decent amount of cash going ahead plus there's a good cash on balance sheet. So any thoughts of potential shareholder returns not immediately but let's say 12 to 18 months down the line.

Management: No, I think, as I said, that is something we want to evaluate after I would say March'26. It is not on the cards anytime soon.

Sachin Salgaonkar: Got it. Thank you.

Management: We continue to invest. You're absolutely right. Today, the current business clearly does not require the amount of capital we have on the books.

Sachin Salgaonkar: Thanks.

Management: Thank you, Sachin. We'll take the next question from Sachin Dixit, JM Financial. Sachin, please unmute yourself.

Sachin Dixit: Hi Rasleen. Thanks for the opportunity and congrats on a great quarter. My first question is that I am seeing some sort of a divergence between our take rates on insurance business versus the contribution margin that we are seeing in the existing business. If my understanding of commissions is right, when Health and Term as business mix grow, ideally we should see a higher take rate happening, because I believe in the first year itself both of these will be probably your top two sort of take rate categories. We are still seeing a decent dip on YoY basis in terms of take rates. While on contribution margin, I do understand the logic that contribution margins can take a hit if Health gains in mix in a particular quarter. I do understand the dip there but what is explaining the dip in the take rates.

Management: Yeah, so I think, Sachin, there are two points. The take rate is changing because of the mix towards Savings products, because we sell a lot of ULIPs, and I'm sure you must have heard from all other industry players also that right now consumers want market-linked products and that has always been our strategy. So I think because we sell more ULIPs, their take rate is lower, and hence the overall take rate goes down. The contribution margin actually is around the same number, just off a little, and that is largely because of the Health fresh business. When Health fresh grows, it comes at 0 contribution, because we invest in anticipation of the renewal trail revenue. So because of that whenever Health fresh will grow strongly you will find there will be a small impact on the contribution. And that's what it is. So that's why these two are slightly different, and what you are calling divergence is because of this issue.

Management: So Health and Term continue to be at the same take rates as before. There nothing has changed. On Savings, our take rate would have come down simply because the product mix has shifted much more towards ULIPs compared to how we were in the past. On the contribution side, Health growth, which, of course, is part of that Health and Life growth and very similar numbers across both of them. Out there you get a first year contribution, which is 0 versus on average, what is about 40% or so. So whatever is your delta in Health growth versus your overall business, because overall business growth would be lower than that; that has an impact. But in the take rate there's nothing to worry about from any product category except for Savings where the take rates are lower compared to last year, and it is because the Savings is becoming a big category that will have an impact in the overall take rates.

Sachin Dixit: Understandable, on that piece. Basically what I was trying to refer to, that our new business in Core has grown by 66% YoY. Health and Life, as you have highlighted have grown at 78%, so they have certainly gained in mix, which explains the contribution margin as you highlighted like it's 0 contribution margin in year one in Health. So that's why contribution dip. However, can you explain, like, how much have you ULIPs grown on YoY and have they really gained in mix?

Management: I'll explain. Suppose Savings is 25% of our business. And in Savings, let's say the margin has reduced by 15%. I'm just making up that number. I don't have the exact number that I could give you. Maybe Rasleen can provide those. Then obviously 25%, 15%, you will have an impact of about 4% coming down straightaway. You'll see that across the board because the Savings margin has come down. It's not that the Savings margin is lower than the rest. It is just the Savings margin has come down from last year.

Sachin Dixit: I'll move to second question. Do you have written off some investment in MyLoanCare ventures? I know it's a small investment but can you please highlight like what were the original expectations from this business?

Management: MyLoanCare was an investment that we had made. It was one of the original three investments that we made. We made one in YKNP, one in Visit Health and one in MyLoanCare. I think in hindsight the mistake we made there was - we took too much equity. We took a 70% stake. I think that was a mistake. The sweet spot for us is not that; the sweet spot for us is really 20-35%. Because if you go beyond 50%, the founder somehow believes that it's not their company anymore. I don't want to delve into it but it was more of the founder saying – It's your company, so you manage it, and the founder left. So once the founder left, we don't want to run the company, because that was not our purpose for investing. We always wanted it to be a founder-led company, and I think that is really where our mistake was. That was where early learning was. I think in the future you should not see us making such an investment unless it's strategic for us in some way. We were a financial investor and I think as a financial investor, you should not take such a large stake. I would just call it an early learning.

Sachin Dixit: And what was the nature of business under MyLoanCare ventures?

Management: MyLoanCare was a tech based NBFC, which was supposed to build its own business, and we, of course, had no intention of going on investing forever behind building a book. That was not our intention.

Sachin Dixit: Got it. Yeah, thanks.

Management: Thank you, Sachin. We will take the next question from Ashwin Mehta, Ambit. Ashwin, please unmute yourself.

Ashwin Mehta: Hi! Thanks for the opportunity. So one question Yashish, in terms of renewal ARR. There seems to be a dip this quarter, and even in terms of the Policybazaar business, it seems there is a slight reduction. What is driving that reduction in terms of renewal ARR? This is the first time that we have seen something like that.

Management: Sarbvir can answer it in as much detail as required. But we obviously spend a huge amount of time on this. Our renewal rates at every level - R1, R2, R3 are doing much better than before. R1, R2, R3 are our first year renewal, second year renewal, third year renewals; renewals of multiyear policies. Everything is doing much better than before. It is just that our growth in Health is really a 4-5 quarter phenomenon. What you are seeing is the impact of the slow growth 12 months ago or so. I don't even know whether I should say this, but I think this was the last quarter where you would see slow growth on the renewals. Next quarter onwards, you should see pretty strong growth in renewals, and that is just a question of how they appear. There are two ways to think about it. There is multiyear policy, single year policies, a lot of complexity in it. But the renewal rates themselves are very robust. What you should see for the year, because it's something we really know. For the year, we'll get about 45% or so. It is just the 1st quarter was at about 34%. Next quarter will be ~40%, and then it will be higher and higher. But it's just how it plays out. Sarbvir, you want to add anything specific.

Management: No, I think you covered it. The only thing I'll just say is that ARR is a moment in time. If you look at the rolling 4-quarter numbers, you'll find that, as you would expect, they continue to grow. They are on Slide 12, and you can actually see the numbers over there. So ARR is just a moment in time, and is a reflection of, as Yashish explained, somewhat slower growth last year. But as you look at the 4-quarter rolling average, you'll find that the growth is quite significant and will continue to strengthen because our fresh business strengthened last year every quarter from Q2, Q3, Q4.

Management: See at a very fundamental level if there is ever a problem in renewals, you will definitely hear it from us. Like right now, the renewals are in superb shape.

Ashwin Mehta: Sure, thanks Yashish. What you are saying is basically - you saw second half of the last year being pretty strong in terms of Health, and that's continued and as you get go through the year, there should be an improvement.

Management: Let me put it very simply. I did not expect our fresh to be outgrowing our renewals. We're in a very lucky place that that's happening. If you ever spoke to me in the last 3-4 years, I've always said nobody can predict fresh growth. But renewal growth we can predict very accurately. It is just that we're in a very strange position where our fresh is growing at more than double the rate of our renewals, which is a very lucky place to be in, at this scale.

Ashwin Mehta: Yeah, got that, understood. Just if you can just remind me, I missed the part in terms of what's the credit-linked revenue this quarter.

Management: ₹130 Cr.

Ashwin Mehta: Okay, thanks a lot and all the best.

Management: Thank you, Ashwin. We'll take the next question from Srinath, Bellwether Capital. Srinath, please unmute yourself.

Srinath V: Hi Yashish! I just wanted you to spend some time on the Savings business and the progress. We set up the offline channel and on top, we are kind of under indexed on market share on the Savings business. So how has it been progressing over an 18-month period from a volume perspective, from a product mix perspective? How successful has the conversion to offline been from this product perspective. If you can help us understand how this is progressing, that would be great.

Management: Yeah, sure, I'll take it into 3 parts. One is, as you said, we were under indexed on the Saving side. Savings is a very large market, and I think if you see in the last, say 4 quarters, we have made significant progress. I think our market share has probably doubled. It was a very small number and it has doubled from there, and I would put it down to three things. One is, as you said, that we took offline strategy in Savings first. About 2 years ago, it was the first business to do that. So that first kick we got was from being able to have higher productivity and output from the offline side. The second productivity lever which came last year or over the last 12 months is our regional expansion. When we went offline, we did two things. One is that we had Feet on Street, and we also set up centres. We now have 12 centres all over the country, and these centres essentially have people who speak on the phone, but in the regional languages. The language opportunity took a while to come through. In the first year, the productivity was not that great, but in the second year the productivity significantly improved, to the extent that now our regional language productivity is actually better than our Hindi productivity. That's also obviously because of the quality of leads, etc., that they are getting. What is happening is that two things kicked in-both the physical and then the regional side. The third thing that has happened from a product mix perspective is that we always used to sell; we were always a ULIP shop; but we have a Capital guarantee product as well, which we sell in the domestic market. NRI is largely pure ULIP. I think one thing that we learnt over this journey is that the customer who comes to Policybazaar is a more evolved customer. That person has a greater understanding of financial products, of insurance and interest in the matter. So you have to sell them the best products. And that's why, if you see today, we are selling again some of the lowest cost ULIPs. In fact, many of the ULIPs that we sell are lower cost than mutual funds. We are selling these and our customers have come to appreciate the fact that we are offering very attractive products. Of course, the fact that the market is doing well is helping us. I think if you put these 3 points together - physical expansion, regional calling, and then the fact that we are selling even better products, has led to this phenomenal growth over the last 12 months.

Srinath V: How would our market shares be trending in ULIP, Sarbvir, given that the traditional Savings product seems like much more push and customer unfriendly in that sense? So if you were to only look at ULIP, how is our market share currently and how has it progressed over again 12-18 months? Any colour you can share that would be great.

Management: Again, as I said, two things have happened. Our ULIP sales have gone up, and ULIP, as a percentage of the industry has also gone up. If you see, the ULIP mix is probably at its highest, at least in the last 4-5 years. But overall I would say that our share of ULIP has gone up, and ULIP's share of the industry has gone up, which is leading to us doing much better on market share in the industry.

Srinath V: One question on Health. Given that, this is my rough estimate, that about maybe 15-20% of retail claims at the hospital level should be coming from our customer base. Can we directly engage with hospitals to provide some extra service or some value addition for our customer base? How are we looking at the fact that now we have gained some sort of scale economics from an administration point of view or a claims point of view? How can we leverage all this to do something better?

Management: So, all I can say is, in the last six months, I have probably spent more than 50% of my time on that, me and Alok, on that particular problem and that particular matter. And we have also discussed at the Board level, we are starting to develop a very clear path in the direction we are headed. Just give us maybe another quarter or so. I think we will have a very good solution out there, which will focus a lot more. See, at a very fundamental level, let me kind of say what I have to say. I think today's healthcare model is focused on revenue per bed. We believe the model of the future will be one that focuses on lifetime value of customer. And the lifetime value of the customer starts from the insurance premium that they pay. And the value you derive is that minus the total healthcare expenses that exist. Now how that gets divided up, what is for the distributor, what is for the insurance company, what's for the hospital, etc., etc., is a question mark for everybody. But I think unless one develops that, at some level, we will have a challenging time in the next 10, 15, 20 years. And that's what I said, those are the kind of issues people like me really get paid to think about. And that's what we've been spending time on. We've had some good discussions. It's too premature to kind of get into what and how yet, our effort is to make the life of the consumer much easier. That's it. And you're right, the scale does help.

Srinath V: Thanks Yashish! I'll get back if I have any question.

Management: Thank you Srinath.

Management: We'll take the next question from the Dipanjan Ghosh, Citi. Dipanjan, please unmute yourself.

Dipanjan Ghosh : Hello! Good morning! Am I audible?

Management: Yes, Dipanjan.

Dipanjan Ghosh: Hi! Good morning. Just a few questions from my side. First, if I look at your contribution margin trajectory versus your EBITDA margin trajectory. There is a clear difference. So just wanted to understand what sort of leverage benefits you're getting on your overheads ex of business acquisition cost. Because contribution margins are down but EBITDA is up, so definitely there is some savings per scale, on maybe brand spends or other expenses. If you can give some colour on that.

The second question would be in terms of your incremental investments in the hybrid strategy, and also new initiatives, in terms of scaling up your Feet on Street or the overall physical presence. How should one think about it?

Lastly, on pb Money and pb Rewards. You have mentioned some pilots that you'll be doing during the course of the year, if you can just elaborate on the strategy behind that. And will there be any cash burn going ahead?

Lastly, two data keeping questions. If you can give the retail Health growth number for the quarter and the second will be just on the renewal ratio follow up. I would assume that in your Core business the renewal ratio is probably up YoY. But the renewal growth rate is just reflecting the trajectory of new business growth rate witnessed in the base quarter. Is the assumption correct?

Management: Okay. Let me try and go through those questions one by one. Of course, if our contribution margins are at about 40% that will have an advantage. Our fixed costs are genuinely fixed except for yes, at times we have to invest for growth. Now, what does growth investment imply? Let us say we are doing the Health business, and you want to start a new focus on a segment, it could be any, it could be various segments. For that we would put together a team and we would start growing it, so there'd be initial investment in that. See any team, any focus, what we have understood, it costs you a couple of crores a year, for that little segment-focused team creation. And then it takes you maybe a year to kind of break-even on that. So there is a bit of cost that comes on the fixed side there. But other than that, our fixed cost definitely fixed here, we will have standard increments at about 10-12%. And I would say, even when we start new businesses, the way we utilize our Management is - most of the Management is ready to think about new businesses, and or at least we have some proportion of our Management that can think about new businesses. If you think about our POSP business, our Corporate business, our UAE business, most of that has happened through internal Management and I would say, even if you think in the future, we are envisaging internal management to be leveraged more and more for that. So I think, yes, the costs are generally fixed, and they will obviously grow much slower than the benefits that comes in from there. On the renewal part, I know everybody is having a difficult time trying to grasp why 34%, why not higher. For the year we will be at between 45 to 46%. Just for now, we don't give guidance but on that thing it is so precise you can't really get it wrong too much. So leave it at that, just wait out the year and let it play out. But everything's working well. As the biggest source of long term profits, you can imagine how much time we would spend if we thought something was actually wrong there.

Management: For incremental investment in POSP etc., we have said we will break-even in a few years and that is our plan. The Management is going to be incentivized on the basis of profits, but with a 5-7 year time horizon. We don't expect investments to be higher. But listen, we don't want to shy away. As I've always said, there will be a time. We are here to do well in that category; we are very confident of the category. Whenever required, we will invest behind it. We will keep our options open and close to our chest.

Management: pb Money, pb Rewards, Naveen, if you have any update on that.

Management: So like I mentioned in the earlier comment, we are thinking about strengthening the consumer engagement. We've done well in terms of credit engagement and credit management for customers with 46 million consumers taking their credit score, and then a lot of them using that to track their score, improving their credit score. We are extending the thinking on financial management on the back of account aggregator framework. The idea would be to just simplify it for consumers, help them manage their money better, thereby increasing engagement. That pilot is expected to be launched in Q2. We do not expect any significant cost, if your question was around the cost side. The pb Rewards was more around the loyalty and the customer lifetime value and how do we drive or give a higher incentive for consumers to come back to take the second or the third product as and when they need it. So we're thinking through that. I've mentioned, if you see the slide that our pilot is expected to be in Q3-Q4. So again, no significant cost implication from this year perspective. We'll have more clarity when we do the pilot basis the consumer response. And but yeah, from a this year perspective nothing significant from a cost perspective.

Management: See, where do you spend money? You largely spend money, direct cost money, either in branding or operating costs. Those are all within direct costs. When you're building a B2B business, you're unlikely to spend that much. And I say, B2B, because the core brand out there is Paisabazaar and the core brand is built and everything else is working in the background of that. So don't anticipate anything major on any of those add-on mechanisms. We'll obviously give more clarity once we kind of get there. Also on the operating costs, since you asked about field people and all. See whether people are in the call centre or whether people are in the field, it's absolutely fungible. So you'd be very surprised, it's not like people are only in the field. Sometimes we have a mix, where people will be in both the call centre and the same people will go out and have meetings. Sometimes we will have separate teams, one doing the calling and setting up appointments, another one doing the physical meetings, and somewhere we will have direct, all the way to physical, and it would depend on location, terrain and various other things. Of course, as Sarbvir explained, there's a lot of sophistication going on in terms of which languages, etc. but that is all part of our direct costs of operations. There is no separate investment going in any one of them.

Dipanjan Ghosh: Got it. Just one question on the retail Health growth for the quarter.

Management: There is no surprise that the 78% number is fairly indicative of both Health and Life. So there is not more than a 2% difference between one and the other.

Dipanjan Ghosh: Got it. Thank you, and all the best.

Management: Thank you, Dipanjan. We'll take the next question from Madhukar Ladha, Nuvama. Madhukar, please unmute yourself.

Madhukar Ladha: Hi, good morning! I wanted to just clarify one thing - On the renewal premium growth you mentioned that while for this quarter it's a little bit lower but for the year you're pretty confident that will grow at 45% year over year, and that is for the online business. Did I hear that correctly?

Management: Absolutely. You're absolutely right.

Madhukar Ladha: Okay, perfect. Just moving on, if you look at the retail Health industry that's growing, closer to 20% ballpark, however, we are growing closer to 80%. We all know that the number of lives covered are not growing at that rapid a pace. So a lot of the business is churn business, right? I wanted to get a sense of the following - In the new lives that we are getting, what percentage is churn and second, how much of this 80% growth is because of multiyear policies. My guess is that multiyear policies will be more profitable in the first year itself. Then why is our Core contribution margin not improving even more sharply?

Management: So let me clarify on the second part, Madhukar. Our multiyear this year is lower than our multiyear in the previous years. So that is certainly not explaining growth. In fact, if anything, our growth is understated because of that. I'm just clarifying that because obviously, that's something we will track. Churn as a percentage and we clarified this in the past also, as part of our new business is much lower than industry. Somewhere between 50-60% of where the industry is. I guess that kind of clarifies both points. Yes, we are growing and we are very happy about that. But that growth is as it is. If our multiyear was exactly the same as what it was 12 months ago, our growth would be higher, not lower. So yes, we're getting more single year policies than multiyear policies now.

Management: In fact, if I could just add. There are two things that are playing out in health insurance, Madhukar. The affordability is becoming a bigger and bigger concern. So actually, a source of growth for us is the fact that we are able to sell on monthly, quarterly, modes as well. It's not really the multiyear policy that are driving our growth, I would actually say the reverse, that the monthly/quarterly modes are driving our growth. And the second thing that is happening is that we are a source for fresh lives in the industry, and that has always been our story that we are bringing fresh lives into the industry. And obviously, companies can sell other products to them, etc. and of course we can also do that. So, I think our portability is not a driver of our growth. It is the fact that we are bringing fresh people and like I said, part of it is affordability, and part of it is the products. If you look at the products that are available right now on the Policybazaar platform, almost significant portion of them are at an advantage versus the overall market. Because as a company, we are not really focused on ticket size, we are not trying to drive ticket size, attachment, etc. We are actually trying to sell Core Health insurance, and while it may sound strange, is not necessarily every distributor's thought process. Those are the 2-3 points which you should keep in mind as you think about our growth.

Madhukar Ladha: Understood, and just a follow up on the margins. So what will margin differential between like a 3-year health policy that you sell versus a 1-year health policy. We know that the 1-year policy is sort of negative contribution margin.

Management: When you look at an NPV basis, they are the same. I know what we report is a financial number, obviously has to be financial. But what we internally look at is NPV accounting. They are exactly the same whichever way you do it. So it actually doesn't matter either way. I know what you're saying. From a cash flow perspective, maybe you make a little more money in the in the 3-year policy. So yes, you might make a margin on that compared to a fresh policy. That's something we don't think too hard about here, quite honestly. So eventually, it's about building the renewal base, etc. But again, something that one can spend some time with Rasleen, and try and understand a little more deeply if one is really interested in that. See as shareholders, I would say shareholders would be interested in the NPV, which is where we get interested. Looking at just quarterly numbers may not be the best on that.

Madhukar Ladha: Sure. Thanks and all the best. Bye.

Management: Thank you, Madhukar. We'll take the next question from Yash Gandhi, Stallion Asset. Yash, please unmute yourself.

Yash Gandhi: Hi! Thank you for the opportunity. I'm audible?

Management: Yes, Yash.

Yash Gandhi: Thank you. So my first question is that your total premium has grown 62% this quarter, but your revenue has grown less at 52%. I just want to understand, why is that the case? Ideally, would the revenue and premium grow in sync?

Management: Longer term, you are right, premium and revenue would grow in sync. But, as we explained; in our Savings business, the take rates have reduced in the last 1-2 years. And as Sarbvir explained earlier there were Capital Guarantee products which were a significant proportion, they are reducing, and the ULIP part is growing, which has lower take rates. It's good, you kind of mentioned it that way. Assuming our product-mix did not really change much, from 62% to 52%, actually Savings has grown, rapidly, but that alone would not explain it. It is a decline in the Savings' take rate, which will explain the 10% gap that you are talking about. So see if you think about it, 1.6x sales to get 1.5x revenue. That is on a percentage basis, a decline of about 7%. If Savings was about 20-25% of our business, and that declined by 15%, that would pretty much kind of cover a bulk of the explanation.

Yash Gandhi: Right. So the percentage of Savings you're saying has decreased like in terms of total mix.

Management: No, the percentage of Savings has not decreased. It has increased, but that increase alone would not explain the shift. What would explain the shift is the decline in the margin of Savings. See, Savings might have been at a higher take rate earlier compared to where it is right now. It's an almost 60% of the take rate or something.

Yash Gandhi: Got it, Sir, and my second question is, Health insurance premium has been very high, this year as well last year, but I just wanted to understand why the ARR in your renewal revenue has reported a sequential drop. I'm sorry if this was clarified before, but I just want to understand that.

Management: The question is on quarter on quarter?

Management: Yeah, yeah.

Management: Look, the crazy thing is actually our insurance premiums and revenue in Q4 and Q1 are very similar. That in the insurance industry is unheard of. Like, whose Q1 is going to be equal to their Q4. I think the right number to look at; that's why we put it in the presentation, is the 12-month rolling number. That is the right way to look at it, because that takes care of seasonality and then you see the actual growth quarter on quarter. It would be a bit unfair to compare. Please appreciate half the industry goes on holiday in Q1. So you know, Q1 and Q4 comparison is a bit unfair.

Yash Gandhi: Okay, got it. Thank you. That was it. Thanks.

Management: Thank you, Yash. We'll take the next question from Shreya Shivani, CLSA. Shreya, please unmute yourself.

Shreya Shivani: Yeah. Hi, thank you for the opportunity. I have three questions. First is a data keeping question. Have you shared the premiums for POSP, Dubai, and Corporate business for the quarter and if you can share that, please. Second is on the Health insurance industry. This is more to do with the industry, and how it could impact a distributor such as yourself. A lot of the manufacturers at different point in time, since the past two years have been taking different price hike and you did mention about the problem with the affordability in the business for the end customer. So what has been your experience with the customer behaviour when such price hikes have come in? Or will we start seeing this behaviour change, or any impact from that behaviour only once the renewals from 2nd quarter or 3rd quarter starts kicking in? Do you expect the porting out like the customer may still be on your website, but they may port out from one manufacturer to another manufacturer? Do you expect those trends to pick up, or any concerns if you have around that? And 3rd is on your traditional Saving products which is par and non-par, if you can help us understand if you had any discussion with insurers in change of commission structure or deferment of 1st year commission. Any colour on that will be useful. Thank you.

Management: So first of all, POSP is ~₹1,000 Cr, Dubai is ₹213 Cr, and Corporate is about ₹272 Cr.

Management: The price hikes that happened in the industry are actually something that happened about 15-20 months ago. We've now been through a reversal of that cycle that happened then. It is not as extreme right now as it was back then and our renewal rates have held up. In fact, they are only improving, so we don't see that issue. As I explained, our porting is lower than the market. How do I say it in the simplest form? We are the solution, we are not the problem; is one way I would leave it. I think we have superior disclosures; we have enough data to kind of prove that. We have better sustained claims ratios and we have better claim settlement rates. So, as I said, we are part of solution, not part of the problem.

There is another side of the problem, which is a fee for service model. I think that's unsustainable in any country, not just India, wherever you look in the world, if you have a free flowing fee for service model for healthcare. Essentially, every healthcare provider is looking at room rent per bed. And today you are seeing people having ₹60,000-₹66,000 room rent per bed. That, at a fundamental level, forget about insurance, forget about anybody. Who's the average customer who's buying these insurance policies? This person has an income of ₹6 lakhs to ₹10 lakh rupees a year. That's the bulk of the people who buy these policies. How can a person like that afford to spend ₹60,000 for a room rent? It's impossible, right? I think our healthcare facilities are really not taking care of that next 20%. It's not an insurance problem. Nothing insurance guys can do about it, right? I think that model needs to be fixed. And we would try to figure out how we can play the most important part in that. Our healthcare today is for the top 4% of the population, we need to figure out how the next 20%-25% of the population is going to be handled. And unless that is done, prices will keep going up year on year because that's going to be an issue.

Shreya Shivani: That is correct. Yeah.

Management: So yeah, I just want to add some colour. You have to understand, Pricing over the last four years - two years they didn't go up at all because of COVID; after two years we had one big sort of round and then now it's much more normal, as Yashish explained. Thereasons we are able to handle these price hikes and yes, they do play a part where they happen, especially when they are very high - there are two things. One is that we are selling a lot of the modular products that are available on our platform. There's a new design that over the last 15-18 months, we have sort of worked with our partners to introduce. In these products, one of the features that they have is that the no claim bonus accumulates very strongly from year to year to year. So there are some which are 5x over 4 years, there are 7x. Now, there are some which are even having unlimited Sum insured. Now, when you have these kind of products, and when their renewal comes up, we actually find that the renewal rates are higher on a NOP basis than any other product. Because the customer, supposing you started with ₹10 lacs and now you're at ₹20 lacs or ₹25 lacs, your ability to change becomes much less, because the person who's going to sell you a fresh ₹25 lacs product will be much more expensive. That is one way that we are handling this thing. And the second, again Yashish touched upon it, is the fact that when you are paying up for a product, you want to ensure that you'll get that service. The promise that we have around claims, the fact that people are getting more and more confident in our ability to handle those claims, is also helping us on the renewal side. I think these are some of the tangible things that we are bringing to the table on the Health side.

Shreya Shivani: That's very useful, especially this product that you've spoken about, that you've partnered with your insurers. So the insurers are not offering it on any other distributor, it's very exclusive with Policybazaar, is it like that?

Management: As you know, by regulation there can be no exclusive products.

Shreya Shivani: Yeah, you are correct.

Management: The reason that I think we have an advantage on them is the fact that because we have better disclosure, because you are able to price the customer better on our platform, it is more economical to offer these to our customers versus others. But of course, insurance companies are free to offer.

Shreya Shivani: Yeah.

Management: What is a good quality distributor? A good quality distributor is somebody who wants to sell more consumer-centric products, which may at times have even lower take rates compared to other take rates. A good quality distributor is one who does decent disclosure of customers compared to the rest of the market, so that companies really understand the risk at the point of inception, and do not have to put in that effort at the point of claims. And a good distributor will work with insurance companies and with its customers to create products that allow the customer to stay in the same product for a longer period of time. A good distributor is not one who just keeps porting customers from left right centre. And that's why I said, we believe we are a good distributor. We have enough data to prove. We believe on the claim side we have now put in enough ability to really solve for claims. We are getting a lot of positive feedback for that from consumers. We believe that is one of the biggest reasons why our fresh growth is what it is. Nothing else explains it. Nothing has changed in our business model, except for the fact that we have gotten much deeper on the claim side. And of course we continue to work. You may have the same product but somebody else may not be as keen to distribute it as you are because you are more focused on those pieces. I think it's not fair for us to say more than that.

Shreya Shivani: Sure. And last question on the traditional Saving products, any colour you can give on any communication from insurers on commission structures, etc.

Management: So obviously, we know we can't discuss anything related to our insurers. I'll just give you a sense, we don't sell participating products on our platform, and non-par is also a small portion of our mix.

Shreya Shivani: And we don't plan to expand into that sector, or right now it's a limited portion for us?

Management: Yeah, right now, we have no plans to.

Shreya Shivani: Okay, thank you so much.

Management: See at a fundamental level whenever lower take rate products become available, you will more often than not find Policybazaar as a distributor jumping towards them and you would find many distributors having an aversion towards them. You can be the best judge on who is going to be the eventual winner. The eventual winner, according to me, will be the one who goes for more and more consumer centric products.

Shreya Shivani: True. Thank you so much.

Management: Thank you Shreya. We will take the next question from Nischint, Kotak. Nischint, please unmute yourself.

Nischint Chawathe: Yeah, could you give some colour on your market share in retail Health? You've been growing very fast for the last 4-5 quarters. Just curious to understand, how the headroom would be?

Management: We have our fingers crossed. We just hope this growth continues for the next 3 years. The fact that we just invested $3 million in additional capacity is just showcasing our hope and confidence both, I would say. I hope we are not proven wrong, and we have confidence that we won't be proven wrong. Let's just leave it there. I think there's no point discussing market shares and all.

Nischint Chawathe: No, that's a fair point. But I'm just saying that as a single player how much market share can one have?

Management: I think we are quite small in the big scheme of things. I think we are overall maybe 3-4% of the overall insurance piece. I think, looking at it in a very segmented granular way, may or may not be the right way. We also worry about those things that you're talking about. They're not for this discussion yet.

Management: I just want to be very clear. We are right now nowhere near any such issue that you are trying to refer to. We are a very small part of the industry. There is a lot of work to be done in terms of getting lot more Indians to be covered. 5.5 Cr Indians have retail health insurance, we are very small. There is a lot of opportunity ahead.

Management: Let me give you a data point, which you perhaps are already aware of. In the US, Health insurance industry is $800 Bn and in India, the Health insurance industry is about $10 Bn. I know the US economy is bigger and their healthcare is bigger. But it's not that same difference, almost 80x is not really explained. My fundamental belief is Health insurance probably needs to be 8 to 10 times bigger, not grow at 15-20%. I think nothing grows in this linear manner. At a very fundamental level, some issues need to be solved for health insurance to be 8-10x of where it is right now. We are working hard to solve those issues rather than worrying about what shares has who become. India is not a country, in my opinion, where you think about these things. You think about how you can change so that the overall structure can change so that it can become 5x-10x rather than worry about okay, who has how much share of what? It doesn't grow that way and I don't think industry will grow that way. In my opinion, either the industry will do well, or it will not do well. Currently, in my opinion, it is not doing well and that's because of issues. Yes, we are doing well but overall there is an issue, and we all know that. I think that issue needs to be resolved.

Nischint Chawathe: If one is kind of looking at around 70+% growth in Health and Life, what would be the increase in lives covered for you?

Management: There is no meaningful increase in ticket size, it's pretty much the same. So there may be some price increase, but an equal amount of multiyear coming down. So actually, ticket size is flat. So precisely, if our total premium has grown by 78%, I would say the number of lives have also grown by 78% for us on fresh business.

Nischint Chawathe: Got it. Finally, within your product mix, do you have some thought process on concentration levels and how you would want to toggle around the various products?

Management: See, our focus is what we've always said, coverage for social security for the middle class. What is social security? It is term insurance; it's health insurance; it's child education cost planning; it is pensions; it is all of those. Yes, we also do motor insurance, we also do two-wheeler insurance. We have a tech-platform that does that. But our focus is extremely clear, where we believe the middle class defined as anybody earning between ₹50,000 to ₹4 lacs-₹5 lacs a month or in that band. The 200 odd million people, there is a solution that they require, and that solution needs to cater to their social security. That social security is if they lose their job; if they die; if they fall sick. There are some serious financial consequences of that. We are trying to make sure those consequences don't happen for them, and they are covered for them. That's basically our focus.

Management: I just want to add that we obviously have a fantastic team which runs the business. We are only representing them, and I think they don't worry too much about the mix. Everybody tries to do their level best to drive the growth of the business that they are running. So if you're running Motor, you're trying to do the best for Motor, you're not really thinking what the health guy is doing. I think we have very fiercely independent teams, and they take their job very sincerely and very seriously. There is no mix that we are trying to reach. We are basically letting everybody do the best that they can, and we try to give them the resources, encouragement and support. That's how I would say, practically the company functions.

Nischint Chawathe: Perfect. Thank you very much. Those were my questions, and all the best.

Management: Thank you, Nischint. We'll take the next question from Nidhesh Jain, Investec. Nidhesh, please unmute yourself.

Nidhesh Jain: My first question is on the Reinsurance business. Is there an update on the reinsurance business, which we proposed, I think last year?

Management: We got a license, few months ago. We have set up a small team led by one of our strongest managers. He, and along with his team are working on it. I think it'll take us a while to figure out. Our focus continues to be that how can we leverage the fact that we are so big in retail and create better propositions for customers. I think over a period of time, you'll see some progress on that.

Nidhesh Jain: This business will be on Reinsurance broking or Reinsurance manufacturing?

Management: No, we are clearly not manufacturers. There are two things we do not do. We are never an insurance company; we are never an NBFC. Those are two things we just do not do, at least as of now. If anything changes, we'll let you know. But there is no intention of changing on those things.

Nidhesh Jain: Okay, sure. Second is on the Paisabazaar business. Is there a thought or process to build a similar business to POSP; aggregating small DSAs all across India. If yes, how we plan to do that?

Management: I think in Paisabazaar we are spending a bit of time reviewing the strategy. So give us some time to come back on that. Currently, we have a business which is non POSP, which is mostly unsecured credit. There is a possibility we could build a POSP business on the secured side. There are 2-3 players that exist on the POSP secured side, each doing about ₹600 Cr of revenue. There are three players out there, as I see it. We feel that is an opportunity that we might leverage, but we really want to be very precise about our direction on Paisabazaar before we act from here onwards.

Nidhesh Jain: Yeah. Lastly, if you can share the EBITDA and contribution margin of the Credit business for the quarter.

Management: Yeah, it's the same ballpark. If the total is 14%, maybe all is between 10 to 15%, at EBITDA level. On the contribution side again, they are similar. In fact, I would say the Credit business is a slightly higher contribution, as you would expect, because the operating cost on the Credit business is usually lower. The Credit business, if anything, is a slightly higher on the contribution side and slightly lower on the EBITDA side.

Nidhesh Jain: Okay. Thank you.

Management: Yeah, because there is a cost to running an infrastructure.

Management: Thank you, Nidhesh. We'll take the next question from Jayant Kharote, Jefferies. Jayant, please unmute yourself.

Jayant Kharote: Hi Yashish! Congrats to the whole team for the great set of numbers. Growth certainly looks heady. On the contribution margin, just picking up brains, if I look at this $3 million investment, the actual contribution margin might actually have expanded this quarter to north of 45%. But you also mentioned to another question that the higher contribution or mix change from

Health and Savings would have led to some lower margin. So I'm just trying to marry the two and understand what has happened.

Management: Yeah, we are at this moment focused on growth here. We are confident and hoping and praying that the growth continues. From whatever inquiry base, etc., we can see things feel good and in preparation for that, we don't want to optimize. As I said, as a company, we are in that phase where we are growing like a kid. At this point we don't want to optimize on the input of protein. There will be a time when we do that. It's not right now, but I'm sure that time will come, and that's a very easy thing to do. Trust me, that's a very, very easy thing to do. It's not a difficult thing to do when we want to do it. But it's not something that is the focus right now. But you're right, we spent about $3 million extra in this quarter on the operating cost than we had to if we just had to maintain just this quarter sales. That is, more in anticipation of future quarters, higher growth, etc.

Jayant Kharote: So is it fair to assume next quarter if current growth rate continues, this recovers?

Management: Nothing happens in quarters, don't get into all that. The only thing I can predict very precisely is renewal rates and renewal premium, which I've already done. Nobody can say what will happen in September. We have some idea of what's going on in August and July, but it's very difficult to predict here.

Jayant Kharote: No, I was trying to say about the new OpEx that you have done.

Management: I do not want to get into that business of you what will it be next quarter, and all that stuff. Where we can we are, and we are very open about it. Where we can't, we can't.

Jayant Kharote: Okay, understood. One question, which I've asked you last quarter as well, is the renewal take rate. It seems to have again moved up to a very healthy 7%+ number. As the renewals stack up in the next three quarters, you confident of maintaining this one?

Management: That must be just a product mix shift or something.

Management: Yeah, it is a shift between products but there is nothing in it. It's not like we've negotiated better rates or anything like that. It's a very stable equilibrium right now. And yeah, we're just continuing with it.

Jayant Kharote: Okay, thank you. Congrats once again for a great set of numbers.

Management: Thank you Jayant. We will take the last question from Sanketh Godha, Avendus. Sanketh, please unmute yourself.

Sanketh Godha: You can hear me, right?

Management: Yes, yes.

Sanketh Godha: One basic question which I had is that you said that you spend almost ₹25 Cr on creating capacity. Just wanted to understand if this has been done on Core or predominantly on POSP?

Management: On Core, only Core.

Sanketh Godha: Okay. Second question which I had on PoSP Revenue recognition, and to the extent I understand the sector. In the past before EoM, the payout to the PoSP were done by the insurance companies directly, and you used to get the net part in the top line. Now, the payout is happening at a gross level to the distributor and you guys pay down to the PoSP. So that got effective from which quarter, probably from the second quarter of the last year? I just wanted to understand how things have changed.

Management: Sanketh, while I respect the question. It's an irrelevant question, there's no such change in our system. In our system, the revenue we are reporting are like for like; apple for apple. There is no game there. If I was to just look at premiums alone, this quarter PoSP premium was ₹1,000 Cr and in Q1, last year, the premium was ₹360 Cr.

Management: So that is what explains it. So obviously, if the premium has grown, there's some revenue also attached to that.

Sanketh Godha: Got it. Lastly, when you said you invested ₹25 Cr in Core. Is it largely to strengthen your offline strategy within the Core?

Management: There is no such precision. There would be both capacity build; capacity is both at the call centre and at the Feet on Street. Please appreciate Feet on Street is about 20% of sales right now. So it's not just feet on street. I'm sure it happens in many ways. You would go into different linguistic centres; you would go into new places. When we say, investing ahead of capacity, it is capacity, which would not have delivered value in this quarter. But obviously our hope is that within 3-6 months that capacity starts to break-even. Not just hope, all our data is pointing in that direction. It is just we have built it up a little faster than we usually would have.

Sanketh Godha: Got it. Lastly, this 78% growth what you said in Life and Health. That is only reflected to Core. It is not a PoSP and Core put together?

Management: No, that is just the Core business, and that is just the fresh business. See; please understand our value driver is our fresh Health and Life business of the Core. Yeah, the PoSP business gives us a lot of volume. It is not a long-term profit driver for the company. Long term, maybe 5% of our profit might lie in the PoSP business, or maybe 10%, but it cannot be more than that. So when the engine works, we feel very happy because the engine working delivers all this Renewals. Renewals are not earned in the same year, as I said; I cannot change my renewals too dramatically. If we say 45, it could be 44 at worst, could be 46 at best. It will not change much more than that in any given year. It is vastly the work of the past engine that is paying up now. But the engine of growth is this. I think that is where we feel good.

Sanketh Godha: Got it perfect. That is it from my side. Thank you very much.

Management: Thank you very much everybody for joining today. We appreciate your time and hope we could clarify a lot of your questions. Thank you. Have a great day!