PB FINTECH LIMITED

Q3 FY2023-24

Earnings Call

January 30, 2024

Management: A very warm welcome to PB Fintech Limited Earnings call for Q3 FY 2023-24. 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

I will now request Yashish for the introductory address.

Management: Thank you very much Rasleen. Before I start, I know this is an investor communication, but I just wanted to take 30 secs to really thank our team for being much better than the industry in every area. And I want to thank the current and the past team, because obviously, everything is building on top of works. As I interact with our team, I can feel the sincerity, the patience, and the trust that each member demonstrates in building the business every day. Thank you very much!

Coming to the results, we had aimed for a full year PAT break-even in the FY 2023-24, and very happy to announce that we've already achieved that within the first 3 quarters, with the strongest quarter yet to follow. This quarter PAT is at ₹ 37Cr +, which is a 4% margin, up from a loss of ₹ 87Cr same period last year. That's a ₹125Cr delta. For the year till date, that makes us PAT positive, about ₹ 4Cr of PAT, a swing of ₹482Cr from last year PAT for the same period with the seasonally strongest quarter yet to come.

Our revenue for Q3 was 871 Cr. Now for the core business, the online marketplaces Policybazaar and Paisabazaar which we refer to as core businesses, our growth is 39%. And we've grown to ₹ 593 Cr in revenue, our adjusted EBITDA has improved by ₹ 50Cr for Q3 2024 YoY. This is very much in line with the guidance that we provided just after IPO. That our adjusted EBITDA will keep growing ₹ 150-200Cr every year. For the last 6 to 7 quarters now, we have every quarter grown by more than ₹ 50 Cr. That means overall adjusted EBITDA is growing at more than ₹ 200Cr every year and that happened at the back of revenue growth. So just to share on that, as I look at for the first 9 months, the incremental revenue growth is about ₹ 500 Cr, of which almost ₹ 170 Cr flew down to the adjusted EBITDA. And I think that's the strength of the business, that with scale, there is operating leverage and there's a renewal piece with obviously much higher margins. We are very pleased that our health and term insurance businesses, which are the bulk of the long term value, we witnessed a 44% YoY growth and I just wanted to clarify, within this, health is almost 20% higher than this. So health has shown a much higher growth than term.

Our total insurance premium for the quarter was ₹ 4,261 Cr, which is now at a ₹ 17,000 Cr ARR, which has started to give us good scale. If you recollect, our view was that when the year FY27 hits, we should be about ₹ 35,000 Cr. At that time, we were much smaller, so it looked like a large number. But now it's starting to look very real. Our growth over the last 2 years is about 2.5x, over the next 3 years getting to 2x does not seem like a very big task. Out of ₹ 593 Cr of revenue for the core online business, credit linked revenue is ₹ 145 Cr. Our renewal or trail revenue ARR is now ₹ 454Cr up from ₹ 317 Cr, and this is the part that operates at a very high margin. And obviously contributes towards adjusted EBITDA. We continue to improve our customer on-boarding and claim support services and maintain insurance CSAT of 88%. While we disclose 88%, we actually measure this in decimals, and do appreciate us, it is very difficult to change this in decimals; it's now from 88.4 to 88.7. Credit business growth has sustained well. However, we are expecting a 10% lower growth rate. If we were expecting 40%, we now expect 30% growth in this business for perhaps the next quarter. And we expect it to come back to normal growth after that. This is to do with the unsecured credit part where RBI has put in some guidance. Credit business has been adjusted EBITDA positive since December 2022. Now, I just wanted to clarify that we don't have a credit risk issue. However, suppliers have tightened their logics, and getting new suppliers in their place does take a bit of time. That's why the 10% growth delta. We're now at an ARR of ₹ 14,000 Cr Disbursal, and about 5.6 lac Cr issuance on an annualized basis. Total credit consumer base is now 41 million. This accounts for 75% of the sales because it's mostly on, communication with these 41 million people. 75% of cards have been processed end to end digitally. We continue to strengthen our leadership. If you recollect, after IPO, we really started investing in our new initiatives, we continue to strengthen our leadership there. Our new initiatives are now break even on a contribution basis for the last quarter. PB Partners, our agent aggregation platform, which is the bulk of new initiatives, continues to lead the market and scale and efficiency of operations. We have moved the business increasingly towards smaller and higher quality advisors with 56% jump in number of advisors using our platform. It has the highest proportion of non-motor business, and is present in more than 17,000 PIN codes across the country, which is more than 90% of the PIN codes in the country. And we continue to see improving efficiencies in the business. In fact, I'm very confident; we will see profitability in that business in the near term. However, in the same breath, I would say that profitability or loss will always remain dwarfed. Going forward what we will realize is that the core business profitability will totally dwarf both the profits and loss of the new initiatives. Our UAE premiums have grown at 2.4x and happy to take questions now.

Management: Thank you, Yashish. Please use the raise hand feature to share your question. You will then be requested to unmute yourselves. We'll wait for a minute for questions to queue.

Management: We will take the first question from Sachin Salgaonkar, BofA.

Salgaonkar, Sachin: Thanks Rasleen. Good day everyone, and congratulations for a good set of numbers. I have 3 questions. First question is on your cost. Just wanted to understand should we look at this cost as a new normal, or is this something one-off? And I'm generally asking from selling and marketing expenses which are down on a QoQ & YoY basis, and so are your employee expenses. I presume it's a factor of ESOPs going down. So that's where your employee expense have gone down. Is there anything else which is largely reducing the total employee benefit expense?

Management: There should be nothing abnormal in that. Our head count actually increased by about 535 people. Our salary increased by about 10Cr. Our ESOP expenses are just a schedule, we were overcharged near IPO, which is when everybody beat us up. And as the years go by you guys will start asking us this question more and more, that your ESOP charges are too low because they will actually become too low. But that's just the reality of life. And the ESOP charges will just keep coming down every year, because that's just a schedule. So the schedule took about 45% of the costs of 5 years in the first year, then about 25%, and then about 15%. And finally, by the fifth year, 9% and 4%. And every Q2 to Q3 is when this change happens, which is why I've been saying, since pretty much when we did, IPO, that we will break-even in Q3 and because we always knew these charges will go down. So yeah, that's a it's a pretty straightforward thing.

Salgaonkar, Sachin: Got it, Yashish. Ad and promotion expenses are here to stay.

Management: Nothing. See, I would say, we don't decide on a on our ad and promotion expenses in any way, except what the market expects at that particular time, but nothing, I think, abnormal about it.

Management: Sachin, I will just add that you should look at our ad and marketing, plus other expenses together, for a fair comparison versus last year. So if you do it that way, then you'll find that the delta is not as much.

Salgaonkar, Sachin: But still, overall EBITDA or adjusted EBITDA. You see a big delta right at the end of the day.

Management: So, I will make a statement there. Our results compared to our actual performance, the way I read it, is a bit depressed. Because when you look at present value results, which is what the management looks at, we've always looked at our accounts on present value. Just to explain to everyone, present value is looking at renewals value and fresh business value and then evaluating our business versus current year stat results. So the stat results, whenever we do more health business, and, as I said, health has grown at least 20% more than our normal growth for the rest of the business, that puts a negative delta in our contribution. Simply because, in the first year health, we make 0 contribution. While overall, our business obviously has 45% contribution. So the more health we do in the first year our contribution goes down. So for the last 2 quarters, from a stat results perspective, it has been hurting. So if you normalize this, probably we would have had a 2% higher margin and a 2% of revenue as a higher EBITDA. This is what I would say. But yeah, it's okay. Again next year we get the benefit of renewals.

Salgaonkar, Sachin: Thank you, Yashish. Pretty clear on that. My second question is when I look at your Core Policybazaar business and generally look at how insurance business has grown on a QoQ basis. Clearly, your fresh business has grown much faster than what industry has shown growth. So any color you could give in terms of - Is it health, Is it Term, Is it ULIP? Something specific which is growing better as compared to industry?

Management: I think that each of our businesses, I believe, has grown faster than the industry, and I think we've consistently maintained that that is our goal also. And I think there are different, reasons. But if I were to cull out some common themes, I think one is the fact that our segmentation in every quarter gets stronger. So we are able to bring the right product for the right customer. And this is true in term, savings and health. And the second thing, I think which is there is that, as our customer experience has been improving, and especially on the claim side, I think there is an element of greater credibility that is getting established for Policybazaar and that is helping our conversion. And finally, the quality of our business that we source because of the declaration, because of the risk control, etc., that we have, allows us again to, produce better products and process, because in Insurance, process also matters. So I think these are the three factors that are leading to growth being strong.

Salgaonkar, Sachin: Thank you, very, very clear, and my last question is on Paisabazaar. Yashish, well taken your comments in opening remarks with suppliers have tightened, and we could see a 10% slower growth delta. But the key question is, how do you guys look at it? I mean, is there something where you guys need to think that this is structurally different in the business now, what it was few years back. And given how, let's say, Policybazaar has scaled up in a meaningful manner, any general thoughts in terms of, if you want to look to revisit some of the parts of the business from the next 5 to 10 years perspective?

Management: No, absolutely. So, I will actually take that before Naveen takes that. Because me and Naveen have been discussing this for the last few months now. While we believe that the current business is strong and will continue to be strong. But since you mentioned from a 5 year perspective, yes, we are having a very strong review of strategy and figuring out, which way do we take it? And hopefully, we will have more clarity on that as we proceed.

Management: Sachin, what we are doing currently in credit, and within that unsecured, there is a dominant share and credit cards. I don't see a fundamental issue at all and, if you look at any industry numbers, the level of under penetration, the household debt to GDP. And then you look at the entire financial sector in terms of where is the margin in the industry? Whether it's the banks or the NBFCs. That's in the unsecured & credit cards, and there is reasonably good demand. There's been, of course, a recent guidance by RBI which has led to review of portfolio by various organizations, and we do see, like Yashish mentioned, a short term recalibration, which basically means a slightly lower growth versus what we would have targeted. If we were, for example growing at about high 40s-early 50s in the first half of the year, we are still at about 36%.

Management: Just to clarify one point because there might be a misunderstanding. The smell we are picking up from our partners is, it has nothing to do with the quality of portfolio than to do with complying with the fact that a regulator is saying there is an issue, so relook at everything. That is what is more what is more driving that rather than anything else.

Management: Absolutely. So, what we do expect is that once a little bit of recalibration happens in one or two quarters, things will come back. Of course, there's a pricing increase which might sustain because the risk weights have increased. But we've seen over a period of time that, given the demand supply gap still and under penetration, the demand is fairly price inelastic to a certain extent. So don't see any concern from a long term growth perspective on the strategy. Right now, we are looking at other areas like Yashish mentioned, it's a little early to talk about other areas before we kind of finalize our strategy.

Management: There are multiple directions. We are thinking in terms of, Do we do this? Do we do this? We are behaving like owners. So we are not just behaving like management, we are behaving like owners. We are calibrating the risk, reward and seeing what is the right thing for us to do where we achieve success as well.

Salgaonkar, Sachin: Got it, thanks, we'll wait for further updates as and how you guys provide. Thank you so much.

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

Sachin Dixit: Thanks Rasleen. Congrats on great set of results, Yashish & Team and this journey to PAT profitability has been due for some time and you have reached there. Coming to question, So while I do understand that in margin in the core business would have been a bit tepid casting that health insurance accounted for higher mix. What drove the sharp improvement in new initiatives breaking even, right? It was at 9% loss last quarter. And what drove that shift?

Management: See in our new initiative also, we have been explaining every quarter that we have been improving the overall, economics of the business, and one of the things we called out is that we are moving more and more towards retail agents. So, having smaller agents, who do smaller amount of business, but having more of them. So this quarter, the growth in number of agents is at 56%, which is a fairly robust number, and, secondly, as this shift has transpired, we have now reached a point where the business is generating contribution, and slowly, is going to start covering its cost as well. So that is the main reason, in each of our businesses I would say that we have been on a path, and that path, continues every quarter, and kind of, is getting there, so there's no like a sudden jump or sudden change in anything. It's a, slow and steady progress, towards having a robust retail driven agent mix.

Management: When you shift your mix from, let's say large partners to agents it's expensive because you need to deploy people. You need to spend more in reaching out to people. You need to do all of that, but once you do very rapidly, you see the benefits as well, so parts of it are cycles. So maybe last quarter what you saw was we had done the right work but the result was the bad result, relatively. So internally in our reviews, we were actually very happy with the performance of the new initiatives. But externally, when you look at the results, you may have felt it was, there was not a significant improvement in the margin in the last 2 quarters, I would say. And then you saw the improvement coming in, because of what work was done in the last quarters; the benefit of it has probably come through now. You guys have been hearing me one year ago you would not have heard me say very confidently, that look, very confident that in this business we will make profits. Now I'm super confident. I'm not confident of the timing but I'm super confident it's going to be sometime in the vicinity of where we are. Like, few years we're going to see it. I have 0 concern, and probably sooner than that, so very confident of the way we are taking the business. I think the biggest reason for that, not trying to impress anybody but doing it because we genuinely believe it is the right thing to do. And, we've been taking to that retail direction which actually has margins, and you can, but this will never become very profitable. See, because the core business profits will start to now rise very rapidly. And even 20 years from now, this business will not give a huge amount of profit. It'll give you a scale. So on that we haven't changed.

Sachin Dixit: Right. Yeah, I was basically asking in context of last quarter only. And you, I think you clarified that the results did not show it. But in this quarter we have seen the improvement. So coming to Core. And as you mentioned that you will get benefit of renewal in the core business and core business, we have seen that the contribution margins are roughly stable around this 44-45% for a while now. Now, where do you think these numbers can like plateau around? Can these be 50% upwards of contribution in core? Can we reach those numbers?

Management: Plateau is very far away, and I don't want to talk about plateau. If you really ask me honestly, I think plateau is probably at least 10 years away. So, that will probably give you a guidance of where we are going to head. I'll give you some data points, right? And we also, we don't want to talk too much about these things at this page. If you look at the industry and you look at the fresh versus renewal mix of the industry. I think we are a 7-8 lac Cr industry, of which fresh is about 1.5 lac Cr at industry for everything put together, and I'm including all kinds of businesses. For us, the ratio is 1:1 and obviously, the renewal margin is much higher. So obviously, we will also, eventually, when our growth comes down, we will take in that direction, plus we have huge amount of future efficiency that is going to come from our operations, marketing and various other things. So I think we're very far away from a plateau. I think we've given guidance on our, profit numbers till FY27. We are very confident of those. I think this will improve from here onwards. You're probably seeing, perhaps the lowest margin we ever have on the contribution basis.

I will give you one data point to look at. Our incremental revenue and our adjusted EBITDA. Incremental adjusted EBITDA is 34% of the incremental revenue. That probably gives you some indication of the minimum that we can achieve. This is while a bulk of our new revenue is also health. It may continue to outperform for the next 3-4 years. I hope so, because that is usually value accretive. If that does, then that does have some implications, because it will also be then outperforming at scale. So if something is outperforming at scale and has 0 margins, which is what new business of health is, yeah, it will have some impact. It will put some pressure.

Sachin Dixit: Nice. Thanks. Just one question in terms of ESOP side, as you mentioned, like your ESOP cost is going to decline sharply. Are you thinking of any significant ESOP plan in the future? Considering recently Zomato did one.

Management: We have given guidance on this that you can assume our long term ESOP charge to be about 100 Cr, growing at maybe whatever inflation rate is. So let's say, growing at 5%-7% every year. But that is going to be our long term ESOP cost. Today we are still at 350. This this year will be 350. So significant reduction from where we are. And of course, management needs to be rewarded. That's why I started by thanking the management. We cannot not reward them in the future. So of course, we have to reward them, and I think 100 Cr is sufficient to do that reward. Obviously Alok and me need to be rewarded much less in the future. We were rewarded for the past and we don't need to be rewarded as much in the future. Naveen also, because, part of it was past. Part of it is future. So, in future everybody will get rewarded in a shared manner, and I think that should be 100 Cr a year. We have done a lot of mathematics that looks about right. At the right time, we'll let you know also.

Sachin Dixit: Fair enough. Thanks so much.

Management: So, Do remember in that 330 Cr, me and Alok might be 160 or something of that sort. So that automatically actually makes the real number, 120 whatever already. So it's not very far off from where we are right now. So this year is actually a pretty good indicator of what are ESOP charges in the Long term will actually be. Because this is that median year in those 5 years where we are seeing what the average should be if you cut out the founders.

Management: And there's a big difference here in terms of the exercise value of those shares. In the past, we had given all the shares at the par value; going forward, it will always be linked to market price.

Management: I'm talking about the cost that the company will bear that. There's a Black-Scholes valuation to issuing stocks at par, and when I'm talking about the 100 Cr, I'm talking about the Black-Scholes valuation of those stocks. And that's the real valuation. So that's okay.

Sachin Dixit: Yeah, thanks.

Management: Thank you Sachin. We will take the next question from Nidhesh Jain, Investec.

Nidhesh Jain: Yup, so my, the first question is on Capital Allocation. How do we think about returning capital back to shareholders? Given that we have turned profitable, and we are already generating a significant amount of cash on a yearly basis.

Management: We've actually started to think about it. We don't have any decisions yet, but yes, more and more conversations.

Nidhesh Jain: So we should hear something by the end of this year?

Management: I have no clue. You will hear once we've decided, we haven't decided, and we don't have a timeframe on deciding.

Nidhesh Jain: Sure. Secondly, if you can share the EBITDA margins of the credit business for the quarter?

Management: 8%.

Nidhesh Jain: And just to clarify, Paisabazaar business, we are still saying will grow at 30% YoY in Q4 and next year.

Management: So, the industry in my estimate is expected to grow anywhere between 13% and 16% from a long term perspective-next 5 years. And we have in the past, grown and always maintained that we, as a marketplace, who is totally digital, expect to grow at between 2 and 3x of the industry. So, a 30%-40%, depending on macro sounds about right.

Management: I would honestly be disappointed to be less than 40. But I think we'll be at around 40. But let's see.

Nidhesh Jain: Sure. Sure. Thank you. That's it from my side.

Management: Thank you Nidhesh.

Management: Shreya Shivani CLSA, we'll take the next question from you.

Shreya Shivani: Yeah. Okay, thank you. Thanks for the opportunity and congratulations on a good set of numbers. So I have 2 questions. First, is just data keeping. Can you help us with the POSP premium, Dubai premium, which I believe you've said is 2.4 times YoY, Corporate premium and the ESOP charge for the quarter. And my second question is. There is a current discussion in the Insurance sector about this new regulation on surrender value. And there are multiple things going on. One of the things that we've picked up is the ICICI Pru Life launched a new product, an annuity product, where they are giving very high surrender - 100% refund. But they've made the commissions on a trail basis. So now that two of the most important products of this industry are undergoing some sort of structural changes which may impact commissions also to some extent. So any view on this will be helpful for us to understand.

Management: So first of all, on the numbers, POSP is 801 Cr, Dubai, the 194 Cr, corporate is doing about 300 odd Cr. ESOP. That's published, I think. 65 Cr. I think Sarbvir should answer the question on the surrender value, etc. But I will make one little statement before he comes in. We have been asking the industry for a long, long time about having long-term payout mechanisms. Which is what you are talking about, you know trail based, etc., etc., AUM linked payout, etcetera. And we very much welcome that we almost sell, there are 2 types of products. We sell one type which is far more consumer centric. And there's in lots of industry discussions that has bigger implications for other channels than for us. But on the whole, I think we should turn out quite okay.

Management: So just the corporate number is 365 Cr for this quarter. On the surrender values, I think, as Yashish said correctly, we, Policybazaar, always focuses on customer centric products. So that's why you see, ULIP mix is very high. We have been selling deferred annuities for a while. We are selling this IPru product. This is something that we totally believe makes sense for the customer, and we are very happy to be paid on a trail basis because it makes sense if the customer continues, if the persistency is high, then we get paid more. And I think that's exactly what we want. We want that our quality of business should be rewarded over a period of time, and rather than having to just talk about first year. So we are very much in sync with this change. Rest, I think is an industry issue, which is a complex issue, I would just say, and I'm sure industry is working towards it. Nothing has happened yet. So I just want to clarify on this surrender value, that nothing has happened yet. It's a discussion point. But I feel that we are on the right side of it.

Shreya Shivani: Got it, so my question primarily was around the IPru product which is going to be on a trail basis. Are you suggesting that you already are selling that product from your website?

Management: Yes, absolutely. We are already selling it. And we love that product.

Shreya Shivani: Got it, so those will be my questions. Thank you so much.

Management: Thank you Shreya. We will take the next question from Madhukar, Ladha Nuvama.

Madhukar Ladha: Hi! Congratulations on a good set of numbers. I have a couple of questions, first on the data keeping part. Have you spelt out the renewal premium for the quarter and for 9 months.

Management: Renewal premiums are, for the 9 months are 4,800and for the quarter 1,900

Madhukar Ladha: In your opening remarks you had also given the credit business revenue. Was that 144 Cr?

Management: 145 Cr

Madhukar Ladha: Yeah. When I look at the ARR for the insurance business. On a QoQ basis, it's at about 359 Cr versus 345 Cr last quarter. So my sense is that this number should have probably grown faster. So are we seeing some stagnation or some higher drop.

Management: There are multi year policies whose proportion keeps changing from year to year. And last year was higher than this year on multi-year policies. And the second thing is, last year our health insurance growth was low. And thus you are seeing the impact of both multi year and the lower growth in this year. This year, the multi year is lower than last year and the growth is high. So next year you'll see a different account. I just want to clarify, and you can't look at this QoQ, because our renewals this quarter have nothing to do with our renewals last quarter. Last year it was 280 Cr, for insurance is 359, which is lower than what would have happened if things were exactly the same. Like in the sense, last year was perhaps the lowest growth year for health in the last 5 years. This year is probably the highest growth year for health in the last 5 years. So that is basically what's playing out a bit and there's a multi-year part, which is, it was higher last.

Madhukar Ladha: Got it. we get the adjusted EBITDA margin, on the credit business like you've just given that, and if 85% is the margin on the renewal revenue, Then if I just do some rough calculation, it suggests that the new business that we write, the adjusted EBITDA margins would be sort of negative even on the core platform business. Am I right, or am I going wrong over here?

Management: you cannot look at it that way. In health, the new business is only 20% of the net present value.

Madhukar Ladha: Largely because of health, that means.

Management: Yeah. Even in the other products, there is a 15% extra that comes because of renewal business, right? So I don't think you can go that way. In health, I'll tell you, in the new business. If you look at it, we'll have a negative EBITDA margin. At the contribution itself, it is 0. Right. By the time you get to EBITDA, EBITDA has additional costs. So you cannot look at it that way. A lot of people are trying to look at it that way. That's like looking at the bogies running without the engine. You're saying - If the engine runs alone it will make a loss. Yeah, of course it will make a loss, because there'll be no bogies that is carrying, but the engine is supposed to carry the bogies. They are a parcel of it. The Bogies can't arrive without the engine. I cannot get a renewal business without fresh business. So how? You realize my effort in doing the renewals business is negligible but I cannot get it without doing the fresh business, and that is the biggest issue we've had with NPV. For the last 15 years, I have been explaining to even our pre-IPO investors. Every time they said that health business is loss making business because obviously they used to look at the fresh business, they say, why are you doing this business? So obviously, it's a, it's a fairly profitable business, but it comes from adding up the renewals. At an NPV basis, you'll get about 2.7x.

Madhukar Ladha: I get that. I get that Yashish. Just wanted to get like this is primarily because of the health business.

Management: Second thing is, you are looking at it at EBITDA level and not contribution level. At EBITDA level, you have fixed costs of the management.

Madhukar Ladha: Let's say if I were to look at the contribution level, then apart from the health business, are there other lines in the insurance which, that'd be 0 contribution.

Management: No.

Madhukar Ladha: Nothing, Only Health would be 0.

Management: Health only on first year basis. See, Okay, let me explain. So, this is very clear. Our NPV to direct cost in health comes out at whatever let's say 4x. I'm just making that up. But my revenue collection, divided by NPV is only 20%. So you've got 20% divided by 25%, which makes your first year revenue divided by direct costs, 80%. And that means we actually made a loss in the first year. That cannot be a decision making factor. That's, that's pretty close to what the reality is.

Madhukar Ladha: Got it. But that's true only in health is what I'm saying. All other products even in first year would be contribution positive.

Management: The way we look at it. Health has a very high NPV by first year revenue. Others do not have that significant a gap. And most of general insurance will be about 1.6, in life insurance about 1.1. But health has multiple fold. So you're absolutely right.

Madhukar Ladha: Got it, Got it! That answers my question. Thanks a lot. And all the best.

Management: Thank you Madhukar. We will take the next question from Varun Palacharla, Kotak securities.

Varun Palacharla: So I had a question regarding the Take rates. If you look at the revenue, it has grown by 7% QoQ, while premium was up 23%. Obviously, there has been some decline in take rate. But how much of is this is because of the trail based commission? And are there any other things that are playing out here like higher UAE business?

Management: Our take rates by business are largely stable. There was a mix shift. We did more savings business in Q3, so that was one of the reasons why the take rate will optically look or is lower. The second thing is within the savings business also, as you must have seen in the industry, ULIPs are doing much better than other products, and for us ULIPs have always been a big portion of our business, and they've become bigger. So that again has some implications for the take rate. So the main reason is the fact that savings has done well. And within savings also, we've sold more

ULIPs. So that is main reason other than that every other line is the same, in terms of take rate versus last year and last quarter.

Management: Our take rates don't change too much, but in the savings business, year on year, not quarter on quarter, but year on year there is a higher percentage of ULIPs. And the second part is on the quarter on quarter, in the first half the year, we were growing, our savings were growing slower, in the second half, half the year, the saving seems to be growing much faster.

Varun Palacharla: Okay. And with regard to the, what you call, competitors, Bima Sugam, I guess is not going, has done much progress. But recently there's been some news about ONDC starting to distribute insurance products. Do you see any competition increasing on that end?

Management: We welcome all government efforts to increase insurance penetration. And we support all of them. I think, our job is not to just grow Policybazaar, but our main mission is to grow insurance in the country. And I think all these efforts by the government expand insurance in the country, and we are very, very supportive of them. And we would like to see them all succeeded.

Varun Palacharla: Thanks.

Management: Thank you, Varun. We'll take the next question from Rishi Jhunjhunwala, IIFL.

Rishi Jhunjhunwala: Yeah. Can you guys hear me?

Management: Yeah Rishi

Rishi Jhunjhunwala: Great thank you for the opportunity. Just one question firstly, on the POSP business. How has the economics changed in it over the past, say 4 to 6 quarters, in the sense, especially, on the payout side, that we end up paying to the agents versus what we are able to get from the insurance companies and has the change in regulations around EoM played any kind of role in that.

Management: Rishi, I would say that largely the dynamic is the same. I don't think the dynamic has changed a lot. There are a couple of people who are very active on the consolidator side, who have raised capital, and they're spending a lot of money on the consolidator side. And, trying to buy business over there. As I told you earlier also, we are focusing on the retail side. There the economics are better. And again, we have to invest in that because you have to deploy people, you have to deploy technology, product, etc. So we've been doing that. And I think this quarter the results are showing. EoM has generally helped everybody, because it has made everything simpler and clearer. And I think that has helped us also, and we are a 100% compliant organization. So unlike some players in industry, we don't do any of the other stuff.

Management: I was just thinking right, because all of you guys look at and this this message would even be to the private investors. One of the things that people can look at in order to see if the companies are doing genuine POSP or some kind of consolidation business or kind of large consolidated business; is just look at premium divided by employees. Nobody can do too much magic different from each other. So if you have extremely high premium per employee, that is indicative of some kind of large consolidation happening. This is one way to look at things. I'm just sending some guidance, of course. But our focus is entirely in building the retail business. That's where we see the value because of the individual small agent who can get value from a platform in using their technology, their services, their claims assistance, etc., and thus be able to share a part of his revenue with the partner, and also for the insurance companies, it adds value. If you can bring 100,000-200,000 small agents onto the platform from across the country. Then they don't need to deploy as much in terms of their own branch network, their own regional network, so they can afford to pay you more. what's happening in the regulation is fixed costs and variable cost because of EoM are becoming blended. So whether you pay as commission or you pay as branch network costs. It's pretty much a cost to you. It's an expense, and I think that blending implies. POSP, on its efficiency is able to do well at the retail level. But if you're just buying this, that is not your business. It could just go away at some point. So I think the retail is the right strategy. And that's what we're focusing on.

Rishi Jhunjhunwala Understood. And what would be the mix today in terms of segments? Motor, Health on the POSP side?

Management: I think that's a bit too much detail given the fact that all our competitors don't have to declare that. We would like to, keep some cards close to our chest. But I think we've stated in our note also, that we have the highest non-motor business in the industry.

Rishi Jhunjhunwala: Yeah, yeah, understood. And just lastly, and this is maybe tilting towards the capital allocation. Today, one of the, the Financial Services company which also runs a life and health insurance, life and non-life insurance has announced acquisition of a TPA. Now, for a business like ours, something like a, TPA is seems to be I mean, prima facie seems to be something which could provide synergies, I mean, do you have any thoughts around that?

Management: We have 40 odd percent stake in Visit Health. We have been there for 1-1.5 years. Visit health is a brilliant platform. That's there.

Rishi Jhunjhunwala: Okay. Thank you so much.

Management: Thank you. Rishi. We'll take the next question from Srinath V, Bellwether. Hi Sri, please unmute yourself.

SRINATH V: Hi, Yashish! Am I audible?

Management: Yes, you are Srinath.

SRINATH V: Just wanted to find out what's actually working for the health insurance business. Last quarter. And I'm guessing this quarter too, growth has come really strong. The sector growth has kind of tapered off a bit and largely driven by pricing. So how is it for us? Is it pricing driven growth? Are we, selling more unique policies. And what is driving the growth? Is it the claims part which we had worked on, offline, porting of policies? Is it the organic upper funnel itself has taken off in terms of lead generation, or is it coming out of conversion. If you could spend some time and help us understand what's driving growth in health insurance for us.

Management: Yeah. So first, I tell you what is not driving our growth. Our ticket size has not changed year on year. So that is not a factor in our growth at all. What is driving is actually each of the factors that you mentioned are part of the answer.

Management: I think I was going to give you a very short answer with Karma. But I think Sarbvir said exactly that in a slightly more different way.

Management: So, each of the things that you said is true. Top of the funnel, our conversion, the fact that we've worked on the customer experience, and I think what I assume Yashish is referring to as Karma is the fact that single-mindedly we have focused on quality of the business. So at times, even when conversion has gone other way for us, because we are asking more questions. We are having a verification process, etc., etc. It sometimes in the short run, can act as a break against business, but over a period of time it really creates this virtuous loop where better customers come to us, they find value in what we are doing. The fact that then the claims experience is better, etc. That virtuous circle is kicking in, and I feel that last year was an aberration because of the fact that the comparison with Covid was very tough. So that, I think, hit the fact that we had done a lot of work. The fact of the matter is that work doesn't happen over 3 months. Work takes, many, many months and many quarters, but it shows up only after a certain period of time. And I think right now, that is what is happening. It's showing up. But if it's, it's the work, effort of the team over, I would say, last 2 years, not just this quarter.

Management: I can tell you what's changed in the last 2 years. Because I was running it directly 2 years ago, and now Sarbvir is running it directly. I used the word directly there, because the direct person celebrates every day. You know the indirect person celebrates once in a month, or once in a quarter, and I think what we used to celebrate was volume. What we now celebrate almost every day is claims, customer service and I can see that huge change in the organization, what's really being celebrated is that. And that is what eventually, Karma is. What I'm also seeing is by huge focus on disclosure, which is always there. So I wouldn't say, that's a last 2 years story. That's a that's a long term story that we've had a much better disclosure, and the third part is really the on-ground, teams that we have built over the last 2 years, and please appreciate the last 2 years, we faced higher costs because of these. On the claim management side also, there's no revenue that's coming out of handling more claims. We just have cost. But all of that is eventually coming back in terms of you know better experience. I talked to customers. They tell me 2 things. Basically, your person is explaining it better and love the in-person contact at times. And the second thing is you have the 30 min claims support, and we have seen so many occasions where you have actually intervened and got better claims experience to our customers. That both of those are starting to become real & word of mouth. And when that starts to happen it becomes quite nice.

SRINATH V: Just a follow up here. Yashish, is there any kind of numeric stuff you guys have on claim settlement? How you know what has been the rate of change of improvement. One and Sarbvir what would be the delta on conversions? Or even if you would say time taken for conversions by our team, the call center or the in-person? Is there a significant delta even there, which is probably what's popping growth? Anything you could qualitatively tell?

Management: That becomes too much detail to get into. And we would rather stay away from that, at this stage.

Management: A lot of such things, Srinath, take time. There are 3 things which you also mentioned. One is the brand pull that the customer is coming to us. That doesn't happen overnight. It takes 16 years of building that brand through word of mouth, obviously doing what you do on a day to day basis. Once you get the customer coming to you, you get good disclosure. But that is just maybe 60% or 70% of the good disclosure part. You also put huge amount of tech and data all the stuff that we do in terms of catching any potential fraud. Now that helps create your book in a very, very different way, and a very, very high quality book for partners, all get aligned to you. And everything is underlined by operating layer, which is the sales layer, service layer, renewals, endorsements, claims, all put together, feet on street. Now, that again takes very, very long. There will not be a change which will happen any quarter over last quarter, but if you look back 3 years you'll see a huge change.

Management: That's exactly what I meant. That when you look at numbers, sometimes these numbers will not even reflect year on year, and sometimes what is looking bad is actually good, like last year, when you look at the POSP because it's looking slightly, not as great. But now it's looking much better. But sometimes just the effort takes time to go through, and I think we are getting the benefit of the effort in the last 6-7 months, and it's continuing, on the health side. We're getting the benefit of our efforts over the last 2 years. I can clearly see that.

SRINATH V: Thanks guys and congratulations on the wonderful performance on such a high base on health, fantastic, thanks.

Management: Thank you so much. Thank you so much. Will take the next question from Harshit Toshniwal, Premji Invest. Hi, Harshit.

Harshit Toshniwal: Hi, yeah, Yashish. Congratulations on a great set of numbers. Yashish, this is on POSP itself. So just want to understand that if a particular POSP agent comes on our platform, but he leaves after, say, one year, then whatever business he did in that one year, that will still be on our books in the sense that if it's a motor business, then I'm not sure, renewal revenue is an advantage. But in all other business we'll have that renewal advantage.

Management: Let us be very, very clear. Have no doubt whatsoever. In the POSP, we are a tech provider. We are not a commission maker. The business belongs to the agent. It is not our business. Us trying to call it our business is not right, it is their business. We get a fee for our service, which is the convenience we are providing to the agent and the distribution volume we are providing to the supplier. So for the supplier, it's compared with handling agency plus branch network, regional network, regional management network, etc., etc. And the effort that goes into that. This thing that you can get more on fresh and less on renewals and all. No, that is not true, and no agent will be stupid to give you their business. See, in insurance, people have been doing this business, and it's very precious to do this business. It's takes a lot of effort. So nobody's going to give you a health business by taking let's say 19% and forget about renewals. They'll come to your house and take that money in. That's obvious. Whether they are with you or without you.

Harshit Toshniwal: That's true. The reason I asked this was to ensure that, is there a way to improve the stickiness of that retail agent which we are sourcing right now, because if, for example, in a business like health, if it is more that the code in which the business has been registered is through PB. I'm just trying the code PB Partners, just the Code in which the business is registered so, and he knows that he has done a lot of business in the first year, second year. Then he would be more willing to stay with us if that is a clause. So just from that perspective.

Management: There are schemes, etc. You would run, which is very akin to running agencies.

Management: So I think the point is very clear that you have to retain the agent. The agent is our customer. We have to retain the agent, and the way you retain the agent is by providing platform, proper timely payout, fair and timely payout. So these are the 3 things which make an agent stick to you and as currently our retention is 76%. So that shows that people are, valuing our platform.

Management: And we are very early. It's only it's only our second year.So it's very, very early for us.

Harshit Toshniwal: Got it, fair point, and I think. One thing you repeated this number, if you can just tell me again the new and renewal premium for this quarter. Sorry to just ask again.

Management: 2400 and 1863, new and renewal

Harshit Toshniwal: fair thanks. Thanks a lot.

Management: Thank you, Harshit. We will take the next question from Punit Bahlani.

Management: We will try to be shorter in our answers now, yeah, because, I know, there are quite a few people waiting. Okay.

Management: Hi, Punit.

Punit Bahlani: yeah, Hi, am I? Am I audible?

Management: Yeah.

Punit Bahlani: What were the Paisabazaar revenues this quarter?

Management: 145 Cr Credit Revenue.

Punit Bahlani: yeah. Got it.

Management: Hi, we will take the next question from Rahul Jain. Please unmute yourself.

Rahul Jain: Hello! Is my line audible?

Management: Yes, please.

Rahul Jain: Yeah. Hi! This question is for Yashish & Alok. You have delivered similar or better in last 4 quarters. But the way you've been guiding, and you've been delivering time. So congratulations for the very strong execution. What I'm trying to understand where your incremental bandwidth in the last 6 months, or maybe in the near future would go, is it towards any new initiative that you may expand into? Or continue to do the execution side of it, or more in terms of how you would increase your technology; maybe you'd know that using the call center guys with chat or anything like that. So where you are spending most of your time now.

Management: yeah, I don't think the team required us to get into, whether we are increasing the efficiency of our call center, etc., etc. We have, quite an interesting business mix and lot of strategic things that we need to keep managing. So yes, we continue to be active managers there and we also continue to expand into new opportunities. I think you also know, we have things going on in terms of account aggregation. We are looking at the reinsurance brokerage. There, there are a few other things I'm not allowed to announce yet, because we haven't announced them yet, but we haven't acted on them, or we don't have board approval yet. But we're looking at. Let's say, payment aggregation service. We're looking at lots of services.. Otherwise, we have an amazing team. Since Sarbvir has come in, my Policybazaar people, whom I used to manage directly, tell me, we are so happy, Sarbvir is a much better manager than you are. You were. So that area I've been thrown out of, and I'm very happy with that, because it's a friend of mine. He was my senior in IIT and he's been a my friend for the last 30 years. So yeah, I'm very happy, and he's somebody I look up to. So I'm very happy.

Rahul Jain: Yeah, yeah, yeah, I'm sure. They're doing an excellent job. Just one more question. I think you answered in a different way. On the capital allocation part, I know that you would share the thought at the right moment. But isn't it a good idea to at least look forward todo a buyback at least to an extent, you may have plans to dilute over the period of time. So that at least our base remains intact, because you just said every year there would be any ESOP charge, because you would be continuously awarding that to your employee. So is that something which is in your mind, or you should consider at some point?

Management: We have a pretty clear thing in our mind. We do not need so much cash, at some point it will get returned. There is no doubt about it. But when it's appropriate we'll announce it, and we are not very acquisitive. So it's very unlikely that we're likely, to that we're going to make acquisitions. But again, we might change our mind. So, we are pretty open minded people. So we'll see, and we'll, of course, keep updating you. It's an opportunity that we have. The amount of capital that we have, and they have the position we have. And more importantly, the team we have. And I think we'll see. And the reason I mentioned team is because the team also means opportunities. So let's see, I don't want to open our guards out yet.

Management: A quarter of PAT positive is a very good start but eventually we are very focused on delivering 1,000 Cr in FY27. Let's get there, and then we'll see.

Management: Yeah, and we will get there obviously. Just like we got here. We'll get there as well. I think it's a it's a very straightforward business, so no doubts there. But I think, yeah!

Rahul Jain: So, Alok, in a way in a way, as you said, that 1,000 Cr PAT, is it like we should not ask this question till that point is that kind of a hint.

Management: There is nothing to hide but we are clear let's focus on what is most important for us from the business perspective- scale, growth and profitability being the focus area, and we have already committed to the market that we want to deliver 1,000 Cr PAT in FY27. Once you deliver those things, lot of other things become very easy to explain, but it's still an evolving business, even though we have been around for 16 years, the business is still evolving in multiple ways. We have never done crazy stuff on capital. We don't expect that to change. But yes, if there's a good opportunity. Why not? But whatever happens, we are going to come back to investors and communicate whenever we are very clear on whether it's buy back, whether dividend, whether acquisition, whether it's investing. As Yashish said, right now, there's no very clear, concrete plan. And we are focused on FY27.

Management: There is a concrete plan written, not a formal concrete plan. That's all. That's not a Board approved plan, and we cannot speak about it yet.

Rahul Jain: Much appreciated. Thank you.

Management: Thank you, Rahul. We'll take the last question from Bhavya Sanghvi from Fortress. Hi, Bhavya, please unmute yourself.

Bhavya Sanghvi: Thank you, sir. I just wanted your comments on the premium per policy. This back of the hand calculation suggests that it's jumped a lot in this quarter, especially. Is it because of the savings business, as you mentioned earlier?

Management: Yes, the Saving business is about 3 times higher premium per policy than the health or term business. So obviously. But it is just a change in mix thing.

Bhavya Sanghvi : Right, sir. Wanted your comments on the Phygital model, basically the stores that you've opened. So, could you, just qualitatively, talk to us about the advances that you've made over there. What are the unit economics? Is it better or we expect some, accretion because of that. Also, a book keeping question is POSP premium. Thank you.

Management: So, on the Phygital model, it's been a game changer. Totally credit Sarbvir with having thought this up and implemented it. In fact, even in the early stages of implementation, I didn't have questions once he was there, but before that I always had questions on the Phygital model but it's worked beautifully. And there's one more person actually that I would like to credit. He may not be hearing, it's actually Naveen Tahilyani, because I do remember the conversation when Naveen actually gave Sarbvir this idea. So I wouldn't totally credit Sarbvir, his credit that he that he picked up that idea and implemented but actually it is Naveen's idea that you guys should think about Phygital. So, I do want to credit him. So, thank you.

801 Cr. I think the number you want. It is 801.

Management: Thank you very much. We will close the call now. I know there are a few people who we have not been able to answer. Sorry about that. Just reach out to Rasleen with your question, and we will answer them. We close the call. Now, yeah, have a have a good evening!