



February 17, 2023

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

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Sub: Transcript of the Earnings Call held on February 10, 2023

Dear Sir/Madam,

In furtherance to our earlier communication dated January 30, 2023 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of the Earnings Conference Call conducted on February 10, 2023.

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 Sincerely
For PB Fintech Limited

Bhasker Joshi
Company Secretary and Compliance Officer

Encl.: A/a

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“PB Fintech Earnings Conference Call For Quarter 3
Financial Year 2022-23”

February 10, 2023



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

Moderator: Ladies and gentlemen, good day and welcome to the PB Fintech Earnings Conference Call for Q3 Financial Year 2022-23. We have with us Mr. Yashish Dahia – Chairman and CEO, PB Fintech; Mr. Alok Bansal – Executive Vice Chairman and Whole-time Director, PB Fintech; Mr. Sarbvir Singh – Joint Group CEO, Policybazaar; Mr. Naveen Kukreja – CEO, Paisabazaar; Mr. Mandeep Mehta – Group CFO, Ms. Rasleen Kaur – Head (Corporate Strategy & Investor Relations).

As a reminder, all participant lines will be in the listen-only mode. Anyone who wishes to ask a question may enter ‘*’ and ‘1’ on their touchtone phone. To remove yourself from the queue, please enter ‘*’ and ‘2.’ 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 Mr. Dahiya.

Management: Thank you very much. Welcome, everybody.

Before we begin our performance update, I would like to obviously welcome all of you, and especially the ones who have joined us for the first time and like to reiterate how our business is structured.

Policybazaar and Paisabazaar, which are jointly classified as existing businesses, our India's largest marketplaces for Insurance and Credit Products. These contributed to almost all of our revenues till FY21. In FY22, we expanded into new areas and geographies, and collectively refer to all those activities as new initiatives.

So, our revenue in the first nine months of this year is 5.2x our revenue in the same period four years ago, which was 2019. The revenue grew at 91% year-on-year, and our existing business has now been profitable for four straight quarters.

For the quarter, our revenue grew to ₹610 crores, up 66% year-on-year, while the PAT losses have reduced to just under a third of what they were, which were ₹298 crores, they're down to about ₹87 crores now.

Our existing business adjusted EBITDA has increased by ₹67 crores for the quarter year-on-year and ₹164 crores for the nine months of the year as compared to the same period last year. The reason we explained this a bit is because we had a one-time sort of given a soft guidance of ₹150 crores to ₹200 crores, incremental EBITDA happening almost automatically every year. So, just wanted to clarify that has been happening pretty much in the last three, four quarters.

Now, what is this growth driven by? This is driven by three things: First is the growth in renewal income and the reason I mentioned that first is because that's the most secure part of

the business, then growth in new business and then the higher efficiencies on new business. Just to explain, last year for the same quarter our ARR on renewal revenue was ₹210 crores, now, it's ₹315 crores.

I just want to spend 30 seconds on this. You can see that it has grown by ₹105 crores in the year. So, it took us the first 14-years of our existence to get to ₹210 crores and then one year to increase it by ₹105 crores. So, ideally this should not be a flat increase, this should start to become an exponential increase as time progresses. But, even at this flat increase, because the operating margins are over 85% for this, this has given almost a ₹90 crores delta just because of this aspect and that should keep happening.

We are now at an annual run rate of about ₹12,000 crores of insurance premium. And we continue to improve our efficiency, which is on the premium per enquiry which has reached ₹1,563 for the nine months period which is the highest ever.

I think the biggest heavy lift that is happening in the company is on the servicing and the claim support. We have a CSAT of 88%. While this is great, it is not really representative of the amount of customer appreciation. See, insurance usually tends to be a complaints category. But, the number of appreciations we receive for the claim support is quite extraordinary.

Our existing business, the insurance marketplace, Policybazaar and the credit marketplace, Paisabazaar, grew to ₹425 crores for Q3. And of the total revenue, credit linked revenue of this was ₹107 crores.

The credit business has continued to grow well, and we're very happy that it's broken even in December 2022. We are now at a run rate of ₹12,700 crores of disbursement and 5.2 lakh or about 0.5 million credit cards issued on an annualized basis. 33 million customers have accessed the credit score on our platform. 75% of the cards issued in Q3 were end-to-end digital. This really helps us in improving margins. Co-created products like Step Up Cards and Duet Cards are continuing to gain traction.

Talking about our new initiatives, we are 3.7x of last year on revenue. But our adjusted EBITDA loss is pretty much the same as it was last year. And those of you who followed us would know that in Q4 last year, we had peaked, and we had reached losses of more than ₹90 crores on this, we're down to ₹54 crores, I think they should keep declining.

PB partners, our agent aggregator platform continues to lead the market in scale and efficiency of operations. It has the highest proportion of non-motor business in the country out of all the competitors it competes with and is now present in 14,300 Pin Codes across India.

The UAE business has grown 167% year-on-year, growing to 2.67x.

I've already explained this that our EBITDA has grown at ₹164 crores for the first nine months of the year. Please notice that the PAT loss has reduced by more than ₹200 crores, but that is



not really reflective of the business reality. The business reality is this...that's going to consistently keep changing, right. We stay confident of being adjusted EBITDA-positive for Q4 this year and deliver the first full year of PAT in '23-24.

Happy to take questions now.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: I have three questions. First is a data-keeping question. Can you give us the breakup of the insurance premium of ₹3,028 crores into PoSP and existing business premium, and within the existing business, can you give a breakup of the new and the renewal? The second question is on the PoSP business specifically. The contribution margins have been quite good this quarter, like it's reduced quite a lot only at minus 15%. So, where do you see the margins settling in the next couple of quarters? And my last question is more to do with the structural change in the industry. With the new tax laws coming in and non-par savings getting tax above ₹5 lakhs premium, can you give us a little detail about what is the share of your savings business, particularly on non-par business, which was a large ticket?

Management: So, since all of these related to Policybazaar, I will pass the mic to Sarbvir.

Management: I think the first question was on the breakup. Our PoSP business was about ₹500 crores, Dubai was about 80 crores and our corporate business was about ₹300 crores. So, I think that's the level of breakup that we normally share. So, that will allow you to see the growth was fairly strong across businesses this quarter. And the second question, sorry, was –

Management: PoSP is at minus 15%. So, there's been some margin improvement there. Do you see this in the next couple of quarters?

Management: If you notice, we've been sequentially every quarter improving our margin profile. Two things are driving this. One is that a proportion of non-motor business, which is health and life business and commercial lines continues to grow. And now, we are a significant market leader in that part of the business. On our motor business also, we are becoming increasingly more and more efficient. And I think you should see this sort of improvement into Q4 and as we go forward into next year. At some point, obviously, the rate of change will not remain the same. But, the idea is very much to put the business on a very sustainable path.

Management: And the last was the structural changes from the tax regime, which is not crystal clear yet. But, what is our share of business coming from that?

Management: We are a company which caters to the middle class. Our share of the business from these policies is very small; they're like sub-1%. And for us, on the PosP side, we do have some high value policies, but again, it's not a very material thing when you look at the overall number.

For us, this is not going to be big, one way or the other, neither is it going to be big from a shared perspective, and nor will we have an impact when this rule comes into play.

Management: I think we did some check. There were 762 policies or something, which were more than ₹5 lakhs rupees for us in the year or whatever period. So, it's not a very significant number for us. We don't really cater to the wealth segment, we mostly cater to the middle class, and I don't think middle class people pay ₹5 lakhs premium.

Shreya Shivani: So, just one question we got left out is the PoSP agent count right now, last quarter, it was at 1 lakh agents I guess.

Management: It's a little more than that, it's grown from that number, but honestly, beyond a point, the agent count is not necessarily reflective of anything if you ask me. What we really want is a number of agents who do repeat sustainable business with us. I think that is the number which is the most important number. And we can take this offline... maybe the team can help you if you have any other questions.

Moderator: The next question is from the line of Subramanian Iyer from Morgan Stanley. Please go ahead.

Subramanian Iyer: A few more data-keeping questions. So, one is, if you can split your core revenues into credit and insurance? So, I think your core revenues is about ₹425 crores.

Management: That we already did; ₹107 crores was the credit-linked revenue, the rest is all insurance.

Subramanian Iyer: The other question I have is on adjusted EBITDA as well. So, your existing adjusted EBITDA is ₹26 crores. So, how does it split into insurance and credit?

Management: It's about ₹40, 50 lakh negative. In December, it was positive. So, yes, it kind of made a loss for the first two months, and then the last month it made a profit. So, it's almost all insurance; ₹26 lakhs is the insurance adjusted EBITDA.

Subramanian Iyer: You mentioned that the premium under the new initiatives is about ₹880 crores which translates into the existing business being roughly about ₹2150 crores-odd. Can you just split it into new and renewal, that will help?

Management: We don't do it, but it's almost equal, maybe a little more in renewal. It's been almost equal for quite some time, and the growth rates are also similar. So, I'll give you some things, right, which are important for you rather than kind of worrying about exactly each number. See, we focus on health and life. So, I think that part is important to you. That on health and life, we have grown at about 30% and that was relevant in the industry scenario. So we've grown at more than double the rate of the industry. I think the rest of it is fairly immaterial, if you really think about it from many perspectives... and we told we will disclose more from next year.

Subramanian Iyer: So, your renewal commission is about ₹80 crores-odd, so, we needed something to connect it to. So, that was the purpose of asking that. And the other question is, how is your offline business doing, the one that is connected to your online lead generation in terms of contribution to the main business?

Management: The offline business is now contributing in the relevant areas which is life and health, again, about 20% of our premium comes from the offline business. We now have a presence in almost 60 cities. We have big centers in seven cities. And I think, last time we spoke, we had about 1,000 people deployed on the offline side. And right now, we basically invested in this over the last three quarters, and now we are improving the productivity of this force. And so far, I think it's going really well, and it's doing what we wanted it to do, which is to deliver incremental conversion over and above what we can convert from the call center.

Management: So, just wanted to add there. So, we have 62 locations where we have physical office or presence. But otherwise, we are present in 125 cities we cater to. 125 locations is where we do sales, and in 114 cities, we are serving claims. I am emphasizing this again, I covered it in my main speech also, the big, heavy lift that happened in the last one year has been in the claims support area. And some of those are quite telling when we are receiving those appreciations from people, they are very, very telling. And they are helping the morale in the company as well. And of course, eventually, this will lead to very good word of mouth as well.

Moderator: The next question is from the line of Sachin from Bank of America. Please go ahead.

Sachin S: I have three questions. The first question is on your cost. Employee expense and advertisement is lower... I presume employee expenses are mainly on the back of ESOPs... or is there anything else which has led to that decline in employee expense?

Management: That's more ESOP accounting, which we were telling you guys last year also that look, our ESOPs essentially go like first year 600, second year 550, 350, etc and eventually they become 30. So, yes, that would be the biggest impact. Otherwise, there's no material change in the number of employees or their compensation.

Sachin S: And then, it is fair to assume that both employee expense as well as your advertisement will remain relatively low as revenue going ahead?

Management: We've said this repeatedly, we are doing a certain amount of advertising. And that is more like a platform approach where we do a certain amount of advertising every quarter. You just don't need it. Because advertising is just a way of communicating to the customers that we exist and to keep reminding them...see, insurance, you need to keep reminding people that you are there, and it's an important product, and Policybazaar is an important place to be and similarly for the credit guys, right? So, to a large extent, that tends to become a fixed cost from here onwards. The changes you see would be sometimes 5% down, sometimes 5%, 10% up, but it's not like you need to increase in line with revenue. And I think that's becoming very clear as we



proceed. Because you can see, right, we are growing our core businesses at double the rate of the industry, it's not like our growth has slowed down,. But those costs are not increasing, or in fact might be actually declining by a few percentage points.

Sachin S: Second question is on the Paisabazaar EBITDA margin being positive. Just wanted to understand any one-offs are there in this quarter and should we see a sustainable positive EBITDA margin for Paizabazaar going ahead?

Management: No-no, this is very much sustainable. December is the first month where we hit the breakeven point. So, you should see that in the next quarter we will have some positive, and then continue to increase as a percentage, and both absolute number also, so very much sustainable.

Sachin S: Naveen, can you help us get a little bit more idea of drivers in terms of what drove that profitability and the comfort on sustainability?

Management: So, in terms of the drivers, I think Yashish has referred to that from an insurance perspective. Similar drivers are playing out. If you see in the last 12, 15 months since the COVID share has subsided, the credit industry has started growing back at the pre-COVID rate, which was about 20% or so, give or take for the overall credit industry. And what's happened, which is different from pre-COVID, and that's helping a platform like us is that digitization has started to become real on the ground. So, the percentage of one of the metrics that we mentioned was 75% of the cards that were issued in the quarter, was end-to-end digital. This number was almost zero if we go three, four years back. What happens is that as things become more and more digital, we see lesser drop-offs, as the customer doesn't need to move from one platform to another platform or needs to go physical, that improves our conversion. And as we have increased our credit score customer base, that's allowed us to work with the lenders to create better, more seamless, pre-approved programs, which also converts and gets approved at a better rate. So, overall, you'll be seeing that in the improvement in the margin. If you look at two years before or even one year before, the percentage margin has gone to a fairly healthy 40s kind of range. And as we grow our overall revenue, which is growing at about 87% or so, if you look at nine months data, and the margin stays healthy at 40%-plus and your fixed costs, which Yashish refer to, are growing at a much lower ratio, the money flows down to the EBITDA, which is what we are seeing from a nine-month perspective.

Management: See, I would like to give you this picture very clearly to every person, because all of you need to appreciate the business. Let me give you a quarter view and a nine-month view. If you look at a quarter view, our core business only, I'm not talking about the new initiatives, let's leave that out, because that will complicate the picture from a building up perspective. Our revenue increased about ₹108 crores in the quarter year-on-year. But ₹61 crores was the increase in contribution. Our contribution margins are not 55%, they are closer to 44% for the core business. So, where the extra 15%, 16% come from, that has come from the renewal expansion. So, one is the renewal expansion, second is the growth in new business. Roughly, half has come from new business, half has come from renewal. But, what you see next is out of



61, 67 has flowed into EBITDA. So, that means your fixed costs have reduced by about ₹6 crores. Now, that doesn't give you the full picture, because if we look at year-on-year, you have got ₹392 crores growth in revenue and ₹248 crores growth in contribution. Again, you notice it's just about 60%. Same story. Our contribution is 44%. So, where the extra 16% coming from? It's coming from the growth of renewals because renewals are 85% margin. So, renewals have grown obviously, that's showing up there. But then of the ₹248 crores, ₹164 crores have gone to your EBITDA. That means almost two-thirds of the contribution is flowing to your EBITDA. So, yes, there is a fixed cost increase, but the fixed cost increase is ₹80 crores. And that's broadly what we've been saying all along, that look, yes, this business has flex, it has renewal growth, which will keep improving the overall margins, and fixed costs are generally fixed here. That's all.

Moderator: We'll take the next question from the line of Sachin Dixit From JM Financial. Please go ahead.

Sachin Dixit: I have some questions regarding the omni- channel play, right. So, now we are getting leads online and we are able to convert offline as well, there is a premium per enquiry go up significantly over the years. Can you talk a bit about how this improvement in conversion is resulting in some savings and how does it compare to the cost of doing the offline business?

Management: So, let me just take a few minutes before I hand over to Sarbvir, and my answer will be more at a philosophical level and Sarbvir can probably answer it at a more granular level. So, see, we are there wherever the customer wants us to be there. First of all, we advertise and we let the customer know that he or she needs to buy insurance, they come to the website. Once they come to the website.. we're not an entertainment site, so they said, yes, we are interested in insurance, we want to buy insurance. But, that does not mean we will buy insurance, right. And so, then starts the process of converting them. Now, some people will buy on the website, some people will buy through the call center, and some people will say, no, I actually want to meet physically. There are also other examples. I gave this example a few quarters ago on the call itself. I was visiting Bangalore, and I spoke to one of our top performers, he said, the person was ready to buy a policy for, let's say, x-rupees on the call. But then I went and met him, I sold him a policy of ₹36x... that doesn't happen all the time. That is an exceptional example. So, that also happens. Then people talk about when you go and meet somebody, that person also says, I've got three more references. For my family, I also wanted to buy this and that. So, all of the things are happening. Now, please understand, we have run the call center operations for 15 years, we have run the physical operations for just about a year. So, our people are early in this, but on productivity, it is already beating the call center model. And you have to take vintage into account before you kind of start to judge things.

Management: I think Yashish covered all the points. I would just say that, right now in Q3, if you look at the numbers, you can see that our contribution margin is going up despite the fact that we are spending on the offline expansion. So, that basically means that the improvement in ATS, improvement in multi-year policies is more than enough covering the cost of operations. And I completely agree with Yashish that right now we are not the most efficient in FOS operations,



I think we are very efficient in call center operations, we will become more efficient in FOS, and I think that will only make this picture better. So, over the next 12 months, you will see that's helping us, but right now also, total offline rollout has been absorbed in the core business, and you can see that the core business continues to do well. So, that should give you an indication that part is also becoming more and more powerful.

Sachin Dixit:

What I basically wanted to understand was that there will be some savings in marketing costs, because the conversion is going up, and there will be some incremental cost of doing the offline business. So, net-net are these costs comparable is higher than the other currently? I understand that FOS is still nascent.

Management:

See, our marketing cost is before the channel comes into play. That is to generate enquiries on the website or the app. We do not have people going and meeting anybody or saying, please buy insurance, we don't do all that, no cold calling, no cold knocking on doors, nothing. And that's where a lot of people get confused is how to compare this with the agency model and all other things, right. So, the marketing cost does not get changed at all. But, yes, your premium expands, because you're doing a higher premium per enquiry, because you are using further channels which can convert even better or at a higher premium per enquiry, it can convert. Now, on a cost basis, the operating cost is there and the operating cost does increase. But, as a percentage of premium, the operating cost has not been increasing; it's actually either been flat or coming down. So, that is what I said, the efficiency of the physical meetings is already higher than the efficiency of the call center. While as they say, We are Mustang in our call center, we are novices in the physical world. So, the improvement from here on will be much higher in the physical world, you can't see doubling our productivity in the call center, but I think in the physical world, you'll probably see a tripling of productivity. So, don't take those guidances on, but that's broadly what one is.

Management:

See, one important thing, we had mentioned in the past that according to our research, roughly two-third or a little higher than two-third people who are buying term and health, they come to Policybazaar before they actually buy. But that doesn't mean that we have two-third market share of these two categories. So, there's a lot of leakage which happens. Now when you want to stop that leakage or reduce the number, today we believe about 25% of buyers would have bought through us. We want to move this 25 towards 35, 40, 50 over the next few years. And how do you do that? You have to work on the product, you have to work with the customer to make the buying process easy, which includes this omni-channel strategy that we have, you have to also build more trust around the claims and handholding of the customer post-purchase, and we are investing in all three. This is a continuous process. It's not something which is like a one-time go. Out of these three, the build-up for the omni-channel is something which Sarbvir mentioned has happened to some extent. It will be implemented from here onwards. But, the first one year was trying to establish these offices, these 1,000 people. Now that you have got this in place, you want to work efficiently from now onwards.

Management:

Efficiency, quality, all those factors.

Sachin Dixit: Today, I saw a media article, wherein PB is launching a wholesome insurance product, right, where it's a combination of savings, term as well. Can you talk about the process of creating such products like how are you working with insurers who is getting the approvals how are these products being created?

Management: So, yes, this is a great question. I'm glad you asked it. We are really proud of the work that our team has done to develop this product. It's a product which looks at both the health protection needs of a customer as well as some life insurance and then a savings component as well. Because, again, we hear a lot from our customers that they are concerned about what they're saving for, right. One of the main things that people are worried about is that in their old age, will they be able to take care of health emergencies. So, we conceptualize this idea. In this case, we have gone with two partners -- Tata AIA and Niva Bupa. The team work with both the insurers to not only conceptualize the product as to how it would work, but also to tie up the buying experience. I think as Alok just mentioned, one is the product, which we conceptualize over here. The second is a buying experience. So, that the person when they go through this... and I would encourage you to buy this policy, because what you will find is that the entire underwriting process is seamless, minute the saving product will be issued, you will get the health policy right away, everything will come in one jacket for you, you can pay together for it, any service issue that you have, there is a relationship manager, the relationship manager will handle both health claims or any questions that you have on the saving side. So, it's a completely fully stitched up journey with two insurance partners. And it shows I think what Policybazaar can do. Because at this point, as you know, this is the only way that you can have this product. And we have tied this whole thing together and we are really positive and very hopeful that this product will do well. But, more than this specific product, I think it's the thinking that matters, which is that we saw our customers problem is not health insurance or savings, it's actually a mixture of the two, and we have conceptualized something for it. And I think this is not a one-off thing, we've done this for many products in the past also, and I feel this is now going to open up a whole new set of opportunities for us where we will combine. This time we've done health and savings, we are working on products in other health plus term And things like that, and you will see some of those initiatives coming out.

Management: If you think about the conceptual level, most middle-class families, when they are going through life, at some point, an individual becomes a family and then they have children, and that is the point where they start to require things like term insurance, and the health insurance requirement is also there. Now, as the family keeps growing, and the children get through college, etc., the term insurance remains very, very critical. But, at some point, once the children start earning on their own, the term insurance does not remain important, and this is about seven, eight years in the middle before you retire. And when the person retires, the only needs become the pension and the health. And now, why is this crystal clear to me? I grew up as an army officer son. And all of these requirements were taken care of my father in the family. And when I came to the civil world, I said, okay, how do these people live? Because those are very, very critical requirements, right? And I asked a lot of people and they all said, we would be happy to get 20, 30 less salary if these requirements were taken care of. That is



the basic difference in India today if you really think about it from a government job to a private job, etc., So, this has been a deep thing which has been going on for like at least more than a decade. I'm not saying this particular product will be hugely successful or not successful, but it's a first attempt and it's not in the perfect shape, but I think what Sarbvir said is very important that it's been brought together through multiple organizations, through us and various things, right. And I think we will keep working in this direction. But the approach is eventually to solve this problem for the middle-class health, asset, pensions in a holistic manner. And I'm sure at some point, we take a lot of effort, but at some point it will get solved.

Moderator: The next question is from the line of Nischint from Kotak Institutional Equities. Please go ahead.

Nischint: I'm looking at sequential in your insurance premium and your revenues. And I think you shared some data on the PoSP premium. I believe the rest of the growth comes essentially on the core business on new business premium. And it's a fairly large sequential growth in premium in the core business. If I compare that with the revenue of the core business on a sequential basis, that's gone up only something like 3%, 4%. So, I think, what that effectively means is that the calculated means in the core business have come down and –

Management: I will clarify to you. I think, looking at quarter-on-quarter growth, each percentage point genuinely does not make sense. It is not as granular as you would imagine. It tends to be a bit lumpy. So, ₹10 crores moving from one quarter to the other happens on a fairly regular basis, not a big thing. I think you should look at this over a few quarters. So, even if you look at these two quarters, the growth in revenue is also about 15%. So, you will come to the right answer, but just look at it over a little longer period than just one quarter. One can't be that accurate in, that every quarter, it has to grow at 7.5% and grow at 30% for the year, that is not a very feasible expectation. So, 2%, 3% up, down, does keep happening. But, as you correctly pointed out, the premium has grown. So, whichever way you look at it, year-on-year, the growth is 34% and 30% for the life and health fresh business. So, we've given you those clarifications. But yes, the revenue can be a little here or there at times. Somebody which came in one thing, which did not come in the next quarter, so don't get too stuck up on one or two percentage points, just look at it over a few quarters, that's all.

Nischint: My question essentially was that from a business composition point of view, was the second quarter and third quarter very different or it was pretty much the same and it's a difference which are making the -?

Management: No, it's just pretty much the same. There's been no material change that anybody needs to be aware of or even we are aware of. Not that we are not aware of, these are actually happening, it's nothing.

Nischint: And if I look at the non-core expenses, this number has actually come down both sequentially and on a year-on-year basis, it's a couple of crores here and there. But is there anything specific

that we should read in this, I mean, are you cutting any fixed expenses because we would have expected this absolute number to go up at a maybe much lower pace than your revenue, but to actually go up?

Management:

Nischint, you remember, at the start of the year, we had given some sort of, I won't say guidance, but from idea that our investment in all our new initiatives, is going to be very near to our interest income, and that number we tagged around somewhere between 200 crores and ₹250 crores at that time. And we had taken a specific effort, last year was the first year when these initiatives were launched. And we were investing a lot in building the team, learning the stuff around these initiatives. Over quarters, once we got to the leadership, we started focusing a lot more on the efficiency on each of these initiatives. And that's what you're seeing on a quarter-on-quarter basis. If you look at the JFM and then April quarter, and then the July quarter, October quarter, every time you will see that, okay, it's coming down. And that's a focus that's very clearly laid out for ourselves that we want to make initiatives more and more efficient while not letting off the leadership, and the core business continue to become more and more profitable; it's already at 6%, but if you look at last three quarters, it moved from 1% to 3% to 6%. Top line is growing. So, multiple things happen. But on this specific one, we definitely want to become more and more efficient every quarter.

Management:

And we are also very clear, if you just look at a period over a couple of quarters rather than a single quarter, because again, the same thing, right, you may have a particular advertising campaign which might work on a particular day or the next day. Again, look at it over a two-quarter period or something of that sort, because that can make a big change, right, a ₹10 crores advertising campaign running on 1st rather than 25th, numbers will change basis that. So, when you look at nine months basis, you will see that growth is coming and the profitability is coming from growth, it is not coming from cost reduction, which is not our intention either. Cost can stay flat. All we are saying is fixed costs are fixed. If they were not fixed, they would be variable, they're not variable.

Nischint:

One last question is, of the total outstanding ESOPs, what is the vesting schedule, I mean, till when would the cost be exercised and what proportion of -?

Management:

Nischint, the bulk of ESOPs that you see, they were given in October '21. So, as you know, the counting happens in a 12-month phase. So, every year for six months, you see a very different level of charge of ESOP, and next six months, you'll see a little different, and which is apparent in this year data also, that Q1 and Q2 had a different number and Q3 had a little different number, which is much lower, because the way accounting works, obviously, it is on a reducing manner. We do have some bit of ESOPs remaining approved by the shareholders, and it's very slowly they are being utilized for old staff and for also new hires. But that is not a very big number to make an immediate change. The bulk of the ESOP charge actually was taken on October '21 month itself. And that's why, I mean, every year, third quarter, there'll be a significant drop compared to Q1, Q2.

Management: And we've given some guidance on this that, look, longer term, I mean, beyond the first five years, we expect ESOP charges to be roughly about ₹100 crores a year. That's my guess, right? And even now, if you take the founders out of it, it is probably something in that range, it maybe ₹150 crores, because, yes, there was an IPO and you would have a little additional... all of it has not been rewarded actually. So, I guess that is really where one should look at it. The remaining is the accounting part, which, of course, feel free to take that into consideration for now, because in another one year, it will be –

Management: 110-odd will become maybe 65, 70 next year in the same quarter, and then it will reduce to maybe 30. So, there's nothing that we're doing. It's just the way accounting works.

Nischint: But actually, my question was, what proportion of the ESOPs are linked to a particular market price or market cap, especially those which are given to senior management and won't be exercised to reach the milestone market cap or price?

Management: That would be roughly 55% to 60% as per the October '21 scheme. So, you can assume in terms of number of shares 1.15 to 1.2 crores, somewhere in that range. But you can separately take this number in case that helps.

Moderator: The next question is from the line of the Dipanjan Ghosh from Citi. Please go ahead.

Dipanjan Ghosh: A few questions from my side. First, on your only PoSP business, you have mentioned the 12% is non-motor. And I would assume that you would have some renewal commissions that you get from the manufacturer in this portion of the business. Just wanted to understand the pass-through that you do to the partner on the renewal side, is that renegotiated every year, or is pre-decided at the start? Second on Paisa, your renewal revenue seems to have gained some traction. So, just wanted to get some understanding of how the products are structured, and what are the contours out there? And lastly, two data-keeping questions. If you can give your current pass-through rate on the PoSP, and the PoSP premium number, I guess I missed it at the start of the call?

Management: So, first, I'll take the PoSP part and then give it to Naveen for Paisa. On the PoSP part, we said that PoSP has done about ₹500 crores of premium in this quarter. We obviously do not discuss the pass-through rate of PoSP publicly. In terms of the non-motor business, it's significantly more than 12%, so I'm not sure where the 12% number came, it's more than double that number actually. On your other question on renewal, I just want to explain one thing to you, that we protect the renewal. So, that means if an agent has given us business, whether the person renew directly from us or comes back through the agent, we protect the renewal. But what we pay them, etc., those are all commercial considerations and I'm sure you would appreciate best not discussed publicly.

Management: Dipanjan, on the trail piece, as you can see from the presentation, page #47, that this is a co-created and a co-branded product, is a strategy that we undertook as lending started recovering

from COVID. And because we realize that as a distributor, if he had a back book revenue like a lender, that'll help us greatly in times of stress or credit turn times. And what happens is in a co-branded or co-creative product, upfront is of course lower, and the trail in a credit card like product is linked to spend. So, we get a percentage of usage on a monthly basis as a trail. And, as you notice that over the last 12 to 15 months for credit cards, but last five months, in personal loans, the percentage of business on trail has increased, and that's reflecting in the increase in the trail revenue, which also links back to the question on profitability being sustained. As we build the back book or the trail revenue, that flows at about 90% margin, and hence, it adds to the overall profitability.

Dipanjan Ghosh: On the PoSP part, my question was not on the numbers, and I understand your renewal commissions are protected irrespective of where the customer renews from. But, wanted to get some sense on the pass-through that you do to the PoSP agent in renewals, is that renegotiated?

Management: I would not like to go there. To be very honest with you, I think the answer is not super material to our overall results. It's really more a thing to give the agent confidence that we will never ever do anything which affects their interest, that's the main thing. The rest of the stuff is not super material to the whole business.

Management: I just wanted to add one thing on Naveen's answer. I think what you have to notice, Naveen was in this year, he had committed to breaking even on Paisabazaar, and he achieved that...but he achieved that while building the renewal revenue. And what you must appreciate is as he builds renewal revenue, because it's a multi-year revenue, that actually reduces his revenue for the current year, because this is actually the year when he started to build it out. So, from a P&L perspective, it actually adversely impacts him. So, if he had not done this, he probably would have had maybe a few crores of extra revenue with the same business. I'm just explaining the nature of the management that they do think long-term, not just this quarter some profit has to be done. I think that is very important. That is, I think the biggest thing that you will actually invest in.

Moderator: The next question is from the line of Srinath V from Bellwether Capital. Please go ahead.

Srinath V: Hi, guys, just wanted to understand the implication of the new tax structure in the income tax and there's a prevailing understanding that a large part of taxpayers will move into the new structure. What would be the impact overall on our business in 80C, both life and health lose exemption on investment, broadly for us, as well as for the industry, not just from a premium standpoint, but more to understand how useful was the exemptions on investment in conversion, would lead times or conversion times get impacted as these SOPs have been withdrawn?

Management: It's a very interesting question. And as you know, this is really a behavioral economics question more than something that we can forecast. But what I'll just share with you are some of the things that we have found out. Earlier, if you ask three years ago, four years ago, why

are you buying health or health insurance. Tax would show up. Today, tax doesn't show up in the top three, four answers, it shows up in the fifth or sixth answer. In savings, yes, it will show up in the third or fourth. So, I think it's really hard to say today exactly what will happen. My personal view is that, yes, there will be some impact definitely on the saving side, may not be very material. I think on the health insurance side, perhaps because of COVID, I think why you buy health insurance has become very deeply ingrained. And the tax while is welcome, I think is not a huge factor on the health side.

Management: The protection will be far less impacted than the saving side is our guess. We have to see.

Management: We don't know here.

Srinath V: Would it be a fair assumption to make that we would be better off compared to the agency channel because of the pull factor?

Management: I want to comment on this and I learnt something recently, and I would actually mention the person whom I learned it from. So, I was talking to Mr. Tapan Singhel another day, who's the CEO of Bajaj Allianz General, "You don't get into all this. You are always very encouraging to everybody"... and I was meaning a genuine praise. And he said, "What we have noticed is when the industry grows, we also grow." So, we also are growing at 2x of the industry here. So, if the industry grows, we are all very symbiotic. You'll be very surprised, when the agency grows, we also grow. When we grow, the agency also grows. Everybody grows together. And if we all don't grow, then we have all got death written on our faces. So, I wouldn't worry too much about channel one growing or channel two growing, we're all going to grow together. And to me, that was a great lesson. It is not either, or. The customer will buy from multiple places, and we all help each other.

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

Arpit Shah: I just wanted to understand your contribution margin in existing business. In the last three quarters, if you see, the contribution margins have stayed around 45% despite additions of, let's say, renewal revenues, and the productivity that we've been gaining from the offline. which you guys is probably higher for the offline business as compared to the call center business. So, just wanted to understand, 45% contribution margin, is that something peek-ish for us or you think there are rooms that has levers to grow this margin going ahead?

Management: They will keep growing. I think, again, you are focusing on a very few quarters, and I think you will start to see something very interesting as we as we move forward in the next few quarters. There is a lot of mixed issues here, Paisabazaar growth, Paisabazaar margins. Various ways things that play into it. There may be some product changes, savings grew a little faster for us in the year. Savings tends to be a little lower margin than some of our protection products. So, I wouldn't read too much into it. I would focus on the year-on-year trend and I

would stay with that. You also please appreciate this is the year when we built up all the capacity, right? So, I think you should start to see the advantage of that here onwards.

Arpit Shah: Just wanted to understand the seasonality of the business. What is typically the Q4 percentage of total yearly revenues?

Management: We are a little less seasonal than the rest of the industry. So, that's just the reality, because the customer somehow is a little more protection-oriented than tax-oriented. But, yes, there is seasonality; so, December and January, February, March tend to be four very good months, March tends to be a little stronger than the other months. Around diwali usually tends to be lean period, simply because people are spending on other things... this is a discretionary spend at the end of it. So, if you're buying pataka, you don't think about buying insurance at the same time. I think lending is much more non-seasonal from that perspective. And there's a little bit connected to motor vehicles and all, which sort of a bit diwali-oriented. Again, January-oriented people like to buy the new models of cars, etc., But yes, for us, Q4 tends to be the biggest quarter, which is why I think next quarter you'd like our presentation next quarter a lot more than you've liked the last few presentations. So, we will all get a lot of well-done from you guys next quarter. After that, in Q1, we will be probably 5% below that quarter, which is what happens every year. And then by Q2, Q3 You catch up with Q4 and then you hit the ball out of the court in Q4.

Arpit Shah: Can you explain how would we reach breakeven in the Q4 quarter? I think we'll be adding around ₹700 crores of revenue in Q4 we will be having 45% contribution –

Management: What is our EBITDA loss this quarter? It is about ₹28 crores. So, our new initiatives is going to make less loss. But in January, our core business has made enough profit to cover the loss of the entire quarter of the new initiatives. So, we are very, very happy about the situation we are in.. We had a plan for the core business profit. It seems like we will get 1.5x of that for the quarter. Now, I'm not even telling you what our plan was, I'm not telling you anything, but I'm telling you what the internal story is, and why we're sitting very confidently. So, it's not even a question. Next quarter will be fine.

Arpit Shah: Can you explain how did you get recurring revenue, because a couple of quarters back, you have never spoken about this recurring revenues in the credit business?

Management: Of course, the business on this recurring part only started maybe about a year ago. And the thinking was very clear. Today, if a person takes a credit card and does not use it, we will still get paid. If a person takes the credit card and uses quite a bit... or the same thing on a loan, if a person takes the loan and kind of pays back very quickly, or takes four years to pay back, there are different implications for the bank or the NBFC. But there was no implication for us. So, we've in a way got some skin in the game on the usage part. And the good thing, I would say, the safe thing from an investor's perspective, or from whatever perspective, whoever the investor here is that actually the upfront revenue is reduced. So, in the first year, you're seeing

the hit of it. And that's what I explained that with that hit in a year when Naveen was to break-even also, I think it's a very commendable thing. He did the right thing for the organization, because he could have easily not done this and showed a higher revenue. And the benefit of this will come in the next year, because these renewal revenues will obviously become large by then. And you can see every month, quarter-on-quarter this number is growing very fast.

Management: You can see that on chart #47 what Yashish is mentioning, we are showing the percentage of disbursements and card issues on how that's growing percentage on trail revenue.

Arpit Shah: In the last con call, we had guided around ₹1,000 crores PAT by FY'27. Given the numbers that we have seen in this quarter, that number looks pretty much easily achievable by FY'27. Would you like to revise that guidance to ₹1,500, 2,000 crores?

Management: We only say things which are easily achievable. Please understand, when I say something, my reputation is a line on that.

Arpit Shah: Given a peer who has just done a buyback, are we looking at a buyback?

Management: We don't talk about anybody.

Arpit Shah: Because you are already having a roadmap of ₹1,000 crores profitability.

Management: As we said, there is no specific answer on that. And we have not even considered it at any level.

Moderator: Ladies and gentlemen, we'll take the last question from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.

Prateek Poddar: I just wanted to check with you, if you could give a breakup of your premium, I mean, the existing insurance business premium, which you called out that the split was 50:50 between new and renewal into protection, health, savings.

Management: We don't give those yet. We've told you guys, we will probably start doing it from next year, but this so far we don't give it out. But if you have any specific questions, Rasleen is the right person.

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

Management: Thank you very much, everybody for attending. I know it was a bit late for some people on a Friday evening or Friday morning, whatever your local time is. And, yes, we'll speak to you again after three, four months, and hopefully have a much more stronger update. Thank you.



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