

PB Fintech Ltd

20th June 2023

Position for imminent profitability

PB Fintech is a leading online platform for insurance and lending products in India. The Company operates PolicyBazaar, which is India's largest online insurance platform, and PaisaBazaar, an independent digital lending platform. PB Fintech has an asset-light business model and acts as an aggregator for insurance and lending products, enabling customers to make informed purchase decisions. With a network of over 50 insurers and 60+ lending partners, the Company offers a wide range of insurance and lending products across various categories. The Company has a dominant market share in the digital insurance and lending marketplaces in India, making it a significant player in the fintech industry. Post receiving its broker license in June 2021, revenue opportunities broadened, and the value proposition for consumers has enhanced. With disciplined cost management and a rising share of renewal commissions, PB Fintech is well-positioned to achieve profitability. We initiate coverage on PB Fintech with target price of Rs. 789.

Increasing mix of repeat business

Given the strong value proposition, the Company offers to consumers and the nature of many insurance products, such as health and motor insurance, where renewals are common, the Company is able to benefit from long-term retention and visibility of business from existing consumers with negligible marginal Customer Acquisition Cost (CAC). Consumers who purchased health insurance through Policybazaar in FY14 for the first time have made repeated health insurance purchases worth 5.9x of the 2014 premium in 2021.

Operating leverage to aid profitability

PB Fintech's strategic focus on driving revenue growth while maintaining cost discipline has enabled it to generate strong operating leverage benefits. The Company's ability to manage expenses effectively while expanding its business has contributed to its improving financial performance, positioning it for continued growth in the future. The contribution margins have improved from -42.0% in FY19 to 8.0% in FY23.

Insurance broking license and co-created products drive renewal and trail commissions

PolicyBazaar received an insurance broking license in June 2021, which allowed them to earn renewal commissions on Life insurance policies, which have negligible marginal cost. In FY23, almost 50% of the insurance premium was renewal premium.

Further, the Company has recently renegotiated with lending partners on their PaisaBazaar platform and started launching co-created products, which entitles them to earn trailing commission on loans disbursed. In the quarter ending Mar 2023, 36% of disbursements and 53% of credit cards issued entitled them to earn a trail commission.

View & Valuation

We initiate coverage on PB Fintech Ltd with a BUY rating and a target price of Rs. 789 (12x FY24E P/S multiple). The Company is at a pivot point with multiple triggers like renewal commission, expanding its offline presence to penetrate tier-2/3 cities, and cost discipline resulting in operating leverage.

BUY

CMP Rs. 660

TARGET Rs. 789 (+19.5%)

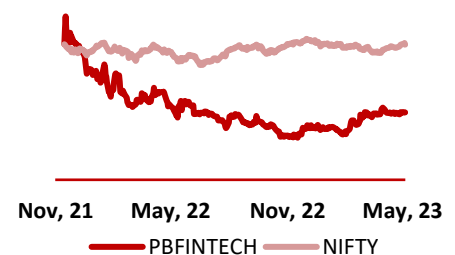
Company Data

MCAP (Rs. Mn)	297,120
O/S Shares (Mn)	450
52w High/Low	675 / 356
Face Value (in Rs.)	2
Liquidity (3M) (Rs. Mn)	1,120

Shareholding Pattern %

	Mar 23	Dec 22	Sept 22
Promoters	0	0	0
FIIIs	50.41	47.99	17.91
DIIIs	13.97	14.9	9.97
Non-Institutional	35.62	37.11	72.12

PB Fintech vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs. Mn)	FY22	FY23	FY24E
Revenue	14,249	25,578	29,624
EBITDA	(9,021)	(6,616)	(5,277)
Net Profit	(8,329)	(4,878)	(5,027)
Total Assets	59,231	62,540	57,997
ROCE (%)	-23%	-9%	-10%
ROE (%)	-22%	-9%	-9%

Source: Company, Keynote Capitals Ltd.

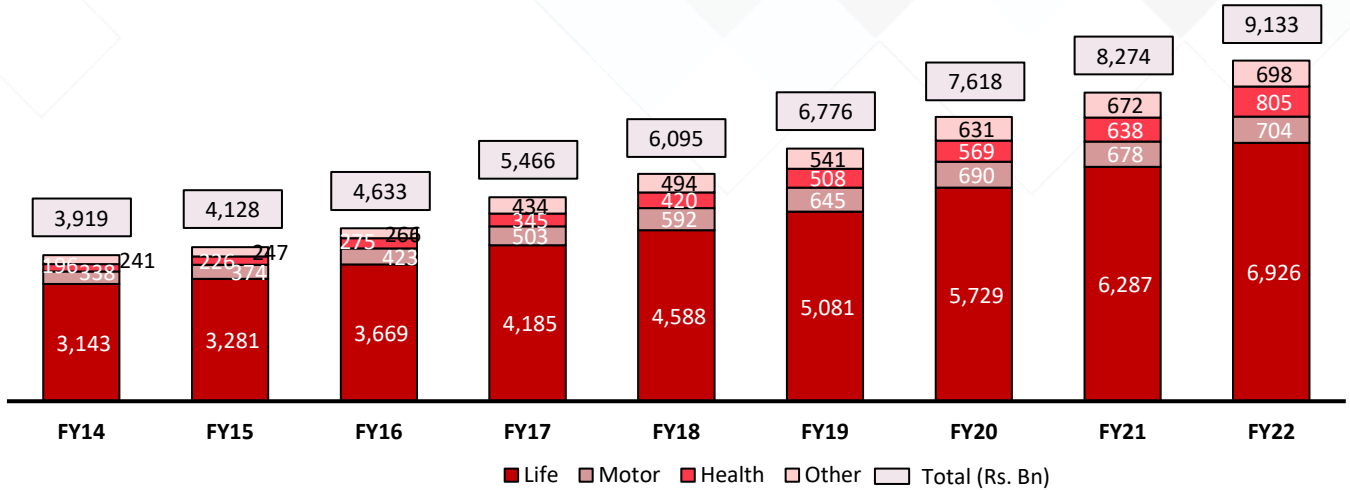
Devin Joshi, Research Analyst
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Insurance Industry Overview

As of FY22, India's insurance industry was valued at Rs. 9,133 Bn. The Indian insurance industry grew at a CAGR of 11% over FY14-22. Life and motor industry premiums increase at a CAGR of 10%, while the health industry has shown strong growth of 19% over FY14-22.

Insurance market by total premium (Rs. Bn)



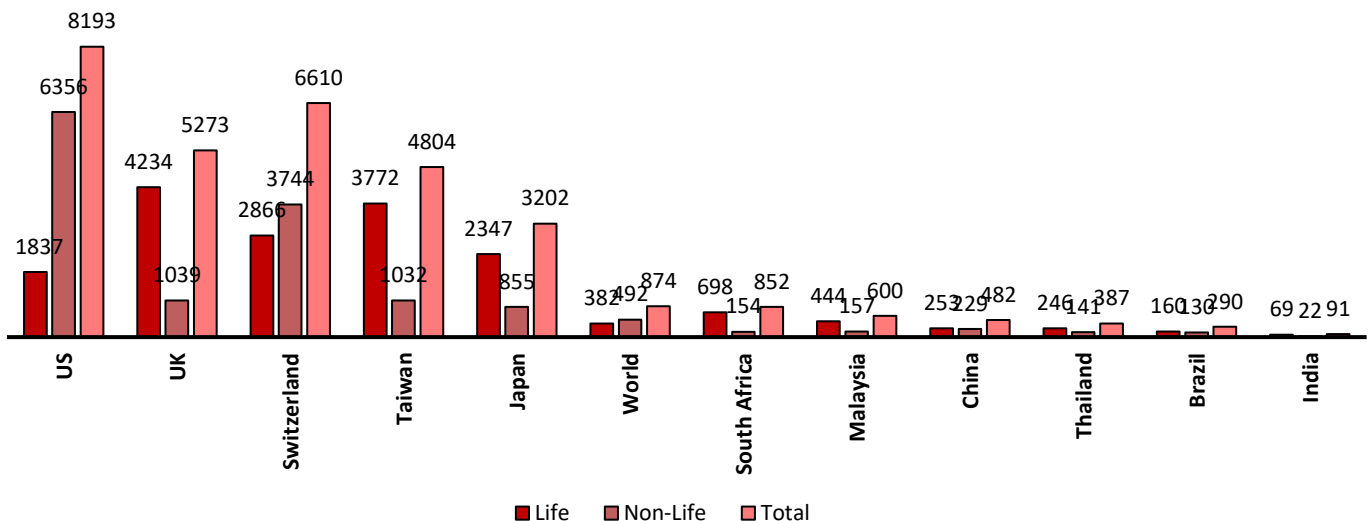
Source: IRDAI, Keynote Capitals Ltd.

Compared to other developed economies, India still needs to be more insured in terms of penetration and density.

Density is the ratio of premiums underwritten in a given year to the total population.

The macroeconomic factors, such as growth in GDP and rise in per capita income, coupled with rising awareness about the need for insurance, higher financial savings as a percentage of GDP, increasing urbanization, and an increase in digitalization, would continue to aid the growth of the Indian insurance sector.

Insurance density US \$ (2021)

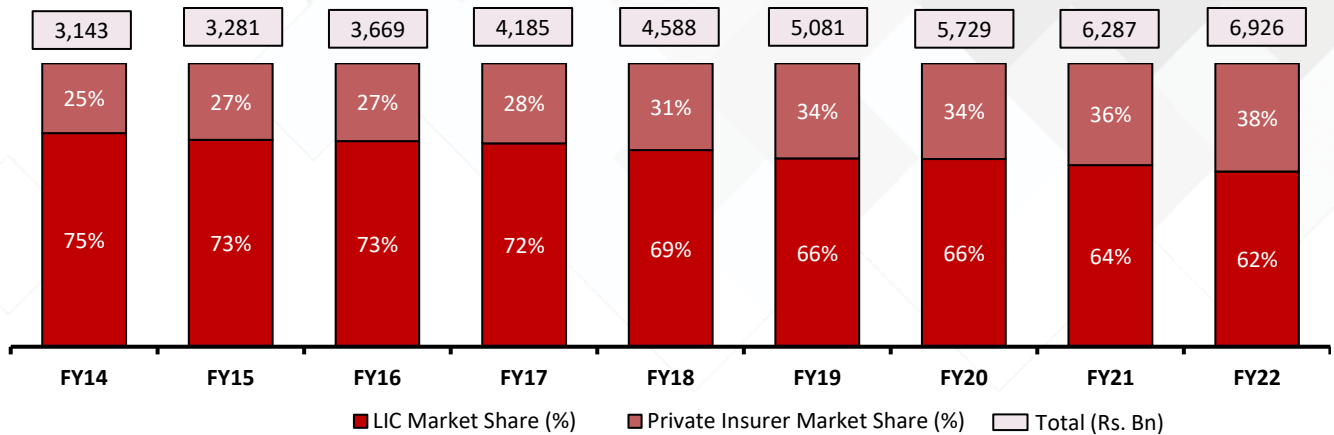


Source: IRDAI, Keynote Capitals Ltd.

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Life insurance industry

Market share (%)



Source: IRDAI, Keynote Capitals Ltd.

Premiums earned by life insurers have doubled over the last eight years, growing at a 10.4% CAGR from 2014 to 2022. During the period under review, private insurers have grown faster than LIC and have managed to increase their share from 25% in FY14 to 38% in FY22. Market share gained by the private sector is due to better customer services and catering to the need of customers by offering customized products, innovation in their product offering and marketing strategies (i.e., private insurers have diversified the distribution mix compared to LIC, which is more focused on agent channel), and the government's liberalization policy.

From 2014 to 2022, the CAGR of LIC premium was 8%, whereas the CAGR of private insurance premium during the same period was 17%.

The insurance industry is likely to follow the progression of the banking sector, where a similar kind of market share shift from PSU to private players has taken place in a slightly bigger way. Market share gained by the private sector will only continue, given the overall superior efficiency of private players compared to LIC.

In November 2022, the Insurance Regulatory and Development Authority of India (IRDAI) approved several proposals to support its vision of achieving "Insurance for All" by 2047. The goal is to ensure that every citizen has appropriate life, health, and property insurance coverage and that every enterprise is supported by proper insurance solutions while also making the Indian insurance sector globally attractive. By endorsing these proposals, the IRDAI aims to enable the sector to accomplish this goal.

Key approved proposals are:

- Easing the process for promoting & investing in an insurance Company, especially as Private Equity (PE) firms are now allowed to invest directly in insurance companies (SPV route made optional).
- Corporate agents (Banks, NBFCs, etc.) can tie up with up to 9 (currently 3) Life, General, and Health Insurance companies each.
- Limit of Sub debt/Preference share in Solvency Capital raised to 50% of paid-up share capital and securities premium (from 25% currently).
- Extending the time limit for Regulatory Sandbox products to 36 months from the current six months.

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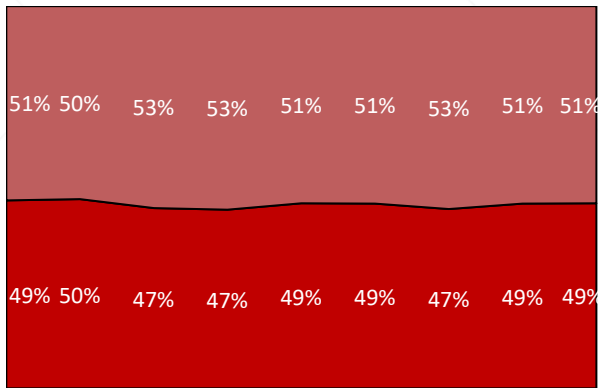
Product Mix

The LIC product mix has remained at the same level over the years. At the same time, private players have increased their focus on the under-penetrated protection segment.

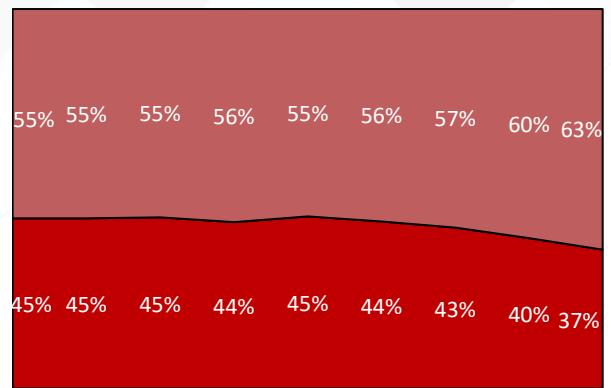
Linked insurance plans invest your money in stock market. The returns are linked to the stock market.

Non-linked plans are traditional plans that are not linked to the stock market.

LIC product mix (%)



Private player product mix (%)



FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22

■ Linked ■ Non-Linked

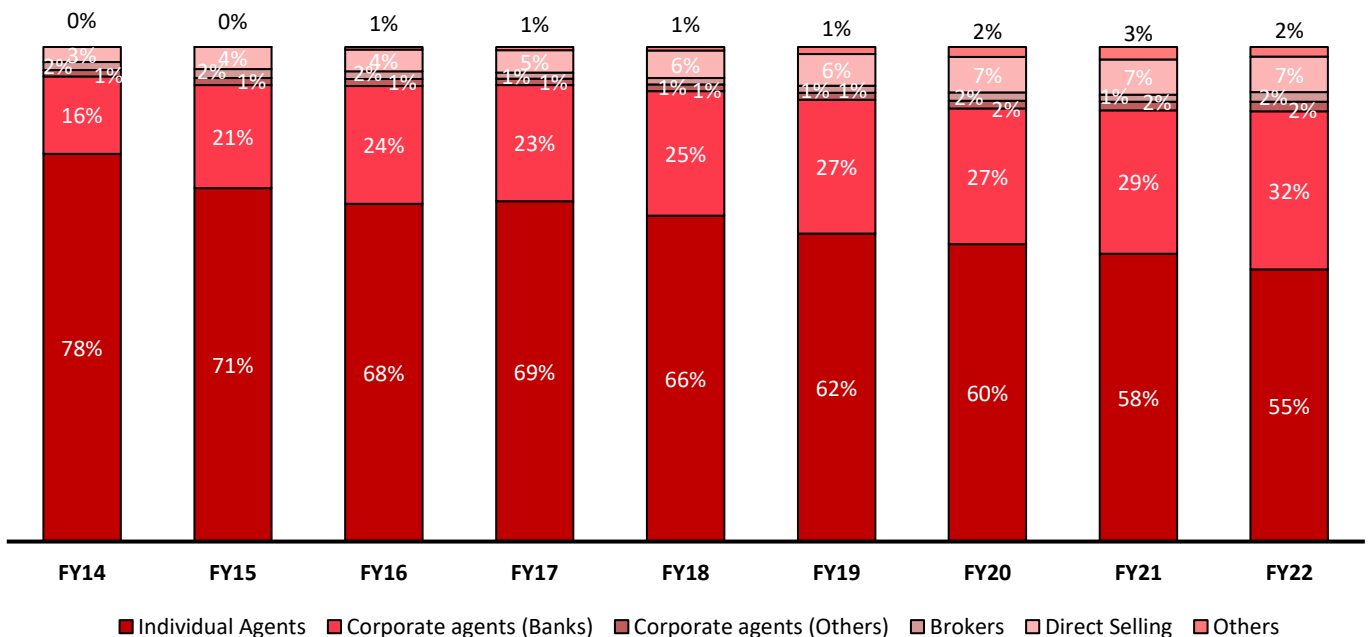
FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22

■ Linked ■ Non-Linked

Source: IRDAI, Keynote Capitals Ltd.

Distribution mix across individual life insurance premium

Distribution mix (%) of individual life insurance premium



Source: IRDAI, Keynote Capitals Ltd.

Note: *Others include – Micro insurance agents, Web aggregators, Insurance marketing firms, Point of sales, Common service centres, Online, Others, etc

There has been a steady shift in the distribution mix over time - the business sourced by the bancassurance channel has gradually increased with expansion in the number of branches and widening reach across India. Implementing open architecture by some larger banks has enabled more insurers to achieve scale while presenting customers with more product choices.

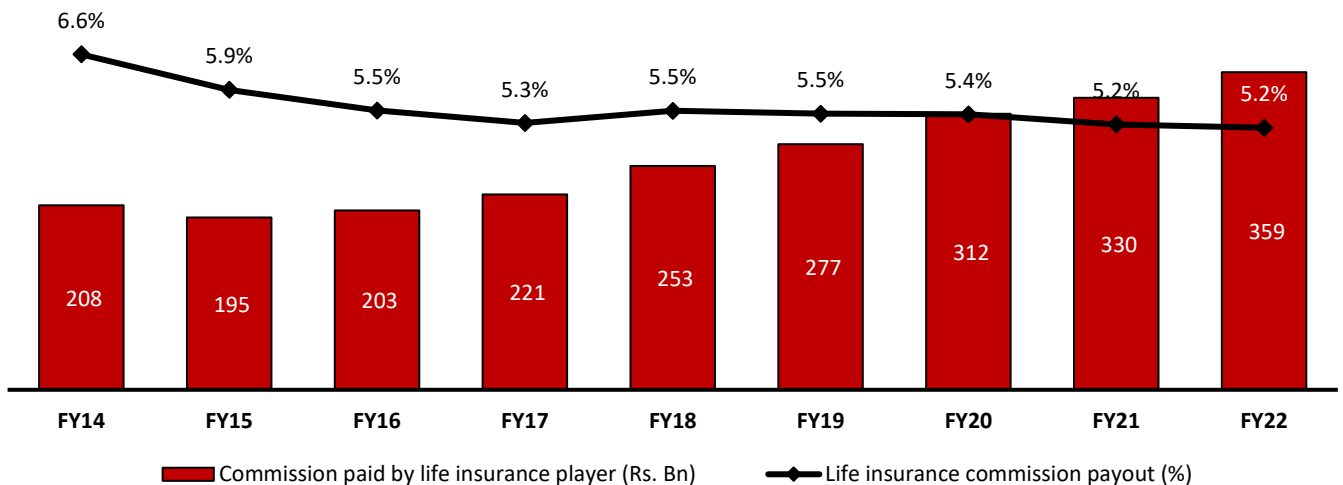
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The Industry witnessed radical shifts in customer needs, behaviors, and preferred methods of buying insurance. In the past, life insurance sales heavily relied on in-person interactions, but now customers are increasingly comfortable interacting digitally with advisors on various platforms and buying policies online. The government's push towards digitization and growing digital awareness have made online channels a crucial distribution channel for insurers. Online premium contributions have steadily increased since 2016, with a CAGR of 33% between FY16-22. Additionally, web aggregators are the fastest-growing distribution channel, with a CAGR of approximately 38% between FY17-22, albeit from a small base.

Commission paid to intermediaries

The commissions paid by the life insurance players to intermediaries increased at 7% CAGR over FY14-22. The commission paid to the channel partners as % of the total premium has dropped from 6.6% in FY14 to 5.2% in FY22, and further, it is expected that this trend will continue. Going forward, though, the share of direct channels is expected to continue to rise. It is expected that the growth from other channels as well to record strong growth.

Trend in commission paid by life insurance players



Source: IRDAI, Keynote Capitals Ltd.

Non-life insurance Industry

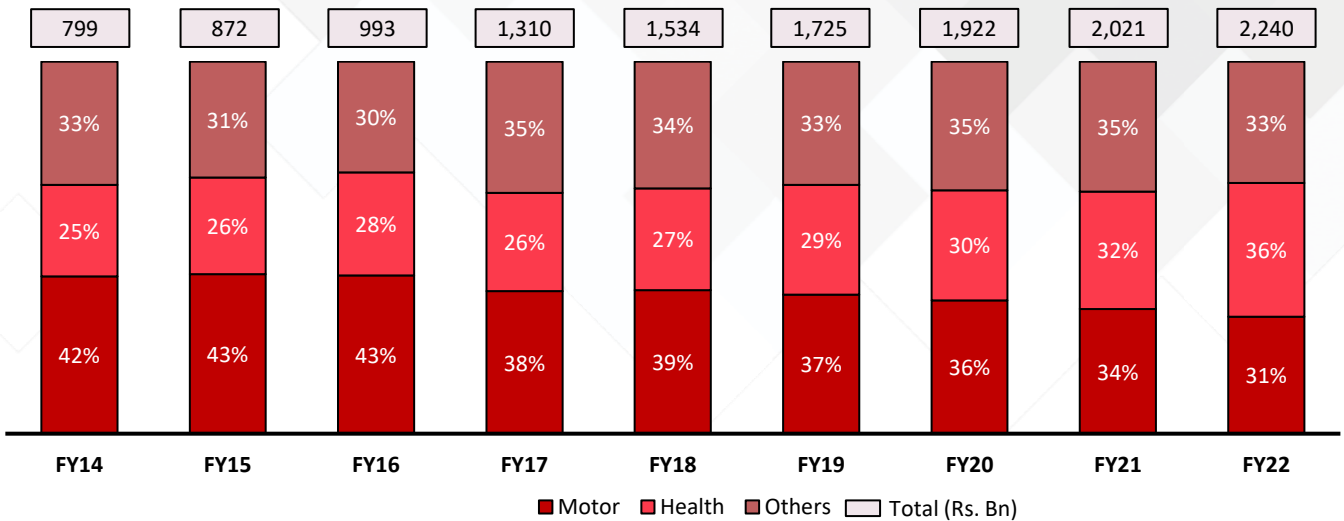
Non-life insurance industry comprises Motor, Health, and others. The industry is growing at a CAGR of 14% over FY14-22. While all the segments have shown impressive growth during this period, the Health segment has performed exceptionally well, growing at a CAGR of 19%.

The motor insurance segment, which constituted 42% of the total non-life insurance industry in FY14, has continuously lost its share. The segment's contribution declined to 31% in FY22 due to increased competition, auto industry itself has witnessed slow growth due to new safety and environmental regulations, liquidity crunch after the NBFC crisis, fuel price hike, and BS VI norms.

From 2014 to 2022, the CAGR of motor insurance premium was 10%.

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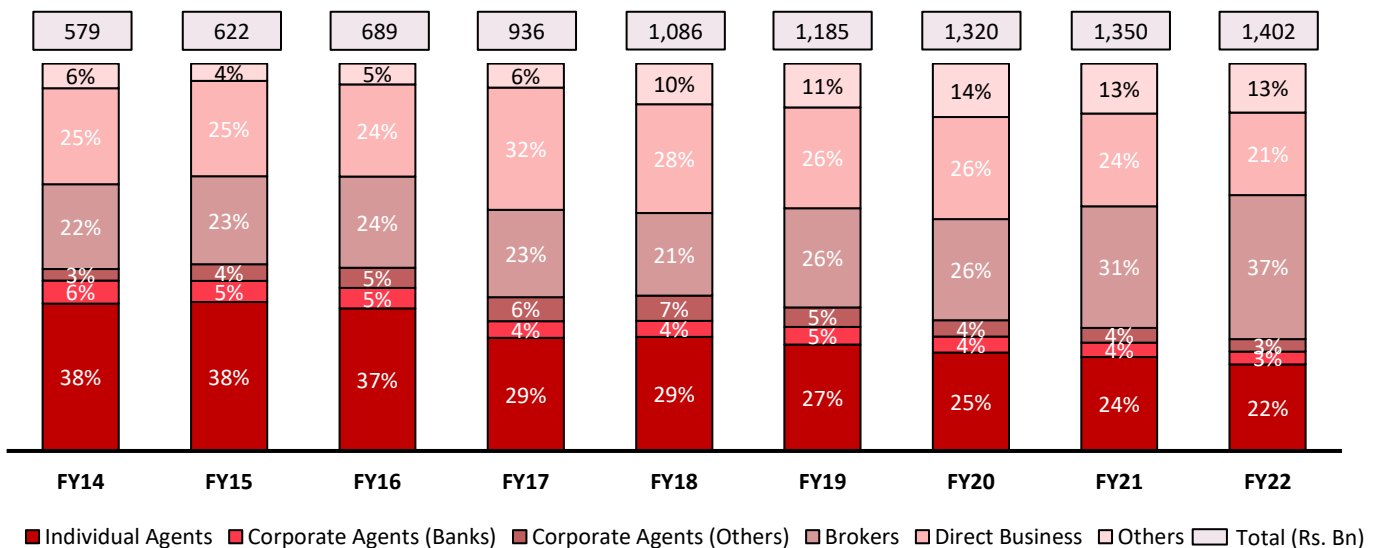
Non-life insurance industry segment contribution (%) and trend (Rs. Bn)



Source: IRDAI, Keynote Capitals Ltd.

Distribution mix across non-life insurance

Distribution mix (%) excluding health segment



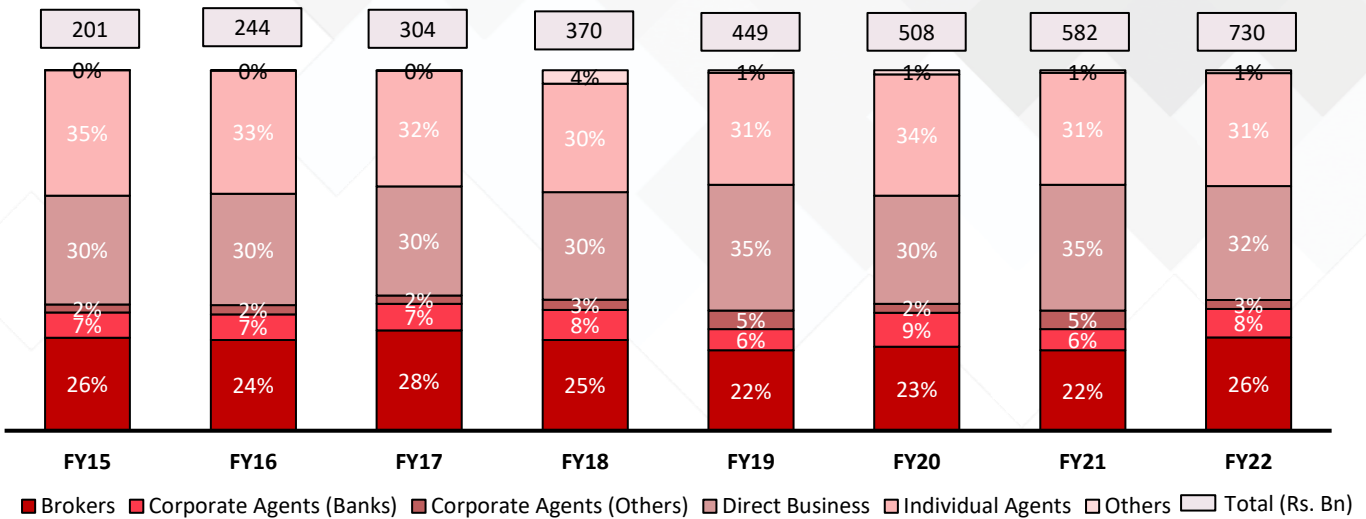
Source: IRDAI, Keynote Capitals Ltd.

Note: *Others include – Micro insurance agents, Web aggregators, Insurance marketing firms, Point of sales, Common service centres, Online, Others, etc.

There has been a steady shift in the distribution mix over time - the business sourced from the broker has gradually increased from 22% in FY14 to 37% in FY22. Individual and corporate agent channel shares continuously decline in the non-life insurance business, excluding the health segment. While we have observed that direct business in the life insurance industry is increasing, the trend is reversed in the non-life segment excluding health insurance.

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Distribution mix (%) of health insurance



Source: IRDAI, Keynote Capitals Ltd.

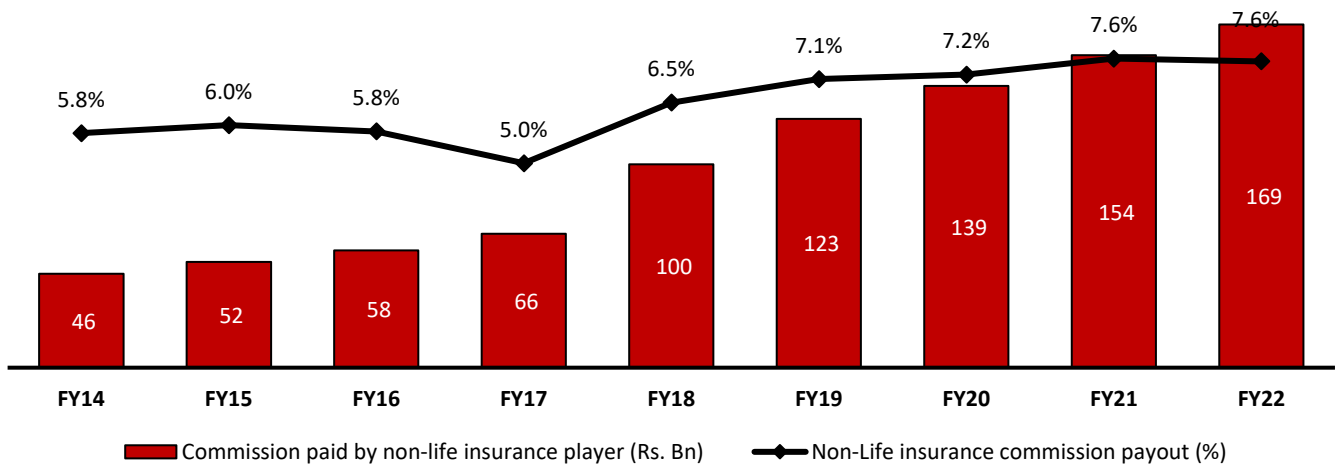
Note: *Others include – Micro insurance agents, Web aggregators, Insurance marketing firms, Point of sales, Common service centres, Online, Others, etc.

The distribution mix of health insurance has remained range-bound over the years. While web aggregators are the fastest-growing distribution channel, with a CAGR of approximately 52% between FY16-22, albeit from a small base.

Commission paid to distributors

The commissions paid by the non-life insurance players to intermediaries increased at 18% CAGR over FY14-22. The commission paid to the channel partners as % of the total premium has risen from 5.8% in FY14 to 7.6% in FY22.

Trend in commission paid by non-life insurance player



Source: IRDAI, Keynote Capitals Ltd.

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Recent regulation changes in the insurance industry

Making Motor TP cover compulsory – July 2018

Policy Change – According to Section 146 of the Motor Vehicles Act, 1988, Third-Party (TP) insurance is mandatory to drive on Indian roads. The Supreme Court in July 2018 made it compulsory for all car owners to have a three-year TP policy and two-wheeler owners to have a five-year policy.

Third-party property damages are covered up to a sum of Rs. 0.75 Mn. If the damage is beyond the insurance coverage, the policyholder has to bear the additional expense.

Impact – All vehicle owners are mandated to possess a Motor TP policy, leading to an immediate increase in demand for such policies.

IRDAI increased limits for tie ups with intermediaries and corporate agents – November 2022

Policy Change – Corporate Agents (CA) and Insurance Marketing Firms (IMF) can now tie up more insurance providers now, a CA can tie up with 9 insurers (earlier 3 insurers), and IMF can tie up with 6 insurers (earlier 2 insurers) in each line of business of life, general, and health for distribution of their insurance products. The area of operation of IMF has also been expanded to cover the entire state in which they are registered."

Impact – The decision to increase the maximum number of insurers for corporate agents and IMF tie-ups will offer more choices for customers, drive innovation, and enhance customer experience, leading to increased financial protection for customers.

Eradication of Tax benefit in the FY24 budget

Policy Change – In the budget for FY24, Finance Minister Nirmala Sitharaman decided to tax high-ticket life insurance purchases. Specifically, she proposed to tax maturity proceeds of all life insurance policies (other than Unit-Linked Insurance Plans (ULIPs)) bought after March 31, 2023, where the annual premium exceeds Rs. 0.5 Mn.

Prior to this announcement, a buyer could claim tax exemption on income from such policies.

Impact – Insurance-saving products will become less dear to large ticket investors. In the long run, one can expect tax benefits pertaining to investments to go away. No government in developed countries gives tax benefits to investors. India will follow the same trend as other developed countries.

New commission payment rules give insurers more flexibility to manage their expenses.

Policy – The IRDAI has approved new rules on the payment of commissions to insurance agents or insurance intermediaries by insurers. Under the IRDAI (Payment of Commission) Regulations, 2023, notified on 26 March 2023, the insurance regulator has replaced the earlier individual cap on commission payments on insurance products with an overall cap on expenses of management of insurers. These regulations have come into force from 1 April 2023.

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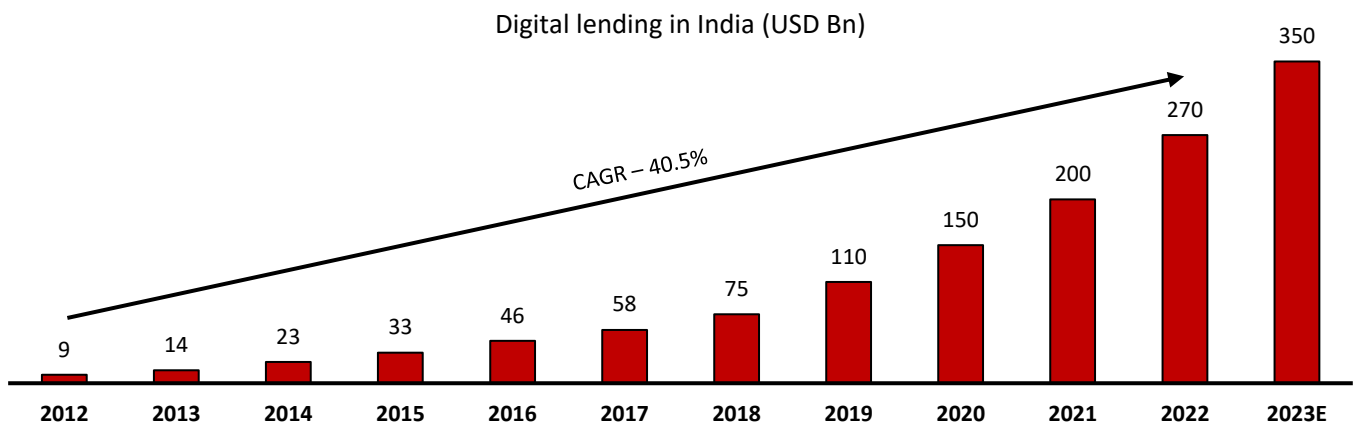
Impact – Distribution-led business models would likely attract more investments. Insurers would be more able to incentivize reach for priority segments such as individual protection plans, commercial insurance for small businesses, and tier-2 cities.

Lending Industry in India

In FY22, loan book (all Banks) grew by 11.5% on a YoY basis due to pent-up demand and normalization in the economy. Due to the COVID impact in FY21, the Indian economy witnessed the sharpest contraction. However, it bounced back swiftly, and the loan growth accelerated to 15% YoY in FY23. It is expected that the growth in the industry will continue going forward.

The credit landscape in India has revolutionized with the advent of fintech players. The fintech industry has disrupted the traditional lending process by offering a superior customer experience, reducing the cost of acquisition, and providing instant decision-making. The rise of digital payments, the India stack, and the Unified Payment Interface (UPI) have contributed to the growth of the digital lending market in India. The regulatory initiatives, a thriving funding environment, and venture capitalists' interest in innovative credit solutions have also transformed India's credit landscape. Digital credit products have provided opportunities for borrowers without a credit history to avail credit, thereby further narrowing the financial inclusion gap. Various lending apps, such as retail checkout EMIs, Buy Now, Pay Later (BNPL), and Save Now, Pay Later (SNPL), dominate the consumer loan industry, enabling customers to obtain credit at the point of purchase.

Experian's report has highlighted that India's digital lending market has grown at a remarkable CAGR of 40.5% over the past decade due to the emergence of new digital lending companies. As of 2022, digital lending market was worth USD 270 Bn, and it is expected to grow further to USD 350 Bn by the end of 2023.



Source: Experian report, Keynote Capitals Ltd.

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Company Background

PB Fintech has India's largest online platform for insurance (PolicyBazaar) and lending products (PaisaBazaar). The platform facilitates online research-based purchases of insurance and lending products, enabling customers to make an informed decision.

The Company employs an asset-light strategy and does not engage in underwriting any insurance or retaining any credit risk on its books. PolicyBazaar offers a range of insurance products across various categories, such as health, term, compliance, motor, travel, and saving solutions, with a network of 51 insurers offering 330+ insurance products. On their PaisaBazaar platform, they have 65+ lending partners offering secured & unsecured loans and credit cards.

Milestones in the journey of PB Fintech Ltd

Year	Milestone
2008	Incorporation of Company & Investment of US\$ 4 Million by Info Edge
2010	Commencement of health insurance related activities
2012	Registration of one of the subsidiaries of the Company as an insurance web aggregator with the IRDAI
2015	Registration of PaisaBazaar as an investment advisor with SEBI
2018	Commencement of operations in the United Arab Emirates
2021	Registration of Policybazaar as an insurance broker with IRDA
2021	Launched PB Partners and PB Corporate

Source: Company, Keynote Capitals Ltd.

Subsidiaries/Corporate Structure

Subsidiary Company	% of Sales Mix (FY22)	Profit/Loss (FY22) (Rs. Mn)	Business Description
PolicyBazaar Insurance Brokers Pvt Ltd	55.4%	-4618	Licensed insurance web aggregator/broker , engaged in providing insurance web aggregator/broker services
Paisabazaar Marketing & Consulting Pvt Ltd	41.0%	-401	Online comparison and sale of financial products
PB Fintech FZ-LLC	1.1%	-318	Online, offline and direct marketing of Insurance Products
Icall Support Services Pvt Ltd	0.7%	12	Call centre operations
Accurex Marketing and Consulting Pvt Ltd	0.0%	0	Support services in motor vehicle claims and related assistance
PB Marketing and Consulting Private Limited	0.0%	0	Online, offline and direct marketing of Insurance Products
Visit Internet Services Pvt Ltd	0.0%	-4	Engaged in healthcare, medical and related services
PB Financial Account Aggregators Pvt Ltd	0.0%	-0	Business of account aggregation
Accurex Marketing Consulting Pvt Ltd	0.0%	3	Support services in motor vehicle claims and related assistance
Docprime Technologies Pvt Ltd	0.0%	-6	Engaged in online healthcare related services

Source: Company, Keynote Capitals Ltd.

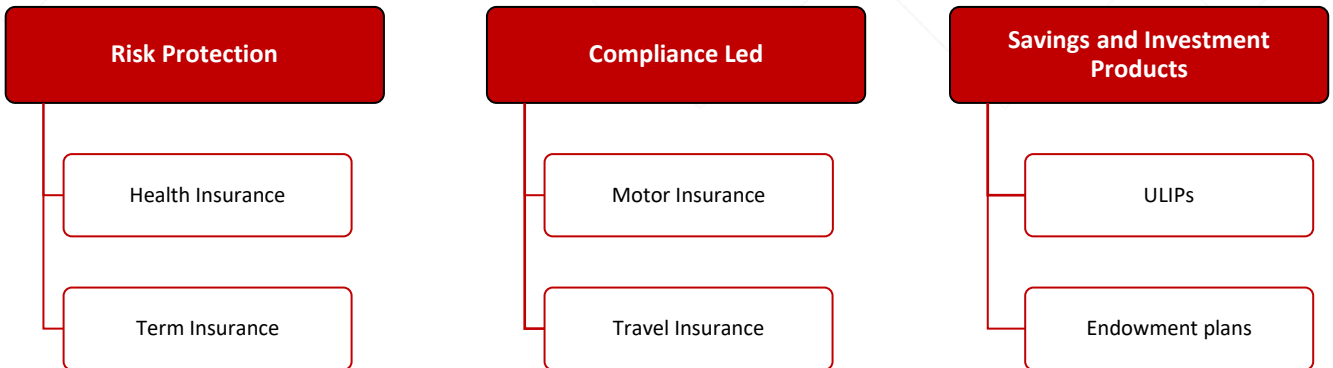
All the subsidiaries are wholly owned subsidiaries. PolicyBazaar and PaisaBazaar platform contribute ~97% to overall topline. Standalone business does not generate significant revenue.

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PolicyBazaar

Policy Bazaar is their flagship platform, introduced in 2008 as an insurance aggregator. It is an online platform for consumers and insurer partners to buy and sell insurance products respectively. As of Mar 2023, 51 insurer partners on the platform offer a range of products, including term, health, motor, home, and travel insurance products, representing ~91% of all licensed insurance companies in India. PolicyBazaar has a market share of 93% in the digital insurance marketplace.

Following are the product offering of PolicyBazaar platform:



Source: Company, Keynote Capitals Ltd.

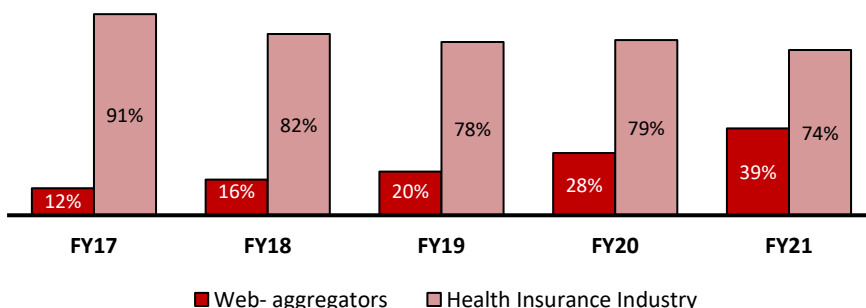
Life insurance and health contribute 75-80% to the total premium in FY23.

The value proposition of the PolicyBazaar platform for consumers and insurer partners is as follows:

Value Proposition for Consumers	Value Proposition for Insurance Partners
Availability of all insurance products in a single platform aids customers in conducting pre-research purchase	Access to large customer database
Unbiased advisory, which is commission agnostic	Data insight for improved risk assessment pricing of products
Post purchase service and claim support	Rich insight from voice analytics
	Lower consumer acquisition cost for insurance partners

Insurer partners benefit significantly from policies originating from the PolicyBazaar platform, as evidenced by lower lapse rates, higher renewal rates, and lower claim ratios. This is primarily driven by high level of disclosure by customers as they fill form themselves, hence, less chances of frauds.

Health Insurance - Claim Ratio %



Source: Company, Keynote Capitals Ltd.

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In June 2021, PolicyBazaar was granted a direct life and general insurance broker license by the Insurance Regulatory and Development Authority of India (IRDAI), which has expanded its opportunities beyond the existing online business to include offline and corporate business. The new license also allows the Company to provide on-ground claims support and earn trail commission on Life insurance policies, thereby building a renewal book on Life insurance policies.

Following are the difference between an Insurance Agent & Insurance Broker and Insurance web aggregator & Insurance Broker

	Insurance Agent	Insurance Broker
Entity	Only individual can become an agent, no partnership/LLP/Company allowed	Can form an entity
Represents	Represents a particular or single insurance Company.	Represents insurance buyers
Products Offered	Can offer products of only one Life, Health and General insurance Company. Hence, they have limited number of product offering	Can have tie ups with multiple insurance companies and offer product to clients as per their needs and requirements
Point of Sale Person (POSP)? (Click Here for more details on POSP)	No	Allowed
Capital Requirement	None	For Direct Broker – Rs. 7.5 Mn
No. of Agent/Broker in India	2.4 Mn	562

	Insurance Web Aggregator	Insurance Broker
Commission on sale of insurance policy	Yes	Yes
Offline sale or establish PoSP Network	Not Allowed	Yes
Corporate Business	Not Allowed	Yes
Claim assistance	Cannot Provide	Yes
Renewal income on LIFE insurance policies	Not Allowed	Yes
No. of Web Aggregator/Broker in India (Mar-22)	25 (15 Active)	562

Source: Company, Keynote Capitals Ltd.

Post receiving an Insurance broking license, many business opportunities opened up for PolicyBazaar which was limited as a web aggregator. To tap this opportunity, Company launched

1. Offline stores
2. PB Partners
3. PB Corporate

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Offline Stores

As a web aggregator, leads generated via the PolicyBazaar platform were being serviced via phone call or video call but were unable to physically meet the customer. Post receiving the broker license, the Company intends to setup retail outlets and point of sale network. These outlets will serve as experience centers for consumers and provide them with the comfort of a local physical presence to help resolve any queries or service requests. Further, the Company will now also be able to provide their existing and new consumers with on-ground claims support.

The Company seeks to develop 200 physical outlets by FY24 and has raised Rs. 3750 Mn in IPO for the same. These physical retail outlets will, in general, be small offices with few employees (on the payroll of PB Fintech and not agents) located within each city and near the insurer's office. The Company will follow the hub and spoke model, wherein one regional manager will be hired for every five designated regions. The management expects to incur an investment of Rs. 1 Mn per outlet for physical infrastructure, buildings, and upgrading technology and communication infrastructure. In addition, they will incur Rs. 4 Mn per retail outlet per annum for employee and support costs. Overall, management expects to incur a total cost of Rs. 1500 Mn for opening stores before Mar 2024.

Currently, they are present in 77 stores in 57 cities, and almost 1000 people have been deployed for this channel. They have the ability to provide on-ground sales support in 125+ cities.

Major benefit of an offline channel that has accrued to the Company is

1. Premium per inquiry has increased
2. Ticket size of the offline channel is 50% higher than sales via the online channel
3. Improving lead conversions

PB Partners

In July 2021, PB Fintech launched PB Partners, a platform for Point of Sale Persons (PoSP) enabling independent sellers to distribute insurance and other financial products. It provides its agents with a technology-based platform for research, issuance, and customer management. At present, the platform has over 100,000 PoSP partners, and their reach extends to approximately 75% of India's pin codes. This platform has also helped them increase their penetration in tier 2 & 3 cities, which contributes 69% of the business compared to 60% for the industry. Presently, the majority of the premium income from the PB Partners platform is generated from the sale of motor insurance (which contributes 80% premium of PB Partners).

The Company is directing its efforts towards reducing the concentration of motor insurance, given that it's a commodity business. In addition to expanding the market presence of PolicyBazaar, a significant advantage of PB Partners is that it facilitates the scaling of operations with insurer partners, thereby conferring benefits across the entire business.



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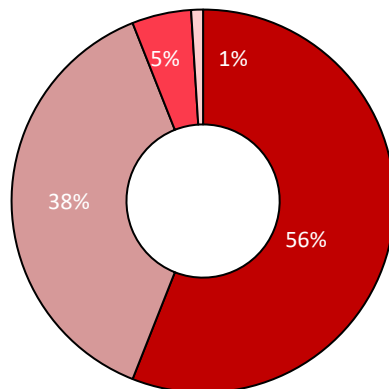
PB Corporate

Through the PolicyBazaar platform, it provides corporate insurance, including employee benefit policies such as group term & group health insurance, as well as property and liability coverage. SMEs and corporates alike avail these products. Corporates seek to insure against burglary, fire & theft, cyber risk, and marine and travel-related events. Corporate clients receive digital quotations for their employees, which would otherwise be a time-consuming process. The Company's self-service portal allows employees to manage their plans and take advantage of integrated wellness and OutPatient Department (OPD) services, thus aiding HR and admin teams of their clients to manage their folio digitally in a cost-effective manner.

UAE Operations

PB UAE commenced operations in FY19 in UAE and rapidly established itself as the leader in website traffic and the second-largest premium originator. This business is operated via its WoS PB Fintech FZ-LLC. While health and life insurance remain the mainstay, the Company is diversifying into financial products, including personal lending and credit cards. It is also in the process of setting up a tech hub in Abu Dhabi - in collaboration with the UAE government. Furthermore, it has a target to provide insurance access to non-resident Indians based out of the UAE. The majority of insurance premium is contributed by health and motor insurance.

UAE - Insurance Premium Mix (%) in FY22



■ Health ■ Motor ■ Term ■ Others

Source: Company, Keynote Capitals Ltd.

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PaisaBazaar

Paisa Bazaar is an independent digital lending platform that enables consumers to compare, choose and apply for personal credit products. The Company has fostered 60+ partnerships with major banks, non-banking financial companies (NBFC), and fintech lenders to provide a diverse range of personal credit products, including personal loans, business loans, credit cards, home loans, and loans against property. It has a market share of 53.7% (as of FY21) based on digital consumer disburseals.

Customer Acquisition strategy – One of the key strategies for consumer acquisition is to provide free access to their credit score, thus creating score awareness. Consumers can check, track, and improve their credit score over time, which in turn may increase their eligibility for credit in the future. As of Mar 2023, a total of 35 Mn unique customers have accessed their credit score from PaisaBazaar. This has led to higher consumer engagement, conversion, and retention rates on the PaisaBazaar platform; including 67% of disburseals in FY21, were to existing consumers, most of whom it acquired through its free credit score facility.

Few lenders on their platform are

Banks	NBFCs
Axis Bank	Aditya Birla Capital
Bank of Baroda	American Express
Federal Bank	Bajaj Finserv
HDFC Bank	Chola Investment
ICICI Bank	HDFC Ltd
IDFC First Bank	Home First
Kotak Bank	LendingKart
IndusInd Bank	SBI Cards
SBI	Tata Capital
RBL Bank	Muthoot Finance
Yes Bank	LIC Housing Finance

Value Proposition for Consumers	Value Proposition for Lenders
Easy access to credit	Reduced acquisition cost
Free access to credit score	Access to consumers data, which helps Lending partners achieve operational efficiency and improve their risk adjusted return
Last mile assistance	Launch new products based on consumer insight

Source: Company, Keynote Capitals Ltd.



Source: Company, Keynote Capitals Ltd.

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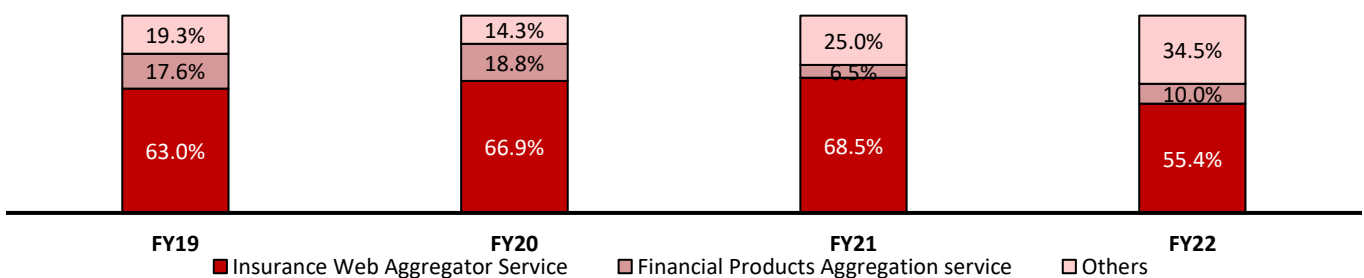
PB Fintech – Revenue Model

The major revenue source for PB Fintech is a commission from the sale of insurance & financial products, outsourcing services, and online marketing & consulting, representing ~87% of revenue in FY22.

Source of Revenue	FY19	FY22	Description
Commission from insurance & financial Products	44.3%	36.9%	Commission earned from sale of insurance policies (PolicyBazaar) or financial products (PaisaBazaar). They are compensated by their insurer/lending partners.
Outsourcing Services	30.8%	23.4%	Services provided to Insurer Partners such as telemarketing and other services relating to sales and post-sales services, account management, premium collection and various other services which are permitted under IRDAI rules such as outsourcing services.
Online marketing and consulting	8.9%	28.3%	Bulk emailers, advertisement banners on its website and credit score advisory.
Rewards	5.4%	5.2%	Earned from insurance partners, generally based on volume and quality.
Sale of lead information	8.9%	5.1%	Revenue from sale of lead information of potential customers to banks etc.
Others	1.7%	1.1%	Product listing fees, IT support and other misc services.
Total Revenue	100.0%	100.0%	

Source: Company, Keynote Capitals Ltd.

PB Fintech Revenue Mix%



Source: Company, Keynote Capitals Ltd.

In addition to generating revenue from new policies sold, the Company also generates revenue from renewals from existing policies, typically health, motor, and life insurance policies. Renewal commission is generated in cases where insurance policies are renewed,

- With the same insurer partner on the platform
- With another insurer partner on the platform
- With the same insurer partner directly

Almost 80-90% of renewal commission comes from health insurance policies. The commission on renewal of health insurance is almost 2/3rd of new policy sold.

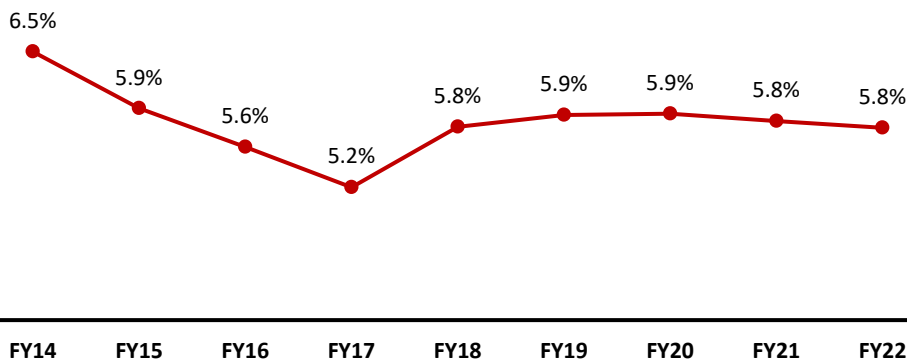
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Insurance commission is earned by the Company, is set by insurer partners, or is negotiated between the insurer partner and the Company.

Revenue Model of PolicyBazaar	FY19	FY20	FY21	FY22	3 Yr CAGR
New Business Premium (in Rs. Mn)	17,190	26,400	27,430	45,770	38.6%
Renewal Premium (in Rs. Mn)	5,970	11,180	19,580	23,980	59.0%
Total Premium (in Rs. Mn)	23,150	37,590	47,010	69,750	44.4%
Renewal Premium as % of Total Premium	25.8%	29.8%	41.7%	34.4%	
Commission Revenue (in Rs. Mn)	1,320	2,130	2,590	3,830	42.7%
Commission Rate (%) earned by PolicyBazaar	5.7%	5.7%	5.5%	5.5%	

Source: Company, Keynote Capitals Ltd.

Insurance Industry Commission payout %



PolicyBazaar commission rate is similar to the industry commission payout rate

Source: IRDAI, Keynote Capitals Ltd.

Commission earned from the Paisabazaar platform is generally a percentage of loan disbursed or a predetermined fee in the case of credit cards. PaisaBazaar generates a commission of 2% of loans disbursed. However, Unlike, PolicyBazaar, the commission rate charged to the lending partners is not regulated.

Revenue Model of PaisaBazaar (in Rs. Mn)	FY19	FY20	FY21	FY22
Loan Disbursement	51,020	65,500	29,170	66,070
Commission from online aggregation of financial Products	870	1450	580	1,430
Commission Rate%	1.7%	2.2%	2.0%	2.2%

Source: Company, Keynote Capitals Ltd.

In 2022, the Company has started re-negotiating with its lending partners and has started generating renewal income on co-branded products of personal loans or credit cards. This has resulted in a short-term hit for the Company as the upfront commission has been reduced. This has aligned PaisaBazaar's revenue with the borrower's credit usage pattern.

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Major Expenses

Major expenses for PB Fintech are related to customer acquisition and servicing, which include the followings:

- 1. Employee Benefit Expenses (include ESOPs) [~60% in FY23]** – ESOP expense is expected to reduce significantly by FY27.

ESOP Expense (in Rs. Mn)	FY22	FY23	FY24E	FY25E	FY26E
Estimated ESOP Expense	6,070	5,423	3,500	1,890	1,000

- 2. Advertisement & Promotion expense [~53% in FY23]** – Expenses associated with attracting consumers to the Company's platform, such as digital marketing, affiliate marketing, brand promotion, and related promotional expense. Ad expense is expected to remain fixed in relation to revenue going forward. During the IPO, the Company raised Rs. 36,130 Mn, with Rs. 15,000 Mn allocated to enhancing brand visibility and awareness. As of now, the Company has utilized Rs. 1,035 Mn of the aforementioned budgeted amount.
- 3. Network and Internet Expense [~3.8% in FY23]** – includes internet and server charges, web hosting charges, and communication expenses
- 4. Payment gateway charges [~4.2% in FY22]** – Pertains to the fees remitted to banking institutions and other payment service providers for utilizing their payment gateways to process transactions
- 5. Legal & Professional Charges [~1.6% in FY22]**
- 6. Depreciation charges [~2.5% in FY23]** – Relate to the right to use of leasehold premises and other assets. The Company does not own any offices and relates primarily to technology infrastructure and IT equipment.

Common Sizing Income Statement	FY19	FY20	FY21	FY22	FY23
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost as % of Revenue					
Employee Cost as % of Revenue	82.0%	67.9%	62.5%	88.4%	60.2%
<i>Salary</i>	71.7%	65.7%	51.5%	45.8%	39.0%
<i>Employee cost based exp</i>	10.3%	2.2%	11.1%	42.6%	21.2%
Other Expenses as % of Revenue	20.8%	15.9%	13.9%	13.8%	12.6%
<i>Professional & Legal Charges</i>	0.7%	0.9%	1.0%	1.6%	
<i>Network & IT Exp</i>	0.1%	6.6%	6.5%	4.8%	3.8%
<i>Payment Gateway Charges</i>	3.2%	3.3%	3.9%	4.2%	
Selling & Distribution as % of Revenue	70.3%	57.7%	41.5%	61.1%	53.1%
EBITDA as % of Revenue	-72.8%	-40.9%	-17.2%	-63.2%	-25.9%
Depreciation as % of Revenue	2.4%	6.1%	4.7%	3.0%	2.5%
EBIT as % of Revenue	-75.1%	-46.8%	-21.7%	-66.1%	-28.4%

Source: Company, Keynote Capitals Ltd.

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Profitability is just around the corner

Customer acquisition and servicing expenses, namely, Employee expenses and advertisement expense, is the major expense for PB Fintech making ~113.3% of revenue (FY23). We posit that the renewal premium has the potential to significantly enhance PB Fintech's profitability, given that the majority of renewal premiums are generated without any support and do not incur customer acquisition costs for incremental revenue.

Particulars (Rs. Mn)	Adjusted Reported					Actual Reported				
	FY19	FY20	FY21	FY22	FY23	FY19	FY20	FY21	FY22	FY23
Revenue from Operations (A)	4,922	7,713	8,867	14,250	25,578	4,922	7,713	8,867	14,250	25,578
Employee Cost (B)	2,431	3,479	3,091	10,930	19,348	3,529	5,067	4,562	6,525	9,972
Advertising and promotion expenses (C)	2,069	3,181	2,246			3,459	4,452	3,679	8,709	13,572
Contribution profit (A-B-C)	422	1,053	3,530	3,320	6,230	(2,065)	(1,806)	626	(984)	2,034
Contribution Margin	8.6%	13.7%	39.8%	23.3%	24.4%	-42.0%	-23.4%	7.1%	-6.9%	8.0%
Other Non-Operating Exp						2,488	2,859	2,904	4,304	4,196
Employee as % of Revenue (ex ESOP)						71.7%	65.7%	51.5%	48.5%	39.0%
Ad/Promotion as % of Revenue						70.3%	57.7%	41.5%	61.1%	53.1%

Source: Company, Keynote Capitals Ltd.

The Company reports adjusted contribution profit which is arrived at by

- Employee benefit expenses are limited to expenses associated with call center operations that aid in customer acquisition and retention.
- Advertising and promotion expenses are exclusively related to online marketing expenditures, which comprise costs incurred for search engine marketing and other forms of online digital marketing.

When calculating the actual contribution, employee expenses include all expenses related to employees, except for the cost of Employee Stock Ownership Plans (ESOPs).

Actual Contribution margin has improved from -42.0% in FY19 to 8.0% in FY23. This is the result of revenue growing faster (51.0% CAGR FY19 – FY23) vs. employee cost (29.7% CAGR) and ad/promotion expense (40.7% CAGR).

The variance between the Actual and Adjusted employee and advertising/promotion expenses constitutes the Other non-operating expense, which the management views as unrelated to the Company's core operations. Such expenses comprise costs associated with staff not involved in operations (e.g., senior management) and brand promotion expenses not included in search marketing costs, among others. This expense has remained relatively stable, ranging between Rs. 3-4 Bn, and which has resulted in operating leverage benefit.

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During FY23, the Company achieved profitability at the contribution level (excluding ESOP cost) with a 8.0% contribution margin. The EBITDA margins have improved from -72.8% in FY19 to -25.9% in FY23. This improvement can be attributed to the operating leverage in employee and ad/promotion costs.

Employee headcount and cost per employee have increased at CAGR (FY19-23) of 11.9% and 15.8%, respectively (way below revenue CAGR of 51.0%), which we believe will continue to contribute to operating leverage.

With an increased proportion of new customers acquired via organic traffic on its website, it will likely lower its advertisement and promotion expenses. The Company has gained significant brand recall among users and partners, resulting in 80-90% of traffic for PolicyBazaar & PaisaBazaar being generated from organic and direct sources. This is primarily due to the high quality and comprehensive nature of its product offerings, which enables the Company to rank among the top search results on Google.

Management of the Company has indicated that it expects to achieve break even at the PAT level in FY24. As the Company shifts its focus towards cross-selling and upselling its products to its existing customer base to fulfill all their insurance and credit needs, we anticipate the customer acquisition cost as % of revenue will decrease. Moreover, the expansion of the Company's renewal book is expected to significantly contribute to its overall profitability. However, the decision by PB Fintech to establish an offline presence for delivering in-person consumer engagement is likely to drag margins during the investment phase temporarily and hence we expect company to achieve profitability by FY25.

Source of Website Traffic for PolicyBazaar and PaisaBazaar is as follows:

Website Traffic Source	PolicyBazaar	PaisaBazaar
Direct	32.2%	18.4%
Referrals	0.8%	0.7%
Organic Search	48.3%	73.4%
Paid Search	15.2%	6.4%
Social	1.3%	0.1%
Mail	1.4%	0.9%
Display	0.8%	0.1%

Source: SimilarWeb, Keynote Capitals Ltd.

Other Expenses have been stable at around ~13% of revenue. Critical components of other expenses are a) network internet expenses (3.8%), b) payment gateway charges (4.2%), and c) professional and legal expenses (1.6%). All these expenses are variable to semi-variable, and we do not expect significant operating leverage benefits from here.

We believe the source of profitability for PB Fintech is majorly

1. Increase in productivity of employees (increase in business premium per advisor), which should continue to improve. Also, as the share of unassisted businesses increases, it will further improve productivity.
2. Increase share of renewal income (insurance & credit both), which will boost overall margins as it has almost zero incremental cost

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Management Analysis

Key Managerial Personnel

Name	Designation	Qualification	With Company since
Mr. Yashish Dahiya	Chairperson, Executive Director & CEO	B.Tech (IIT-Delhi), PGDM (IIM-A), MBA (INSEAD, France)	Since Inception
Mr. Alok Bansal	Whole Time Director	B.Tech, PGDM (IIM-C)	Since Inception
Mr. Gopalan Srinivasan	Independent Director	Cost Accountant, B.com	2021
Ms. Veena Vikas Mankar	Independent Director	B.E., PGDM (IIM-A)	2021
Mr. Nilesh Bhaskar Sathe	Independent Director	B.com, M.com	2021
Mr. Kaushik Dutta	Independent Director	Chartered Accountant	2021
Ms. Lilian Jessie Paul	Independent Director	B.E., PGDM (IIM-C)	2021
Mr. Sarbvir Singh	Non Independent Director	M.Sc (IIT-D), PGDM (IIM-A)	2020
Ms. Kitty Agarwal	Nominee Director	BBA Diploma in Agri Business Management	2018

Source: Company, Keynote Capitals Ltd.

Currently, the board has 9 directors headed by the Chairman, Mr. Yashish Dahiya. He and Mr. Alok Bansal are the co-founders of the Company. Currently, most of the directors have joined Company in 2021.

Top Shareholders

Both the co-founders are categorized in public shareholding and not promoter shareholding, hence PB Fintech does not have any designated promoters.

Top Shareholders (%)	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Makesense Technologies Limited	13.3	13.3	13.3	13.3	13.3
Tencent Cloud Europe B.V.	8.4	8.4	8.4	8.4	8.4
Claymore Investments (Mauritius) Pte. Ltd	5.7	5.7	5.4	5.4	5.4
Yashish Dahiya	4.2	4.6	4.6	4.6	4.6
SVF Python II (Cayman) Limited	4.4	4.4	4.4	4.4	4.4
Diphda Internet Services Limited	4.2	4.2	4.2	4.2	4.2
WF Asian Smaller Companies Fund Limited	1.3	1.3	1.3	3.9	3.3
Falcon Q LP	2.6	2.6	2.6	2.6	2.6
PI Opportunities Fund-II	2.1	2.1	2.1	2.1	2.1
Steadview Capital Mauritius Limited	2.2	2.2	2.2	2.2	1.8

Source: Company, Keynote Capitals Ltd.

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Peer Analysis

Since there are no comparable listed peers, we have compared it with other insurance brokers/web aggregators

FY22	Products Offered	Type	Tie ups	Customers (in Mn)	Revenue (Rs. Mn)	EBITDA Margin %
Policybazaar	Life, Motor, Health and Other General	Broker	51	11.8	7895	-52%
InsuranceDekho	Life, Motor and Health	Broker	26	4.5	NA	NA
Renewbuy	Life, Motor, Health and Corporate	Broker	35	3.0	671	-65%
Coverfox	Life, Motor and Health	Broker	40+	5.0	177	-72%
Turtlemint	Life, Motor and Health	Broker	35+	3.5	630	4%
Gramcover*	Life, Motor, Health & Crop/Livestock	Broker	20+	2.0	136	1%
Toffee Insurance	Life, Motor and Health	Corporate Agent	8	0.2	40	40%
Symbo Insurance	Life, Motor, Health and Travel	Broker	20	NA	23	-143%
Policyboss	Motor, Health & Travel	Broker	40+	0.3	683	10%
PolicyX	Life, Motor and Health	Web Aggregator	NA	NA	33	-16%

Source: Tracxn, Keynote Capitals Ltd.

*FY21

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Opportunities

Increasing mix of repeat business

Given the strong value proposition, the Company offers to consumers and the nature of many insurance products, such as health and motor insurance, where renewals are common, the Company is able to benefit from long-term retention and visibility of business from existing consumers with negligible marginal Customer Acquisition Cost (CAC).

For example, as of March 31, 2021, consumers who purchased health insurance through Policybazaar in FY14 for the first time have made repeated health insurance purchases worth 5.9x the 2014 premium. Similarly, the multiplier is 3.4x for motor insurance.

This provides clear visibility into the future business outlook as the Company is able to generate revenue from a consumer over a long period with negligible additional spending towards consumer acquisition, leading to superior unit economics.

Consumer Cohort of Total Premium⁽¹⁾ from Health Insurance

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	Total
FY14	1.0x	0.7x	0.7x	0.7x	0.7x	0.7x	0.7x	0.7x	5.9x
FY15		1.0x	0.6x	0.7x	0.7x	0.7x	0.6x	0.7x	5.0x
FY16			1.0x	0.7x	0.7x	0.7x	0.7x	0.7x	4.5x
FY17				1.0x	0.7x	0.7x	0.7x	0.7x	3.8x
FY18					1.0x	0.6x	0.7x	0.8x	3.1x
FY19						1.0x	0.6x	0.7x	2.2x
FY20							1.0x	0.6x	1.6x
FY21								1.0x	1.0x

Consumer Cohort of Total Premium⁽¹⁾ from Motor Insurance

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	Total
FY14	1.0x	0.5x	0.4x	0.3x	0.3x	0.3x	0.3x	0.3x	3.4x
FY15		1.0x	0.5x	0.4x	0.4x	0.4x	0.3x	0.3x	3.4x
FY16			1.0x	0.6x	0.5x	0.4x	0.4x	0.3x	3.2x
FY17				1.0x	0.6x	0.5x	0.4x	0.3x	2.8x
FY18					1.0x	0.5x	0.4x	0.4x	2.3x
FY19						1.0x	0.6x	0.4x	2.0x
FY20							1.0x	0.6x	1.6x
FY21								1.0x	1.0x

1. Represents premium and excludes premium from any add on products indexed as 1.0 in the first year of the cohort

Source: Company, Keynote Capitals Ltd.

Virtual monopoly in the insurance marketplace business and strong network effect

PolicyBazaar, as an online insurance aggregator, has captured a dominant market share of 93%. The platform has successfully transacted with approximately 14.0 Mn consumers and presently maintains partnerships with 51 insurers. Its sizeable customer base provides it with an advantage in terms of scale. This allows PolicyBazaar to benefit from network effects, where an increasing number of visitors to the platform attract more insurers and lending partners, which in turn results in attracting more consumers.

Insurance Broking License and Co-Created Products Drive Renewal and Trail Commissions

PolicyBazaar received an insurance broking license in June 2021, which allowed them to earn renewal commissions on Life insurance policies, which have negligible marginal cost. In FY23, almost 50% of the insurance premium was renewal premium. Further, the Company has recently renegotiated with lending partners on their PaisaBazaar platform and started launching co-created products, which makes them entitled to earn trailing commission on loans disbursed. In the quarter ending Mar 2023, 36% of disbursals and 53% of credit cards issued entitled them to earn a trial commission.

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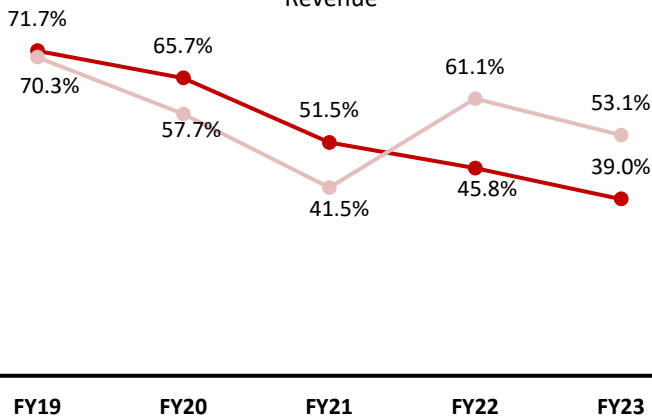
Operating leverage to aid profitability

The Company has exhibited a clear example of operating leverage in its business model. The Company has managed to reduce its employee cost as % sales (excluding ESOP) from 71.7% in FY19 to 39.0% in FY23 and similarly, advertisement expense has reduced from 70.3% in FY19 to 53.1% in FY23.

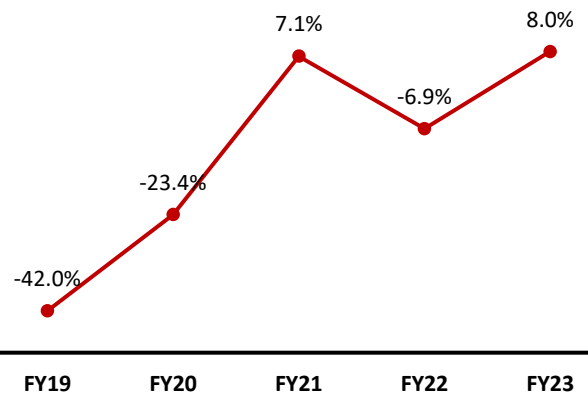
Further, non-operating expenses (part of employee and advertising expenses), have remained stable at around Rs. 3 – 4 Bn.

Overall, PB Fintech’s strategic focus on driving revenue growth while maintaining cost discipline has enabled it to generate strong operating leverage benefits. The Company’s ability to manage expenses effectively while expanding its business has contributed to its improving financial performance, positioning it for continued growth in the future.

Employee and Advertisement Expense as % of Revenue



Actual Contribution Margin%



● Employee as % of Revenue ● Ad & Promotion as % of Revenue

Source: Company, Keynote Capitals Ltd.
Employee Expense is, excluding ESOP Expense

Challenges

Various laws and regulations govern its business segments – any adverse regulatory changes could impact business growth.

PolicyBazaar's primary source of revenue is derived from commissions and other fees paid by its insurer partners, which the IRDAI Commissions Regulations govern. As an insurance broker, PolicyBazaar is subject to regulatory requirements and restrictions. Further, any new initiative launched by the IRDAI to set up its own platform for the sale, servicing, and claims of insurance policies could potentially be a risk for PB Fintech's insurance platform.

Revenue concentration from select partners

PB Fintech's revenue exhibits concentration among its top partners, with approximately 56% of its revenue derived from its five largest partners. However, any shift in the focus of insurers towards developing their own direct channels may negatively impact revenue growth for PB Fintech.

Continued cash burn in new initiatives could delay profitability

Management has been aggressively investing in new initiatives (PB Partners, PB Corporate, UAE operations, and offline presence). While there has been some improvement in efficiency, the current state of these new initiatives negatively impacts the margins. Consequently, the achievement of profitability at the Company level may be delayed.

Non-exclusive arrangement with insurance and lending partner

The business arrangement with insurance and lending partners, which are not exclusive, poses a potential threat to the Company's operations. Moreover, the Company's dependence on its partners and heightened competition in the market may negatively impact its commission rates.

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Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY21	FY22	FY23	FY24E	FY25E
Net Sales	8,867	14,249	25,578	29,624	42,813
Growth %		61%	80%	16%	45%
Raw Material Expenses	0	0	0	0	0
Employee Expenses	5,540	12,555	15,396	15,942	19,872
Other Expenses	1,244	2,006	3,226	4,147	5,994
EBITDA	-1,596	-9,021	-6,616	-5,277	1,107
Growth %		465%	-27%	-20%	-121%
Margin%	-18%	-63%	-26%	-18%	3%
Depreciation	414	428	638	994	1,175
EBIT	-2,010	-9,450	-7,254	-6,271	-68
Growth %		370%	-23%	-14%	-99%
Margin%	-23%	-66%	-28%	-21%	0%
Interest Paid	117	138	214	201	201
Other Income & exceptional	708	1,254	2,590	1,447	1,402
PBT	-1,419	-8,334	-4,878	-5,026	1,132
Tax	83	-5	0	0	226
PAT	-1,502	-8,329	-4,878	-5,026	906
Others (Minorities, Associates)	0	0	-2	-2	-2
Net Profit	-1,502	-8,329	-4,879	-5,027	904
Growth %		454%	-41%	3%	-118%
Shares (Mn)	0.0	449.5	450.1	450.1	450.1
EPS	-13.18	-18.53	-10.84	-11.17	2.01

Balance Sheet

Y/E Mar, Rs. Mn	FY21	FY22	FY23	FY24E	FY25E
Cash, Cash equivalents & Bank	18,102	37,002	7,627	9,119	15,216
Current Investments	1,377	3,275	5,623	5,623	5,623
Debtors	1,729	3,609	6,773	7,844	11,337
Inventory	0	0	0	0	0
Short Term Loans & Advances	129	11,732	21,199	14,199	7,199
Other Current Assets	58	98	0	0	0
Total Current Assets	21,395	55,715	41,222	36,786	39,375
Net Block & CWIP	1,248	2,049	3,133	3,028	2,923
Long Term Investments	1	456	598	597	595
Other Non-current Assets	747	1,011	17,587	17,587	17,587
Total Assets	23,390	59,231	62,540	57,997	60,479
Creditors	1,019	1,982	3,061	3,545	5,124
Provision	163	205	282	282	282
Short Term Borrowings	0	0	0	0	0
Other Current Liabilities	1,027	1,187	2,166	2,166	2,166
Total Current Liabilities	2,210	3,374	5,509	5,993	7,572
Long Term Debt	0	0	0	0	0
Deferred Tax Liabilities	0	-1	0	0	0
Other Long-Term Liabilities	1,263	1,742	2,183	2,183	2,183
Total Non-Current Liabilities	1,263	1,741	2,183	2,183	2,183
Paid-up Capital	12	899	900	900	900
Reserves & Surplus	19,905	53,218	53,863	48,835	49,739
Shareholders' Equity	19,917	54,117	54,763	49,736	50,640
Non-Controlling Interest	0	0	85	85	85
Total Equity & Liabilities	23,390	59,231	62,540	57,997	60,479

Cash Flow

Y/E Mar, Rs. Mn	FY21	FY22	FY23	FY24E	FY25E
Pre-tax profit	-1,419	-8,334	-4,880	-5,026	1,132
Adjustments	827	5,449	3,728	-252	-25
Change in Working Capital	394	-12,557	-1,340	-587	-1,914
Total Tax Paid	485	-238	-498	0	-226
Cash flow from operating Activities	287	-15,678	-2,990	-5,865	-1,034
Net Capital Expenditure	-48	-311	-637	-889	-1,070
Change in investments	-12,317	-21,968	-1,012	7,000	7,000
Other investing activities	348	1,013	2,064	1,447	1,402
Cash flow from investing activities	-12,018	-21,266	414	7,558	7,332
Equity raised / (repaid)	0	0	0	0	0
Debt raised / (repaid)	0	0	0	0	0
Dividend (incl. tax)	0	0	0	0	0
Other financing activities	7,588	36,214	-425	-201	-201
Cash flow from financing activities	7,588	36,214	-425	-201	-201
Net Change in cash	-4,142	-730	-3,001	1,492	6,096

Valuation Ratios

	FY21	FY22	FY23	FY24E	FY25E
Per Share Data					
EPS	-13	-19	-11	-11	2
Growth %		41%	-41%	3%	-118%
Book Value Per Share	1747	120	122	111	113
Return Ratios					
Return on Assets (%)	-8%	-20%	-8%	-8%	2%
Return on Equity (%)	-9%	-22%	-9%	-10%	2%
Return on Capital Employed (%)	-5%	-23%	-9%	-9%	2%
Turnover Ratios					
Asset Turnover (x)	0.5	0.3	0.4	0.5	0.7
Sales / Gross Block (x)	4.2	5.3	6.3	5.5	6.7
Working Capital / Sales (x)	171%	251%	172%	112%	73%
Receivable Days	72	68	74	90	82
Payable Days	45	38	36	41	37
Liquidity Ratios					
Current Ratio (x)	9.7	16.5	7.5	6.1	5.2
Interest Coverage Ratio (x)	-11.2	-59.5	-21.8	-23.9	6.6
Total Debt to Equity	0.0	0.0	0.0	0.0	0.0
Net Debt to Equity	-0.9	-0.7	-0.1	-0.2	-0.3
Valuation					
Price to Sales (x)		21.9	11.6	10.0	6.9
Price to Book (x)		5.8	5.4	6.0	5.9
EV/Sales (x)		19.3	9.6	8.3	5.7

Source: Company, Keynote Capitals Ltd. Estimate

PB Fintech Ltd | Initiating Coverage Report

Valuations

Company (Rs. Bn)	Mcap	TTM Sales	TTM PAT	P/S	Rev CAGR (3 Yr)
PB Fintech	281.0	25.6	-6.6	11.0	43%
Profitable					
Nykaa	381.7	51.4	2.6	7.4	50%
InfoEdge	531.4	23.5	3.4	22.7	11%
EasemyTrip	79.3	4.5	1.8	17.7	32%
RateGain	43.3	5.7	0.9	7.7	12%
IndiaMart	171.6	9.9	2.3	17.4	14%
MapMyIndia	61.2	2.5	1.2	24.1	14%
Matrimony	14.8	4.6	0.7	3.2	8%
CarTrade	22.8	3.6	0.3	6.3	9%
Loss Making/Marginal Profitable					
Zomato	620.4	70.8	-12.1	8.8	47%
PayTm	450.1	79.9	-16.4	5.6	16%

Source: Company, Keynote Capitals Ltd. estimates

PB Fintech's business model is unique among listed companies, prompting comparisons with new-age technology companies listed on Indian bourses, both profitable and loss-making. When analyzing PB Fintech's price-to-sales (P/S) ratio relative to other loss-making new-age firms, the former appears to trade at a premium valuation of 11 P/S compared to 5-10 P/S for other loss-making new-age companies.

In contrast, most of the profitable new-age firms with a revenue growth CAGR less than PB Fintech are trading at P/S ratios of 20 or higher. Therefore, it is believed that there is scope for multiple re-rating once PB Fintech achieves profitability. At the high end of the valuation range, PB Fintech's initial public offering was priced at ~50x P/S of FY21 (Post Issue).

Given that PB Fintech is loss-making but given the current execution by the management, we expect it to be profitable by FY25. Based on this, we are valuing it at 12x P/S on FY24E Sales (Rs. 29,624 Mn) to arrive at the fair value of the business.

Our Recent Reports

SFL Initiating Coverage Report **KEYNOTE**

Sheela Foam Ltd. **12th June 2023**

Strong & Sustainable Growth

Sheela Foam Ltd. (SFL) established in 1975, is the largest manufacturer of Polystyrene foam (PS) in India. PS is a good insulator of heat. The Company has secured a dominant position in key markets. Key customers include PS&S, Furniture, Electrical, and Automobiles. The Company's focus is on expanding its product portfolio. Firstly, the Sales & Marketing department is working on expanding its footprint in the PS&S segment. Secondly, the Sales & Marketing department is working on expanding its footprint in the Furniture segment. The Company aims to diversify its product portfolio and expand its reach beyond the PS&S segment. The Company is also working on expanding its footprint in the Furniture segment. The Company is also working on expanding its footprint in the PS&S segment. The Company is also working on expanding its footprint in the Furniture segment.

BUY
CMP ₹1,105
TARGET ₹1,311 (+19%)

Company Data

Market Cap	₹1,105
Revenue (FY22)	₹1,105
Profit (FY22)	₹1,105
EPS (FY22)	₹1,105
Dividend Yield	0%
ROE	0%
ROCE	0%
Debt to Equity	0%
Current Ratio	0%
Operating Leverage	0%

Shareholding Pattern (%)

Public	100
Government	0
Foreign	0
Other	0

Key Metrics

Revenue Growth (FY22)	0%
Profit Growth (FY22)	0%
EPS Growth (FY22)	0%
Dividend Yield	0%
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Key Metrics

Revenue Growth (FY22)	0%
Profit Growth (FY22)	0%

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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