

PB Fintech Ltd

9th May 2024

Position for imminent profitability

In Q4 FY24, PB Fintech's revenue surged by 25.4% on a YoY basis, driven by a growth of 26.0% on a YoY basis in the insurance business and 21.7% growth in credit business. This is the first ever quarter where the Company has reported EBITDA margin of +0.5% vs -7.8%, on a YoY basis. This is driven by controlled employee expenses and increasing mix of renewal book, which is high margin in nature. Further, owing to higher other income on investments, the Company has reported healthy PAT of Rs. 602 Mn in Q4FY24 and Rs. 644 Mn in FY24. We expect this trend to continue for the foreseeable future.

Renewal and trail commission to drive profitability

In Q4 FY24, renewal and trail commissions (ARR) surged by 48.7% from Rs. 3880 Mn to Rs. 5770 Mn, on a YoY basis. It has an operating margin of 85%+.

PaisaBazaar's collaboration on co-created products with lending partners is yielding results, evident in trail commission now contributing more than 15% to credit business revenue.

Growth momentum continues

Insurance premiums grew by 43.0% on a YoY basis. New protection (Health + Term) premiums increased by 53% on a YoY basis, with the primary driver being the substantial growth in health insurance. Lending disbursements growth disappoints as it grew by 5.7% on a YoY basis, reaching a total of Rs. 35,470 Mn in Q4 FY24. Growth in lending disbursements have slowed down owing to RBI guidelines on unsecured credit during the quarter. Furthermore, the Company issued 153,000 credit cards during the quarter, achieving a growth of 16.8% on a YoY basis.

In Q4 FY24, revenue from the insurance and credit business grew by 26.0% and 21.7% on a YoY basis, respectively.

Digitalization to reduce cost

The Company's focus on unassisted sales has lowered costs and boosted profitability. Notably, over 75% of credit cards and 50% of unsecured lending are now fully digitalized. Additionally, PaisaBazaar's platform has achieved end-to-end digitalization for 13 lending partners. Similarly, 80% of motor and travel insurance transactions are now unassisted.

View & Valuation

We have revised our estimates and changed our view from BUY to REDUCE for PB Fintech Ltd, with a target price of Rs. 1,223 (12.1x FY25E P/S multiple). The Company stands at a pivotal juncture, driven by catalysts such as renewal commission growth, strategic expansion into tier-2/3 cities through offline channels, and rigorous cost management, all poised to generate favourable operating leverage. Further, the Company has reported profitability for the first time, and we expect this momentum to continue. But a lot of this optimism seems to be priced in.

REDUCE

CMP Rs. 1,246

TARGET Rs. 1,223 (-1.8%)

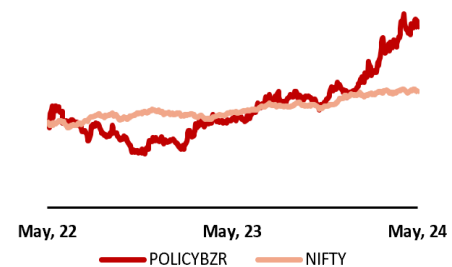
Company Data

Bloomberg Code	POLICYBZ IN
MCAP (Rs. Mn)	561,455
O/S Shares (Mn)	450
52w High/Low	1400 / 588
Face Value (in Rs.)	2
Liquidity (3M) (Rs. Mn)	2,185

Shareholding Pattern %

	Mar'24	Dec'23	Sep'23
Promoters	0	0	0
FII's	49.0	46.0	49.4
DII's	16.6	19.0	16.3
Non-Institutional	34.4	35.0	34.3

POLICYBZR vs NIFTY



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Bn)	FY23	FY24	FY25E
Revenue	25.6	34.4	45.5
EBITDA	-6.6	-1.9	2.7
Net Profit	-4.9	0.7	3.4
Total Assets	62.5	67.3	73.2
ROCE (%)	-9%	-2%	6%
ROE (%)	-9%	1%	6%

Source: Company, Keynote Capitals Ltd Estimates

Devin Joshi, Research Analyst
Devin@keynoteindia.net

PB Fintech Ltd | Quarterly Update

Q4FY24 Result Update

Result Highlights (Rs. Mn)

Particulars	Q4FY24	Q4FY23	Change % (Y-o-Y)	Q3FY24	Change % (Q-o-Q)	FY24	FY23	Change % (Y-o-Y)
Revenue	10,896	8,691	25.4%	8,709	25.1%	34,377	25,579	34%
Employee Cost	4,396	3,912	12.4%	3,978	10.5%	16,441	15,396	7%
Advertisement & Promotion Expense	2,380	4,565	-47.9%	2,149	10.8%	8,990	13,572	-34%
Other Opex	3,764	638	489.6%	2,561	47.0%	9,660	2,257	328%
EBITDA	54	-681		-255		-1,863	-6,616	
EBITDA %	0.5%	-7.8%	833 Bps	-2.9%	343 Bps	-5%	-26%	2045 Bps
Depreciation	238	175	36.1%	231	3.1%	887	638	39%
EBIT	-184	-855		-486		-2,750	-7,254	
EBIT %	-1.7%	-9.8%	816 Bps	-5.6%	389 Bps	-8%	-28%	2036 Bps
Finance Cost	66	62	6.5%	64	2.0%	265	214	24%
Other Income	983	822	19.5%	936	5.0%	3,806	2,590	47%
PBT	734	-95		386		791	-4,878	
Tax	127	0		0		127	0	
Profit from Associates/JV	-5	1		-14		-20	-2	
PAT	602	-93		372		644	-4,879	
EPS	1.31	-0.20		0.83		1.5	-11.0	

Source: Company, Keynote Capitals Ltd.

Segment Revenue and Operating Metrics (Rs. Mn)

Particulars	Q4FY24	Q4FY23	Change % (Y-o-Y)	Q3FY24	Change % (Q-o-Q)
Insurance Premium	51,270	35,860	43.0%	42,610	20.3%
Lending Disbursal	35,470	33,570	5.7%	35,800	-0.9%
Credit Card Issued (Nos)	153,000	131,000	16.8%	141,000	8.5%

Business Breakup

Insurance Business	9,440	7,490	26.0%	7,260	30.0%
Credit Business	1,460	1,200	21.7%	1,450	0.7%

Segment Breakup

Core Online Business	6,690	5,040	32.7%	5,930	12.8%
New Initiatives	4,210	3,650	15.3%	2,780	51.4%

Source: Company, Keynote Capitals Ltd.

*New initiatives include PB Partners and UAE Operations

Q4 FY24 Conference Call Takeaways

Core online business

- In the insurance business, new core online insurance premium grew by 47% on a YoY basis, majorly driven by health premium.
- Renewal/Trail revenue is at ARR of Rs. 5770 Mn, up from Rs. 3880 Mn, compared to last year same quarter. This typically operates at an 85%+ margin and is a significant source of profit.
- Take rate in insurance business has declined on a YoY basis due to lower take rate in savings products.
- In the Credit business, the Company is at an ARR of Rs. 140 Bn disbursements and 600,000 credit card issuances.
- In the Credit business, growth has been tepid as disbursements grew by 5.7% on a YoY basis. Management has guided for 0-10% growth in PaisaBazaar for Q1FY25 and does not expect it to last long as this slowdown is transient in nature. Management is focused on growing the secured credit business, compared to unsecured credit business.
- Digitalization is becoming significant in lending, currently led by credit cards, where ~75% of the cards issued and 50% of unsecured lending transactions were done through End-to-End (E2E), where ~75% of the cards issued and 50% of unsecured lending transactions were done through the E2E digital process.
- In Q4 FY24, trail revenue is at more than 15% of the total credit business revenue, which was Rs. 1460 Mn.

New Initiatives

- In Q4 FY24, UAE premium has grown by 1.9x on a YoY basis.
- New initiating revenue grew by 15% on a YoY basis. A lower growth is on account of strong base.
- In PoSP business, management has moved the business towards smaller and higher quality advisors in the last one year. It has a good mix of motor & non-motor business and is present in almost 18,000 pin codes, which is almost 93% of all pin codes in India.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Net Sales	14,249	25,578	34,377	45,504	59,849
Growth %		80%	34%	32%	32%
Employee Expenses	12,555	15,396	16,441	17,816	20,750
Other Expenses	2,006	2,803	10,808	13,651	16,758
EBITDA	-9,021	-6,614	-1,863	2,660	7,977
Growth %				200%	
Margin%	-63%	-26%	-5%	6%	13%
Depreciation	428	638	887	1,027	1,198
EBIT	-9,450	-7,252	-2,750	1,634	6,780
Growth %				315%	
Margin%	-66%	-28%	-8%	4%	11%
Interest Paid	138	216	265	270	270
Other Income & exceptional	1,254	2,590	3,806	2,949	3,366
PBT	-8,334	-4,878	791	4,312	9,876
Tax	-5	0	127	862	1,975
PAT	-8,329	-4,878	664	3,450	7,901
Others (Minorities, Associates)	0	0	-20	0	0
Net Profit	-8,329	-4,878	644	3,450	7,901
Growth %				436%	129%
Shares (Mn)	449.5	450.1	450.1	450.1	450.1
EPS	-18.53	-10.82	1.43	7.66	17.55

Balance Sheet

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Cash, Cash equivalents & Bank	37,002	7,627	7,350	14,807	27,776
Current Investments	3,275	5,623	4,236	4,236	4,236
Debtors	3,609	6,771	6,505	12,049	15,848
Inventory	0	0	0	0	0
Short Term Loans & Advances	11,732	21,072	30,081	23,081	16,081
Other Current Assets	98	127	54	54	54
Total Current Assets	55,715	41,220	48,225	54,226	63,994
Net Block & CWIP	2,049	3,133	3,586	3,470	3,319
Long Term Investments	456	598	9,349	9,349	9,349
Other Non-current Assets	1,011	17,587	6,125	6,125	6,125
Total Assets	59,231	62,538	67,285	73,170	82,787
Creditors	1,982	3,061	3,011	5,446	7,162
Provision	205	282	413	413	413
Short Term Borrowings	0	0	0	0	0
Other Current Liabilities	1,187	2,166	2,608	2,608	2,608
Total Current Liabilities	3,374	5,509	6,032	8,467	10,183
Long Term Debt	0	0	0	0	0
Deferred Tax Liabilities	-1	0	0	0	0
Other Long Term Liabilities	1,742	2,183	2,489	2,489	2,489
Total Non Current Liabilities	1,741	2,183	2,489	2,489	2,489
Paid-up Capital	899	900	902	902	902
Reserves & Surplus	53,218	53,861	57,808	61,258	69,159
Shareholders' Equity	54,117	54,761	58,710	62,160	70,061
Non Controlling Interest	0	85	54	54	54
Total Equity & Liabilities	59,231	62,538	67,285	73,170	82,787

Source: Company, Keynote Capitals Ltd. Estimate

Cash Flow

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	-8,334	-4,878	791	4,312	9,876
Adjustments	5,449	3,729	778	-1,652	-1,899
Change in Working Capital	-12,557	-1,273	528	-3,109	-2,082
Total Tax Paid	-238	-498	-1,990	-862	-1,975
Cash flow from operating Activities	-15,678	-2,921	107	-1,311	3,920
Net Capital Expenditure	-311	-639	-632	-910	-1,047
Change in investments	-21,968	-1,144	1,695	7,000	7,000
Other investing activities	1,013	2,197	1,945	2,949	3,366
Cash flow from investing activities	-21,266	414	3,008	9,039	9,319
Equity raised / (repaid)	0	1,233	2.2	0	0
Debt raised / (repaid)	0	0	0	0	0
Dividend (incl. tax)	0	0	0	0	0
Other financing activities	36,214	-426	-571	-270	-270
Cash flow from financing activities	36,214	-425	-568	-270	-270
Net Change in cash	-730	-2,932	2,547	7,457	12,969

Valuation Ratios

	FY22	FY23	FY24	FY25E	FY26E
Per Share Data					
EPS	-19	-11	1	8	18
Growth %				436%	129%
Book Value Per Share	120	122	131	138	156
Return Ratios					
Return on Assets (%)	-20%	-8%	1%	5%	10%
Return on Equity (%)	-22%	-9%	1%	6%	12%
Return on Capital Employed (%)	-23%	-9%	-2%	6%	12%
Turnover Ratios					
Asset Turnover (x)	0.3	0.4	0.5	0.6	0.8
Sales / Gross Block (x)	5.3	6.4	6.8	7.7	8.7
Working Capital / Sales (x)	2.5	1.7	1.1	1.0	0.8
Receivable Days	68	74	84	85	85
Payable Days	38	36	38	38	38
Liquidity Ratios					
Current Ratio (x)	16.5	7.5	8.0	6.4	6.3
Interest Coverage Ratio (x)	-59.5	-21.6	4.0	17.0	37.6
Total Debt to Equity	0.0	0.0	0.0	0.0	0.0
Net Debt to Equity	-0.7	-0.1	-0.1	-0.2	-0.4
Valuation					
Price to Sales (x)	21.9	22.0	16.3	12.3	9.4
Price to Book (x)	5.8	10.3	9.6	9.0	8.0
EV/Sales (x)	19.3	20.6	15.3	11.6	8.8

KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
20 th June 2023	BUY	660	+19.5%
9 th August 2023	BUY	746	+27.7%
7 th November 2023	BUY	713	+35.8%
1 st February 2024	BUY	998	+14.9%
9 th May 2024	REDUCE	1,246	-1.8%

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

Disclosures and Disclaimers

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Keynote Capitals Ltd.. (KCL) is a SEBI Registered Research Analyst having registration no. INH000007997. KCL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. Details of associate entities of Keynote Capitals Limited are available on the website at <https://www.keynotecapitals.com/associate-entities/>

KCL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of KCL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

KCL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that KCL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Details of pending Enquiry Proceedings of KCL are available on the website at <https://www.keynotecapitals.com/pending-enquiry-proceedings/>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of KCL or its associates maintains arm's length distance with Research Team as all the activities are segregated from KCL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KCL & its group companies to registration or licensing requirements within such jurisdictions. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Specific Disclosure of Interest statement for subjected Scrip in this document:

Financial Interest of Research Entity [KCL] and its associates; Research Analyst and its Relatives	NO
Any other material conflict of interest at the time of publishing the research report by Research Entity [KCL] and its associates; Research Analyst and its Relatives	NO
Receipt of compensation by KCL or its Associate Companies from the subject company covered for in the last twelve months; Managing/co-managing public offering of securities in the last twelve months; Receipt of compensation towards Investment banking/merchant banking/brokerage services in the last twelve months; Products or services other than those above in connection with research report in the last twelve months; Compensation or other benefits from the subject company or third party in connection with the research report in the last twelve months.	NO
Whether covering analyst has served as an officer, director or employee of the subject company covered	NO
Whether the KCL and its associates has been engaged in market making activity of the Subject Company	NO
Whether the Research Entity [KCL] and its associates; Research Analyst and its Relatives, have actual/beneficial ownership of 1% or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.	NO

The associates of KCL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however, the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of KCL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of KCL has not received any compensation or other benefits from third party in connection with the research report.

Above disclosures includes beneficial holdings lying in demat account of KCL which are opened for proprietary investments only. While calculating beneficial holdings, it does not consider demat accounts which are opened in name of KCL for other purposes (i.e. holding client securities, collaterals, error trades etc.). KCL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by KCL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KCL. The report is based on the facts, figures and information that are believed to be true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KCL will not treat recipients as customers by virtue of their receiving this report

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative product as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. KCL, its associates, their directors and the employees may from time to time, effect or have affected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. KCL, its associates, their directors and the employees may from time to time invest in any discretionary PMS/AIF Fund and those respective PMS/AIF Funds may affect or have effected any transaction in for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of KCL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KCL to any registration or licensing requirement within such jurisdiction.

The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt KCL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold KCL or any of its affiliates or employees responsible for any such misuse and further agrees to hold KCL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Keynote Capitals Limited (CIN: U67120MH1995PLC088172)

Compliance Officer: Mr. Jairaj Nair; Tel: 022-68266000; email id: jairaj@keynoteindia.net

Registered Office: 9th Floor, The Ruby, Senapati Bapat Marg, Dadar West, Mumbai – 400028, Maharashtra. Tel: 022 – 68266000.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD): INZ000241530; DP: CDSL- IN-DP-238-2016; Research Analyst: INH000007997

For any complaints email at kcl@keynoteindia.net

General Disclaimer: Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.keynotecapitals.com; Investment in securities market are subject to market risks, read all the related documents carefully before investing.