February 12, 2022

To

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

**Sub: Earnings Call Transcript w.r.t. Financial Results for the Quarter and Nine months ended December 31, 2021**

Dear Sir/ Madam

In furtherance to our letter dated February 05, 2022 and pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (LODR), please find enclosed herewith transcript of the Earnings Conference Call w.r.t. Financial Results for the Quarter and Nine months ended December 31, 2021, held on Tuesday, February 08, 2022 at 17:30 IST, 20:00 HKT/SGT, 07:00 EST, 12:00 GMT.

The transcript of Earnings Conference Call will also be hosted on the website of the Company at www.pbfintech.in and an option to playback is available on Replay Dial Number: India +91 22 71945757 / +91 22 66635757, Replay Code: 02543.

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

Thanking you

Yours faithfully,
**For PB Fintech Limited**
**(Formerly PB Fintech Private Limited/ Etechaces Marketing and Consulting Private Limited)**

PB FINTECH LIMITED

**Bhasker Joshi**
**Company Secretary and Compliance Officer**

"PB Fintech Limited Q3 FY22 Earnings Conference Call"

**February 08, 2022**

**MANAGEMENT:** **MR. YASHISH DAHIYA – CHAIRMAN, EXECUTIVE DIRECTOR AND GROUP CEO, PB FINTECH LIMITED**
**MR. ALOK BANSAL - WHOLETIME DIRECTOR AND GROUP CFO, PB FINTECH LIMITED**
**MR. SARBVIR SINGH - PRESIDENT, POLICY BAZAAR, PB FINTECH LIMITED**
**MR. NAVEEN KUKREJA - CEO, PAISABAZAAR, PB FINTECH LIMITED**

**MODERATOR:** **MR. SUBRAMANIAN IYER – MORGAN STANLEY**

**Moderator:** Ladies and gentlemen, good day and welcome to Q3 FY22 Earnings Conference Call of PB Fintech Limited hosted by Morgan Stanley. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Subramanian Iyer from Morgan Stanley. Thank you and over to you, sir.

**Subramanian Iyer:** Hello, everyone, welcome to the Earnings Conference Call of PB Fintech Limited to discuss the 3Q FY22 performance of PB Fintech and share industry and business updates. We have with us today from the senior management team, Mr. Yashish Dahiya - Chairman, the Executive Director and Group CEO; Mr. Alok Bansal - Wholetime Director and Group CFO; Mr. Sarbvir Singh - President, Policy Bazaar; Mr. Naveen Kukreja - CEO, Paisabazaar. I would now like to hand over the call to Mr. Yashish Dahiya for his opening comments. Over to you, sir.

**Yashish Dahiya:** Thank you Subbu. This is Yashish. As Subbu said, I am the Group CEO for PB Fintech and welcome to our first results call and along with me as again as Subbu said, I have got Alok who is the Group CFO and Sarbvir who heads Policy Bazaar and Naveen who runs Paisabazaar. I want to start by saying we are not just a large insurance market place, but in an industry which is mostly a push industry, we are unique to have over 90% of our revenues from inbound consumers. In comparison, this number would be under 5% for most industry players. Consumers trust us and come to our platforms to get a wide choice of products. This is augmented by the best in brand service levels that consumers feel confident about both at the time of buying or afterwards. The consumer pull shift will continue to reduce our acquisition costs and improve operational productivity due to higher converting direct traffic. There are clear allied benefits for our partners in terms of higher level of consumer disclosure and data availability for sharper customer segmentation and better underwrites.

We continue to be at the center of the digitization of insurance and credit processes and our efforts using AI for video inspection, facial recognition, automated speech recognition, etc., provides a far superior experience to consumers and underwriters. I would also like to say we are now growing at scale. We are at an annual run rate of 8000 crores of insurance premium and still growing at 60% year-on-year. At this rate, a simple calculation would say we could be adding 10,000 crores of insurance premium every 2 years which very few have ever had the opportunity to do. So while we stay prudent, we cannot lose this opportunity and must make the necessary investments to build and constantly future proof our business. We are continually working on improving customer experience, product offerings and the claims experience. Some of our efforts on top prime India's first NDHM integrated digital health locker, the credit score program, the account aggregator and the visit health investment are in the same direction. Why we have invested behind new initiatives, the investments have been prudent and our execution focus has dropped to desired results which I would like to highlight with the few examples.

PB partners became the number one B2B2C platform in the country within just 6 months of launch which was as recent as July 2021. In terms of buy versus build, this has proven a good execution on build where we have built a market leader under $10 million, actually $7 million to be precise. What would otherwise have cost more than $200 million to buy. PB MSME/corporate again is the grounds of development from scratch and now has 1.1 million life covered across corporates and MSMEs while building poor service capability necessary for that business and building direct engagement with employees of these MSMEs and corporates. PB's UAE business is now slow at number two in a fast-growing market and again all of these have been done in a very prudent fashion without the kind of losses that one would get very worried about. While we will continue to invest in these three, we anticipate staying prudent and delivering exceptional results. Brand building stays key however, we had now reached a stable state in terms of spend of brand. This year, Paisabazaar recovering from a zero-based brands front and thus that impact any comparison with last year.

Finally, we are very proud of our team which is making all these initiatives possible in a seamless manner, between we have sufficient and committed talent to build us per our plans, we are very low churn at the management team and our focus is on building the right culture alignment which we are very happy with and the requisite organizational freedom to build which keeps us a very exciting place to work. I will now hand over to Alok to quickly cover some of the initial numbers before we open up for questions.

**Alok Bansal:** Thanks Yashish. So our cost credit revenue for the first three quarters is 85 crores and there is another 75 crores of deferred revenue. This is the revenue receivable over 12 months and for which we have already undertaken the call. So together, we have enabled revenue of about 950 crores. This does now include the future revenues due to renewal book which at this point continue to be stable at 1.5x multiplier and whatever large impact us with the profitability. I wish to clarify that the revenue for credit product is roughly 150 crores out of this and the remainder is either insurance or insurance related and hence our take rate in each segment have remained unchanged if you look at these numbers. While product mix changes are fairly common in the last quarter, both health and life have grown at 73% and 50% respectively over last year same quarter and this is multiple times industry growth rate, there is pressure on motor and two-wheeler insurance business across industry and we are also seeing the same. On the other hand, the new business initiated the corporate insurance and POSP business, on a blended basis, have a similar take rate at motor and our overall tax rate remains stable. I would also like to take this opportunity to explain that the fact, health insurance continue to grow at a fast pace for us implies that our future revenue from renewal business will continue to grow which is now at an ARR of 242 crores basis Jan 22 numbers and growing at roughly 40% year-on-year.

Coming to Paisabazaar, we have had a successful turnaround this year when we have come out of COVID impact now we are at credit disbursal ARR of INR 8400 crores. We also have 26 million plus cumulative credit score users and have lost three new lending products in last 6 months, all of which are delivering as per expectations. to capture quarterly performance in brief, our insurance premium grew by 68% year-on-year to 1796 crores, our credit disbursals grew by

94% to INR 1936 crores, total operating revenue for the company grew by 73% to INR 367 crores and there is another 38 crores of deferred revenue on top of it. existing marketplace business contribution margin which is operating revenue minus direct people cost and minus acquisition marketing cost was maintained at 40%. New business initiative revenue grew manyfold to INR 50 crores from very small base of 3 crores last year with an initial investment of INR 41 crores. Adjusted EBITDA without ease of cost was at a loss of INR 92 crores reflecting investment in new initiatives and brand advertising. ESOP charges were at 236 crores for the quarter. This is the part of IPO prospectus and our part of fully diluted table calculations. These are also front ended as 45.5% of the charge has still gone in the first 12 months as per the Ind AS and these will continue to come down over the next 5 years. Thanks very much.

We would like to take on the questions now.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aditya Jain from Citi Group. Please go ahead.

**Aditya Jain:** Sir, the POSP buildup has been really rapid, if you could tell us a few things here, so along the line, so who is the customer here and what is he buying, so fundamentally is there a market expansion happening, do you see a very different customer from your main current customer set who is coming in from here and is it right to think of this as a lower take rate, but higher contribution margin business in the medium term and the burn which you have mentioned here about 40 crores just the nature of this burn and how you would expect this to taper off over the next few years?

**Yashish Dahiya:** The customer over here is an insurance agent, we are essentially a platform, PB partner is a platform where insurance agents come and they are able to log in their policies and get paid for those policies, so it is a B2B2C business. The final customer is the customer of the agent. In terms of the take rate, the take rate actually is pretty good, but I think the right way to look at it is the net burn because what happened is that we get paid from each other's company's X and we gave a fraction of that X back to the agent. So there is some contribution from that, but we end up giving a large portion of what we get back to the agent. The third question that you had around the burn, the burn is essentially to build out the team, so we have built out the team, we have to run marketing for A to attract agents, so we may run context, things like that. So those things cost money and that burn to some extent will remain because last quarter was the first quarter where we kind of had full quarter of operations and as we go forward, the scale will only grow, but the burn will also remain and we will start tapering after we reach additional sales.

**Aditya Jain:** My question was on the final customer, so essentially I understand it is a B2B2C, but if you think of this as a new channel so to speak, is it giving us access to let us say Tier-3?

**Alok Bansal:** Aditya, it is a different customer, a customer who wanted to use the Policy Bazaar platform by coming on the website is a different customer, so the customer who is usually using POSP agent to buy a product, so it is an expansion of the number of customer that we reach out to, so you are accurate in that and a lot of this is from Tier-2, Tier-3 towns. So yes, it is also an expansion of the Policy Bazaar footprint in some manner in terms of distribution.

**Aditya Jain:** And just on the second part, you mentioned give a fraction to the agent, so the recognition that we do in the P&L, so that would be gross, is it, the total amount which you get from the insurer and then the amount paid to the agent will be in OpEx?

**Yashish Dahiya:** Yes, absolutely.

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

**Sachin Dixit:** Couple of questions, quickly I will start on the piece of what previous colleague was asking, was like when you think of cost of onboarding this POSP agents and the commission that you are passing on, so when we look at the P&L where are those cost passed, are those part of the advertising promotion or other expenses there are those?

**Yashish Dahiya:** You are seeing them in the advertising and promotion right now.

**Sachin Dixit:** Is it possible to break down advertising slightly in terms of like what is pure play marketing expense all like including customer acquisition and what is this promotion sales expenses?

**Alok Bansal:** Sachin, we have given some guidance in terms of how much the initiative have cost us, so for the revenue of 50 Cr in quarter 3, we have incurred a direct cost of about 91 Cr and you can see a negative 41 in the presentation and most of it will go towards the marketing expense both quarters, so the way to look at it will be 50 crores revenue, but 91 crores cost and lot of it, 99% of that will be in marketing.

**Sachin Dixit:** One more question on the deferred revenue piece, can you elaborate on that like how is it getting generated and what is the leverage?

**Yashish Dahiya:** Absolutely, suppose we are selling policies which are on a monthly pay basis, what would happen if the policy is initiated, but the customer has to pay over the next 12 months, so if I have initiated that policy, let us say in a particular month, I will only get paid 1/12 of the policy in terms of revenue and the remaining 11/12 will come in future months and that is how the revenue recognition is happening, however, while this would be correct for an insurance company where the claims have to be paid out to the premium for a distribution company where essentially all the work has already been concluded and all the costs have already been undertaken. My honest opinion is, either the cost should also be accrued or the revenue should not be deferred, but it is okay, that is the reality, but as we grow this wouldn't matter if even not growing, but as we grow this becomes a larger and larger, so yes, that is definitely a gap which gets cause between MIS and we have to absolutely know that these are all payments which have been done or standard disruption, so it is just, you get the story.

**Sachin Dixit:** So this is basically almost 100% certain that you will get this?

**Yashish Dahiya:** Yes, almost 100% and that person runs out of money or something or decide to cancel the policy, actually even for canceling the policy has to still wait for the first year.

**Moderator:** Thank you. The next question is from the line of Utsav Mitra from Alpha Wave Global. Please go ahead.

**Utsav Mitra:** I would like to have color on how the renewal book is continuing to build up and the visibility you have and along with that the impact on contribution margins you had set and the renewable book becomes a larger and larger percentage of the total book?

**Yashish Dahiya:** So for this year and the best way to kind of do this is in the ARR level, so last quarter, our renewal revenue was about Rs. 55 crores and if you take the January month, it was Rs. 22 crores, so January is unaudited, but these are the numbers and that is why the ARR up to 242 crores comes from there. This number is growing at approximately 40% year-on-year. Now, a bulk of this is actually health insurance renewals, bulk of it, a vast majority of it, so you could pretty much treat it as largely health insurance renewals and secondly, when you come to revenue, when you talk about renewal premium that is a different issue, but revenue is important. In terms of margins this business is more than 90% margin, our board has made a clear instruction to us that we cannot give any guidance, etc., but we don't anticipate any change in the growth rate and clearly this grows as your new business of previous year files up.

**Utsav Mitra:** And this is also a cumulative book.

**Yashish Dahiya:** It is why called day one revenue. I think the interesting part is for the first time Paisabazaar has also started making similar revenue through the neo products that they are doing and that is an interesting and again nothing about the future, but there is about 2 crores of what you call day one revenue which I started getting created by Paisabazaar also and that is not included in this ARR. This ARR is just the Policybazaar ARR.

**Moderator:** Thank you. The next question is from the line of Prashant Mittal from Ambit Capital. Please go ahead.

**Prashant Mittal:** My question pertains to the segmental revenue breakdown that you have given, now it seems that about 371 crores of revenue came from the other services on a 9-month basis for FY22, would you be able to give some color on what the take rates was like for the Paisabazaar segment because if I just breakdown the other services from standalone and the new initiative revenue that you have given, the take rates sort of comes a little high as compared to what seen in the industry, so any color on that would be helpful?

**Alok Bansal:** Prashant, otherwise 317 crores that you mentioned, roughly 150 to 155 crores is coming from the health business.

**Yashish Dahiya:** That is on your 950 crores Alok, that is not, this is just one quarter, just clarifying. I think Alok clarified in the beginning, of the 950 crores of revenue plus deferred revenue, so revenue is 85, only about 150 is coming from the credit side, the remaining, if I were to just, be with me for that minute, 950 minus 150, about 800, all of that is either insurance or insurance related. So bulk of it is insurance or insurance related and the numbers are not very different actually because in terms of growth rate, sub brokerages were higher in the earlier quarters, Q3, the growth rates have actually come quite close, so the numbers are not very different on that ratio. That should give you good guidance in terms of what is the credit products take rate and what is the insurance products take rates, because we have declared the disbursals and the.

**Alok Bansal:** Prashant, in terms of take rate, Paisabazaar has multiple lines of businesses. When we look at a product like secure lending, auto loans, home loans, we get about market pays to any DSA depending on the last mile legwork that we do. There are lot of other services which are not at a percentage like credit card or credit advisory that we do. In those cases, it may be specific transition-based revenue that we get, but on overall basis, from each vertical, our take rates will be brought in line with the market ticket, but all of these put together would be in that 150 to 155 crores for the first 9 months.

**Moderator:** Thank you. The next question is from the line of Arpit Shah from Stallion Asset. Please go ahead.

**Arpit Shah:** I just wanted to understand we have built a good business, we have ARR of 8100 crores in premium, 8001 crores in the credit business in the last 8 years I just wanted to understand at what level, at what ARR, our expenditure would see J-Curve in terms of profitability, can it happen at $2 billion, $3 billion, $4 billion, at what level you believe that the fly wheel will be here to stay?

**Yashish Dahiya:** As I mentioned, I am not authorized by my board to give any forward-looking statement, but I do feel the need to satisfy the curiosity on this front, I think people will not have to wait very long and it is all I would say. I don't think you would have to wait very long for that.

**Arpit Shah:** And just wanted to understand we just got the broker's license and under the broker's license we can be able to charge commissions on the life insurance renewable, so the thing is if you collect it earlier, more the part of that or we started getting under the broker's license now?

**Yashish Dahiya:** Every time, when we change licenses, I just wanted to give a bit of color on this because it is important for you to have that. Every time we change license and what happened is all your contracts undergo a change because if I have a contract with an insurance company as a web aggregator, now I will have to have contract as a broker and when these contracts undergo a change, there is a period of what you can call turbulence. Now, this has happened to us thrice in our lifetime once when we got with an aggregator license and then we got the broker license, so that is the period of turbulence that happens and yes we have come through that period of turbulence is what I can say. So some of our revenue numbers and revenue recognition in the first quarter, second quarter could potentially have, but as time progresses that will start to settle down, you are absolutely right, in the fact that as a broker you can have renewal revenues. That does not mean we will have renewal revenues. It just means legally it is possible for us to have renewal revenue. I leave it there. I think as time passes, we will see more and more color around these.

**Arpit Shah:** I just wanted to have a follow-up, I just wanted to understand economics have been broker license and aggregator license, so for the benefit of everybody can you just explain the economics between the two?

**Yashish Dahiya:** I can give you the fact between the two. I don't know, the web aggregator cannot make life insurance renewal revenue, a broker can. A web aggregator can only sell online and in a remote manner. A broker can physically meet the customer. A broker can service claims, a web aggregator cannot service claims. A broker can do corporate business, a web aggregator cannot do corporate business. A broker can appoint POSP, a web aggregator cannot. So if you notice, some of the lines of business which we have done correlate with us getting a broker license, so they were initially pretty much then and most of the growth you see is post that.

**Arpit Shah:** And you basically see the renewal revenues were going up to let us say 40 to 50% in the next 3 to 4 years from current 15 to 20% in the insurance?

**Yashish Dahiya:** I cannot, as I said, the board does not authorize me to do something, I cannot do it.

**Arpit Shah:** One last question, just for the benefit of everyone, can you please explain your offline store strategy?

**Alok Bansal:** So our offline strategy is very simple. All our demand is generated online, so every journey starts from coming to Policybazaar.com and entering your retail. Once you enter the retail, you have 3 or 4 choices, you can go and buy yourself. So as you know in our motor and two-wheeler business, class majority of transaction happens unassisted people buy themselves. In our health and life businesses, we speak to people on phone, we speak to them through a video call and now we are adding the capability to go and meet them at home. So our agents offer the opportunity to our customers saying sir or man, if you would like us to visit you at home, we can either come active depending on the city that they are in or we can send a colleague who will go and meet them. So all journeys start online, they can be fulfilled in different ways and offline is one of the ways in which we are fulfilling it. This is the main strategy that we have and we have deployed about 300 agents on this already and this is slowly becoming a bigger portion of our business. The other part of our offline business is the point of sales business, which Yashish just spoke about Ind AS. That is a totally separate business which is a B2B2C business. Also to clarify, our offline fulfillment at this stage would probably account for about 3 to 5%, in that range, may be about 3%. About 3% of our total revenue would be coming from that. So just to give some guidance around how much of the growth is because of that etc., my honest opinion is not happened yet at scale because it is so early in the process. Please appreciate we could not have done this before we got the broker license. We have only started doing this, but whatever results we have had are very encouraging in terms of what is possible.

**Moderator:** Thank you. The next question is from the line of Abhishek Saraf from Jefferies. Please go ahead.

**Abhishek Saraf:** I just have two questions, one on with regard to our online business, so what premium on the platform has grown 68% Y-o-Y, within that if you can just let me know how much did the new business premium grew at and as I mentioned, I believe that renewal has grown at 40%, so would this imply that new business premium has actually grown at much faster rate? Secondly, in the offline model, between POSP and the other one in which this online/offline combination, what would be the breakup of revenues of the 50 crores that we put this quarter? And lastly, on the corporate business, if you can help me understand what sort of businesses are we writing, is it mainly life insurance or health insurance and what would be the take rate differential on a like to like product basis?

**Yashish Dahiya:** I will briefly answer and then hand over to Sarbvir for any detailed answer. So the new business growth rate is 68%, it is on slide 3 of the presentation that we have made and it also puts out how much of it is life insurance and health insurance. I just wanted to clarify we are because this can be a big dampener if it is mentioned that way. Any health business done in the corporate side is not being declared in our health business at all. Otherwise, I can show very high growth in health by just putting corporate there. That is all retail health business only that we are talking about that is growing there and the entire renewal book, etc. I think your question in terms of breakup of revenue, etc., I don't know if we have that level of detail in terms of how much of that 50 crores is from corporate and how much of it is from POSP, I don't know if we have that level of details to share.

**Alok Bansal:** Right now, I think POSP is much faster, corporate takes little bit of time because it is more free base on the team getting build where POSP main constitution POSP is a larger chunk of that and within corporate we do have large corporates and MSMEs focus on both of these business lines. Large corporate had typically group Mediclaim sort of policies and MSMEs can be a mix of multiple type of policies including group health, but as a professional liability lot of stuff.

**Yashish Dahiya:** Sarbvir, you want to provide some color on this?

**Sarbvir Singh:** On the corporate side, as Alok was explaining we grow health, grow life, we do some group personal accident as well. For the MSMEs we again do group health, group life, and we also do money, fire, shopkeeper, small office, startup package, DNO, surveys, other kind of lines as wall and as Alok again mentioned we are building out our team, it is a team driven business and as the team expands, we will cover no comprehensive lines of coverage, but I just wanted to reclarify, neither the health nor the life business is disclosed in the growth rates of our health and life. Those are purely retail and without POSP. That does not include POSP also. The 68% is excluding POSP. We totally recognize the POSP business and non-POSP are different and so we feel the need to declare those difference.

**Moderator:** Thank you. The next question is from Dhaval Gada from DSP. Please go ahead.

**Dhaval Gada:** Sir, just couple of questions, first on the revenue side, if you could just break that 367 crores revenue from operation into insurance, POSP, Paisabazaar and other business and also the same number for 3Q 21 for results?

**Alok Bansal:** When we look at the quarter 3 numbers of 367, roughly 65 odd comes from credit and everything else would-be insurance or insurance related revenues, this includes experiments or initiative that we have started off and the total revenue coming from all the initiative is about 50 crores within this.

**Yashish Dahiya:** Roughly 65 from credit, rest from insurance and insurance related which includes 50 of initiatives and initiatives is all insurance.

**Alok Bansal:** So initiative is all insurance revenue.

**Dhaval Gada:** And the same number for 3Q 21 just for reference?

**Alok Bansal:** The same number would have been 885 total or otherwise roughly 150 to 155 coming from credit and rest coming from insurance and insurance related services and the total experiment or initiatives out of that would be 71 and the entire deferred revenue is insurance also and deferred revenue is overall of this, 75 crores extra deferred revenue.

**Yashish Dahiya:** See that even we mentioned that deferred revenue, it is because it impacts our profitability, otherwise we would be quite cool and not kind of mentioned deferred revenue again and again, but it hurts to kind of know that your profitability is low because cost is there, but the revenue is not there.

**Dhaval Gada:** The second question was relating to the employee cost, so if you x out the ESOP cost, the underlying employee cost is still growing at 60% plus if you take that as a percentage of the operating revenue is still around 46% or so, how should we should about that part of the cost component or should we look at it in total ESOP plus ESOP, just internally how would you think about it and any comments that you can provide on that side?

**Alok Bansal:** you are right this year we have invested behind these initiatives and everything obviously required a little bit of team built in the initial years. We have also invested brand building at team from claim and service experience for the consumers. That is something which is very critical as we look at our long-term business steadily. We have also invested a little bit behind the whole offline strategy and service mentioned earlier, so there have been little bit extra investment we have done this year, but we believe this investments in the current year are going to be very helpful when we look at how the business will pan out over next 2-3, 4 years.

**Yashish Dahiya:** Whenever you scale up anything quite rapidly, reaching number one position in the market within 6 months while other players have had 4-5 years to be number 2, number 3, etc., obviously does imply, your accuracy in terms of getting every aspect of the team right on day one is obviously going to be lower, I am not saying it is you done a bad job or anything, but you will see some settling out, I think 150 some settling out of these things also.

**Alok Bansal:** Yes, typically, wherever, like in corporate business also, the day you hire, the person will not start to cover their cost in the day one, so typically we have a little bit of time when the teams start to scale up, started to come together, whether the platform starts to become more mature and that is the investment we want to do in the business.

**Dhaval Gada:** Just one final point relating to the cost part, so in your internal classification there is a direct cost and then there is an indirect cost, so when you think about the AMP cost, is there any split that you do between direct and indirect and if so what is the logic for that?

**Yashish Dahiya:** For the existing businesses, the split is a very mature one and you could see it very clearly. For the new businesses there could be gaps in it, there could be, I am not saying there are, but since they are just two quarters old, both the new businesses, if you look at corporate or POSP, they are two quarter old businesses and there is always a possibility that some of the classifications are not very accurate, but I think as the quarters revolve, we should get more and more accurate classification. The rule is very simple, if the sale gets impacted by the existence of an individual or as the number of sales increase, if more individuals need to be added, then they are direct cost and all of those go into direct cost, we have been clear about it from last 14 years, so that is not new accounting product and anyway it does not get impacted by sales or more people don't need to be hired just because your sales are expanding is going into indirect costs and I do take your point and I fully accept there will be some gaps there in the first two quarters, but we will sort those out as the quarters roll on.

**Moderator:** Thank you. The next question is from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.

**Prateek Poddar:** Sir, just one question, when I look at your ad spends and I try to knock of the new initiative cost which you have incurred, the growth in ad spends are higher than your revenue growth, so maybe if you can talk a bit about that? And secondly just on contribution margins on Paisabazaar side, if you can spell out that and lastly on this monthly pay policies, which policies are these, are these health, life insurance, motor because when DRHP were disclosed, but the renewal rates were quite low, isn't it, I think it was 30-35 for motor and health 70, so let us say if the persistency goes down in the year 2 what happens then in that case?

**Yashish Dahiya:** The deferred revenue has nothing to do with persistency.

**Prateek Poddar:** Then the cost has gone, right sir, so if he doesn't pay?

**Yashish Dahiya:** If he doesn't pay of course, but what I am talking about is, it is not about a new policy, persistency is usually relating to a new policy and the renewal rate you are speaking about are aiding for new policy, both in motor and health, both are new policies, new next year policy being taken. This is an annual policy which has the mechanism for the customer to pay on a monthly basis. The customer has signed on to a credit card or something of that sort through which he will pay on a monthly basis rather than pay upfront. Which were the other two questions, what was the?

**Prateek Poddar:** Margins in Paisabazaar and?

**Yashish Dahiya:** Now, the acquisition cost, Alok do you want to take that?

**Alok Bansal:** In quarter 3, Prateek, if you look at our total acquisition cost, it has moved up which is including about 75 plus crores coming from the initiatives and Paisabazaar also is coming out of COVID year, if you look at?

**Yashish Dahiya:** Last year was 0%.

**Alok Bansal:** So because of that the Paisabazaar spend seems much higher plus we received the spends looking much higher and we had done one specific brand experiment to see how it has work for us, so that also get added to the whole total here there are 3-4 reasons, but.

**Yashish Dahiya:** Triple whammy on that.

**Alok Bansal:** But we have gone to a stable state now if you are asking honestly state where we see our brands spend to be quite stable, at least for the possible future and let us see how that pans out.

**Prateek Poddar:** So what is that number sir, I am just trying to appreciate or understand this advertisement cost between brand in marketing and variable, right adjusting for all the new business initiatives of 75 crores which you talk about, even if I adjust for that and then I see the growth seems to be far higher than your overall revenue, so just trying to understand what is the steady state number to look for?

**Yashish Dahiya:** Our brand spend yield is about 35 to 40% of the total existing business marketing spend and initiatives obviously are very young and we will see how those pan out and how much you have to commit behind that every season build out over next few quarters, but for the existing core businesses, roughly one third to 40% will go towards the brand and that will be more effective in marketing.

**Prateek Poddar:** And classy contribution margin on Paisabazaar, sir, would you like to talk a bit about that?

**Yashish Dahiya:** Yes, in terms of contribution, Naveen you want to cover that or?

**Naveen Kukreja:** Yes, so for the 9 months in this year, our contribution margin would be around 30-31%. If you compare it versus last year it will be low early double digit, so it has improved from that and when we are talking about Paisabazaar business, the credit business we are talking about, the credit business, when we got a chance to review post COVID we were able to relook at our direct cost much more generally, but able to optimize a lot more as we came back to the pre-COVID levels.

**Prateek Poddar:** And lastly on Policy Bazaar partner, PB partners what kind of churn are you seeing when you onboard your partners over there because today this is a negative contribution margin business and obviously you are building that out, but if you were to draw apart and it looks like it to be very fast because you are of the view that very soon we will be?

**Yashish Dahiya:** Too early to gauge that, remember we are just on this 6 months, it is too early. We have roughly 20,000 partners, 40,000 registered partners who are waiting to get their approvals through the regulator to become partner, so I think, yes, we should be 40,000 like soon and we have to still see.

**Alok Bansal:** no comments in terms of how it will pan out from the churn perspective, I am sure lot of these partners if they don't do any business at some point will get churned out and there is a natural churn which will happen, but it is too early for us to actually comment on how that will play out.

**Prateek Poddar:** And do these new initiatives, last question, delay your J-Curve position which you talked about being very soon, because that is what I was worried that if the business model is still not established on the new initiative side, whether it delays your J-Curve ambitions?

**Yashish Dahiya:** Typically, each business has its own maturity. When we are looking at the marketplace model of Paisabazaar or Policy Bazaar, they are now decently established in terms of maturity, in terms of the cost structures, efficiencies and we continue to work on it. So the existing business, we obviously have a large level of comfort in terms of how they are going to pan out over next 2 years. Initiatives are very early stage and they are going to be a future growth divert at some point. We had spent the market, earlier we used to do on the retail, now we are able to talk to corporate customers, earlier we used to only talk to customers who come to us, now we are able to reach out to customers, to agent as well. This is the expansion of the value gain across corporate, across lot of other segment and as these initiatives scale, we will see at what point, what sort of passion we get on each of these and we have been very prudent in this, we look at our unit economics our scale and growth and what does this mean in long term. See, remember Prateek, it is 14 years for us and we are here for marathon not for sprint so in 6 months nothing will change in the substantial way, but in 5 years all will add up and it will look like a very different company.

**Alok Bansal:** I noticed you didn't compare the POSP and the core business and I think that comparison would be very unfair, but the core business is very precious and that is exactly why we are giving you all the classifications there and all the segregation of revenue, etc., there. I don't think it is a same quality, nobody can build our core business in 6 months, if it was that easy, but PSOB can be built by 6 months by anybody, not just us. I think we are lucky to have the opportunity, but so yes, I do think there is a big distinction between the two, but rather it makes sense to do it from a scale perspective, supplier partnership perspective. Insurance is a multichannel model at the end of it have to be everywhere.

**Moderator:** Thank you. The next question is from the line of TCM Sundaram from Chiratae Ventures. Please go ahead.

**TCM Sundaram:** I had one question on the ESOP, there is an ESOP slide which is there, so that is the year 1 hit or year 2 hit because it is ESOP 2021?

**Yashish Dahiya:** TCM, typically for any new scheme, there is waterfall sort of impact because of Ind AS on current October 21 scheme is a very simple scheme where it is a 5 year into 20% **(Inaudible) 46.42**. In certain scenario, the description that we have given that the first-year charges that you have to take over 12 months is about 45.7%, now that is divided by quarter, so two quarters in the current fiscal year and two quarters in the next fiscal year will have that impact. After that it comes down to 27%. It continues to come down, almost like half every year, because it is spread over two fiscal years, it is broadly fiscal 22 and fiscal 23 numbers are not going to be very different. After it you will start seeing drop drastically, but this is because of the way Ind AS ask me to look at the ESOP charges where the first year charge you have to take 100%, second year you have to take 50%, third year you have to take one third, fourth you have to take one fourth, like that. So there is a waterfall of ESOP charges will come, but broadly speaking they are every year, but I would like to add one more point. See, this is something which was there in the IPO prospectus and this is only baked in the fully diluted calculations, so there is no investor impact and there is no cash impact coming from the ESOP charges, so we have to be very mindful of both.

**Moderator:** Thank you. The next question is from the line of Madhukar Ladha from Elara Capital. Please go ahead.

**Madhukar Ladha:** First, just sort out dwelling a little bit more on the new initiatives and the POSP model, so I think you said you added 40,000 agents, is that number correct?

**Yashish Dahiya:** Yes, what I would say is look, I am not the biggest fan of POSP, this is we are doing, I think today we had about 50% of questions on POSP we are just not doing POSP, because it is happening, right, happening in the market and we just entered and become the market leader, but that is not the major part of our business, it is just, it is there.

**Alok Bansal:** if you look at what the market dynamics are looking right now, they are players out there, would be valued at whatever number, I don't know what number, but it will be 100 million, 200 million, 500 million, we were able to get to a scale which puts us at number one by expanding a fraction of that amount between $7 to $8 million in only in 6 months timeframe, that tells you something about execution, that tells you something about our thinking that we are more build by nature and we are not going to go out there and put money behind something where we believe it is not going to be cost effective.

**Madhukar Ladha:** That was actually going to be my next question, so you spend about $7 to $8 million for adding 14,000 agents and is any of that capitalized or is it all expensed out?

**Yashish Dahiya:** All expensed.

**Madhukar Ladha:** And how should one think about this business in terms of what can be the agent productivity and so per agent, what sort of?

**Yashish Dahiya:** I think a little bit of confusion here, these are not our agents, these are POSP agent, they are not out payrolls. They have their own customers, they use our tech platform because we have got deep integration with our insurance companies, we have a very efficient platform to buy, we have a brand which sort of builds trust for the POSP people when they go out to meet their customers. So the customer is not coming to Policy Bazaar, but the POSP agent will use our platform to reach out to their customers, to make life easy for himself and also give options to customers.

**Madhukar Ladha:** So he also obviously would be getting some, I understand that and because he is affiliated with you and you would probably be able to negotiate better terms from insurance companies on commissions and he probably would be getting a better ground also, can you explain that a little bit and on an average, what sort of premium flow through can we expect, what sort of hence revenue and then pass through to him should we expect, right?

**Alok Bansal:** We don't have that level of details yet. We of course at the business level we would have it, but at a stage where these can be so mature that we can put them on calls like this one, but all I would like to share with you is, a typical agent in the country today, a typical seller of insurance sells 1.5 policies a month. This guy, imagine what kind of support he must be getting the large organization that he works with; he has to follow up, he has to go to the brands, he has to get these policies issued, it is a lot of paper, it is a lot of all that stuff. Policy Bazaar is a ready to use platform where he can come online on its app which is the PB partner's app, register himself, get license from the IRDA as agent he can sell products across the market, not for one insurance company. Imagine if 1.5 policies a month, how many insurance companies are going to tie up with even if your uncle and aunt could tie up with multiple people. You get one single link, you tie up across the board, you sell whichever product you wish which is bulk of what you are selling and you get paid for it which is what Policy Bazaar pays you, pays you on time. It is basically that. It is convenient. This guy is coming here for convenience and of course some business gets added because some people who may not do this business at all because suppose I had one uncle who was doing who is going to buy one policy from me, I may not get into insurance business, but if something is available to me and I just do that and because I have this I might sell to his wife and his sister and somebody else, so to some extent it does expand the market, specifically it is a very small agent and we don't have any fixed cost of theirs. They are all on variable cost basis. At some point for the better performing guys we may start to have some structures and all that stuff, but more than that this business does not require more attention at this stage. As the quarters dwell and as the business scales up, we will give more clarity on it and we will add more data on it.

**Madhukar Ladha:** In the agent sort of getting a higher take rate through the PB partners up or if you would do it independently, I would still assume that it is still probably better to be under the PB partner's umbrella because the convivence it gets?

**Alok Bansal:** The agent can go to anybody he is not really loyal, but I have heard anecdotally and look, that is why I don't want to get into its anecdotes, if the guy probably take a few percentage points left from PB partner because Policy Bazaar is a more established organization, he can trust the payout more, he has a little more trust in the brand, etc. I am sure other people have different arguments, the fact that we have got to number one status and in sometime kind of proof what he have been saying this before we could start that we will get to number one status very quickly and I think how we hopefully scale in the future will probably drove that part a little more.

**Moderator:** Thank you. The next question is from the line of Saurabh Dhole from Trivantage Capital. Please go ahead.

**Saurabh Dhole:** I have two questions, sir the first one is, I just want to understand PB's offerings a little better, so is it like more relevant to the smaller players versus the larger ones and in that context if you could tell us what is the share of say the top 5 general insurance players in your total general insurance premium pie, so that is question number one and second question is on two data points, if I could get the ESOP cost for Q2 FY22 and the insurance premium for the same quarter?

**Yashish Dahiya:** We won't have what is the share of top 5 etc., I don't think we have that on the ply but we have a decent proportion of players, so in the health space, all the top players are working with us and across the board a lot of players work with us and these things keep happening, right, sometimes some player will not work and they work in different areas, so these few events will keep happening, but more and more we have bulk of the players with us.

**Alok Bansal:** Saurabh, what also happens is depending on the vertical, it is the customer who is choosing the insurance provider and the policy that customer wants, so for health and life typically they have a preference for more established brands, sometimes they would go for product features, for general insurance, they may go for a little bit more of price sensitivity and the volume may get spread over much larger number of companies, but if a company comes up with a better product, if a company looks at specific customer segment move closely as the company comes up with, a very easy way of buying in terms of some ease of process, the volume starts to go to that company automatically and it keeps on shifting, so there is no way for it as we will say that this is what has happened in last year, this is what is going to happen this year with a partner perspective and partner evolve this volume keeps on shifting a bit. It depends on the management team of the partners where how much were the focus on building direct and online channel and how much they have the focus of working on looking at a pull customer and what that pull customer mean, little bit of different thinking and we have seen that volume shift multiple times in past 14 years.

**Saurabh Dhole:** I understand that I guess on the general insurance side that could be true, but is it true on the life insurance side also, is it as volatile?

**Alok Bansal:** Very volatile, we don't want to go into specifics, but if you look at it over 1 year basis you see multiple cycles when if there are right changes or product changes, volume shifts from one insurance company to the other and those can be multiple tens of percentage point shifts here.

**Yashish Dahiya:** I just want to add one thing that I sort of heard in your question is not large versus small, we are very representative of the industry, the large players are large in our platform and relatively smaller players are small, so it is not that with the kind of scale we have, we are very much represent the market and you would have seen now we pretty much cover all the insurance, right, so with the LIC coming on board, I think that is kind of put an end to that speculation at least that everybody wants to work with Policy Bazaar.

**Saurabh Dhole:** And if I could have those two data point sir, one is the ESOP cost and the second is the insurance premium for Q2?

**Alok Bansal:** I think the ESOP cost would have been much lower in what we saw in Q3, may be around 130-140 crores and premium, I will have to check a little bit for quarter 2 specifically. Given the total, we had declared quarter one revenue also so I think we should be able to find it and kind of inform you specifically.

**Moderator:** Thank you. The next question is from the line of Dipanjan Ghosh from Kotak. Please go ahead.

**Dipanjan Ghosh:** Just one question from my side, if I look into the life insurance business, can you share some color on whether the small book of non-link additional savings start picking up and if you see the traction in that segment or the mix was broadly remain familiar between term and playing it outside?

**Yashish Dahiya:** So just to give you a sense, our life insurance business is almost evenly spread between terms and civil products. In civil products, we sell ULIPs, we sell particular capital guarantee solution which is involved in the ULIP and a non-PAR which is a non-yield and that is one of the main **(Inaudible) 59.36** of our savings with us and we also sell non-guarantee plans which are very popular these days.

**Dipanjan Ghosh:** Has there been any shift in the mix, do you see any significant shift post incorporation of the outline channel or do you expect the mix to change incrementally?

**Yashish Dahiya:** I think we are very focused on the term business, so term continues to be about half of our overall book. We are growing our savings product also quite markey, but we see growth in both segments.

**Moderator:** Thank you. The next question is from the line of Jayant Kharote from Credit Suisse. Please go ahead.

**Jayant Kharote:** Sir, I wanted to understand on the mix following on the previous question, if you could tell us a little bit about life versus non-life in the premium and also on the non-life if you could tell us what have been the key drivers and what do you see to be the key drivers in the next 2 to 3 years product driver?

**Alok Bansal:** The way we look at our business Jayant is less of life versus non-life we look at life, health, and GI because non-life includes health and that includes lot of things. Our focus and our heart lies in life and health, so life and health both have done very well, therefore in quarter 3 grew by about 73% and 50% respectively which is about 3x to 4x of industry growth rates. General insurance which is mostly motor and two-wheeler had seen a tough time as an industry in last I would say 1.5 years specifically and we also seeing the same reflect in our book. Team is trying to do lot of stuff but since these are asset-backed incidents there is only so much industry can do, but term and health we are all understand the base is very small, the opportunity is very big with under penetration of the whole sector around health and life, there is a huge amount of scope to grow, but if we look at our total premium I would think our health and life on the existing business would be more like three-fourth or a little higher.

**Yashish Dahiya:** If you look at these numbers, 73% growth in life and 50% growth in health, if you were to ask me soft answer, first of all I wish they were other way round I wish health for 73% and life was 50% and I genuinely believe we have the potential of being that than this, but that is the soft answer, but both are growing very well and as Alok said, we look at the business in this manner, protection and non-protection, I know there is slightly difference on how the industry looks at it, but now increasingly the industry is coming to our view because if you look at the health business, yes it is part of GI, but the bulk of it being done by the people who are kind of more focused on the health area. So that need for focus is sort of kind of becoming a bit clear there and yes, we also recently started seeing some GI companies do very well on the platform for health, so that is heartening for us and a few we have started to hit some good numbers and we are very pleased by that, but what I am trying to say is we see it this way and as Alok said, the motor business has been challenging, the entire industry has been challenged on that front, not on the claim side, but on the premium front, but health and life we have outgrown the industry between 3 to 4x.

**Jayant Kharote:** And sir, do you look at it from market share perspective, rather too early right now nascent but how do you look at it from the digital penetration and our market share in that space?

**Alok Bansal:** We don't get into market share, etc., we are doing our bit and we are, I think if you look at the last few years, in term there has been a lot of market share clarification towards us, but we don't want to get into those arguments because our market share growing low, obviously if we are growing at 73 and 50 and industry is growing at 21 and 13.

**Jayant Kharote:** Just to add on that to summarize you are saying three-fourth coming from these two and it is right now normalize, but as in the medium term you see it becoming center piece or the larger between the two.

**Alok Bansal:** Let us not get into guidance, but I think you get the drift over, I am trying to say.

**Jayant Kharote:** And just one last question, what you see about manufacturing, did you see that ourselves kind of slightly ahead in the future, but do you think that at some point, you have to look at that question?

**Yashish Dahiya:** No answer, I will leave it here.

**Moderator:** Thank you. The next question is from the line of Preethi RS from UTI. Please go ahead.

**Preethi RS:** Yashish, this question is on the LIC partnership, so I want to understand the importance of this to Policy Bazaar and the benefit that you could comment on the growth where pre-LIC partnership and post, so obviously we then have access to almost 40% of the life insurance market, but it is a whole different **(Inaudible) 1.5.22** which used to different kind of selling experience, so how do you expect this to benefit us and what could be the timeline and will this actually tilt our mix towards life going forward?

**Yashish Dahiya:** Sarbvir will answer this question because he is being spearheading that relationship.

**Sarbvir Singh:** So I think it is a very, we have just started, as you know right LIC is a **(Inaudible) 1.5.44** and are the leading brand in the world, not just in India. The best way to answer this question is that the amount goes step by step, A, they have a agency model, it is very widespread, it is very well spread out and everything. Our goal is going to be complementary; we will start by offering product that we think make sense and probably we will start from the fixed written plans as well as the ULIPs and then slowly we build. As you know we don't do participating plans right now, so that is the large portion of their business, so I don't think that both of us, we will be very large portion of their businesses in the near future, but I think it is an interesting product line for us because it is a very popular and customers want these banks. I will build this business out; I think that is where we are today and we will see how it goes.

**Preethi RS:** I just want to reconfirm, you mentioned ULIP, but historically LIC has not been present in ULIP in a big way, is that something that you would expect happen on your platform?

**Sarbvir Singh:** Yes, we are not present in the case that because the order book is very large, but they are very keen to build their systematic investment and insurance plan called SIP and they advertise that a lot and that is something that I feel is a natural fit with our business.

**Preethi RS:** My second question is on the indirect marketing cost, so I think it is very important to understand this whole J-Curve phenomenon to happen, **(Inaudible) 1.7.7** road shows, you mentioned that it is 150 crores which was the case in FY21, the indirect marketing cost, so how do you see this panning out over next 2 to 3 years, a split between the existing business and new initiative and this is also in the context of the rating of competition that we see in these PhonePe and other platforms who want to go for this aggregators sort of business model?

**Yashish Dahiya:** Now, I think we have this year tend what was required and from here I generally do not expect, I think we have kind of big doubt, from here it make inflation-based growth might be there, but we have kind of peaked out in terms of how much we need to spend in order to get effective because we already have a brand and we already have certain service standard. We are able to manage with this brand, but yes it has been higher and of course that fact gets materially at least visually impacted by two pieces, one is that we said optically a lot of the new initiative payout are happening through this area and secondly, Paisabazaar has come from a zero base. Please appreciate when COVID happened, the first thing we did obviously with Paisabazaar if you cut the entire media spend because you don't want more enquiries because at that time there were people looking for loans, but the supply side was constrained and so of course last year that spend wasn't there, while this year the spend is there, because this year the suppliers are fully back and that automatically means you are comparing with the zero base, so whatever happens gets added on and that kind of reflects poorly on the results. In terms of profitability question and I think it is a very fair question and one we are very keen to put behind us in a short timeframe and very confident of that and what gives me confidence there is I will share a few data points with you which might give you also confidence. First of all, our renewal revenue as I said is at a run rate of 242 crores right now. Just to put in perspective about 4 years ago, this would have been, may be 50 crores, 60 crores and I am constrained from thinking about the future, but renewal is the most stable part of our business, even if business does not grow, renewal comes with one-year backlog if you would, so today, the renewal benefits are getting because of our last year's efforts and so all the growth you are seeing in new business premium, there is 68% growth, you are seeing is going to reflect in next year renewed automatically. That is not really forward-looking statement. That is an obvious one. That has to reflect, it cannot not reflect and in fact if you think about it last year we did not grow our new business as much which were 3% growth just before IPO. We had 3% new business growth in the previous year. So our renewal this 242 crores is on the back of that, but that is a slightly unfair explanation because health actually did grow quite okay, so that is an unfair explanation, I take that back. I was just kind of thinking things to and health has grown well this year as well. So I think if health has grown 50% I don't see why that will not be reflective in the renewal book next year and etc., and of course the future will depend on how we grow next year. So very confident that the renewal book grows to a scale where those margins totally dwarf all other spends, very confident of that and I think that is exactly how we will come into profitability. The second data point I want to leave with you, our current run rate is Rs. 1.1 crore of insurance premium per sales employee. This exact same number in 2019 was Rs. 46 lakh. Now, your bank is giving you some trend in terms of operational efficiency, if you look out into the future, what is going to be one of our biggest cost is our operating cost. So if we starting driving efficiency on that front, according to me if you take a really 3–4-year, 5 year view out, the brand cost actually starts to get dwarf in front of the operating revenues, renewal revenues and some of the operating costs. They become much bigger, as the operating cost becomes much bigger than the brand cost if you do that math and that one coming down, so I don't think brand cost will stop us from hitting profitability for very long and as I said I think we have peaked out. I have individually checked with both the businesses and both have said yes, this is about it, we should not be requiring more than this.

**Preethi RS:** Yashish if I could ask one last question, if the business compared for the last 3 quarters, was that seasonality because there is quite a bit of variation in terms of quarterly run rate that we saw for the last 3 quarters of FY22, so could you explain if their seasonality in the business or was their anything specific to the business in the last 3 quarters?

**Alok Bansal:** There is some seasonality in the industry, for us is not as much. From consumer perspective, there is a higher interest at the end of the fiscal year yearly but in our case, it is much known muted compared to the industry. Remember, last 2 years has been very tough from the COVID perspective when movement from work from home, work from office, all that are happening, so it is very tough to clearly figure out the trend because of the COVID impact. This is the year where we already had two waves, still May-June period was a very tough period. We also went to the whole IPO process during this, lots and lots of diversions happening in the same fiscal, but there is no specific trend towards as being very seasonal, end of the year typically yes, there is little bit higher consumer interest, which automatically means that will be little higher conversion of the interest which comes to the platform, but industries at a very different or seasonality, we don't see that in a very big way.

**Preethi RS:** Thanks for answering all these questions. Alok, I just have one request in future presentation if you could provide little disclosure on the segment wise, we have now three segments, Policy Bazaar, and the new initiative. I think that would help us given the figure new business model one of its kind for us.

**Alok Bansal:** Definitely Preethi this is noted and we will see what best we can do.

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

**Arjun Vikas:** Alok, I was just going through the presentation, so if you look at 9 months FY21 and 9 months FY22 on the existing business contribution margin which I believe includes both Paisa as well as the core Policy Bazaar business, that seems to be at 36%, I heard in the call before that I think Paisa has improved on the contribution margin side, so just wanted to check whether, does that mean that contribution margins for the core business have been lower this year, so that was one and if they have been done on what accounts? And secondly as you think about more offline and retail strategy especially on the B2C side with regards to home visits etc., does that change our economics because we have traditionally been away from this and even the sales productivity of a guy sitting and making calls would probably be higher than the one outside, right and trying to convert customers, so will you share some light on that?

**Alok Bansal:** Sure, second part of the question, I think Sarbvir will answer. On the first part, see we explained that on a 950 Cr revenue base it is about 150 Cr broadly. So you are talking about 100 million about 15%, 16%, 17% of the revenue. On the contribution margin, it can't have a material impact on contribution margin. Sarbvir, do you want to cover the cost of as things move?

**Sarbvir Singh:** Arjun, when a person visits company at home, first of all as I explain, it is not a carpet-bombing system where person is going to somebody's house either or not the person want them, this is by invitation and by appointment, so the conversion on the appointment is extremely high, so just any number that you can think of it will be higher than that. The second point is that when a person goes home, there is a tendency to have higher ticket size in products that is possible, in some cases whatever is possible, so when you look at the overall economics, there is least economics of the agent improve because this is incremental to their conversion that we would have had earlier. The marketing cost remains exactly the same, the agent stays the same incentive exactly as it were if they were to convert sitting in their call center. The only difference I would say, the only CAGR to my point is that there is very higher new agents, there is a visit of learning curve happens, but that as you know for any new agent that learning curve thus happen, so yes there is a little bit of impact because of the learning curve, but other than that the agent who are doing both calling and going home, their productivity is significantly higher than agents who are only calling which is what I think Yashish was saying that this gives us the confidence that expanding this model is going to be economically accretive versus causing any other issues. And just one last point I want to explain because I think lot of people get confused because of the offline agents productivity versus online agent productivity. See the industry is a push industry, so the productivity levels that exist in that segment are very low compared to both Policy Bazaar online productivity and of course Policy Bazaar online plus offline productivity. So our productivity levels are frankly off the chart when you compare with the industry averages.

**Alok Bansal:** Just to give you some data point there, so that we can all leave with some data there and don't kind of totally hold within it, but it is broadly in that same direction. The industry is typically getting about Rs. 50,000 to Rs. 1,00,000 of productivity per agent per month. Our person who is sitting in the call center is at roughly about Rs. 10 lakh per month of productivity and our person who is going into the physical pace along with calling is at about Rs. 20 lakh of productivity because the challenge is as Sarbvir pointed out the numbers, because these are two different channel and the fact is you are putting in new capacity, so let us put it this way, three months in and offline, our kind of offline agent is actually more productive in 3 months than our kind of call center agent, but there are more of one and two and number of agents coming in, so you are going to see some challenge of that sort as we grow it. So you will see may be a few months of that happening and that is it.

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

**Nidhesh Jain:** Sir, firstly what are the drivers of improvement in our agent advisor productivity, we have seen almost 40% improvement on a 9-month basis, so what are the drivers for that and how do we see this number going forward?

**Alok Bansal:** We cannot speak about the future, but typically there are 3-4 things that happened and we were talking about the physical things where there is almost zero vintage right now, so as vintage builds in, a higher and higher proportion of your staff tends to be the vintage staff and vintage staff typically does almost 3x more business than non-vintage staff. Vintage defined as let us say people will experience more than 6 months during that particular task and so as time progresses you build up vintage. The second thing is of course our direct part of our traffic is increasing every year and the direct converts at a much higher level, you know for those of you seen the movie Inception, once the guy gets in his mind that he has to do something he does it, if he asked him not to do it, he doesn't do it. I tell my children to do stuff all the time, they don't do it, but if they get it they will do it. Same thing, when the customer gets in his mind that today morning I want to buy insurance and comes to Policy Bazaar that way his conversion rate is far higher than us approaching him through Facebook or something that why don't you think about buying insurance, so that is the second element that clearly helps and these are just things that will happen. The third element is, of course, we are investing in technology, all our technology and product people are working every day, every review we have **(Inaudible) 1.21.21** hundreds of them going on at any given time and hopefully some of them are delivering value, so that also keeps improving every year. I remember Naveen mentioning that he interacted with the Policy Bazaar journey after a few years and he found it to be very different from what it was a few years ago. So I think those changes also keep happening. I don't know Sarbvir want to add any other?

**Sarbvir Singh:** Yes, you covered most of them, I want to just cover two points. One is that with increasing scale, it allows us to have differentiated products, so we now work with our insurance partners to develop products which make sense given the Policy Bazaar customers, so that helps in conversion and the second thing is that we are also now looking at every business in segment. So our health business is looked at in three segments, same for terms and same for savings, so this segmentation reached expertise. So our agents with their increasing vintage and expertise are able to convert better. So those are I would say two additional factors which has helped in the productivity.

**Yashish Dahiya:** Somebody becomes an expert at handling people who are between 60 to 70 who just retired which becomes less possible if you don't have scale.

**Nidhesh Jain:** Just a follow-up on this, how the trend in terms of customers who are able to complete the **(Inaudible) 1.23.23** on their own complete, is that percentage changing over years?

**Yashish Dahiya:** It moves, again I think you have to separate the businesses in our motor and two-wheeler businesses vast majority of people buy unassisted and that number keeps creeping up every year. In our health and life businesses that number is relatively small, but it keeps increasing every year and when covid is there then it tends to go up more, when COVID subside this kind of flattens out, but it keeps increasing slowly but surely every year.

**Alok Bansal:** And another aspect for tough products or complicated products like health and life, the tangent actually is first of all the top time for the transaction reduces because our customer will lead less and less assistance over quarters and at some point some of them will start becoming comfortable buying without assistance, but the journey and over last 2-3 years, as Yashish was mentioning it terms of the whole efforts that we have put on the second product side, the effort required to close the tariff has come down quite sequentially and that is what is driving the productivity advisor and yes, slowly some of the customers will start to become comfortable, trying a simpler version of those products as products also involve and we will see some unassisted numbers creeping up in life and health as well.

**Nidhesh Jain:** And just secondly on the health insurance side, how the take rate moves with the life of the policy, for example how the take rates changes with the year of the policy, what is the take rate probably in the first year, how it changes to second year, third year, fourth year, does it remain same, it remains same across the life of the policy or it changes over the life of the policy?

**Alok Bansal:** Regulatorily, the take rate for health insurance is a flat take rates, you get the same amount in the first year, same amount in every renewal year regulatorily, but in the first year you do have rewards and remuneration which make the first-year payout slightly higher, so the rule of thumb that you can use is at the second-year commission rate or payout rate, take rate would be roughly two thirds of the first year take rate. Also, churn keeps reducing every year, so the first-year churn is the highest, second year is much lower, third year is extremely low and by the fourth year almost nobody churns.

**Nidhesh Jain:** And this two third will remain constant across the life of the?

**Alok Bansal:** Third largely stays constant, yes.

**Nidhesh Jain:** And lastly if you can share the employee expense breakup in terms of direct employee expense and how the employee expense differ contribution margin and employee expense after contribution margin?

**Alok Bansal:** When we look at our total employee cost, roughly 70% will be towards direct cost, we obviously have this operations team for sale support and for salary support to the customers and that will be roughly 70% of the employee cost. See, there is a presentation along with the business thing, but in the presentation what you would really be able to see is the contribution line and the contribution line is after all the direct cost as we understand have been taken care off. So that should help you kind of get to some number with some simultaneous equations that I am sure you will do.

**Nidhesh Jain:** It would be great if you can split out direct cost or at least one element of advertisement or employee direct cost in the presentation that will help us.

**Yashish Dahiya:** Sure, noted it.

**Moderator:** Thank you. The next question is from the line of Saurabh Savla from Multi-Act Equity. Please go ahead.

**Saurabh Savla:** Sir, my question was with respect to your life insurance business the renewal part, so how do we get paid for the renewal business right now, is that compensated us through the outsource service revenue line item which we have and will it change after we get this broker license?

**Yashish Dahiya:** Sarbvir, you want to take that. My view is one shouldn't get into too much of the lines and all that stuff.

**Saurabh Savla:** But life insurance, right now renewals is a very small component, right now. At some point it may change, it is increasing a bit.

**Sarbvir Singh:** I think you should look at our revenue overall and I think that is a very fair way of looking at how we are concentrated and how things work.

**Saurabh Savla:** So just a follow-up on that, I mean like around 40 to 45% of your premiums are contributed by the renewal premiums, so are we compensated on that entire renewal premiums or is it that on some portion we do not own revenues till now because we were an online aggregator?

**Yashish Dahiya:** The part that we get commissioned on some payout on as mentioned here, the rest is not mentioned. This is the part that we do not get compensated on at all, compensation is crazily low than those would not be mentioned there.

**Saurabh Savla:** And again one technical question, in the renewal segment, is it only be held in the general insurance or even the life?

**Alok Bansal:** From a practical perspective, from an analysis perspective, you can assume that the renewal revenue as spoken about which is at a run rate of 242 crores, a bulk of it, vast majority of it would be health. So I think that should give you the answer in terms of to look at growth of the renewal book etc., remaining parts are there, but they are very small.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraint that was the last question for today. I now hand the conference over to Mr. Subramanian Iyer for closing comments.

**Subramanian Iyer:** On behalf of Morgan Stanley, I thank the management of PB Fintech for the detailed insights and their time. Thanks everyone else for attending.

**Yashish Dahiya:** Thank you Subbu. Thanks everyone for attending the call.

**Moderator:** Thank you. On behalf of Morgan Stanley, that concludes this conference. Thank you for joining us and you may now disconnect your lines.