

IPO Note: PB Fintech Ltd.

Industry: Insurance
Reco: Subscribe
Date: November 01, 2021

Issue Snapshot		Issue Break up	
Company Name	PB Fintech Ltd.	QIB ex Anchor	30% 17,478,719
Issue Opens	November 01, 2021 to November 03, 2021	Anchor Investor	45% 26,218,079
Price Band	Rs. 940 to Rs. 980	HNI	15% 8,739,360
Bid Lot	15 Equity Shares and in multiples thereof.	RII	10% 5,826,240
The Offer	Public issue of 58,262,398 Equity shares of Face value Rs. 2 each, (Comprising of fresh issue of 38,265,306 Equity Shares* (Rs. 3750 cr.) and Offer for Sale of 19,997,092 Equity Shares (Rs. 1959.72 cr.*) by Selling Shareholder).	Total Public	100% 58,262,398
Issue Size	Rs. 5708.65 – 5709.72 Crore	Equity Share Pre Issue (Nos. Cr.)	41.1
IPO Process	100% Book Building	Fresh Share (Nos. Cr.)	3.8
Face Value	Rs. 2.00	OFS Share (Nos. Cr.)	2.0
Exchanges	NSE & BSE	Equity Share Post Issue (Nos. Cr.)	44.9
BRLM	Citigroup Global Markets India Private Ltd, Kotak Mahindra Capital Company Ltd, Morgan Stanley India Company Private Ltd, ICICI Securities Ltd, HDFC Bank Ltd, IIFL Securities Ltd and Jefferies India Private Ltd	Market Cap (Rs. Cr.)	44,051.0
Registrar	Link Intime India Private Ltd	Equity Dilution	8.5%
		Stake Sale by OFS	4.4%

Objects of the Offer

Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (By SVF Python II (Cayman) Limited and Other Selling Shareholders)

Fresh Issue

- Enhancing visibility and awareness of the brands, including but not limited to "Policybazaar" and "Paisabazaar" (Rs. 1500 cr.);
- New opportunities to expand Consumer base including offline presence (Rs. 375 cr.);
- Strategic investments and acquisitions (Rs. 600 cr.);
- Expanding presence outside India (Rs. 375 cr.); and
- General corporate purposes.

Company Highlights

- P B Fintech Ltd. (PBFL) has built India's largest online platform for insurance and lending products leveraging the power of technology, data and innovation, according to Frost & Sullivan. It provides convenient access to insurance, credit and other financial products and aims to create awareness amongst Indian households about the financial impact of death, disease and damage.
- Through a consumer-centric approach, PBFL seeks to enable online research-based purchases of insurance and lending products and increase transparency, which enables consumers to make informed choices. It also facilitates Insurer and Lending Partners in the financial services industry to innovate and design customised products for Consumers leveraging PBFL's extensive data insights and data analytics capabilities.
- The company launched Policybazaar, a 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 FY20, Policybazaar was India's largest digital insurance marketplace among all online insurance distributors with a 93.4% market share based on the number of policies sold. For this purpose, the number of policies sold by all online insurance distribution platforms as per IRDAI has been used to derive the market share. Furthermore, in FY20, Policybazaar constituted 65.3% of all digital insurance sales in India by the number of policies sold (including online sales done directly by insurance companies and by insurance distributors). For this purpose, the number of policies sold online directly by insurance companies and by insurance distributors has been estimated to derive the market share.

- In 2014, it 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. According to Frost & Sullivan, Paisabazaar was India's largest digital consumer credit marketplace with a 53.7% market share, based on disbursements in FY21. Paisabazaar is also widely used to access credit scores, with approximately 22.5 million Consumers cumulatively having accessed their credit score through its platform as of June 30, 2021. As of September 30, 2021, 48 Insurer Partners have offered over 390 term, health, motor, home and travel insurance products on the Policybazaar platform, representing a substantial portion of all licensed insurance companies in India.
- PBFL's Policybazaar and Paisabazaar platform offerings address the large and highly underpenetrated online insurance and lending markets. It has an asset-light capital strategy and does 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.

View

- PB Fintech is the holding company for online insurance distributors, Policybazaar, and loan portal, Paisabazaar. PB Fintech has an asset-light capital strategy and does not underwrite any insurance or retain any credit risk in the books.
- The Policybazaar platform had over 126.5 million visits in FY21 and 27.0 million visits in Q1FY22. Over 51.1 million consumers registered on the Policybazaar platform as of Q1FY22 ; 9.6 million unique consumers purchased over 19 million policies from PB's Insurer Partners in FY21.
- PBFL primarily generates revenues from the following sources: (i) for Policybazaar business, from insurance commission that it receives from Insurer Partners, and additional services that PBFL provides 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 Paisabazaar business, from the commission that it receives from Lending Partners, credit advisory and related services that it provides to Consumers or Lending Partners, and marketing services that it provides to financial services partners and other third parties, and (iii) from providing online marketing, consulting and technology services to Insurer and Lending Partners.
- Looking at the sector, India has a highly underpenetrated insurance market. India was amongst the lowest in the world in terms of sum assured as a percentage of GDP in FY2021. India's mortality protection gap as a percentage of protection was at 83.0% in 2019, one of the highest in the world. The industry is expected to grow at a 17.8% CAGR to reach Rs39.0 trillion (US\$ 520 billion) by FY2030, with life, health, and other general insurance growing at 18.8%, 15.3%, and 13.5% CAGR respectively. India's health expenditure was amongst the lowest globally at Rs 5.5 thousand (US\$73) per capita, compared with Rs 83.3 thousand (US\$1,111) per capita in the USA and Rs 37.6 thousand (US\$501) per capita in China. Additionally, 63.0% of the healthcare expenditure in India was funded out of pocket in 2018, with only 10.0% getting financed through health insurance. Hence the sector has a huge market opportunity that needs to be tapped.
- Over FY18-21, PBFL's revenues grew at a CAGR of 34.2% to Rs. 886.7 cr from Rs. 492.2 cr in FY18, due to an increase in revenue from the insurance business but the increase was partially offset by a decrease in the revenue from Paisabazaar due to the pandemic.
- The new business premium of Policybazaar business was higher in Q2FY22 as compared to Q2FY21 and Q1FY22. For Q2FY22, Paisabazaar business recorded higher loan disbursements compared to Q1FY22, due to reduced negative impact of the Covid-19 pandemic. However, overall expenses increased due to higher marketing costs for brand building and higher cost incurred to build offline presence during Q2FY22 as compared to Q1FY22, which may result in higher losses for the quarter.
- In terms of the valuations, on the higher price band, PBFL demands P/BV multiple of 7.7x based on Q1FY21 post issue fully diluted BV. The company does not have any listed peers to compare with.
- Going forward, PBFL intends to continuously acquire new customers through brand building activities to educate Consumers about insurance and personal credit needs and international expansions. It also plans to expand into adjacent platform with investment in digital and technology infrastructure and strategic investments and acquisitions to enhance product and service capabilities. Given the positive industry prospects and Policy Bazaar strong foothold, we have a positive view on the company from the long term perspective. Hence, it is recommended to "SUBSCRIBE" the issue.

Key Operating and Financial Metrics

	FY19	FY20	FY21	Q1FY21	Q1FY22
Insurance Commission	1,316.7	2,133.6	2,591.4	601.2	675.8
Outsourcing services	1,518.4	2,568.4	2,994.2	669.0	744.0
Product listing services	1.0	0.9	0.2	-	-
Rewards	267.0	456.4	483.7	119.8	120.7
Commission from online aggregation of financial products	867.0	1,449.0	578.3	29.3	211.0
Online marketing and consulting	439.8	553.8	1,638.3	271.4	468.1
Sale of leads	439.1	451.9	352.2	24.6	128.8
IT support services	7.2	60.3	218.8	34.3	-
Marketing support	65.7	36.1	7.7	-	28.9
Telecalling services	-	0.7	0.2	0.2	-
Human Health Services	0.1	2.0	1.7	0.5	-
Investment advisory fees	0.5	-	-	-	-
Total	4,922.5	7,713.0	8,866.6	1,750.2	2,377.3

Key Operating and Financial Metrics

	FY19	FY20	FY21	Q1FY21	Q1FY22
Total Premium (Rs. Mn.)	23,154	37,586	47,013	13,021	15,669
Y-o-Y growth (%)		62.3%	25.1%		20.3%
New business premium (Rs. Mn.)	17,187	26,404	27,429	6,437	7,963
Y-o-Y growth (%)		53.6%	3.9%		23.7%
Premium per advisor (Rs. Mn.)	6.3	8.5	14.1	3.7	5.0
Total Sum Assured (Rs. Bn.)	3,547	4,818	7,019	1,754	2,228
Life (Rs. Bn.)	2,895	3,925	4,633	1,241	1,510
Nonlife (Rs. Bn.)	653	893	2,385	512	718
Total Disbursal (Rs. Mn.)	51,015	65,496	29,168	1,097	9,842
% Disbursements to existing users (%)	42.0%	60.0%	67.0%	76.9%	67.8%
Total operating income (Rs. Mn.)	4,922.5	7,713.0	8,866.6	1,750.2	2,377.3
Y-o-Y growth (%)	56.70%	15.00%	35.80%		
Insurance Web Aggregator Services (Rs. Mn.)	3,103.1	5,159.2	6,069.4	1,389.9	1,540.5
Other Services (Rs. Mn.)	1,819.4	2,553.8	2,797.2	360.3	836.8
Contribution Profit (Rs. Mn.)	422.4	1,052.9	3,530.0	493.2	680.0
Contribution margin (%)	8.6%	13.7%	39.8%	28.2%	28.6%
Adjusted EBITDA (Rs. Mn.)	-2,855.2	-3,032.2	-615.1	-583.7	-463.8
Adjusted EBITDA margin (%)	-58.0%	-39.3%	-6.9%	-33.4%	-19.5%

Financial Statement

(In Rs. Cr)	FY19	FY20	FY21	Q1FY21	Q1FY22
Share Capital	0.0	0.0	0.0	0.0	82.2
Net Worth	490.3	1265.8	1991.7	1564.4	1952.2
Long Term Borrowings	64.4	93.5	95.8	104.5	112.0
Other Long Term Liabilities	9.5	13.6	22.2	14.0	24.6
Short-term borrowings	24.3	15.0	12.9	11.6	13.2
Other Current Liabilities	163.0	188.1	208.1	161.0	177.0
Fixed Assets	118.9	147.3	124.8	149.6	138.3
Non Current Assets	211.7	117.7	66.5	121.4	78.6
Current Assets	539.8	1310.9	2139.5	1584.4	2062.0
Total Assets	751.4	1576.0	2330.7	1855.5	2278.9
Revenue from Operations	492.2	771.3	886.7	175.0	237.7
Revenue Growth (%)		56.7	15.0		35.8
EBITDA	(336.1)	(319.9)	(159.8)	(59.4)	(118.4)
EBITDA Margin (%)	(68.3)	(41.5)	(18.0)	(34.0)	(49.8)
Net Profit	(346.8)	(304.0)	(150.2)	(59.8)	(110.8)
Net Profit Margin (%)	(70.5)	(39.4)	(16.9)	(34.1)	(46.6)
Earnings Per Share (Rs.)	(12.0)	(8.7)	(4.1)	(1.7)	(2.9)
Return on Networth (%)	(70.7)	(24.0)	(7.5)		
Net Asset Value per Share (Rs.)	17.0	36.1	54.5	43.2	51.2

Source: RHP, Ashika Research

Cash Flow Statement

(In Rs. Cr)	FY19	FY20	FY21	Q1FY21	Q1FY22
Cash flow from Operations Activities	(282.1)	(364.0)	28.7	(33.8)	(432.7)
Cash flow from Investing Activities	375.3	78.7	(1201.8)	(1129.0)	39.8
Cash flow from Financing Activities	(23.4)	1031.3	758.8	349.8	(5.0)
Net increase/(decrease) in cash and cash equivalents	69.8	746.0	(414.2)	(813.1)	(398.0)
Cash and cash equivalents at the beginning of the year	37.5	106.9	853.4	853.4	438.8
Cash and cash equivalents at the end of the year	106.9	853.4	438.8	40.3	41.1

Source: RHP

Comparison with listed industry peers

There are no listed companies in India whose business portfolio is comparable with that of the company business and comparable to the scale of operations.

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