



November 12, 2022

To

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

BSE Limited
Department of Corporate Services/ Listing
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400001

SYMBOL: POLICYBZR

SCRIP CODE: 543390

Sub: Transcript of the Earnings Call held on November 7, 2022

Dear Sir/Madam,

In furtherance to our earlier communication dated November 4, 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 held on November 7, 2022.

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

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)


Bhasker Joshi
Company Secretary and Compliance Officer



Encl.: A/a

policybazaar 

paisabazaar 

QuickFIXcars

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prime

PB FINTECH LIMITED

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“PB Fintech Limited Q2 FY23 Earnings Conference Call”

November 07, 2022



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



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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY23 Earnings Conference Call of PB Fintech Limited. We have with us today, Mr. Yashish Dahiya - Chairman & CEO; Mr. Alok Bansal - Executive Vice Chairman & Wholetime Director; Mr. Sarbvir Singh - President, Policybazaar; Mr. Naveen Kukreja - CEO, Paisabazaar; Mr. Mandeep Mehta - Group CFO and Ms. Rasleen Kaur - Head, Corporate Strategy and Investor Relations. 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. Yashish Dahiya. Thank you and over to you, sir.

Yashish Dahiya: Hi everyone. I will start by reiterating few facts about our business once more. A majority of health and life insurance consumers in India do their research on Policybazaar. This leads to a higher persistency owing to the fact that when consumers research, they know what they are purchasing. Our renewal revenue is now at an ARR of ₹290 crores. We have the best conversion engine in the industry and continue to improve our premium for enquiry which is now greater than ₹ 1,500 per enquiry for the first half of the year which is the highest we have ever achieved. There is continuous improvement in customer onboarding, service and claim support which has let us in the last few months to receive more than 10,000 appreciation letters from customers every month and a CSAT of 86%. It is indeed a massive change in the number of appreciations that we are receiving from consumers.

Higher customer disclosure along with strong data analytics and fraud detection mechanisms that we have developed over the years lead to better claim ratios which essentially allow our insurance partners to settle a higher percentage of claims than they do for any other channels. We grew at 105% year-on-year and our existing business has now been profitable for the last 3 quarters. In the last quarter, our interest income exceeded our adjusted EBITDA loss. This is the first quarter that has happened in the last couple of years. From our existing business, our adjusted EBITDA increased by ₹ 60 crores for the quarter and ₹ 98 crores for the first half of the year. If some of you may recollect in the last quarter call, I had tried to explain more from a layman perspective our adjusted EBITDA should keep growing at roughly about ₹ 150 crores every year. As you would appreciate this ₹ 98 crores in one half of the year is very much in line with that.

Our revenue in the first half of this year is about 5.3 times our revenue in the same period in the full year 19. The reason I explain this is because lot of people ask what happened during COVID, COVID came, COVID went, now COVID is over, but we got two good years to compare this first half of this year with the first half of that year. We are about 5.3 times bigger, despite we have already said it in a funny way our valuation was about the same as it is today. So, anyway, our core businesses, the Insurance Marketplace Policybazaar and the Credit



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Marketplace Piasabazaar grew at 55% year-on-year to ₹ 410 crores. Of this revenue, the credit linked revenue was ₹ 101 crores for the quarter. For our existing insurance business, we had an adjusted EBITDA of ₹ 18 crores for the quarter.

For complicated products like Health or Life Insurance, we have been extending our customer connect to be more beyond remote calling, by giving consumer the convenience to have physical meeting at the convenience and their local language. We are happy to mention that consumers have accepted this wholeheartedly. We continue to extend our claims on-ground support in 114 cities.

Paisabazaar continues to grow very well and has rebounded well since COVID. We are now at an annual run rate of ₹ 12,000 crores of disbursements and 0.5 million credit cards issued on an annualized basis. Over 31 million customers use the credit score platform from 824 towns. 73% of all cards issued in Q2 were end-to-end digital. Co-created products like step up card, duet credit cards are gaining traction and as we reported last quarter, we still expect our credit business to be on adjusted basis, EBITDA positive by Q4 of this year.

To update on new initiatives, PB partners, our seller aggregation platform leads the market in scale and has the highest proportion of non-motor business and has started increasing efficiently as you will see from the numbers. Our UAE business has grown by 110% year-on-year. So, while there has been a general slowdown in the retail protection sales, we delivered 34% growth in health insurance premiums and 29% in life insurance premium's new business.

This essentially means we have been growing at about 2 to 5x of the industry in the premium and the core business side. We stay confident of being adjusted EBITDA positive by the last quarter of this year. It is actually very straight forward if you think about it. There is ₹ 18 crores of profit in the existing business and there is ₹ 65 of loss in the new initiatives. The new initiatives will basically go down to 30 and the existing will basically go up to 50, so you should comfortably be adjusted EBITDA positive, so there is not much surprise there and for the next year we should be full year PAT positive in 2023-24, that is the hope, but I just wanted to point out one little thing there which is actually quite telling, we will be doing that while taking on about ₹ 310 crores of ESOP cost charges which by the way a few years on that will not be there, so that pretty much telling you that even if nothing happens to our business, ₹ 10 crores of profit will be there pretty much in a guaranteed manner. Of course, we will grow this well. So, with that happy to take questions now. Thank you very much.

Moderator:

Thank you. We will now begin the question-and-answer session. We have the first question from the line of Sachin Dixit from JM Financial. Please go ahead.



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Sachin Dixit: Congratulations on great results, I think the topline you have scored the EBITDA losses, I had a quick question regarding the breakdown of premium if you can help with that between say how much it is POSP and how much is renewal if that is possible?

Yashish Dahiya: So, POSP is ₹ 458 crores for Q2 this year, the non-POSP Policybazaar is ₹ 2026 crores. That is what we disclosed. I already told you both the health and life business grew at approximately 30% on the new side and on the renewals both.

Sachin Dixit: And I assume the core business also includes corporate insurance there?

Yashish Dahiya: Yes, it does.

Sachin Dixit: And on the term side of it, which I think continues to look we even now and some of the insurance have been commenting probably H1 and H2 will look at it, you had any views on how that is shaping up for you in terms of the growth side of them?

Yashish Dahiya: So, the total for premium for term insurance grew at 57%, but the fresh premium grew at roughly about 20% for the quarter.

Sachin Dixit: No, I was asking like generally do you have a view on how the term industry is functioning right, it continues to be weak, so do you see H2 being much better than how H1 has been?

Yashish Dahiya: Yes, there is definitely a better growth now than the last quarter. If I remember correctly, the last quarter was lesser than this, it was about 60% of this growth rate and this growth rate is at what we mentioned right now and for the industry there were swings towards certain players etc. Increasingly, those are settling down, but we don't comment too much on individual players who get market share, but on the whole we think the industry has been about flat. For the first half, the industry has declined a little bit. If you look at the second quarter, the industry is probably flat to a little bit decline, so we are obviously growing in that backdrop.

Sachin Dixit: Just one final question on the cash balance, we have just ₹ 5,000 Cr cash that is obviously helping us with the interest income that we are generating, but what is the plan for this going forward?

Yashish Dahiya: I think once we get profitable, once we deliver ₹ 100 crores of profit, we will also discuss what we do with this cash. I think it is too early. Let us get there, let us deliver at least the first ₹ 100 crores of profit before we start concluding that this cash will never be utilized. Yes, so basically, our cash receivable will not go down from here. It just will always stay about the same number, so we are not losing cash. That is all and that is what we just saw, so last quarter also we have not lost cash.



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Moderator: Thank you. We have the next question from the line of Nikhil Agrawal from VT Capital. Please go ahead.

Nikhil Agrawal: I just had a few questions about certain products, so there was credit line product that was mentioned last quarter, is it after the direction that have been issued still going forward as far as the credit line thing is concerned we have not loved to give a credit line without actually having the balance in the instrument, so is that product being continued if there is any color on the product?

Management: I think if I understood the question correctly, your question is related to the regulation which came out on credit line when it was linked to TPI was disallowed by the regulators?

Nikhil Agrawal: Yes, right and there was a credit line product that we used to issue till quarter 1, so have we discontinued that product, how are you working around that?

Management: We run the product with the bank. There is absolutely no impact on that product, it is a credit line product which works like personal loans with the consumer. If you want to draw out any amount from that credit line it converts into a term loan. There is absolutely no impact on that product being issued by our bank and our partner in that case is a bank.

Nikhil Agrawal: So, if my understanding is correct, we partner with the bank and when the person or the customer takes the credit line out it becomes the term loan with the bank, so the risk is with the bank and then it is between the bank and the customer, so we don't have any impact on this?

Management: Absolutely and the funds are always going from the bank to the customer bank account and that continues to be the process

Nikhil Agrawal: Right, that is in line with the guideline, sir, question about last quarter there was this you mentioned that our take rate had improved in one of the core businesses, so can you please give some color on which business that was in? Are we sustaining that, is that take rate still high in that business, how is it contributing to the overall take rate?

Yashish Dahiya: Yes, it continues to be high, I think we didn't disclose it. We don't want to go into take rate by business, but it is a structural change in that business. It is not just that we did something in last quarter and it is not continuing this quarter. Overall, it continues to be the same.

Nikhil Agrawal: Sir, just one more question about the investments in the new initiatives, so any trajectory on what kind of investments are we going to see in the new initiatives going forward?

Yashish Dahiya: I think we would be subdued on any investments at least till we put a reasonable amount of profit on the books. To be brutally honest, I am focused on a single number which is ₹ 1,000



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crores of profit in 26-27. To me, nothing else matters and I don't think we are interested in making investments in any other new initiatives.

Yashish Dahiya: I think we are talking about new investments.

Nikhil Agrawal: Investments in the new initiatives to generate business?

Management: We have stated in the past that our new initiative investment for the current year is going to be somewhere near to the interest income and that continues to hold. It comes down from the last quarter and it will continue to become more and more efficient if you look at quarter 3 and quarter 4 and I will just go back to the credit question that you asked. See, what we need to understand is what we do as the credit business is just a marketplace and since we had a marketplace, lot of the new regulation which came in last 4-5 months related to BNPL or FLDG or lot of other step, it is actually not impacting us. We do work with lot of partners with our banks or NBFCs and since we are a marketplace, we only connect or provide a platform where the handshake can happen. So, the business model we have, has almost minimal impact or no impacts on all the stuff that you see and in the deck also that we have circulated, we have mentioned specifically about the regulation from the credit by this time because there were lot of action happening on that side from RBI and we wanted to very clearly state that our business model is totally different. It is not getting impacted from any of those changes.

Nikhil Agrawal: And sir, on the investment that you mentioned you said that it will be lesser than this or so right now this quarter it was ₹ 65 crores in the new initiatives, going forward it will be at this level or lower than that, if my understanding is correct?

Yashish Dahiya: I clarified in my first opening comments itself that our expectation is by Q4 it should be in the range of ₹ 30 to ₹ 35 crores by the next two quarters.

Nikhil Agrawal: And sir, just one thing about the POSP business, so in that business, so we have two offline businesses, one is our own wholtime employee who work as PB Fintech employees and who help the customers with whatever issue they have and one business is PB Partners where third party agents can come on the app and become agents and we share the commission that we get from the insurance with the agents, so can you just give us some color on how the business is going on both the offline fronts?

Management: Sure, I think as Yashish mentioned and we have also disclosed in the presentation the whole point of having offline presence in the first part. I think you understood the model very well, in the first part where existing Policybazaar customers have a choice to meet someone in person, that part is adding very well to our business. We have almost 1,000 people now deployed in that business. The APE per enquiry which we disclosed, I think has been over 1500 now for the first half, so this number has been continuously growing, I think that part is



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doing very well. It is also increasing our conversion. On the PB Partners side, as we said we did over ₹ 450 crores of premium, the losses in that businesses or our investment in that business has continued to come down. We have actually reduced that over the last two quarters, the revenue from that business has grown significantly from Q1 into Q2, so I think even there it is a healthier business and I think we are moving very well in the direction that we want to do. One more metric in that business is that our non-motor business, so the motor business is very commoditized, the non-motor business continues to now we are almost 20% of our business is non-motor and that is the highest in the industry. So, I think all the metrics both financial and qualitative, our both businesses look pretty good at this point.

Nikhil Agrawal:

I will just leave with my last question; can you please give some color on how the ESOP will work going forward?

Management:

On the ESOP part as I did mention earlier the cost continues to come down every year, the ESOP grants in October last year and the first-year impact basically spreads out over two financial years because of that so 6 months of last financial year, 6 months of this financial year and that has come down for the next 12 months and continue to come down every 12 months. So, the number that we have for this year is about I think ₹ 600 crores, but if you look at next year, this number should come down to somewhere between ₹ 300 and ₹ 350 crores and that has continued to come down very drastically post that.

Yashish Dahiya:

So, basically of the total grant about 60% gets kind of expensed, by March 23, 60% of it would have got expensed, so then in the next 3.5 years you only got 40% more to be expensed. So, as I said, our objective of becoming profitable next year with ₹ 310 crores of ESOP grants imply is that at some point in the very near future that ESOP cost will not be there, so you will obviously see that advantage.

Moderator:

Thank you. We have the next question from the line of Sagar Sanghvi from ADD Capital. Please go ahead.

Sagar Sanghvi:

I have only one question, if we look at the Slide #11 of your presentation, there is a mention of Bima Sugam, so if you can just help us understand what could be the disruption cost by proposed or discussed of Bima Sugam or something and how would you plan to mitigate the same?

Yashish Dahiya:

I think if you make a correlation to the travel business which I used to be in long time ago, we used to have global distribution systems there, the likes of Amadeus, Galileo, Sabre, Worldspan and those were very critical in powering that travel businesses, so if you look at Expedia, the reason Expedia went worldwide and expanded very rapidly was because they essentially had a tieup with Worldspan and Worldspan was giving them all the integrations and everything else. So, to an extent, I see that kind of roles being played by Bima Sugam as an



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exchange because that would be the UPI moment for the industry and that would make it help other distributors grow, whatever products they were selling, whether they were selling motor or health or term, so I think it will be a very positive move for the industry overall and for us per se as well because it would get us access to a lot of data layers which we may or may not have access to today because the Bima Sugam will have those. So, I think it is a fairly positive move for us.

Sagar Sanghvi:

So, you mentioned you will have excess to lot of data layer, so do you plan to enter into KRA business that is KYC registration agency or kind of business as you had a lot of customer data or something like that?

Yashish Dahiya:

I will tell you; I am not trying to be cagey about it, there is very little we can say because we don't have so much clarity yet, in fact, we have met with the regulator and we asked for clarity also. At this point, that was in the distribution department and there didn't exist so much clarity in terms of us starting to get to think about it from an operational perspective that what does it mean, but that is the reality of the situation right now, but I guess as it evolves, right now there is a lot of conversation in the media, but that is not what is flowing operationally to us. So, we have to wait it out and see how it goes, but to me the analogy is the GDS in the travel businesses which I used to run one of them which was e-bookers, so I understand that analogy very well and if you think about it, flights as a business has really moved under GDS, but hotels still stays somewhat out of the GDSS, packages stays out of the GDS, so I think it takes time. So, you get the story right, it doesn't suddenly magically just happen in one month.

Sagar Sanghvi:

And one more related question to your financial, so you are talking of about ₹ 1,000 crores of PAT by FY26-27, so that would also help throw a peak cash flow of about ₹ 1,200 odd crores a year post that and you are already sitting on a pretty large cash balance, do you plan to enter insurance manufacturing, selling of insurance?

Yashish Dahiya:

No, we have no such plan, in fact to be brutally honest, we don't have any clue what we will do with this roughly ₹ 6,000-₹ 6,500 crores of cash that we will have at that stage and that is the reality and I think we will be in a position. See right now, the question to ask is if this guy will become profitable. if you are actually going to be profitable. That is step one. I think once we do that the next question is going to be okay guys, what do you want to do with this cash that you have and already you are profitable, you are cash flow positive and you do not really want to make acquisitions, what do you want to do with this cash. Let us get to that point first, right, we are in class one right now, let us get to class 4 before we take the exam of class 4, so I think this is the time for us to be heads down and executing rather than thinking too far into the future about what we are going to do with this beautiful amount of cash that will be lying with us, but yes, of course we will not waste it, so we will see, maybe we will return it to you guys (I don't know whether you are investor or an analyst)



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- Sagar Sanghvi:** Investor and analyst, so that is helpful and great set of execution in this quarter.
- Moderator:** Thank you. We have our next question from the line of Adarsh Parasrampuria from CLSA. Please go ahead.
- Adarsh Parasrampuria:** My question was relating to the savings business momentum; this year was supposed to be a big year for savings?
- Management:** I think our momentum in the savings business continues, I think in the same way that we have planned, both last year was a very good year for us and the first two quarters have also been very good and I think the best way to think about it is that there are two things that have happened, one is that the premium is growing very rapidly and also there has been a structural shift in terms of the kind of product that we sell. The main product that we sell is the capital guarantee solution which ensures that the capital that the person has invested is safe and they have an upside due to the market, so they have ULIP upside and then this solution has been really well received and with the fact that now we have offline agents also who are going to meet customers, we are able to increase the ticket size, so just to share the trends, the ticket size offline is almost 50% higher than the ticket size online. So, as you can see, this business is benefiting from all these tailwinds, one is our business momentum, second higher ticket size, third the fact that offline is improving our conversion. So, I think in this forum that all I would like to say, but this is one of our fast growing businesses and now the economics of this business are also very good.
- Adarsh Parasrampuria:** And my second question was relating to expenses beyond the contribution line and the ESOPs growth there that you would expect Yashish, anything changing to make that growth or that is going to be inflation linked, you shouldn't see a lot of very high growth in that part of expense which is beyond the contribution?
- Management:** I think as Yashish said, the objective is very clear, we want to deliver profit and I think we are focused on that. Those cost will increase as low as possible is all I would say. The rest, there is an inflation in the market, there is natural increase in that, but I guess to keep them much lower than our revenue growth rate.
- Adarsh Parasrampuria:** Sorry, I will just go back with one more question on that capital guarantee products, when you are doing these products and they are doing well, just wanted to check are the take rates for you selling these products in the first year low, we get feedback from a couple of insurers that the guarantees are quite high in some of the products and their offset is basically partner not taking a lot of upfront premium, so just wanted to understand your take on that?
- Management:** Just to be very clear, it is a combination of non-PAR or guaranteed plan and ULIP and if you think about it, clearly the mixture is reasonably well placed. See, we are not the commission



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first shop to begin with, so we are not trying to sell things which have the highest commission, we are trying to sell the best solution for the customer. In this case, as you can imagine, a combination of a non-PAR and the ULIP has a better return, better commission filed than just the ULIP, so I think that is really the change that has happened for us. So, it depends on where you start, right. So, we were selling more ULIP, now we are selling a combination of ULIP and non-PAR, so clearly the commission is better for that, but by any stretch of imagination we are not maximizing the commission in our savings business.

Yashish Dahiya: On the previous one, I wanted to give you a straight forward answer, I don't think we will see our fixed costs going up by more than 10 to 12% in a year. Obviously Paisabazaar are coming from a COVID year when their operations were very small, but okay, that is it.

Moderator: Thank you. We have the next question from the line of Subramanian Iyer from Morgan Stanley. Please go ahead.

Subramanian Iyer: I had a few data questions, so one is basically you gave the number for core premium, which is about ₹ 2,026 crores, can you please split it into new and renewal and also to the same numbers for the last year second quarter as well? And the other question I had was in the previous quarter you used to give this number of credited related revenues, so you split your revenues into credit and insurance related, so if you could do this for this quarter as well and give it for the second quarter last year as well and I just wanted to understand the progress on basically on contracts with your partners on getting renewal revenues in the sense that you were in that aggregator previously and you were not entitled to renewal revenue, so how is the progress on that?

Yashish Dahiya: Remind me if I missed any of your questions, so first thing I picked up was you wanted to know what is our new versus renewal split, it stays very similar to how it has been in the past, there is no real change in that. It is roughly half and half, so about 50% is new, about 50% is renewal and ₹ 101 crores of our core revenue was credit linked, so you had a total core revenue of ₹ 410 of which ₹ 101 crores is credit linked and the rest would be all insurance linked.

Subramanian Iyer: The third one was the progress on renewal contracts?

Yashish Dahiya: Renewal contracts you mean in terms of the life insurance receiving more renewals in the future etc., yes, there are conversations going on there, but nothing material to report in terms of massive changes or anything, but on Paisabazaar there is a big renewal change, there is a positive surprise for us because Paisabazaar historically never had renewal and it is very heartening to note one thing, if you look at it carefully Paisabazaar now has trail revenue that is at the same level as Policybazaar was in 2018. So, you can see that and they are actually growing much faster than Policybazaar trail revenues ever grew. So, there is an expectation and Naveen, correct me if I am wrong, our expectation is we would be doing about \$7,00,000



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by March per month. So, if that happens they should be almost in my opinion, if I were to look forward there is almost \$10 million of renewal revenue next year because there is growth and there is multiply by 12, etc., which is a huge positive surprise. So if you asked us what would be Paisabazaar renewal revenue sitting back in Nov 2021 about when we were going public, I don't think anybody had any expectation of that.

Moderator: Thank you. We have our next question from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.

Prateek Poddar: I have just one question, I noticed that your core insurance revenue, the take rates have gone up on a quarter-on-quarter basis, can you help me understand how has that gone up?

Yashish Dahiya: As we said one of the products, it is basically a product mix change and one of the products, the take rates that increased.

Management: So, I think it is two things, one is that our life and health businesses are a greater proportion of our overall business than we were in the previous year and the second thing is that we just discussed in one of our businesses in life, the take rates have increased year-on-year.

Prateek Poddar: And just one quick clarification, you have talked about observing a ₹ 5 crores loss by the non-insurance business, this ₹ 5 crores pertains to Paisabazaar, I am just clarifying?

Management: It pertains to the credit business. So, 5 crores is the credit business see the disclosure is there it is 101 crores of revenue as there is 5 crores of loss is there. So, for that quarter so you can imagine there is no way they are not breaking even in the three months like of course there is some way, but they will have to be very special to do that.

Prateek Poddar: And Yashish just on contribution margins for your credit business is it very similar to what it was last quarter?

Management: Yes it is very similar to what it was last quarter, but Naveen is doing a very smart thing. He is not telling his team to take the renewal revenue and to account for it for internal reviews. So, he is basically keeping at the same margin and the renewable revenue just getting added on. So, there is a bit of interesting thing he is doing from an operational perspective.

Management: Your question the contribution has remained similar which is about 40% or higher. Yashish was talking about the trail revenue which is increasing quarter by quarter and if we execute the trail revenue well that that comes at a very high contribution as it starts to become meaningful that comes at about 90% contribution.

Prateek Poddar: It is a 100% what is the cost that you have in that?



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Management: It is a servicing and communication cost so 90%.

Moderator: We will take the next question from Nischint Chawathe from Kotak. Please go ahead.

Nischint Chawathe: Last quarter you mentioned that life and health was around 75% of the premium, what would be the ratio like in this quarter?

Management: Slightly higher actually. If I look at it is getting towards 77%, 78%.

Nischint Chawathe: Contribution of corporate business in the first half would be like how much very approximately?

Management: We count contribution on the money we make.

Nischint Chawathe: I am sorry share of premium?

Management: That I do not think we disclose that.

Nischint Chawathe: But should be similar to what was there in the previous year or it kind of goes up, goes down?

Management: Similar maybe it is a little lower. If you look year-on-year it is about flat there is no change in that.

Nischint Chawathe: My second question pertains to ESOPs now I was just trying to understand what is the exercise period for the ESOP once they rest?

Management: ESOP policy that **(Inaudible)** five years into the 20% per year and about 80% of the ESOPs were granted last year October, 20% would be granted overtime and for the four senior people including Yashish, myself, Naveen and Sarbvir there was an added to all that we can only exercise once it cross certain threshold, but it does not mean it will lapse it just delays the exercise that is all. So, from practical perspective you can just say 5 into 20% because that is what goes into the accounts.

Nischint Chawathe: No, the point is that when you are issuing ESOPs there will be some period window up to which you can exercise?

Management: It is five year and 20% per year for exercise.

Nischint Chawathe: If you do not exercise I believe some of the ESOP expenses can be reversed let us say in an eventuality where you do not exercise for ESOP?



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Management: The question is vesting schedule is five years 20% each year and after vesting there is a period of five year for exercise.

Nischint Chawathe: And the entire ESOP expenses you will have to we will hit the P&L at the time of question?

Management: No, already 60% of them would have hit the P&L by March 23. See the rule in India that the way you grant based on the grant value and the share price at which it has been granted at that time there is a change it hits your P&L and the charges is structured in such a way that in the first 12 months 45.67% will come into your P&L for a five year into 20% grant because the way it works is very simple I think in the past we have explained that in the deck also. First year is 46% in the first year, the second year is about 24%, 25% then it is about 13% and finally it is like 3% or something in the last year.

Nischint Chawathe: Last year 4%, but it can cross very fast, but the charges are decided upfront when you grant and it has to be taken from the grant date itself and I already linked to the exercise.

Management: So, there is nothing like to exercise I will give you an example by today our share price is below when we granted these ESOPs. So, the cost that we are facing does not come down neither would have come down if our share price have gone up, it would not have gone up either. So, everything is linked to the day they were granted. Now, what is happening in terms of accounting is just flow through. Yes if they are as Alok said 80% were issued then who had granted then and 20% maybe granted sometime in the future those 20% will be priced on the date they granted, but that is broadly.

Moderator: Thank you. We have the next question from the line of Ansuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb: My question was regarding the point of sale premium of around 458 crores that you said for this quarter, so I remember this was the same more or less the same number in Q4 of last year FY22, so we are not growing this business year business too much now it is more or less stable, I just wanted to understand that has the objective been achieved what we started to do through this point of sale business if you could share some of the competitive strategies around this business and whether we have achieve this target and for now we are focusing more on the premium on the coal business where obviously our margins are really high and we are also going very good, if you can just underline your POS strategy in line with the competition landscape?

Management: Ansuman I will share what is possible to share on a public call I think the first thing that we were very clear about was that we wanted to be leaders in this business. If you remember we achieve that in January of this year. So, within a few months of launch we became the number one company that we have maintained. The second thing that we want to achieve is that we



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want to build a sustainable business and to us building a sustainable business means that our agent partners' income must go up by working with Policybazaar. We are on that path. One of the main ways of doing that is to ensure that they have non motor products to sell and they are able to sell that. So, that is something that we are now we are focused on. As you rightly picked up our premiums are not expanding dramatically now quarter-on-quarter because we are focused on the realization and focused on making the whole business a lot more efficient that is the place that we have now entered in I would think in Q3 and Q4 and obviously we have lot more plans for this business which we will share with you as we go along, but the idea is that first to have leadership then to improve the economics and thirdly you will see us doing things which will be very different from other peers or players have been doing. Clearly we are not able to do this business just to do what other are doing and you will see that coming through in the next financial year.

Ansuman Deb: And lastly I just wanted to kind of underlying the fact that this 2,000 crore of quarterly premium in the core business it compressed to that 4,700 premium in FY21 right, so in a like-to-like that could be the right comparison?

Management: Yes you are right and I should also comment on the core business that our focus is always being on the core business. We have separate management teams which look at the core business and the POSP business and I would say even at my level 80% of my time and energy goes on the core business alone. So, it is never being the case that we are focused more POSP at the expense of the core business and I think that is seen in the numbers as you can see the core business has been profitable for three quarters straight now and I think the premiums have been growing rapidly. So, I think the core business is our main focus and I think we continue over the next 5 years, 10 years.

Ansuman Deb: And thank you for disclosing this number because that really gives us a very good picture about the growth in the core business?

Management: So, as we go by we will disclose more and more. Hopefully from April next quarter we will be disclosing a lot more than we disclosed yet we are still learning.

Moderator: Thank you. We have our next question from the line of Dhaval from DSP. Please go ahead.

Dhaval: So, just two questions first is on the sort of use of cash as you move towards profitability I know you sort of responded that first you want to reach the target before thinking about utilization, but just if you could give some perspective of initial thoughts that would be useful, so the background here is on inorganic we have always been very cautious from a validation standpoint and sort of chose to build versus purchase buy, just some perspective around use of cash would be useful and the second question is I think this was whose question relating to



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breakup between credit and non credit revenue for same quarter last year those are two questions?

Management:

First of all, I will share something with you I think somebody told me the markets react very quickly. So, I think I had internally thought that this question of what will you do with cash will become a very important question or become the main question for us in about April 2024 because we would have delivered a year of profits and that is when people would say okay now that is done and we do not have that question anymore we would like to know what you will do with the cash, but you guys react too quickly. You have already assumed we have made profit for next year and you have started asking us that question today. So, give us a little more breathing time, but genuinely in the spirit of disclosure I have asked internally to already start thinking about strategies for what to do with that cash and at this point our thought process is we should return it to the shareholders over the years to come one way or the other. We do not know how, we do not know the mechanisms yet. I think regarding your other question credit last year same quarter I do not think we have those breakups. They were doing about 50 crores of revenue in credit it is about 101 crores now so broadly that gives you some answers.

Management:

And also if you see the disbursal we always see the disbursal YoY growth it usually is a very strong correlation with the revenue so our disbursals grew by 94% YoY for the quarter and 110% for H1 that usually will give you a good indicator of how the revenue will improve.

Management:

But broadly they have kind of the credit business has kind of done okay they have almost doubled.

Moderator:

Thank you. We have the next question from the line of Arpit Shah from Stallion Asset. Please go ahead.

Arpit Shah:

Just wanted to understand what was the kind of contribution margin you all are targeting in the new initiatives because right now if I see the contribution margins in the core business we are around 45%, but if I see the new business initiatives we would think the contribution margin positive by let us say FY24 end?

Management:

Yes absolutely by FY24 end new businesses will be contribution positive.

Arpit Shah:

And if I heard it correctly you have said FY24 PAT positive even after ESOP cost?

Management:

Yes after ESOP cost. See it is a very straight forward thing. We will be adjusted EBITDA positive by the last quarter of this year. So, already our interest cost covers our adjusted EBITDA loss already. Now, what do we have to do next year our adjusted EBITDA would have broken even because you can clearly see PaisaBazaar does it that that way and



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Policybazaar is making more, the core business is making about whatever approximately 200 crores of extra profit this year compared to last year call it whatever call it adjusted EBITDA call it whatever margin. So, next year that will happen again and as that happens that would take care and you got your interest income. So, essentially what happens in your interest income this year was taking care to some extent of some of the new initiatives etcetera. Next year the interest income has to take care of our ESOP cost which is to me a notional cost, but I think everybody believes it is a real cost. So, let us treat it as the real cost and Yes we will cover it next year this is approximately the same about 250, 300 crores of interest income about 300 crores of ESOPs and the rest of the business will be adjusted EBITDA there was no difference between adjusted EBITDA and PAT for us in the real sense as I see it.

Arpit Shah: Just wanted to understand you all are having close to 5,500 crore and if I see the stock price is around 411, so I believe it is around 17,000 crore of market gap, so you think this is a good market cap where you can actually prepone your buyback and go for a better capital allocation at current prices, so as and when your business is better and the topline is better your buyback would be at higher level looking as an opportunity?

Management: All these interesting conversations are for post April 24 you know let us deliver what we have to do, let us not get ahead of ourselves. We are very confident of what we are building. I think see let us be very clear as we got into the area where the market was much more focused on profits. We as a company did not kind of bulk under that pressure or whatever you want to call it. We actually started new initiatives, which if we had not done we would have been profitable right now, but we actually started new initiatives and all those losses that we have taken this year have actually being because they were the right thing to do for the company. So, we will continue to do what is right for the company and at the same time we are fairly confident of our core strength of our business and I say that with a lot of conviction because I have seen our operations and how difficult it is to do something like we are doing. We feel good about it, but let us not get ahead of ourselves just deliver it. Confidence needs to be replicated with execution.

Arpit Shah: The ESOP cost let us say by FY25, FY26 would we reduced to a minimum let us say 100 crores to 120 crores or so, so you think the PAT of 400 crores or 500 crores at the end is the good number to look at?

Management: 26, 27 is the only number I am aiming for and that is 1,000 crore PAT.

Arpit Shah: So, just wanted to understand let us say your PAT goes to 1,000 crore what would be the part of that let us say you are seeing EBITDA positive by Q4 FY23 PAT positive FY24, so what kind of revenues you are targeting because the current run rate we are at around 2,000 crore plus run rate?



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Management: I think we are fairly straight forward to predict. All the analysts have done all of that work very well. They are not very far off from what we believe somewhere around 6,000 crores should be the number, but it is okay let us get there it is too far right now to get into exact details. I just want to lay out our ambition or our thought process. So, if you look at our last four quarters numbers the delta has been 50 crore plus per quarter from the year before and we are talking about 20 quarter from now and obviously there are different pieces, there is core business, their trail income, their experimentation becoming more efficient, the offline thing with the hybrid model engineering. So, lot of these will start to come together, but the thing is that the delta over last year for every quarter continues in the same way in some form and that itself will answer your question.

Management: As far as the controllable are concerned I think this should be fine.

Moderator: Thank you. We have the next question from the line of Devjyot from Citi Group. Please go ahead.

Devjyot: Just one question from my side so you mentioned the number of employees in the offline channel it is about 1,000 could you share the similar numbers like for the POSP agents and the other advisors that we have?

Management: I do not think we want to go into this level of details. We are more than 100,000 POSP agents now, but it is really not a relevant number because what is relevant is how many of them are doing how much.

Moderator: Thank you. We have a next question from the line of Rahul from Lionrock Capital. Please go ahead.

Rahul: I just wanted to talk about the Bima Sugam initiative little bit more detail the way I look at it I know you guys mentioned that it could be the UPI movement, but on the flip side UPI moment has led a lot of payment companies to just do a lot of volume, but little revenue and the regulator has talked about reducing a premium while transacting through Bima Sugam and making it a marketplace, so I am just curious from a market perspective, from a market opportunity perspective how this could impact the business?

Management: I think as I said we see it there were two things right. I think our positive perspective it would be a GDS a distribution system, what you speak about is in my opinion a very remote possibility. Of course, everybody has their opinion on this thing right now, but I do not think that as a conclusion the payment ecosystem as a conclusion as in let us say three players having 90% of the markets I do not think that is a conclusion that the regulator is going to prefer you know you can think about what that would do to agency, what that would do to of course there are three, four players in the market who have the ability to take that right and of



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course we are one of them there is no doubt about that, but I think I will leave it there. This is a regulatory matter. I do not want to speak more than a certain amount on it, but I think that is not a conclusion that the industry or the regulator is hoping for with three players having 90% market share.

Management:

I just also want to add if you see some of the things we have been doing and I think we have spoken about them today. One is the service experience that we seek to deliver. Insurance is a complex product, payments are slightly simpler product. So, the experience that we are delivering whether it is in terms of post purchase experience whether it is in terms of claims I think that we have big difference and the second thing was that to remember is that we are in the risk business. So, the channels which can bring better risk to the insurer will always have a certain advantage and perspective. So, I would just give you those two thoughts. One is customer experience and secondly the risk. The same person is not the same person in insurance wherein payments it does not matter who I am sending the money to.

Rahul:

Just a quick follow up on this like I understand the details of very few and I completely get your point like not everything done by government UPI, just a quick follow up here that when I think about Bima Sugam the way the communication has been from the regulator, from the government that I want to create a platform on which anyone can come on and buy insurance products and even kind of factors online repository and where the claim software that has to be done, so I am just curious like who did he counterparty dealing with the customer would that be like you are part of this, the customer be dealing with you or let us say HDFC Life or someone else is on the platform and if the insurance manufacturer is there, so who would the customer be dealing with even if they are going to the platform the Bima Sugam platform that is one last?

Management:

Let us take at this point given everybody knows a little bit let us take the analogy of any of the two, let us take the travel industry analogy where you are talking about a GDS or let us take the UPI analogy you know the customers deals with UPI via the large payment, via a Google via a PhonePe via Paytm right etcetera. If it absolutely becomes the UPI still there are players who are doing the front-end interfacing. So, let us see I think it has a lot of evolution ahead of it. There are I think there is a lot of positive it can do to the industry and remember the eventual objective of the regulator is to increase insurance penetration and if you keep that at the back of your mind and think about what will increase insurance penetration I think it will give you lot of answers.

Moderator:

Thank you. We will take our last question from the line of Rishi Jhunjhunwala from IIFL Institutional Equities. Please go ahead.

Rishi Jhunjhunwala:

Just one quick question our ESOP expense for FY23 can you give some estimation I think H1 we have already done 340 crores, so could it surpass 550 crores or even higher?



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Management: Basically as we have seen that charges for these grants started from October last year. The first 6 months of this year was the half of the first-year charge which is roughly 23% of total. The second half is going to be the half of the 26%, so 13% of the total. So, there may be some new grants, but those are relatively small numbers which will happen, but you can just see first half 23%, second half 13% in that ratio 23 versus 13.

Management: Just to give you an example in this quarter we have had ESOP expenses of about 173 crores. In the next quarter this might be just a shade above 100 crores. So, that basically will give you the indication that it will start to decline quite rapidly. If you look at 25-26 the total ESOP expense for the year might be close to 100 crores and in 26-27 it might be about 50 crores.

Moderator: Thank you. I would now like to hand over the conference to Mr. Yashish Dahiya for closing comments. Over to you, sir.

Yashish Dahiya: Thank you very much everyone for taking time out to attend our call. We really appreciate it and thank you all for your questions. I hope we were able to answer most of them adequately. We will improve upon this as time goes. Thank you bye now, have a great day.

Management: Ladies and gentlemen that concludes this conference. Thank you for joining us and you may now disconnect your lines.