June 01, 2022

To

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

Sub.: Earnings Call Transcript

Dear Sir/Madam,

In reference to our earlier communication dated May 26, 2022 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of the Earnings Conference Call w.r.t. financial results for the quarter and year ended March 31, 2022.

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

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

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

Policy Bazar | Citi | May 28, 2022

Vijit Jain:

Good afternoon, everyone. This is Vijit Jain from Citi Research. Welcome to PB FinTech for Q4 FY22 earnings call. From the management at Policybazaar, we have Yashish Dahiya, Chairman, Executive Director and CEO, PB FinTech. We have Mr. Alok Bansal, Vice Chairman, and full-time Director, PB FinTech. We have Mr. Sarbvir Singh, President Policybazaar. Mr. Naveen Kukreja CEO, Paisabazaar and Mr. Mandeep Mehta, Group CFO. I'll now hand over the call to Yashish and Alok for opening remarks, and then the operator will open it up to Q&A. Thank you.

PB Fintech:

Thank you very much. Good afternoon, everyone. Before I get into some of the details, I will take a minute to highlight unique characteristics about our industry. The salient fact about Policybazaar is that our customers come to us on our website or app to research and buy insurance. While this is a very normal thing in most industries, it is unique in insurance because in insurance, it is a fairly intensive sales process where people physically go and scout for customers. That is how a bulk of insurance in the country is done. The productivity of these people who go and physically scout for business is typically under about a hundred-thousand rupees per month. While for us, the same productivity is upwards of a million rupees per month. The primary reason for this difference in productivity is not because we have any super humans in our system who are doing something very different from the physical agent. It is just the inbound nature of these consumers because once the consumer comes to you, hisconversion rate is much higher because he has himself or herself decided to purchase the product. Further, the customer who researches and buys has high disclosure levels and lower churn, they usually know what they are buying, so don't feel the need to churn as much. This allows us to build a high quality book for our partners, better customer segmentation and data analytics allow for continued improvements in conversion rates, risk assessment and fraud detection. We continue to lead digitization as well as product and process innovation for the industry. This is reflective in the 84% CSAT, which has grown well over the last year, owing to our efforts in the area of customer service and claims assistance. Just to give you an idea of the scale of some of these operations, we now have more than 150 people providing claims assistance alone, and almost 2,000 people providing post payment customer service, including on ground support in over a hundred cities.

All the costs of these people are included before we calculate our contribution margins. Our core business, the insurance marketplace Policybazaar and the credit marketplace Paisabazaar combined grew at 45% year on year and broke even for the quarter with an adjusted EBITDA of ten crores. We will continue this journey of higher and higher profitably and growth. Out of the total revenue, credit linked revenue was 215 crores for the year. For our insurance business, we had an adjusted EBITDA of 28 crores for the quarter. We mentioned about extending our customer connect beyond the remote calling, which we have historically followed. We did this in our last quarterly call. We are happy to mention that consumers have accepted this wholeheartedly and the early results are encouraging. Customers can research online for, and for complicated products like health insurance, or investment products, they have the option to have a physical meeting at their convenience and in their local language. Currently, we are taking physical meetings in 57 cities in 12 languages. The cost of this entire expansion is also built into our core business contribution margins.

Our renewals book provided 222 crores of revenue in the last year. Most of this flows directly to the bottom line. Renewal book is built on the cumulative business, done over the years and will continue to grow. We also had 88 crores of deferred revenue on 31st of March, 2022. These are revenues from customers who have chosen to pay in a non-annual payment mode. While all the effort from our side is done but the customers' payments will come over the remaining part of the year, we will be recognizing this revenue over the coming quarters.

We also recognize that there are opportunities beyond our core business and thus we have three new initiatives. We are happy to say we have built rapid scale in these and leadership position in these. PB partners, our PoSP venture grew from a zero base in July, 2021, and did over two hundred crores of premium in March 22, making it the clear market leader in the category. MSME and corporate insurance vertical along with our investee company GetVisit, has built a very well regarded platform for enhancing engagement and service capabilities with MSMEs and corporates. They now have 1.5 million customers being serviced.

PB UAE has achieved market leadership in some categories and is a close second in a few others. It's growing much faster than the market leader. So, should be a market leader soon. We continue to be convinced of the opportunity on all three, perhaps even more so than in the past. However, growth now onwards will be balanced with higher efficiency. You would appreciate that, as we have mentioned, these businesses from a revenue perspective have grown about 37x in the last one year. That is very, very rapid expansion. I think expecting both efficiency and such expansion to go hand in hand is a tall order. Thus, there will be higher focus on efficiency going forward.

PB Fintech:

Another important point to note is that we have more than 5,000 crores in cash reserves, and we are very well capitalized to invest in these initiatives and take them towards fruition. Our belief is that the cost of these investments will be less than the interest that we earn on our cash reserves. Paisabazaar continues to be the leading credit marketplace and has rebounded strongly from COVID. We have improved contribution margins over the last two years, and thus are now chasing scale to break even or rather chasing break even through scale. We now service over 27 million customers with the credit score program and have been able to sharply segment for creating pre-approved products.

The business is also co-creating products with partners in loans and credit cards to expand credit coverage and digitize processes faster. Given the rapidly changing times, we recently went out to some of our investors, representing more than 90% of our shareholding, and we are very glad to have received the feedback from all of them, and also very happy to share that their feedback has been incorporated in our thinking and our direction forward, which we have presented today to you. We want to thank you all for the support and candid feedback. Very happy to take questions now.

Vijit Jain:

Thank you. Operator, can we read out the instructions for Q&A and then open it up to that?

Pinto Kumar:

Yes. We'll now begin the Q&A session. If you have a question, please press the raise hand button, which can be found at the bottom of the Zoom interface. If you're dialed in by a telephone press star nine, to raise your hand. I request you to please limit yourself to maximum one question. Thank you.

Vijit Jain:

Thank you. Pinto, can we unmute the line of Arpit Shah?

Pinto Kumar:

Arpit request you to Unmute yourself?

Arpit Shah:

Hi. Congratulations on the [inaudible 00:09:00]. I actually have three questions for all. We have seen a very large increase in our revenues despite the premiums remaining same. We saw five [inaudible 00:09:13] bump from 386 CIRs in last quarter, whereas a premium as direct 2200 cross broadly for this quarter. We saw very big jump in revenues despite the premiums remaining same. What are the reasons for that? That's my number one question. My number two question is how do we make money in PB partners and PB corporate? What are our typical take rates and what are the typical unit economies that we're following over there? What kind of expenses direct and indirect we have in those businesses and what kind of revenues we share with our agents that we have for our POSP business? My third question is, can you share the direct and indirect cost for employee expenses, marketing expenses for FY '22?

PB Fintech:

Sarbvir will be taking those questions as it relate to policy?

Sarbvir Singh:

I think the first question that you had was around the quarterly change in revenue, that is largely because the mix has changed. Last quarter we had a higher share of corporate revenue, corporate business typically has lower margins and in this quarter we have a larger share from PB partners where the revenue margin is much, much higher. That is the reason why it may appear to you that the revenue has grown much more rapidly sequentially than the APE has grown.

Sarbvir Singh:

That was point one. Point two, was on unit economics of corporate and PB partners. The corporate business tends to have lower take rates. I don't want to go into the specifics right now, but they have lower take rates. They also have higher fixed costs. What happens over time is that as the book improves and especially as the retention.., you'll find that the fixed cost will remain largely the same, will not grow as fast as revenue and that will help us cover the costs and we'll have profit over time. You must also appreciate that the corporate business, we have some very well entrenched players who are large brokers who have been around for a long time. It will take us some time to break into these accounts and win those businesses.

Sarbvir Singh:

The second part of your question was around PB partners. Here at this point, the take rates are quite attractive. However, we also end up, as we establish the business, paying our agents also relatively well. This dynamic will change as we go along. Now we have almost, I think 30,000 plus agents who are POSP partners. Now, as we go forward, these agents will start again, building a renewal book and will start becoming used to working with us on our platform. As that happens, the take rate or the amount that we have to pay them over what we get paid will start reducing. You will see that in succeeding quarters now that our volumes will remain where they are but the losses will start to come down.

PB Fintech:

On your question on direct and indirect cost of people all costs that are related to a transaction, whether they are sales, service, or claim support, If the number of transactions go up, we need more of that particular cost. Those come under, essentially your pre-contribution margin costs and your other people costs will be those costs, which are... If our business grew 20%, they don't need to grow, they may not grow at all. You may even see them sometimes growing without business growth. They are not related to business growth. Of course, at some level they are in the sense, if you become 10 times larger, you might need a larger team to manage things. You might need some more HR people, et cetera. They are not... You appreciate... Right. The direct cost is the one that is related to volume and the indirect cost is the one that is not related to volume. That's how we've broken it down.

Arpit Shah:

Just one last question I wanted to ask you all. Today we are, I think we are, at 9,600 [inaudible 00:13:21] crores on the premium side. At what scale, the J curve will start in our business? If I said I start positively, of course, at what scale will it come at 3,000 [inaudible 00:13:42] crore [inaudible 00:13:43] premium or 25,000 [inaudible 00:13:44] crore premium at what scale will you see that breakeven happening in your business?

PB Fintech:

I don't know what you mean by J curve, but I believe what you are saying is at what stage do you start to break even et cetera.

Arpit Shah:

Yes.

PB Fintech:

I will not speculate on the future, but I will... We of course have our internal understanding of how this goes. If you think about it, our margins are today at about 40%. We are fairly confident these will inch upwards into the future. I don't talk about one, two quarters. I say when some of our things that we are talking about, like our, the physical people who are servicing in other physical appointments, et cetera, are well embedded. I think there'll be a significant increase in that margin. You're going to get contribution margin increase from two pieces. One is the scale of the business going up. The second would be the contribution margin itself going on, going up on the existing business scale.

PB Fintech:

On the ESOPs, I think we explained quite well that over time, the quantum of those ESOPs will keep coming down because we are having a bit of a pre... Accrual of those, that because of our reporting, we share that we are taking on a big chunk in the first year. I think by the time you get to the second, third, fourth year, they start to become quite small, relatively. I think those ESOP costs will become smaller over time. I think if you wanted a direct answer to the question, if I was to just say, if I look today, we are at a contribution of 470 crores, and our... I'm talking adjusted EBITDA right now, because as I said, the ESOP will not stay at the same level as it is today, but the loss is about 111 for core businesses. I think you want only 25 to 30% more scale to cover it. My guess is when this contribution is 600 crores, it would have crossed over the EBITDA loss

Yashish:

...at the adjusted level and as the ESOPs reduce, they'll become less and less critical.

Yashish:

Now, why am I confident of that? We obviously have our renewal book, which is continuing to add on, and we are also extremely confident, this activity we are doing of putting people who can meet people, is having very good results for us in terms of premium per enquiry going up, and the overall direct cost as a percentage of revenue coming down. That gives us the confidence.

Yashish:

Plus we will also be rationalizing on our initiatives. Look this was our first year of initiatives, and you would appreciate right? Going from zero to the scale that we achieved in the last quarter, we've done 150 crores of revenue from new initiatives. That obviously means that speed would've lacked some efficiency. So we will be correcting that. I think those multiple pieces will take care of this profitability. Honestly, it's not something that I would worry about too much in terms of, "Okay, when does it become profitable?" I honestly wouldn't worry too much about it.

PB Fintech 1:

I'll bet that the renewal book becoming bigger and bigger, plus our deferred revenue coming in. That, ultimately, flows down the bottom line. When we take a decision with the management team and the board, we typically look at these revenues to have been already recognized when we look at the cost calculations, but obviously from accounting perspective, these will flow over time only. And our investors had requested us to look at the total value of that transaction for which effort has already been put in.

Vijit Jain:

Thank you. The next question is from the line of Sachin Salgaonkar. Operator, can we unmute him please?

Yashish:

Sorry. Yeah, my answer was, my answer was slightly wrong there. I just wanted to clarify to you that the adjusted EBITDA loss was 282 gross. And so what you're talking about is, maybe about a 50% higher growth will take care of it because we don't expect the new initiative losses to be growing. Yeah? Okay. Sorry, please go into the next question.

Sachin Salgaonkar:

Thanks. Thanks, Vijit, for the opportunity. Guys, congratulations on a good set of numbers. I have one question, and one follow-up perhaps, to Yashish's opening remark. And the follow-up question to the opening remark is, Yashish, I would like to actually understand what you meant by higher focus on efficiency. Would that mean that perhaps slightly lower growth, but in return perhaps a faster path to break even? And does that mean that at some level, is it possible for you guys to give a guidance? The other listed FinTech has given a timeline of breakeven on adjusted EBITDA. So if you have something like that, and the question is if you guys could help up a bit of a breakup in premium this quarter between let's say auto, general, corporate, life, et cetera. Thanks.

Yashish:

So you are right. Efficiency means that on the new initiatives you are unlikely to see the growth that we have seen in the past, in the new year. Now, we are not talking about the existing business. We are only talking about the new initiatives. Yes, you will see us identifying, which we have already done quite a bit of, which areas within the new initiatives we want to grow, which areas we want to curtail, et cetera. And so you will see all of that come through. No, we will not be giving the guidance in terms of when we've decided, and our board has not allowed us to give a guidance in terms of when we become EBITDA-positive. So we will stay with that. And I don't think we are giving the breakup of how much we do in auto, general, life, et cetera. We have decided not to do that.

Yashish:

Please appreciate we operate in a competitive environment and these calls and the recordings are also heard by our competitors. So we have to be careful about how much we disclose.

PB Fintech 1:

And [inaudible 00:20:27], if we look at the profitability for the quarter, see the core business already was profitable in the last quarter. This business has established over years. The business model is almost set. So we can now work for more and more in a continued manner on this one. It is an initiative which we believe will be important going forward as well, where we want to invest. And as Yashish mentioned in the opening remarks, with 5000 crores plus of cash balance, it'll be not prudent for us not to invest in new opportunities, whether it is POSP, whether it's corporate business, these are large opportunities and we are mindful of how much we invest, but trying to keep it to a level where these are very very near to our [inaudible 00:21:12]interest income.

Yashish:

Yeah, and that is not by design. That just so happens to be the case. If things need to change, of course, we will keep everybody informed, and things will change if they need to change.

Vijit Jain:

Thank you. The next question is a question on the text. I'll just read that out [inaudible 00:21:35] for you. What would be the broad take rate on renewal premium? This question is from Dave Jo Tsing.

Yashish:

We don't disclose take rates. I'm sorry about that.

Vijit Jain:

Sure. The next question is from the line of Arjun Vikas. Arjun, please unmute-

Yashish:

But that said, it's common knowledge, right? What take rates, see? Everybody in the market knows what take rates are for the different lines of businesses. So I think this is common knowledge. It doesn't need to be explained.

Vijit Jain:

Sorry. I think the question was, if I was not clear, I think it was on renewal premium specifically. I don't know if that changes your answer.

Yashish:

We have disclosed the renewal revenue.

Naveen Kukreja:

I think that-

Yashish:

I know. I get it, Naveen. So we've disclosed the renewal revenue. Most of it is health. So you can calculate the amount that you need for health. The rest doesn’t really need to matter. The rest of it is very low renewal revenue. So don't worry about it.

Vijit Jain:

The next question is from the line of Sachin Dixit.

Sachin Dixit:

Yeah. Thanks, Vijit, for the opportunity and congratulations everyone for the great results. I just wanted to follow up on the renewal part itself. I do understand that renewal rates would matter. If there is any color on the renewal rates that you guys are seeing or how they've been trending over the past few quarters. Secondly, on this contribution margin that we talk about in renewal revenue, which is like 90% plus, my understanding was that probably you will need to spend some money on document stuff like messaging, emails and all, and the take rates might also be slightly lower. And if I also bake in some payment gateway charges, I'm struggling to come up with that 90% number. That's my first question. I'll follow up with you next.

Yashish:

So just to explain, renewals don't just do renewals. Renewals also have upsell and cross-sell that happens with it. Many of those costs get covered in that upsell and cross-sell, in fact to be brutally honest, our renewal effort pays for itself in terms of the additional premium it generates, over and above the renewal that happens. So I would encourage you to stay with that thought of a pretty high contribution margin on the renewal side. On renewal growth. See, this is mostly health business. And so it is related to what health we did in the past. Our renewal rates haven't changed. I don't know if, Sarbvir, you want to, if in fact they've grown, our renewal rates have gone up by about 5-6%. So, is that okay? Why don't you answer this?

Sarbvir Singh:

So Sachin, we are seeing is, as Yashish explained, the renewal book, The value of the renewal book is largely from the health business and in our health business, we have a lot of focus on both first year renewals and later stage renewals. And both those numbers are going up. So we have done a lot of work, a lot of work that we've done on the customer experience front helps improve the renewal rate. So there is a clear trend upward.

Sarbvir Singh:

We have also become better at cross-selling other products to the renewal base. So overall the renewal story is continuing to strengthen as we go along. And as you can imagine, there is a lot of focus in the company on that stream of revenue. So I think you'll find it going in the right direction.

Yashish:

And you know what, one last thing the last two years with COVID, in fact, it's very tough to actually understand each quarter and how its movement compares to the last quarter of the last year, same quarter. So as we mentioned, it's a very, very high priority item for us. The customer already bought in the first year, which is the heavy lift we have done. And we would not want customers to let go of the renewal benefits. And so we obviously do whatever we can in terms of reaching out to the customers and helping them continue with the policy.

PB Fintech 1:

See guys, we are not trying to be cagey about this renewal piece. It'll cause more confusion if we give you answers, because there is life renewal, there is motor renewal. They have very different take rates, sometimes life renewal, our recording philosophy on life renewals has been changing over time. So all I'm saying is we could spend the entire conversation discussing this, and the more answers we give, the more confusion it'll cause. So just stay with the fact that a bulk of it is health and in health, yes, the take rates are about two thirds of what they are for fresh business. And that will give you, when I say bulk of it. . So don't worry about the rest of it. The rest of it, the renewal may happen may not happen, but it doesn't really matter. From a commercial perspective, of course it matters.

Vijit Jain:

Thank you. There's another question on the text, I'll just read that out. Can you please talk about what is the [inaudible 00:26:48]moat and right to win for Paisabazaar? And the related question to that, your competitors like Turtlemint, RenewBuy, et cetera have also raised capital, will there be telecom sector [inaudible 00:26:59]like competition in POSP business?

Yashish:

No, we don't comment on competition and we will hold our cards close to our chest because we wouldn't want competition to know what we are going to do. But yeah, we are in the market and we are the market leaders there Naveen will answer the question on the Paisabazaar.

Naveen Kukreja:

Yeah. On the moats, in fact, in the presentation, if the person has seen the presentation on page 31, we talked exactly about that in terms of what moats are we working on. Namely, scale, economies of segmentation, credit score platform, the way we are digitizing the business and focusing on co-creation and brand. In terms of scale, we are at 9,150-odd crores of annualized disbursal run rate. We are not a lender, we are a marketplace, but if we were a lender, we would be in the top 20 lenders.

Naveen Kukreja:

With scale comes our ability to work even more strongly with the partners, working closely with them to co-create the products that we are creating, which are better, with better processes and better consumer experiences. We are deep into the credit segment. Because we get consumers across the credit segment, and because we are able to now build products across the segments, we are able to monetize much better than any single individual lender or a vertical player. And that allows us to feed that back into either consumer process improvement or flows back into a margin. Yashish talked about the credit score platform. We have now 27.5 million or so consumers who've taken credit score from us. We are able to finely segment these customers and work with our partners, 60+ partners, to create pre-approved programs, which are not available to any customer outside of the platform. And they come with better processes and better terms usually, that we are seeing scaling up fairly nicely.

Naveen Kukreja:

And finally, I think as we work towards creating new products, we are able to now utilize the digitization that's happening across the industry and is now allowed by the regulator. And that's starting to kind of create a much better a. experience and b. hence the funnel of the consumers who come on our platform.

Vijit Jain:

Thank you. The next question is from the line of Arjun Vikas. Operator, can we unmute Arjun?

Arjun Vikas:

Hi, thank you for, for the opportunity. Great set of results, Yashish, Alok and the team. I just want to check on the supplier side, have we added any new partners? I know LIC [inaudible 00:30:02] was a new addition, but have we added, lost any new partners? And if we talk about the supply side concentration, what were the largest partner share or top five partner share on the insurance side?

Sarbvir Singh:

Yeah, I can take that. Obviously. We don't want to talk about the specific partners, but the concentration has not changed at all. The top five partners continue to remain... they're not very large, we're not overly dependent on anybody. So our overall concentration is in pretty good shape, and it hasn't changed at all from year to year.

Vijit Jain:

The next question is from the line of Nidhesh Jain. Operator, can we unmute Nidhesh?

Nidhesh Jain:

Hello? Am I audible?

Yashish:

Yes, Nidhesh, you are.

Nidhesh Jain:

Hi, Yashish. A couple of questions. One is on renewal, I think it's a critical piece of the profitability of the company going forward. Can you share the EBITDA margin on the renewal revenue?

Yashish:

Yeah. As I said, a bulk of the renewal revenue comes from health and the renewal rates are high. Every year, the premium also goes up a bit. It's based on the efforts that we've put in over the last 14 years and we get some revenue. So the effort on it also leads to certain cross-sell, because we get a chance to interact with the consumer. And in that interaction, we have some other products that get added on or sometimes the premium gets increased, et cetera,

PB Fintech:

But on the whole, I would say somewhere between 80 to 90% of it flows directly to the bottom line. And that's the reality here. And that number will obviously, whatever business we've done last year, in the first year, the renewals are lower. From the second year onwards, they are higher.

PB Fintech:

You know we have, we measure renewals as R1, R2 and then onwards. And every year the renewal rate keeps going up. From the business we have done last year, roughly 80% of it would renew this year. And then from the past business that we've done, broadly, 88, 89% of that would also renew.

PB Fintech:

On a blended basis, that's how the business runs. And there is no change. If anything, there is an improvement in renewal rates. Yeah. That's basically the piece here. I don't know if you had any specific questions, but that's basically it.

Vijit Jain:

Thank you. The next question is [inaudible 00:33:11]. Sorry.

PB Fintech:

Yeah. Also, I just want to clarify, we don't comment on any partner joining or leaving us. If you notice, we never commented when LIC joined us. Yes, it did join and there was media, et cetera, but Policybazaar never went and commented that, yes, a new partner has joined us.

Vijit Jain:

Yeah. The next question is from the line of Sachin Dixit. Sachin, please unmute yourself.

Sachin Dixit:

Thanks again. Quickly on the offline business. I understand now that, especially in case of life and health renewals and getting leads online, and you have an on-ground fleet that goes to a customer or visits the customer if needed. Can you elaborate more on that, how that works? Are there different people who are getting onboarded or the POSP partners are being leveraged? How's it work?

PB Fintech:

Yeah. Sachin, this business is totally separate from the POSP business. We have a team of people who there are couple of different models. In some cases, the same person talks to the customer and goes there and meets the customer.

PB Fintech:

In other cases, the person who speaks on the phone passes on that that information to that colleague who then goes and meets the customer. All of these people who go to meet customers are full-time employees of PolicyBazaar. There is no outsourcing or no kind of other arrangement involved.

PB Fintech:

We are building this team up, as Yashish spoke in his opening comments. This team is doing extremely well. We are very encouraged by the results that we are getting. And if you think about it from an economic perspective, the marketing spend remains the same and we are able to drive greater revenue and APE from the same leads.

PB Fintech:

That's why we focus on the measure of premium per leads. And that number has been continuously going up. That's what this whole thing is about.

Vijit Jain:

Thank you. The next question is from the line of the Gadesh Gen.

PB Fintech:

Hey.

Vijit Jain:

Sorry.

PB Fintech:

Because there's a lot of you here, I will give you a rough. Broadly, when we look at net present value, about 20% of the net present value goes into marketing costs and about 20% goes into operating costs.

PB Fintech:

Basically, what we are trying to do with our physical piece is take our net present value from 100 rupees to 150 rupees, and our operating cost from 20 rupees to 30 rupees. And what that means is, when we do our net present value divided by our direct costs, we will receive a ratio of three rather than the two and a half that we have today.

PB Fintech:

Now, of course, you don't see net present value because we don't disclose net present value. That's why I said, that's how I think. Maybe if everybody allows, I will start presenting how we really think. We always think in terms of NPV divided by... An NPV of the transaction, not of what further that customer will do, but of that particular transaction. And the direct cost related to that.

PB Fintech:

According to me, we are at a ratio of 2.5 today. We are trying to move to a ratio of three. And also increase from the same enquiry, our premium by about 50%. That's the basic thing. And according to me, if you really wanted to see what's the most critical thing in our business, actually this is the elephant in the room. Everything else is fluff. This is the real thing.

PB Fintech:

And I think if we deliver this over the next 24 months, 12 months, 18 months, whatever, we actually become a very, very, very solid organization because this infrastructure is almost impossible to replicate. If you see what I mean.

Vijit Jain:

We'll take the next question from Sahage Mittal at HDFC Securities. The question is on text so I'll just read this. What is our policy conversion rate now for health and life business after coming with a supplementary offline model? What man hours go into selling one policy? Just to understand the scalability of the offline business.

PB Fintech:

Our premium per enquiry has gone up already by about 20%. And this is across the entire base. Only about 13, 14% of the sales are... If you remember from the last quarterly meeting, I said by March, we will reach a situation where 10% of our high involved product sales will start happening through the physical model.

PB Fintech:

That number as of the last few weeks would be about 13% or so. That number continues to evolve. But if you wanted to do your cross-calculation, you could do it out of that. We, of course, do all these intricate calculations on a regular basis. And vintage of people matters, et cetera, et cetera. We feel fairly confident of what I just explained in my previous conversation that we actually see both productivity going up and premium per enquiry going up.

PB Fintech:

Productivity, when we talk about productivity, we mean premium divided by cost of those call center agents, et cetera. But I think we might refrain from getting to that level of detail of each. Unless, [inaudible 00:38:43], you have some.

PB Fintech:

No, I just want to add really one point. That as we are doing this, this is we are getting better and better at it. Our conversion on our visits is extremely high. I mean, the conversion rates when a person actually goes to meet somebody is extraordinary. I mean, I don't want to go into those numbers.

PB Fintech:

I think the main thing that we are trying to drive is how many visits is the person doing and what is the mix of online and visits? And that is the number that we are moving towards. And I think the fact that the visit conversion is so high gives us a lot of confidence that we are on the right track. And that customers are appreciating this new way of doing business. New way for us. Obviously, very old way from a customer perspective. I think we are definitely headed in the right direction.

Vijit Jain:

Thank you. The next question is from a followup from Nidhesh Jain. Operator, can we unmute Nidhesh?

Nidhesh Jain:

Thanks for the opportunity. There are two questions. One is how should we think about ESOP policy going forward? Now currently so that we have given, we have already set out the charge in P&L that we expect to see over next three years. But how should we think about ESOP charged after third, fourth year? That is one. Second is on the PB partners, since majority of the take rate that we are getting, I think will be passed on to the partner. From economics perspective, how should we think about that business?

PB Fintech:

On the ESOP party, we had a new grant, which was given to a team just before IPO. 80% of that has already been allocated. And the simple allocation is five years and 20%. But the way accounting works, as we explained last time was 45.67 has to go into the first year itself. Now, since this was midyear, half of that came in last financial year, half of that will come in this current financial year by '23. But all of the impact is going to be decreasing.

PB Fintech:

Last year impact, if you look at the numbers was 607 gross totally, at a consol level. This will come down to about 540, then 300, then about 200 and then 100, in that order, roughly. But there are new ESOPs which may be granted, and that can change this number a little bit. But those-

PB Fintech:

Those will be a fraction of these.

PB Fintech:

Yeah, a fraction of these, first of all. Secondly, see, ESOP obviously helps us retain the team and keep them motivated in the right manner. It's not a cash charge for us. We are very, very comfortable with this number and our board and investors were comfortable. And we had disclosed this in RHP. To be honest, since IPO it's been more than six months now, we have had almost zero attrition in our management team. And yeah, culture has got to do with it, but also ESOPs somewhere, keep the team motivated. That's why we are in a very lucky position from that perspective.

PB Fintech:

Yeah. But I would still see this as more of a one-off rather than a continuous exercise. Simply because yes, you came out of a particular phase and we were going into being a public company. And this I'm sure is the same across all companies. Any increases will be on an incremental basis.

PB Fintech:

And also the compensations we are now paying are very market related. We were in the past, historically when we hired people, we used to hire people at a discount to market. Which is quite rare, but we used to do that. But increasingly, that is not the case. Anyway.

Sarbvir Singh:

Yeah, just-

PB Fintech:

On the PB partners, Sarbvir will cover it. Yeah.

Sarbvir Singh:

Yeah. Yeah. The other PB partners question, as I'd explained earlier, I'll just explain the levers to you. The first lever is the fact that right now our book is all new. There is a cost of acquisition with a new book. Which as you are trying to, I guess, say that sometimes that can even be higher than the pay-in that we get. As we go forward, there will be a retention book that will start emerging. And on that retention book, that dynamic will not be there. I think that is the first thing that will help.

Sarbvir Singh:

The second thing is that in non-motor businesses, the retention is actually positive and we are already the largest player in the non-motor POSP business as well. It's not just that we have scale, we also have relevant scale. In that case, as that book continues to grow, you will find that again, economics will be more attractive.

Sarbvir Singh:

The third thing is that, where does POSP fit into the overall story. POSP allows us to have scale against suppliers. And as we build that scale against suppliers, there will always be some advantages that will accrue to us from that. And as those advantages accrue, again, those will help in increasing the profitability.

Sarbvir Singh:

We see, as we go forward this year, that the profitability will keep improving as we go ahead. And over time, we believe that PB partners will also be a very large and valuable part of Policybazaar.

Vijit Jain:

Thank you. The next question is on text from Ranjush Shukla. What are the levers of profitability for PolicyBazaar?

PB Fintech:

Sure. See our core business in the last quarter was EBITDA breakeven. It made about 10 crores of profit, as we have disclosed. It has broadly a 40% gross margin. As it, if you look at our core business, we are at give or take about 400 crores of revenue. About 1,200 for the year.

PB Fintech:

Let's just make this up. Let's say we've grown 45%. Let's say we just grew 45% again. If we grow 45% again, and I'm not saying we are planning to grow 45%, I'm just saying that if we grow the same, then that 45% is what? That's roughly about 530 crores or so of additional growth. That at 40% gives you roughly about what? About, it's 200 and something crores of-

PB Fintech:

210. 210.

PB Fintech:

Or 210 crore of additional contribution. Now, please appreciate for any of that, we are not planning to expand our brand costs or other people costs, et cetera. Anywhere near 40%, and maybe a 10, 15% increase. Let's say those costs are about 600 crores for last year. It might go up by a 100 crores. You've got 110 crore of additional EBITDA coming in. Which, if that happens should clearly make the core business profitable for the whole year. If you see where I'm going with this.

PB Fintech:

As far as our new initiatives are concerned, see our... As we explained and that may or may not be the right way of thinking about it, but from a cash flow perspective, the way I am seeing it in my mind is we have somewhere a peg in our mind of the interest income. On 5,000 crores, I don't know what our interest income is going to be. Maybe it's 200 crores, maybe it's 250 crores.

PB Fintech:

We will try and make sure that stays below that. And that's the intention. And the year after, the existing business will grow again, hopefully, and then it'll take care of things. I think I have explained the levers.

PB Fintech:

Now coming to the basic levers. At a fundamental level, Paisabazaar and Policybazaar core business growing, the renewal book and the delta in margins coming because of the offline outreach are the three that are going to drive it. And see, we have to be very careful as a public company. When we were private, I wasn't so careful. I would have given you answer very straight away.

PB Fintech:

But we have a very clear idea of how much margin improvement we expect because of the physical leg. And that will not have an impact on today's revenue. That will have an impact on tomorrow's revenue. That all gives us a lot of confidence here. But those are the levers. Again, to repeat, renewal book, physical leg, and basic organic growth of the core business.

Vijit Jain:

Thank you. The next question is from Nishchint Chawate from Kotak[inaudible 00:47:33]. Without any specific reference to the POSP strategy of Turtlemint or Policybazaar, a generic question, what does it take to succeed in POSP business? Is it agent grab or anything else? How do you penetrate deeper into the country? And besides brand, how does POSP leverage Policybazaar franchisee?

PB Fintech:

See what. I'll give you the straight answer. Staying there, that's it. Whoever stays the course will win. It's that simple. Anybody can win.

PB Fintech:

It's a straightforward business. It's a very straightforward business. You have to stay the course. And more importantly, you have to train your POSP to do more. See, today a bulk of what POSP do is motor. You have to train them to do more health, more life. And those are our plans at a very basic level. We are not planning anything, rocket science. That's basically it. Can we train these people to do, but some of you I think will have a more granular answer.

Sarbvir Singh:

Yeah. So again, obviously as he just covered the main point, but I'll just repeat, first is growing the income potential of the POSP.

Sarbvir Singh:

So if you are earning 10,000 rupees from selling insurance, how can I take you to 15? If you're earning 20, how can I take you to 30? And that implies having more products and training and et cetera, to help to sell those products. So that's the first part. Now, to do that, we need to have a very robust technology in product platform. That's the second part, which obviously we have, and we are continuing to improve that. The third part is the penetration beyond the top cities, that if you keep selling in the larger metro cities, obviously it's very competitive and those agents are extremely smart. You have to go beyond those cities, which again, we are doing by building a whole organization out there. And I think that the success will be to go beyond the tier one cities and do that. And the final point you must understand what is the difference between Policybazaar and others.

Sarbvir Singh:

Number one, Policybazaar is a brand. For an agent, it is very important to associate withplatforms that are seen as winners and where they get respect. So people want to be with policybazaar. When they go and talk to their customers, they can say I'm a policybazaar agent. That's very different from any of the other competition that we have.

Sarbvir Singh:

And the second thing is that we have the scale against our suppliers. Because we are large partners to these suppliers, because we give them a high quality book of business, they are willing to give us opportunities and work with us on products, on propositions, even in POSP. So I think in year two of our business, you will find us using these weapons more and more, and there will be a major difference between PB partners and competition along these lines, along brand, along product, along processes, service, just like we have on the retail side. Our retail business is very different from other online businesses. And in the same manner, PB partners will also, over time, become very different from other POSP businesses.

PB Fintech:

See, PolicyBazaar was not the first entrant in the market. We were about the 20th player that came into doing what we do. There was obviously something that got us here and part of that will kind of see us into the future also.

PB Fintech:

Yeah. Any other question?

Vijit Jain:

Yeah. The next question is from Pratiksha Agarwal, set of questions. What do you plan to do with the rupees 50 billion? And you mentioned some digitization initiatives. Can you please elaborate a few of them?

Yashish Dahiya:

So the first one, I think Alok is the best person to answer. And the second one, I think Sarbvir and Naveen both can briefly answer on the digitization aspects.

Alok Bansal:

See, on this five [inaudible 00:51:15]5000 crores, this is a tricky one, to be honest. See, we are not a CapEx business. So whatever we'll do will be OPEX, it'll look like a loss on the P&L. So, we will look at opportunities to invest in initiatives as Yashish has been mentioning, we are open to invest into any growth opportunities as well, but typically we've not found any decent opportunities to deploy that much money in inorganic growth. We have typically looked at any specific tech services or teams that interest us. Usually, these would be quite early stage.

PB Fintech: Just to interrupt, you have just seen what's happened in the POSP business, our combined loss for the entire year on that business might be 15 million dollars.

PB Fintech:

We are the market leader, you know what the valuations are out there. We obviously can't find those values too attractive to acquire.

Alok Bansal:

Yeah. So that's a tough one too. I think for timing, no immediate plan to deploy this factor on growth, but we remain open to look at all opportunities, whether inorganic or in house growth. Again, we had mentioned that a lot of our initiative will be getting funded just out of the interest income. So yeah, it's a tough one. We have got this money and we don't burn cash. We are EBITDA positive on the core business. So-

PB Fintech:

In times like this, a great thing to have.

Alok Bansal:

Yeah. If you don't have to worry about the capital, that's a great thing to have. A great position to have in a time like this. So I think-

PB Fintech:

Digitization.

Alok Bansal:

Digitization, I think start with... Sure.

Sarbvir Singh:

So just covering the insurance side, I think we are using advanced technologies across three parts. One is onboarding of customers. So, we are asking fewer and fewer questions from customers. We are pulling up, with their consent, their identity documents, their financial income, their medical history, et cetera. So a lot of technology is being used to onboard customers.

Sarbvir Singh:

The second thing we are using is on risk and fraud control. So we are working with our partners to give more and more information about the customer that is coming in. In our presentation, we've talked about how we look at authenticity of documents, how we do a video verification. We compare the face with the KYC documents they've submitted. We compare the voice signature with the voice that has spoken to us. This quarter, we also introduced a liveliness check where we can actually check whether a person who's on video is real or somebody's holding a photo or is using some other kind of impersonation device. So I think that's the second.

Sarbvir Singh:

The third is, we have built a fraud graph. For the first time in the industry, there is a payment graph, a fraud graph that has been built. You cannot enter our payment system with anything that has been used ever to do a fraud. So whether it was the email address, your permanent address, residential address, phone number. Whichever way you try to come, we will be able to trace you if you've come before.

Sarbvir Singh:

And I think the third area that we are using advanced technologies is in marketing and our efficiency of our own internal operations. So, who should we target? What is the best product to suggest to this person, what is the next best product for this person? What range of icons should be shown on the app, et cetera. So we are working on personalization, et cetera.

Sarbvir Singh:

So, so I think we are using technology to, like I said, these three things, consumer onboarding, risk control, as well as marketing and targeting of customers.

PB Fintech:

Naveen, your side.

Naveen Kukreja:

Yeah. From a lending perspective. I think it's interesting because when COVID happened in 2020, the whole industry realized that it was not as digital as it could be. And that's why the lending kind of came down drastically for the industry.

Naveen Kukreja:

Since then, of course, with the help of regulator, the entire industry is moving towards digitization. We have built our own digital stack and I've shared two examples in the deck that, from the customer coming in to the customer being identified on whether he or she can get an offer from a particular partner, the KYC happening through various means whether it's CKYC, EKYC, OKYC, or video KYC, to underwriting happening digitally, to the repayment confirmation through Enet, et cetera, happening. And finally, the e-contracting through digital agreements, that's all happening digitally, now.

Naveen Kukreja:

The couple of examples I've shared, for example, if a customer today is a pre-approved customer with Axis Bank, they come to a platform we've kind of deeply integrated with them. It's a beautiful journey. The customer comes, gets identified for pre-approved, and gets out within seconds or minutes with a loan amount in his or her bank account.

Naveen Kukreja:

The second example that I've shared is the co-created products that we are working on. A step up card that we have, a customer comes in and within two minutes or so, the customer has opened an FD with a partner bank, got a credit line against that, the virtual card has been issued, and the customer can actually start using the card digitally.

PB Fintech:

Any next question, please?

Vijit Jain:

Yeah. So there's a question on the line from Hiten Jain, operator. Can we please unmute Hiten?

Hiten Jain:

Yeah. Hi, I have one question. So this other expenses that we report, which grew hundred percent, 137 crores in this year FY22 over, versus 65 crores last year. Now, so this expense, given that it has grown so much, it should be linked to revenues. And I wonder why would you classify this under contribution EBITDA? And even if I look at the breakup, I think around half of these are payment gateway charges, shouldn't that be directly linked to revenues and part of direct cost?

Alok Bansal:

So see, the thing is direct costs typically are the direct operating cost and the acquisition cost. And [inaudible 00:57:22] that’s the way the industry has been taking it. But yeah, I take your point. Technically, this should also be part of the cost margin, but somehow the classification we have seen in across the industry is a little different, and we've just gone ahead with the same classification so that there's no confusion when analysts or investors are looking at our numbers.

Hiten Jain:

Okay. All right. Thanks.

Vijit Jain:

Okay. So, we are at four o'clock. That was the last question for this call. I'll just hand us back to the management at PolicyBazaar for their closing remarks, and then we can close this.

Yashish Dahiya:

Well, thank you very much. Thank you for those questions. I know it was a Saturday afternoon. Next time we will try to do this in a weekday so that... but, very grateful for all your participation and all your questions. I think as a concluding remark, all I would say is, look, this is a prudent management. Of course, definition of prudent can vary all the way because there's a huge spectrum of prudence. We are also a growth company. We are... nothing about us is going to change from how we have been in the last 14 years. We have been a certain type of organization. We have had a certain amount of burn. We've grown at a certain rate. We've done initiatives in a certain way. We've done acquisitions in a certain way, just because we have more capital, or just because we have less capital, whatever, our philosophy towards business, the kind of people we are, is not going to change.

Yashish Dahiya:

And so, whenever you think about speculating about what all could happen, one of the best ways is to just look at the history of this organization over the last 14 years, because we cannot change our DNA, nor will we.

Yashish Dahiya:

And I think I genuinely believe that the existing business, which from an EBITDA perspective, from an adjusted EBITDA perspective, broke even last quarter, should now stay in positive zone. And, as I said, as it grows with its margins, it should add further and further to profitability. PolicyBazaar is decidedly profitable.

PB Fintech: Now with the insurance business and [inaudible 00:59:53] Policybazaar an insurance business, with about 28 crores of adjusted EBITDA last quarter. PaisaBazaar is fast catching up. I'm fairly confident that soon we should be... and I say soon, I mean, at some point, not so much in the near... in the future, we should be able to announce that PaisaBazaar has also broken even, and that that's also profitable. And one by one, each of our initiatives will move in the same direction. But I don't know in what order, whether Dubai comes first or POSP comes first. I think Dubai will come before POSP, but let's see. And we intend to stay absolutely focused on all three of these and do a good job out of them. And at any stage we feel we'd love to have your feedback all along. But thank you very much for joining and have a great rest of the weekend. Bye now.

Vijit Jain:

Thank you, team Policy Bazaar. Thank you everyone for joining and have a great weekend. This is Vijit. Thank you.