



IPO Report

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30th Oct'21

Snapshot

PB Fintech have built India's largest online platform for insurance and lending products leveraging the power of technology, data and innovation. Company provide convenient access to insurance, credit and other financial products and aim to create awareness amongst Indian households about the financial impact of death, disease and damage.

VALUATION

Company is bringing the issue at price band of Rs 940-980 per share at p/s multiple of 23x & 17x on FY23E & FY24E. Company have created Consumer-friendly brands offering wide choice, transparency and convenience. Company being collaborative partner for Insurer and Lending Partners has high renewal rates providing clear visibility into future business and delivering superior economics. Company also derives benefits from economies of segmentation with low operating costs and capital requirements. Hence looking after all above, we recommend "Subscribe" on issue for both listing gain & long term purpose.

Price Band (Rs./Share)	940-980
Opening date of the issue	01st November 2021
Closing Date of the issue	03rd November 2021
No of shares pre issue	411234500 Eq Shares
Issue size	Rs 5710 Cr
Fresh Issue	Rs 3750 Cr
Offer For Sale	Rs 1960 Cr
Face Value (Rs/ share)	2
Bid Lot	15
BIDDING DETAILS	
QIBs (Including Anchor)	75% of the offer (Approx 43696799 Cr Eq Shares)
Non-Institutional	15% of the offer (Approx 8739359 Cr Eq Shares)
Retail	10 % of the offer (Approx 5826239 Cr Eq Shares)
Lead managers	Kotak Mahindra Capital, Morgan Satnley, Citigroup Global, ICICI Securities, HDFC Bank, IIFL Securities, Jefferies India
Registrar to the issue	Link Intime India Pvt. Ltd.

WHAT WE LIKE

Created strong, Consumer-friendly brands offering wide choice, transparency and convenience

Policybazaar is a household name for insurance and is one of the most trusted insurance brands in India. The strength of company's brands are also reflected in the fact that in Fiscal 2021, 83.0% of the policies sold on Policybazaar and 66.0% of loans originated on Paisabazaar were to Consumers who came to company's platform directly or through direct online brand searches. Similarly, in the three months ended June 30, 2021, 82.1% of policies sold on Policybazaar and 54.3% of loans originated on Paisabazaar were to Consumers who came to company's platform directly or through direct brand searches.

Collaborative partner for Insurer and Lending Partners

Policybazaar was India's largest digital insurance marketplace with a 93.4% market share based on the number of policies sold in Fiscal 2020. Further, in Fiscal 2020, Policybazaar constituted 65.3% of all digital insurance sales in India by number of policies sold (including online sales done directly by insurance companies and by insurance distributors). 48 Insurer Partners as of September 30, 2021 sell their products on Policybazaar, which represents 84.5% of all licensed insurers in India. Paisabazaar was India's largest consumer credit marketplace with a 53.7% market share based on disbursements in Fiscal 2021. Paisabazaar has 56 partnerships with large banks, large NBFCs and fintech lenders

High renewal rates providing clear visibility into future business and delivering superior economics

Given the strong value proposition company offer to its consumers, and the nature of many insurance products, such as health and motor insurance where renewals are common, company is able to benefit from long term retention and visibility of business from existing Consumers with negligible marginal CAC. As in March 31, 2021, Consumers who purchased health insurance through Policybazaar in Fiscal 2014 for the first time have made repeated health insurance purchases worth 5.9 times the 2014 premium. Similarly, the multiplier is 3.4 times for motor insurance. This provides clear visibility into company's future business outlook as company is able to generate revenue from a Consumer over a long time period with negligible additional spend towards consumer acquisition leading to superior unit economics.



COMPANY BACKGROUND

Company launched Policybazaar, its flagship platform, in 2008 to respond to Consumers' need for more awareness, choice and transparency and create a consumer-pull based, provider-neutral model for insurance distribution. In Fiscal 2020, Policybazaar was India's largest digital insurance marketplace among all online insurance distributors with 93.4% market share based on number of policies sold. For this purpose, number of policies sold by all online insurance distribution platforms as per IRDAI have been used to derive the market share. Furthermore, in Fiscal 2020, Policybazaar constituted 65.3% of all digital insurance sales in India by number of policies sold (including online sales done directly by insurance companies and by insurance distributors).

In 2014, company launched Paisabazaar with the goal to transform how Indians access personal credit by accentuating ease, convenience and transparency in selecting a variety of personal loans and credit cards. Paisabazaar was India's largest digital consumer credit marketplace with a 53.7% market share, based on disbursements in Fiscal 2021. Paisabazaar is also widely used to access credit scores, with approximately 22.5 million Consumers cumulatively having accessed their credit score through company's platform as of June 30, 2021.

Company have an asset-light capital strategy and do not underwrite any insurance or retain any credit risk on its books. Policybazaar is registered with and regulated by IRDAI as a direct (life and general) insurance broker. Company primarily generate revenues from the following sources: (i) for its Policybazaar business, from insurance commission that company receive from its Insurer Partners, and additional services that company provide to Insurer Partners such as telemarketing and other services relating to sales and post-sales services, account management, premium collection and various other services, (ii) for its Paisabazaar business, from the commission that company receive from its Lending Partners, credit advisory and related services that company provide to its Consumers or Lending Partners, and marketing services that it provide to financial services partners and other third parties, and (iii) for Company, from providing online marketing, consulting and technology services to Insurer and Lending Partners.

Recent Developments

The new business premium (i.e., premiums from policies sold during the year by Insurer Partners through company's Policybazaar platform, and not including renewals from life and non-life insurance) of company's Policybazaar business was higher in the quarter ended September 30, 2021 as compared to the quarter ended September 30, 2020 and the quarter ended June 30, 2021. For the quarter ended September 30, 2021, company's Paisabazaar business recorded higher loan disbursements compared to the quarter ended June 30, 2021, due to reduced negative impact of the Covid-19 pandemic.

One of company's subsidiaries, Docprime, recently launched Docprime Health Locker, a health locker integrated with Ayushman Bharat Digital Mission (ABDM), an initiative of Ministry of Health and Family Welfare, Government of India. With the Docprime Health Locker, users can create digital health IDs for themselves and their family members, and create their ABDM integrated health locker where they can securely store and manage all their health records electronically as well as share them with their doctors, with the user's consent. It also enables users to fetch and store their COVID-19 vaccination certificates.

PB Fintech FZ-LLC, one of company's subsidiaries, is an online financial marketplace. It has entered into a technical / API integration partnership with Al Etihad Credit Bureau (AECB) to implement real-time eligibility checks for credit card applications based on the AECB credit score and banks' approval criteria. Customers of PB Fintech FZ-LLC can now apply for credit cards having an immediate indication of the chance of their application to be pre-approved based on their AECB Credit Score, which will be pulled automatically by the system.

Policybazaar Platform

Company's Policybazaar platform is an online platform for Consumers and Insurer Partners to, respectively, buy and sell core insurance products. As of September 30, 2021, 48 Insurer Partners have offered over 390 term, health, motor, home and travel insurance products on company's Policybazaar platform, representing a substantial portion of all licensed insurance companies in India. Policybazaar offers Consumers an information-rich, user-friendly, and tech-driven self-service platform for i) pre-purchase research, ii) purchase, including application, inspection, medical check-up and payment; and iii) post-purchase policy management, including claims facilitation, renewals, cancellations and refunds.



INVESTMENT RATIONALE

<p><i>Capital efficient model with low operating costs</i></p>	<p>As company aggregate and distribute insurance and personal credit products offered by insurers and lenders and do not create its own products, company do not carry any corresponding Underwriting or credit risks.</p> <p>Further, as company’s brand continues to grow stronger, a larger percentage of users will use company’s platform directly or without marketing costs. As company’s platform and Consumer cohorts continue to develop, company expect a larger proportion of Consumers to buy either unassisted or with reduced levels of assistance, which should increase its capital and operational efficiency.</p>
<p><i>Benefits from economies of segmentation</i></p>	<p>Company systematically segment Consumers into different cohorts based on their needs and disclosures, such as the insurance proposal questionnaire,</p> <p>Company’s micro-segmentation has helped grow the product offerings on its platforms, streamline transaction processes, deepen partnerships with Insurer and Lending Partners, and offer tailor-made financial services solutions for varied segments. Company’s ability to identify and address a wide range of segments increases the number of products sold on its platform through providing Consumers with more personalised and appropriate product offers, which in turn increases its business. product offers.</p>
<p><i>Company’s scale gives it unique self-reinforcing flywheels and strong network effects</i></p>	<p>Company’s Policybazaar and Paisabazaar platforms have large, efficient and intelligent networks, providing Consumers with the ability to browse financial services products offered by 48 Insurer Partners and 56 Lending Partners. Company benefit from powerful network effects at scale as a result of its positioning as a trusted and default search engine for insurance and personal credit products in India. Company’s large and growing number of visitors to its Policybazaar and Paisabazaar platforms attract more Insurer and Lending Partners who offer more products, which in turn further attracts more Consumers, creating a virtuous cycle.</p>
<p><i>Capital efficient model with low operating costs</i></p>	<p>As company aggregate and distribute insurance and personal credit products offered by insurers and lenders and do not create its own products, company do not carry any corresponding Underwriting or credit risks.</p> <p>Further, as company’s brand continues to grow stronger, a larger percentage of users will use company’s platform directly or without marketing costs. As company’s platform and Consumer cohorts continue to develop, company expect a larger proportion of Consumers to buy either unassisted or with reduced levels of assistance, which should increase company’s capital and operational efficiency.</p>



POLICYBAZAAR'S MARKET SHARE

Below table shows Policybazaar's market share for the period presented:

Data	Number	Source
Total Policies sold by online insurance distribution platforms in Fiscal 2020 (A)	6,138,150	Frost & Sullivan Report (IRDAI data)
Total Policies sold on Policybazaar platform in Fiscal 2020 (B)	5,729,856	Frost & Sullivan Report
Policybazaar market share (B/A)	93.4%	
Total Policies sold online directly by insurance companies and by insurance distributors in Fiscal 2020 (C)	8,768,889	Frost & Sullivan Report
Policybazaar market share (B/C)	65.3%	

Source : RHP

OBJECTS OF ISSUE

Company with respect to the Fresh Issue, towards funding the following objects :

1. Enhancing visibility and awareness of company's brands, including but not limited to "Policybazaar" and "Paisabazaar";
2. New opportunities to expand company's Consumer base including company's offline presence;
3. Strategic investments and acquisitions;

RISKS

Company have incurred restated losses of ₹1,502.42 million, ₹3,040.29 million and ₹3,468.11 million in Fiscals 2021, 2020 and 2019, respectively, and ₹ 1,108.44 million and ₹ 597.53 million in the three months ended June 30, 2021 and June 30, 2020, respectively. Company expect its costs to increase over time and its losses will continue given the investments expected towards growing its business. Company have expended and expect to continue to expend substantial financial and other resources on, among others, developing a physical channel and investing behind experiments.

Source:RHP



INDUSTRY OVERVIEW

Insurance Industry in India

In FY2020, India had a ₹ 7.6 trillion (US\$ 102 billion) insurance industry, measured in terms of Total Premium. This industry is expected to grow at a 17.8% CAGR to reach ₹ 39.0 trillion (US\$ 520 billion) by FY2030, with life, health and other non-life insurance growing at 18.8%, 15.3% and 13.5% CAGR respectively, as per Frost & Sullivan. In FY2021, India's non-life insurance industry grew by 5.2% to ₹2.0 trillion, with health, motor and other non-life insurance at ₹0.6 trillion, ₹0.7 trillion and ₹0.7 trillion respectively, measured in terms of Total Premium.

However, as compared with global peers, India has a highly underpenetrated insurance market. India was amongst the lowest in the world in terms of Sum Assured as % of GDP in FY2021. India mortality protection gap as a percentage of protection was at 83.0% in 2019, one of highest in the world, despite Indian households being disproportionately dependent on a single income earner.

a) Life Insurance

India is the world's 10th largest life insurance market, worth ₹ 5.7 trillion (US\$ 76 billion) in FY2020 in terms of total premium. The new business premium from life insurance grew by 7.5% to ₹2.8 trillion in FY2021. Despite being 10th largest, India's life insurance penetration remains lower at 24.6% (25.0% as of March 2021), compared to 265.0% in USA & 95.4% in China when measured in terms of Sum Assured as % of GDP, as of March 2020.

b) Non-life Insurance

Measured in terms of gross direct premium, India was the world's 15th largest non-life insurance market, worth ₹ 1.9 trillion (US\$ 25 billion) in FY2020 and ₹2.0 trillion (US\$ 26 billion) in FY2021.

c) Addressing the Challenges in the Indian Insurance Industry

The Indian insurance industry faces challenges such as high turnaround time in policy issuance due to manual processing of documents, lack of standardization of product features, lack of proper assistance for claims filing, and lack of full transparency about costs.

d) Role of Technology in the Insurance Industry

In the last few years, technology has become a focus area for all major insurers and many fintech players have emerged in the insurance space. Technological innovations are now helping insurers and fintech companies to increase productivity, improve consumer experience and cut operational costs, thereby creating value across the chain. These companies also leverage their deep data insights to understand specific consumer needs and provide a wider choice of customized products, improving the attractiveness of online financial services.

e) Online Distribution Channels

Online distribution channels are changing the insurance distribution landscape in India. Insurers and distributors now focus on providing a self-service platform through online modes which assist in delivering a superior consumer experience and making information sharing cost efficient and transparent.

f) Models of Digital Insurance Distribution

Digital distribution models in insurance are of two types based on consumer interactions:-

- i) **Online insurance distribution model:** This model focuses on aggregation of demand. It is fully digital and unassisted and provides consumers an end-to-end online experience. In this model, consumers can search for insurance products online from various insurers, compare and buy suitable policies and manage them digitally.
- ii) **SAAS for agent aggregation (SFAA)** – In this model, SFAA players onboard individual agents on their digital platform to interact with consumers and sell partner insurers products. These agents collate the data and upload it on digital platforms, helping insurers to issue policies digitally. While this model helps educate the consumers, there is a limited digital experience for them and no data insights for insurers apart from policy application details. Currently, the SAAS model assists in pilot testing and impact assessment of new technologies such as mobile and social media channels, thereby helping in designing comprehensive strategies around new platform/channel development.



(Rs in Mn)

Financials	Q1FY22	FY21	FY20	FY19
Total Revenue (A)	2377.31	8866.62	7712.97	4922.45
Total Expenditure (B)	3560.86	10464.25	10911.89	8283.38
EBIDTA	-1183.55	-1597.63	-3198.92	-3360.93
EBIDTA Margin	-49.79	-18.02	-41.47	-68.28
Other Income	204.43	707.51	842.66	365.62
Depreciation	100.37	413.78	472.95	304.22
EBIT	-1079.49	-1303.90	-2829.21	-3299.53
Interest	28.92	115.24	119.20	74.77
PBT	-1108.41	-1419.14	-2948.41	-3374.30
Tax	0.03	83.26	91.88	93.81
PAT	-1108.44	-1502.40	-3040.29	-3468.11
NPM	-46.63	-16.94	-39.42	-70.45
ROE %	-5.68	-7.54	-24.02	-70.74
EPS	-2.70	-3.65	-7.39	-8.43
Eq Cap	822.47	0.46	0.38	0.38
Net Worth	19521.51	19917.34	12658.47	4902.94



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