



May 29, 2023

To

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
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Bandra (East), Mumbai – 400051

BSE Limited
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Phiroze Jeejeebhoy Towers,
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Mumbai – 400001

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Sub: Transcript of the Earnings Call conducted on May 22, 2023

Dear Sir/Madam,

In furtherance to our earlier communication dated May 17, 2023 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of the Earnings Conference Call conducted on May 22, 2023.

The transcript of Earnings Conference Call will also be hosted on the website of the Company at <https://www.pbfintech.in/investor-relations/>.

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

Yours Sincerely,
For PB Fintech Limited

Bhasker Joshi
Company Secretary & Compliance Officer

Encl.: A/a

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“PB Fintech
Q4 FY2022-23 Earnings Conference Call”

May 22, 2023



MANAGEMENT: MR. YASHISH DAHIYA – CHAIRMAN – PB FINTECH
MR. ALOK BANSAL – EXECUTIVE VICE CHAIRMAN –
PB FINTECH
MR. SARBVIR SINGH – PRESIDENT - POLICYBAZAAR
MR. NAVEEN KUKREJA – CHIEF EXECUTIVE OFFICER
– PAISABAZAAR
MR. MANDEEP MEHTA – GROUP CHIEF FINANCIAL
OFFICER – PB FINTECH
MS. RASLEEN KAUR – HEAD, CORPORATE STRATEGY
& INVESTOR RELATIONS – PB FINTECH

Moderator: Ladies and gentlemen, good day, and welcome to the PB Fintech Earnings Call for quarter 4 Financial Year 2022-'23. We have with us Mr. Yashish Dahiya, Chairman; Mr. Alok Bansal, Executive Vice Chairman; Mr. Sarbvir Singh, Joint CEO; Mr. Naveen Kukreja, CEO, Paisabazaar; Mr. Mandeep Mehta, Group CFO; Ms. Rasleen Kaur, Head, Corporate Strategy & Investor Relations. As a reminder all participant lines will be in the listen-only mode and anyone who wishes to ask a question may enter star and one on their touchtone phone. To remove yourself from the queue please enter star and two. Should you need assistance during the conference call, please signal and operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Yashish Dahiya. Thank you, and over to you, sir.

Yashish Dahiya: Thank you very much. Without further ado, we are laying out our performance results for the quarter and year-ended March 31, 2023, which was the last year.

Our revenue grew to ₹2,558 crores, marking growth of 80% over FY'22. Our Q4 revenue is ₹869 crores, which is 61% Y-o-Y growth. And our PAT loss reduced from ₹220 crores in the previous year same quarter to ₹9 crores this year. That's a margin of about minus 1%. It was minus 41% last year.

On an adjusted EBITDA basis, we were ₹28 crores positive for Q4, which is a 3% margin. This last year was minus ₹80 crores, which was minus 15% margin. And both the growth of the core business as well as new initiative loss reduction have contributed to this. Our existing business adjusted EBITDA increased by ₹54 crores for the quarter and ₹218 crores for the year as compared to the same period last year.

If you recollect, we had spoken about ₹150 crores to ₹200 crores every year kind of increment, so that's ₹218 crores in the last year. This growth is driven by primarily 3 things, 1. renewal income which is the most robust part of the growth, obviously, because that's sort of done because of our past effort, not for this year's effort, 2. growth of new business and 3. higher efficiencies in new business. So our annual run rate on the renewal income is now ₹388 crores, which was ₹265 crores last year in the same quarter, this typically operates at about 85% margin and is a significant source of profit growth.

We are now at an annual run rate of about ₹14,000 crores insurance premium. The operating metric we look at is the premium per inquiry which is now at ₹1,754 which is our highest ever, it is 27% higher than last year. However, I have to add here that while this is for the full quarter, March has some contribution too because March was an exceptional month from a savings business perspective where certain tax advantages led to higher sales of the savings products than usual. Our CSAT continues to stay at 88%.

Our existing business did ₹504 crores for Q4 and out of this credit linked revenue was ₹120 crores. The credit business continues to grow quite decently and has been EBITDA positive now since December 2022. We are now at a run rate of about ₹15,000 crores disbursal and more than 0.5 million credit card issuances on an annualized basis.

Approximately 35 million customers have accessed the credit score platform. In the credit cards, key theme and lending, key theme is digitization, today 75% of the cards being issued are end-to-end digital. While this may not seem like a lot but in the past this was not the case. They were much, much lower. Until a few years ago, end-to-end digital was almost negligible. Co-created product strategy is shaping up well with now 6 products we have which are on co-created platform.

Our new initiative revenue has obviously grown quite well that is ₹365 crores in Q4 and the adjusted EBITDA loss on new initiatives is ₹36 crores, again moving from a margin of minus 51% to a margin of minus 1% given where we are right now. This explains that why we have grown, our losses have come down, so if you recollect our new initiative losses have peaked at ₹90 crores, they are down to ₹36 crores now.

PB Partners, our agency aggregator platform, continues to lead the market in scale and efficiency of operations, has the highest portion of non-motor business, now 34% and is presently in 15,000 pin codes in India. Our UAE business has grown 2.7x, so new initiatives continue to do well, continue to scale well. We are fairly hopeful of having a positive PAT in our current year, which is 2023-'24. And happy to take questions now.

Moderator: The first question is from the line of Madhukar Ladha from Nuvama. Please go ahead.

Madhukar Ladha: Sir, I wanted to get a sense of March, as you said, was an exceptional month. Maybe you could give us some color on what -- how much you would quantify as additional insurance sales in the month of March. And also, my sense is that there could also be some prebuying given the tax incentive expire. So although the ticket sizes would not have been more than ₹5 lakhs even in the lower ticket size we could have seen some prebuying. So maybe you could help us understand what you're seeing out there?

Management: I will request Sarbvir to answer that question.

Management: March affected mainly our savings business, both on the core side as well as in PB Partners. We estimate as in different front to save tax expiry, we estimated that in our overall business, I mean, if you look at our overall roughly ₹2,100 crores of business, 7%, 8% difference would be there because of March. And yes, you're absolutely right that clearly, in April, there was an impact of excess -- there was some demand which got pulled forward to March. So clearly, April was slow. And you've seen the industry numbers, I'm sure you would have seen that.

Management: That is the savings business. However, on the term business, it would have been a pretty strong month...

Madhukar Ladha: Understood. Got it. And second, I wanted to ask a question on PB Partners. So now this is the first quarter where we'll see some renewal revenue, correct me if I'm wrong, in PB Partners. I want to understand what will be the economics on the renewal business in PB Partners.

Management: So I would say that renewal revenue is still small in PB Partners partly because the renewal rates in this business is not as good as the renewal rates in our direct-to-consumer business. So

right now, I wouldn't necessarily call them out and say that it would be a big issue or a big delta.

As far as the economics is concerned, the economics are slightly better in the renewal than they are on the fresh business, as you would imagine. But again, it's not a meaningful number at this point.

Madhukar Ladha: So the take rates would be equivalent on the renewal business as they would be on the new business on the PB Partners side?

Management: Pretty much. I would say pretty much because the renewal business works a lot like a new business almost. In motor insurance, see, largely the renewal business is on the motor portfolio. The life portfolio will merge this year. On the motor side, the renewal is pretty close to the new business. And for the life business economics will be different because there, the renewal revenue is obviously different than the franchise.

Madhukar Ladha: Understood. Understood. And I haven't gotten a chance to obviously take a look at your presentation because things were delayed and it's just now -- just come right while the call is on. What was the growth in new business for term and health? Have you called that out?

Management: We don't call that out separately. We don't call out segment by segment. But new business growth was 31%.

Madhukar Ladha: For all of life or this is life and general put together?

Management: Yes, we're looking at life and health, both.

Madhukar Ladha: That's term and health, right, then 31%?

Management: That's term savings and health.

Madhukar Ladha: Even savings. Okay. Understood. Yes. Understood. All right. That's it from my side. I'll come back in the queue as I go through the presentation.

Moderator: Thank you. The next question is from the line of Arjun Vikas from Alpha Wave Global. Please go ahead.

Arjun Vikas: Congratulation on great set of numbers. Just quick questions. Again, I didn't have a chance to go through the presentation, but I wanted to check if we call out any revenue or growth split on the Paisabazaar side between credit cards and personal loans and other products?

Management: Like we mentioned, we don't give segment-wise growth. But we have mentioned actually the growth rates for personal loans and credit cards in the presentation. So on a Y-o-Y basis, credit disbursement grew by 53% and credit cards would be in the range of about 80%.

Arjun Vikas: Understood. And just to a hygiene question, given the macro environment that we are in, just wanted to check on the fixed expenses side how much of an increase are you expecting in head count as well as salary per head kind of at an average level going into FY '24?

Management: Yes. I think fixed expenses should increase by about 8% from March to April. So quarter-on-quarter, you should see about an 8% increase. And for the year, then you should not see an increase from there onwards. I just have a small clarification on the previous question as well, Arjun, because I know this can cause a calculation mistake. The core business to be very specific, the extra business we got because of the high value or the savings part on the core side was about ₹50 crores. So as you look at the performance, when you look at that 31%, you probably need to take that out to kind of take a genuine year-on-year comparison.

Moderator: Thank you. The next question is from the line of Sachin Dixit from JM Financial. Please go ahead.

Sachin Dixit: Congrats on a great result. Quickly on the piece on how the savings piece would have benefited in March quarter, right? So, currently, already sitting 2 months in Q1. Do you see that sort of reversing and on a like-to-like basis there might be a drop in numbers on the premium issued?

Management: I'll take that. I think April, clearly, you saw the industry was down year-on-year on the retail side. I think that is there. May, we'll have to see how it happens. The May looks better than April, but I think there will be an impact, I think this -- March was an exceptional month and definitely, there'll be some impact into this quarter as well.

Sachin Dixit: Understood. And another question on the new initiative piece, I see we are now running at almost ₹365 crores in revenue while the core Policybazaar based revenue is close ₹390 crores. As far as my quick math has helped me, so I think with the scale at which it has reached, can you also share some more operating metrics on the line as in like you mentioned pin codes -- how many partners, what is the churn rate, any such details there?

Management: I think it's best to kind of see it's a market where -- competitive market, there are lot of players. And I think it's best to stay with these numbers. I would also not get carried away by Q4 and say that both those numbers are not really comparable. These are 2 very different types of businesses. And I think the retail revenue of ₹380-odd crores, almost ₹400 crores is, I think, significantly more valuable than the POSP revenue.

Sachin Dixit: Yes, I agree. I just mean at the scale at which we are operating, it will be great to have some more color there?

Management: Sure, we'll consider that. We'll think about what are the metrics we can present.

Sachin Dixit: And just final one question, if I can squeeze in. Any color on what the renewal mix looks like this quarter? I know this is a question that troubles us every quarter.

Management: Renewal mix in the sense?

Sachin Dixit: In the core Policybazaar premium, what percentage is renewal?

Management: The renewal rate, I think, has been improving over the years. So there is no particular change there. So I -- on a premium basis, of the premium that we collected the previous year, this year

on health about 103% get renewed. So there is no change whatsoever that one needs to I talk about in terms of health renewals or any other renewals.

Moderator: Thank you. The next question is from the line of Nidhesh from Investec. Please go ahead.

Nidhesh: So firstly, can you talk about -- you mentioned that there are better efficiencies on the new business than our online business. So can you quantify that how the contribution margin or EBITDA margin in the new business panning out on the insurance side?

Management: I think -- I would say that because of the extra scale that we got in Q4, right, so you would have seen throughout the year, we almost take anywhere between 40% to 60% of the incremental revenue falls to the bottom line. And in a quarter like Q4, it's towards the higher end of that range. And so what is really happening is that when you -- when you're able to increase your revenue beyond a certain point, it drops to the bottom line.

And that's what really happened. So the same 3 levers that Yashish mentioned, one is growth in new revenue, I mean new business; second renewal revenue; and third, in overall efficiencies that we have in terms of our fixed cost. So I think these are the 3 levers that played out in Q4. A little bit higher than in previous quarters because the revenue was higher.

Management: If you think about it in the year-on-year on Q4, our core business revenue is up by about ₹118 crores, and that has led to a ₹54 crores extra EBITDA. If you look at on annualized basis, the revenues are ₹510 crores that led to a ₹218 crores extra EBITDA. So essentially, what Sarbvir is saying, roughly 40% plus is flowing through the EBITDA. If you look at the contribution level, roughly 55% to 60%, let's say, 55% is flowing into the contribution. Now our margins are not 55%, so that's a combination of renewal revenue being a slightly larger proportion and maybe you get some impact from that and the remaining impact is just because as you grow, your fixed costs are not growing, you get that impact as well and some efficiencies on the core business in terms of operating efficiency.

Nidhesh: Sure, sure. And so -- if you look at from -- next 2, 3 years point of view, I think, renewal income are growing in proportion of -- renewal income growing and improving our profitability is quite clear. But do we also expect that the new business will start to make profit and there the margins will improve significantly given the scale that we will reach?

Management: We don't do calculations in that manner that new business and renewal business profitability is calculated separately because the renewals cannot happen. Please appreciate without the engine the bogies can't move. See you can't have renewal if you don't have fresh business, so that's absolutely dependent on it. It's accumulation of the past efforts that's happened. And that we cannot -- the thing that's important is the new business growth. From financial perspective, it's important to consider renewals that's all. But we look at it as a NPV internally.

We expect our new business over a long – medium-ish term to keep growing at 30%-ish also and that if we don't grow at that rate then of course that is the question mark but otherwise we think the industry will grow at about 10%, 15% and we should grow at 2 to 3 times the industry levels.

Nidhesh: Let me try to flip the question. So NPV per unit of premium in the online business, has that been trending upwards and if you can just share the degree of increase in NPV as percentage of premium for us or let's say in last 3 years, it was x percentage and now it has become 2x percentage or something like that.

Management: It's a non-GAAP number, right now it's at about 2.8x which is basically your NPV divided by direct costs. Now if you want a sense of it, that's about 2.8x...

Nidhesh: Okay. And then what was the number approximately, let's say, 3 years back or 4 years back if you can share?

Management: There are many things here, see, it depends on the mix, it depends on multiple meritorial factors. Typically, as the management team, we do not to look at the current year output only. We say does it make sense for the company in medium to long term. Just to give you a very simple example. Suppose in a particular product line. Our contribution in the first year is 0, but we know at the NPV level this is a very, very healthy business to do. In such a case, we will be very, very clear that we want to increase the new business as much as possible even though in the short term it will result into a little bit of mix change and it can look worse as a total percentage contribution which will come out of it. But eventually for the company perspective in medium term, that's the best thing to do. As Yashish said, eventually, it's the engine which will drive the bogies. So we have to invest in getting more business if it's possible. So as a management team, we are very clear on these things.

Now there is a mix change for a particular reason in a particular quarter. Obviously, you made a little bit number. But practically, if you look at any particular vertical, whether it's life, health or motor and not look at a quarter-on-quarter movement, things have not changed drastically. There is improvement, which is a very, very gradual slow improvement. So there is no drastic change anywhere as such.

Nidhesh: Sure. And lastly, on the credit business, that business is doing really well in terms of growth, profitability. So what is the outlook there? What sort of growth we envisage in that business over the next 2 to 3 years?

Management: Sure. So as you can see from the presentation, on a full year basis, our disbursements grew by about 75% and our card -- credit card issuance growth was higher than that.

In credit, if you look at the industry, the industry in a good year grows by about 16%, 17%, 18%. And then every 5, 6 years, there's some downturn. So on a 5-year CAGR basis, it grows by about 13%, 14%. We have a similar philosophy that as a digital business who is in a growth stage, we should grow by about 3 to 4x of the industry. So we are hoping that we can continue to maintain that momentum, which we've done in the last couple of years.

And on the profitability side, we've now shown and demonstrated that we are able to operate at 40% or thereabouts margin and the incremental business is happening at that kind of margin. And hence, with the efficiency coming in from a fixed cost perspective, the EBITDA ratios have continuously improved, resulting in we becoming adjusted EBITDA positive from December onwards. So we'll continue to see improvement in the ratios going forward.

- Nidhesh:** Sure -- and just as a follow-up on that. I noticed that the share of trail revenue -- trail in disbursement and trailing credit cards has decreased. So what is driving that? And does it impacting our current year -- current quarter's revenue on a trail basis?
- Management:** Sure. So yes, Nidhesh, I think you would have seen in the last couple of quarters that we have undertaken the co-created strategy where we work with the lending partners or credit card partners and co-create the products either to expand the market or innovate on the product or the process side. In some of these partnerships, our revenue is for the lifetime of the product, resulting in a very healthy trend. And strategically also, it helps us build a trail revenue, which starts to operate very similar to the trail revenue or annual revenue in insurance coming in at 85% or so margin. It is a new relative strategy.
- You're right that we have -- if you can see the NPV or the trail revenue for the last quarter I think you mentioned it, it's about 10% of our revenue. And we are right now investing into increasing the trail, which means that, yes, there is a short-term revenue that we are pushing out in the future but despite that we've managed to kind of maintain the 40% margin and come adjusted EBITDA profitable. So in future, from a 1, 2, 3-year perspective, we are hoping that this will actually strengthen our profitability position as the trail revenue next year starts to come in at 85% margin.
- Moderator:** Thank you. The next question is from the line of Arya Sen from Franklin Templeton. Please go ahead.
- Arya Sen:** I just wanted to reconfirm that the estimate you gave of additional revenue because of the closing of savings product is ₹50 crores.
- Management:** On the core business, I just wanted to clarify, on the core business, the policies we received, which are ₹5 lakh plus etcetera that was exactly ₹47 crores, the premium, the premium I received on the core business in March quarter, our policies which were more than ₹5 lakh for ₹47 crores. Now you could make your own assumptions on how many of the policy is less than ₹5 lakhs, etcetera.
- Management:** And we have maintained that ours is a platform where customers come for very different reasons. So this impact was much less for us compared to the industry. Yes, there was obviously an impact as Yashish mentioned but it was very, very, very muted.
- Management:** I would say this ₹47 crores, a bulk of it would not have come if that single event wasn't there. So yes, it was a onetime event, I would say. Maybe if that event wasn't there, this ₹47 crores might have been ₹7 crores, I don't know. I've been giving you a broad assessment, but yes, there was a little bit extra that we received, and that is the case. And that is the premium level, that's not the revenue level, of course.
- Arya Sen:** Sir, and the ₹50 crores you mentioned earlier is also at premium level or at revenue level?
- Management:** That ₹50 crores is ₹47 crores. I was just giving the exact number rather than a random...
- Arya Sen:** But that is at premium level, not at revenue level?

- Management:** It's a premium.
- Management:** Yes, yes, premium level. It is at a premium level, yes.
- Arya Sen:** Because, I mean, the related question would have been the POSP business seems to have seen a sharp jump and the jump in the non-POSP business is much less that we are saying that effectively there was not that much of a contribution from this as full?
- Management:** On the core business, I'm explaining, let's say, on the core business, let's leave the POSP out of it. The core business, it was about ₹47 crores. POSP, net margin -- look, guys, look, let's not get confused about POSP a bit too much. Yes, the ₹365 crores or whatever ₹350 crores is a great number to get excited about. The net revenue is roughly zero on POSP. So I think that's what you keep in mind. It's basically a pass-through business at the end of it. So let's just keep that at the back of our mind before we kind of start really deliberating upon how POSP is becoming bigger than the core business and all that stuff. It's the payment gateway kind of business.
- Management:** And Arya, we have been investing in building out the life and health in PB Partners as well but again, like any other business that's your biz you need to improve. And there would have been a little bit impact of preponing on that part of the business. But it's a very, very tough to estimate how much is the profit from up till March since we have been building it up over the last six, eight months. So right now, health and life has become meaningful but we will have to see over in years or in many quarters, not years, to say that, that is the real sustainable number because just looking at one month won't give us too much information on the PB Partners increase of life and health.
- Management:** Yes, we feel good about the PB Partners business. We feel very good about it, very confident. We're going to maintain leadership in that business. We feel good about all aspects of it. But comparing it to the core business would be -- we would be thinking very differently.
- Management:** See the main highlight of the PB Partners, to be honest, Arya is, at least two highlights. One, our total loss in all entities put together is less than 10% of revenue. And the second one, our contribution, which is the operating margin in a way, it is minus 1%. So we are almost broken even on the operating side on the new initiatives. So from new initiatives perspective, those are the two main points to be noted rather than just the top line.
- Arya Sen:** Sure. And I haven't gone through the presentation. So is there any change in your FY '24 additional EBITDA guidance in the core business? Earlier you were indicating ₹150 crores to ₹200 crores, right? So that remains or is there any change to it?
- Management:** So see we had given a few guidances in the past, which we are not changing, which is we should be -- we hope to be and feel confident we should be PAT positive next year. We also have given some guidance on the PAT being about ₹1,000 crores in '26-'27, those two stays.
- Moderator:** The next question is from the line of Amit Jeswani from Stallion Asset.

- Amit Jeswani:** I was just trying to figure out -- so one thing is very clear, that ₹50 crores is the premium, right? I will just repeat this again. ₹50 crores is just the premium, right.
- Management:** Yes. ₹47 crores is the additional premium in savings and our entire business gained because of this tax impact, on the core business, right. That is the premium, it's not revenue. That would broadly translate to about ₹14 crores, ₹15 crores of revenue, broadly.
- Amit Jeswani:** You've done well, Yashish. You've done well this quarter, congratulations on that first of all. So Yashish, two points. First, just trying to think about FY '24. You said your fixed costs will go up 8% this year, okay. On the existing...
- Management:** No, that is to be clarified. I said March, which is last quarter fixed cost.
- Amit Jeswani:** Got it, March quarter.
- Management:** Yes, the March quarter.
- Amit Jeswani:** Okay, okay, so we are at ₹1,700 crores revenues on the existing business. And you said we should grow 2x to 3x faster than the industry, for the existing business, is that what you meant?
- Management:** Absolutely.
- Amit Jeswani:** Okay, 2x to 3x faster. Got it. And Yashish just one question on April dip, how large is typically the dip between Q1 and Q4 on the B2C business, the existing business? Because Paisabazaar don't get impacted. I'm just trying to understand the Policybazaar impact.
- Management:** So let us go through that a little bit. I'll just hand over to Sarbvir in one minute. The impact, you will see will only be on the savings business. And while we don't break out health and life, actually we are seeing some players in health and life compared to the last 12 months. So health and life are actually growing a little better than the past.
- Management:** Typically, Q1 is 10% to 15% below Q4. In savings this year, that number will be much higher. As Yashish mentioned, in term and health, we are, on a year-on-year basis, seeing very good progress so far. So we'll see how it all shakes out. We still have another 40 days, 45 days to go. So we'll see how it all shakes out. But I think there is a normal seasonality of Q1 from Q4. And this year, that will be a little bit more exaggerated because one part of the business will see a bigger-than-usual drop. Yes. I think that's how I will leave it at this point.
- Management:** And I think, one last thing, I think the savings business is not seeing an impact only because people utilize March. I would say the ₹47 crores of premium that came to us in the core business was perhaps business -- a lot of it may not have come to us in the normal course of event, those customers may not have come to us in the normal course of events, but there is also another impact that we should -- we are able to start seeing some which is the two types of tax structures.
- And I believe a lot more customers will end up choosing the type of tax structure which is the more simple tax structure, and that should also have some impact on savings. There are of course opportunities as well, which we are working on because people who used to think you

invest ₹1.5 lakhs could start thinking they're going to invest about ₹5 lakhs. So lots of things that are going on, but broadly tax is becoming less and less of a reason to buy savings products.

Management:

See, one thing that we always maintained, the whole Policybazaar business is about three Ds. Death, disease and disability. Yes, we do savings, we do motor, but the focus has always been on term and health. Now in a particular quarter, it may look better or worse, but those are very, very short-term trends. There can be so many different things which may happen, some not in our control, some in control. COVID was a very big, two years period where all the data actually has become quite junk to be honest. It is very tough to extrapolate based on what happened in the last two years because of COVID.

Overall, if you look at the trend and the opportunity in term insurance and health insurance, that's massive. And that continues to be the case, not today, not next year, but for many, many years to come. And as more-and-more people are becoming aware of the need of these products and as we are able to drive more innovation, easier way of buying, giving more confidence to a customer around the claim part, I think that will just help the escalation of people wanting to buy these products on their own. And when they want to buy, they come to Policybazaar, and we obviously benefit out of that.

Amit Jeswani:

Got it. So I was just seeing at revenue delta on the existing business, okay? Has the ₹500 crores and our contribution delta has been ₹280 crores. If I fundamentally think about a 30% kind of growth, that means we'll grow at ₹510 crores again next year. Would it be fair to say our contribution growth will be ₹282 crores, again, or is it higher or lower?

Management:

No, we won't get into that debate and conversation...

Amit Jeswani:

Our cost is growing by 8% fundamentally. And if our revenues grow at 30%, there is a lot of operating leverage. So I believe...

Management:

I will not comment on your analysis, but your analysis is your own. And I think I would like to stop there. We've given the past, and okay, so there are no tricks in the past. There's no game. So maybe your math is right. Maybe, not.

Moderator:

The next question is from the line of Samyak Shah from Dinero Wealth.

Samyak Shah:

Yes. So sir, could you please talk about the online marketing and consulting business. So I wanted to understand how the fees are charged in this business? And how should we look at the revenue growth three years from -- for the next three years?

Management:

Some of the revenues which we may have, where we may be doing some marketing activities for some insurance companies or some others.

Samyak Shah:

Okay. And in terms of the number of policies sold, if we see since FY '21, the growth in number of policies sold hasn't been much, but the premium per policy has increased. So what could be the reason behind it? And when can we see the number of policies sold growing?

Management: Sir, the reason you are seeing it that way also is that the mix has changed, so our life and health businesses, which have a much higher ticket size, compared to our motor and two-wheeler business have grown in as a proportion. So that's why when you -- actually, if you divide it, the way you are doing it, it's actually not that useful because different businesses have totally different ticket size. So what you're really seeing is a mix effect rather than any individual effect. But yes, I think NOP growth is a challenge for the industry, not as much for us, but it's something that we keep working on.

Management: And also, as you look at the time period you are speaking about, '21 to '23, let's say, the growth in the two-wheeler segment and the motor segment has been much, much lower. I don't have the exact numbers in front of me, but I think the delta in growth rates between the two might be almost 30% or so between health and savings versus two-wheeler and motor and that is what will explain, so there will be a difference in -- that significant difference in terms of premium rates. And it's not that a number of policies are not increasing.

Management: But yes, number of policies -- number of two wheelers are not increasing for our market sales.

Samyak Shah: Okay. And sir, one last final question. So would you like to give any indication or guidance for capex for the FY '24 and '25?

Management: capex?

Samyak Shah: Yes.

Management: In our business, the only capex we do is the computers, laptops and server...

Management: Yes, typically, if you look at the depreciation number that we have, that's also very, very low because by means of the business, we don't have any capex.

Samyak Shah: Sir, one of the interviews I've heard you talk about front load in the capex for the business. So I was referring to that.

Management: I think there may be some confusion here. We don't really have any material capex to talk about. I think it might be a comparison with other businesses that may have a large capex, so I think, I understand we're talking about one of the interviews what I was explaining was suppose if we have a steel plant, you'll have a lot of capex. And that obviously gets counted as capex.

Whereas if you really think about in similar terms, our brand and our infrastructure, our technology platform as well as our brand spend, that is, in a way, our capex, which builds future traffic, like today we get about more than 80% of our sales come without any need of marketing spend, that cannot come if we hadn't built a brand as we started with infrastructure to kind of attract so many customers in a meaningful manner. So I think I was referring to that. But we ourselves do not have a material capex line.

Management: Yes, see broadly, there have been a lot of questions in the past around the loss that companies like us make on initiatives. Now as we mentioned, when you have initiatives which are more

digital in nature, that does not really require a balance sheet investment. In such cases, all the investment that you do on brand, on marketing, on tech development, technically is done because you want to build that business. But the nature of these spendings are such that they have to come in P&L, and that's what basically we're trying to say in that interview that some businesses require capex but we don't require capex and whatever we do comes in the P&L every year.

Management: Guys, those explanations are not meant for you guys. You are analysts, you are professional investors. Those are meant for the retail consumers because many a times retail consumer gets hassled by businesses like this, losses and valuations and all that stuff. We are trying to explain to the retail consumer that look, you all don't compare it to a steel plant, etcetera. So obviously, that's not meant for this group, yes. That's like the ₹150 crores, ₹200 crores extra EBITDA every year is not meant for this group. It was meant for the retail investor to understand. You guys obviously on your excel, guys, you don't need me to explain that.

Moderator: The next question is from the line of Sachin Dixit from JM Financial.

Sachin Dixit: Quickly any update on Bima Sugam, like, its been a while that nothing has come out from media or anything?

Management: We haven't specifically heard anything, but I think we say of the opinion that any platform is a very welcome change, and it is great for us to have access to a lot more services which should help us expand our business. And yes, we feel very hopeful about it. But yes, we haven't had any official update recently. Yes, that's it.

Sachin Dixit: Okay. Just one more housekeeping question. Like you said last quarter, can you break down premium between core, new initiatives, corporate and PB Partners?

Management: We will get back to you. I think we will give you the numbers.

Moderator: The next question is from the line of Nischint Chawathe from Kotak Institutional Equities.

Nischint Chawathe On similar lines, you have been sharing the renewal premium figure as well, if you could share that for the fourth quarter?

Management: So if you look at the core business in Q4, premiums are ₹2,643 crores.

Yes. But actually, you know what about ₹2,520 crores is the core business -- ₹2,520 crores is the core business. And that is actually evenly split between new and renewal.

Nischint Chawathe Got it. And I think if I calculate your take rate, which is just very simply revenue divided by the total premium, that ratio seems to have gone up this quarter significantly. So how should we read that?

Management: That is a little bit again, if you notice that has been inching up a bit because of the mix change. And again, this quarter because the life business was a little bigger than normal, that would -- that's the main reason it could happen. Otherwise, sort of quarter-to-quarter, line-by-line, the take rates haven't changed.

Management: Mix change in our business, there's nothing that changes suddenly, you know this better than us. So there is a bit of a mix change which may drive this sort of behavior, the numbers. But if you look at product lines, nothing else changed.

Nischint Chawathe Got it. And one small question, and this is on new initiatives. I'm looking at slide nine. There is a significant, almost doubling of revenue, but you still sort of seem to be in red EBITDA range. So at what point of time do you really breakeven? And I know it's a very small portion, but still.

Management: I think the guidance we've given is '26-'27, our new initiatives will not be negative. They'll be pretty close to -- and we built our new initiatives, see, new initiatives are competitive area, right? So we've given ourselves that leeway of a two, three years where we are confident we're getting to that profitability. But we've given ourselves two, three years of leeway that if we have to compete -- it's like a marathon, right?

And we don't know when the other guy is going to run a bit faster for the next 3 kilometers. And so we will see how we handle that situation. Simply, we don't want to say how we will run the entire marathon, but we are very confident that over a three year -- businesses demand a certain return and [inaudible 0:50:42] by that. And that implies we will not be making losses because others will also have to kind of breakeven at some stage.

Management: Nischint, these are still in the buildout phase, the investment that we are doing today about a \$5 million number per quarter, that's what we want to maintain for the time being. I think a percentage of what the whole business is delivering, it will continue to come down and you have to actually invest in these businesses right now. That as Yashish mentioned, in the next three years, by FY '27, we definitely want to be in a position where you don't need to invest anymore. But stay the path to get to that number. And currently, we are very comfortable with about the \$5 million investment part.

Nischint Chawathe Fair point. I'm just trying to -- I was just wondering whether there is any movement within the internals of new initiatives, right, because we just kept to see 1 block.

Management: So the reason we don't want to give any guidance except for the PAT positive next year because that's what we feel good about, we want to leave some leeway for us to compete. And we will be competitive in this area as we have been. So we don't want to remove our flexibility.

Management: And on the same slide still if you look at the contributed margin, you'll see that continuous improvement is there. So the effort is that even though we have to work continuously to grow this area, it tends to become more and more efficient.

Nischint Chawathe: Sure. And just one last point is on the motor renewals in the POSP business, I believe, on the revenue side, your kind of -- your arrangements could be very similar whether it's in motor, whether it's renewal or new it's going to be the same. But when it comes to what you're sharing with your partners, also that seems to be pretty much similar, is it? Or you probably have something that you could stem out there?

Management: I think I would encourage you to think of it in a slightly different way. I think motor will be always scale and efficiency-driven. In the non-motor businesses, I think there's an opportunity where you have to -- as you are able to learn how to sell those businesses and which is where I think they are doing far superior job to others which is my -- I think our efficiency is much higher. That's where I think you can hope to get more contribution and eventually profit dollars.

I think on the motor side, it's a very, very cut-throat business. And I think it's not -- it's unlikely, whichever way you look at it. And the renewal in motor is very much like a fresh piece. So I would not really put any emphasis on that at all.

Management: I think the effort to -- for anybody to try and -- essentially what I'm hearing is not pay the partner enough on renewal, I think that's the wrong direction. Because that would lead to partner churn and that would lead to partner disloyalty in a big way. I don't think that's a very accurate description of the POSP business.

Management: It's a platform business. As a platform, you are getting a small percentage of providing that facility. And the best way to look at it is like a payment gateways. Yashish mentioned earlier, on payment gateway, you get a small margin for providing a particular platform or facility, exactly the same when you look at the PB Partners business where agents are using your platform. And since they're using that platform, you are entitled to a small part of the revenue. That's all.

Management: And I understand where you are coming from but I would also encourage you to look at the motor agency business and there you will find absolutely no difference.

Nischint Chawathe: So just one last point. The 34% is largely held is what one could say.

Management: Sorry, what's that?

Nischint Chawathe 34% of non-motor is largely held?

Management: It's non-motor. It's non-motor, yes.

Moderator: The next question is from the line of Adarsh Sinha from CLSA.

Adarsh: Alok, so the question was on your core business. The last two years have been tough on the industry protection volumes. So just wanted to understand your assessment of where we stand in terms of what part of the protection market we are in because hopefully, things recover now, but we've kind of done well in the last 2 tough years in protection.

And the second question is our savings business has scaled up a lot. If you can give some color or texture on where we are in terms of premiums and broad numbers and what would be the product mix ULIPS non-par is, guaranteed product. Any sense and color on that. Thanks.

Management: Yes. So I'll take that on the term business, we are around 20% of the fresh business in the country. As you correctly said, while the market hasn't been super hot in the last few years, in fact has declined, but our business has continued to grow. In Q4, the good news was that the

market also did better. So I think there has been finally a turnaround in that market. So we are hopeful that next year will also be similarly better. And the reason we are little bit confident is that we have divided our business into various segments and we are not just looking for growth from core term. We're also looking at how we can do more things for self-employed, for women, for NRI. So there's a full strategy in place. And I think we are more positive about protection in the new financial year.

In terms of health insurance, I think we have seen growth, and we continue -- again, it improved during the year because there was a very tough comparison in the first half because of COVID. But in the second half of the year, it continued to improve and we are seeing increased interest as well as we've come into this financial year as well.

On the savings side, without going into exact numbers of what we did, but our composition remains very similar. We are still a capital guarantee shop where we sell a ULIP and non-par together that is the largest part of our business. In the last financial -- I mean the last quarter, because of the tax issues, we did have a little bit more of pure non-par as well. And there, we had a very special product which we had co-created. And there, we were able to drive significant volume to that product which was offering the highest return in the market. And I think that headed us in March. But other than that, the general idea remains the same to sell capital guarantee, which is a unique solution that we offer in the retail insurance market.

Adarsh:

Good. This is helpful. The second question is on new initiatives. When you say that our contributions are just minus 1%, it broadly means that we are now paying as much as what we were getting from the manufacturers with higher volumes which is not the case a few quarters back. So just wanted to understand, has the industry structure improving? What are you doing to change it, or the industry has come to a point where people are not paying over and above what you make, passing on more, right? So is that discipline coming in, or there's something different that you've done?

Management:

I would actually say 3 things that happened. One that we have improved our overall economics simply because if you can imagine, we've been now in the market for about six quarters. I think we no longer -- the brand that Policybazaar has, the system that we have, the platform that we've been able to establish does not require us to be necessarily the most aggressive in the market.

Second thing that has helped us is the mix of having more health and life business. That obviously is a more positive business so there we are able to generate positivity.

The third thing as far as the market itself is concerned, I would say that, yes, it is somewhat more disciplined than it used to be. But there are always players who have sort of raised money and are willing to throw money around in the market. And that is the nature of this market, which is what I think we were trying to say earlier also that -- one quarter doesn't make a trend. I think you have to look at the market, new people come and go, and we will do what it takes to be super competitive, of course, strengthening our overall platform and stickiness with agents. And that's something that I think has played out in Q4 as well.

Adarsh: And I'll just squeeze in one more question on the credit business when you gave the renewal kind of business. I just wanted to understand what is our -- how does the economic stack up on upfront revenues on credit vis-a-vis a more trail model? What I'm trying to understand is like if you make a 3.5%, 4% take rate in year 1, when you do it on trail, is it quite different? If you can explain what's like the tenure of those products where you're getting a trail income on credit?

Management: Without going into the specific numbers, I'll try and explain the philosophy. So we have two kinds of products where we have co-created. One is credit cards and one is personal loans. Personal loans typically will have a lifetime of about three years average, credit card has a longer lifetime and there is a cycle, so we will also discover how exactly longer.

As I mentioned earlier, our revenue on this is over the lifetime of a product. And hence, while the overall NPV we expect it to be higher than if we were doing only upfront business. But like we pointed out, the upfront revenue is lower, and it's a dilutive strategy and to kind of build out future revenue. But on an NPV basis, we expect it to be reasonably higher than if we were doing upfront only revenue.

Having said that, that's not the only reason we're doing this. I explained on why we are doing this to build out the expansion of the market or innovate on the product or process.

Management: It's also to build a relationship with the consumer because you can imagine, if we are connected to the payment -- if they're connected with the usage, then we can, over time, start to have some part of it or a lot of it. Let's see how it plays out. So that's part of the strategy, right. So there is an NPV, but there is also a relationship build. You would appreciate, right, if somebody comes and takes a 10-day loan on our platform and we transfer the customer to let's say another player for lender for 3% or 4% payout, that's not a very smart thing to do as I have got a very cheap customer acquisition. So we would rather -- that kind of a transaction easily happen on our platform. So that's what we are headed towards in some way.

Moderator: Ladies and gentlemen, we'll take the last question from the line of Madhukar Ladha from Nuvama.

Madhukar Ladha: Just some data keeping questions. You mentioned as an answer to my first question that there is a 31% growth in new business streaming. I just wanted to clarify, this is on the platform business, right?

Management: This is a core business, yes.

Madhukar Ladha: Core platform business, right. Second, can you give me the core business renewal premium for the full year FY '23?

Management: The total core business premium is broadly ₹8,000 crores, let's just say, okay? It's roughly ₹8,000 crores.

Management: ₹8,500 crores. ₹8,500 crores. About 50% is new, 50% is renewal. So it's broadly ₹4,000 crores something each.

Madhukar Ladha: Got it. Okay. And look, did you give out some of the corporate premium for Q4 of the revenue?

Management: ₹123 crores of corporate premium.

Madhukar Ladha: Premium. Okay. Got it. And finally, just wanted to get a sense of the changed commission norms. Do we expect higher commission payouts for you guys? Are we seeing any change from the manufacturers in terms of some people getting more aggressive. Some color on that will be helpful.

Management: Yes. I would say two things. Number one, I think everyone has to come up with the Board-approved policies, people are still working on it. As far as we can tell, from our discussion so far, we don't see any change to our commission, either up or down.

It's -- see, largely, we have always wanted to link our commission to the quality of our business and the overall profitability of an insurance company. So to that extent, we are in line with what we deliver. In fact, I think, we probably deliver better profitability than most channels.

So we don't see any change. We do see a smoothening of the process. I think the process will become easier as we go through this change, this change will take time. But from our perspective, this definitely not looking in any direction. We're not looking to increase or decrease our take rates.

Management: Yes. And in general, we do not encourage higher take rates between -- greater than that usual -- like 99% of the time on a platform like us it's almost impossible and not almost just us, I'm just saying a platform like us. It's almost impossible for a partner to pay more and get more business, almost impossible. Maybe you can influence your business by 10%, 15%. Bulk of it will actually come from product improvements and process improvement.

And that's what one needs to focus on. What we do, request our partners just to be fair to us and not use us for cross-optimization of other channels. And hence, to look at us on an overall combined operating ratio because I think we bring to the table better claim ratios and better persistency. So to consider that is what we request. That's just most favored nation status kind of thing or let's say not a dis-favored nation status. But other than that, we don't urge for -- I don't think for any partner higher payouts.

Management: And then just to add, I would say that we request all the difference that we can get to put it into the consumer population. So you will find that increasingly, we have differentiated propositions, and they come because of the differences in channel economics.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Yashish Dahiya for closing comments.

Yashish Dahiya: Thank you very much for attending this call and taking -- giving us opportunity to answer all those questions. And apologies once again for being slightly late and for ending this call a little later than you may have planned. Thank you so much. Bye now.

Moderator: Thank you. Ladies and gentlemen, on behalf of PB Fintech, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.