

PB Fintech



policybazaar.com

paisabazaar.com

Market Dominance in a Winner Takes All Business Model

- PB Fintech operates two dominant online marketplaces – PolicyBazaar (PB) and PaisaBazaar.
 - ✓ PolicyBazaar is India’s largest online insurance marketplace with ~95% market share
 - ✓ Paisabazaar holds a dominant market share in India’s digital consumer credit marketplace
- Both businesses are demonstrating a virtuous cycle of network effect
 - ✓ High Traffic Share → Growing Engagement → Data-driven Automation & Optimization → Improving Unit Economics

Leveraging Technology and Data for Competitive Advantage

- ✓ **Technology-driven Innovation:** PB Fintech utilizes cutting-edge technology and data-driven insights to spearhead innovation in product development and operational processes, fostering competitiveness and efficiency.
- ✓ **Streamlined Processes:** Advancements in product standardization, process automation, and seamless integration with manufacturers and payment gateways reduce human intervention and transaction time, enhancing the appeal of online platforms.
- ✓ **Network Effects:** PB's model capitalizes on network effects driven by consumer demand and improved risk comprehension, fostering transparency and trust, ultimately leading to superior customer experiences and lower claim/default ratios.
- ✓ **Scale:** PB's significant scale enables the delivery of tailored solutions addressing customer pain points, further accelerating conversion and improving unit economics.

Long-term Compounder

- Although Paisabazaar is profitable and expected to grow at >25% in the medium term and is adding value, we believe significant value creation is happening in Policybazaar

POLICYBAZAAR.COM

Solving the hardest problems for customers and insurance partners

- PolicyBazaar (PB) is India's leading online marketplace for comparing and purchasing insurance policies. It provides comprehensive services including full policy management and claims support.
- In India, insurance sales is driven by the fear of loss of financial independence which makes it a push product. At present, 60–70% of life and health products are being sold via offline channels due to the complex nature of the product.
- By harnessing data and technology, PolicyBazaar has digitized product offerings, facilitating comparison, unbundling, and personalization. This has streamlined the customer purchase journey and reduced human interference.
- Using technology PolicyBazaar has been able to operate more efficiently, target customers effectively, and acquire customers at a lower cost, thereby driving productivity and reducing customer acquisition expenses
- By embracing a "phygital" approach, PolicyBazaar intends to seamlessly integrate human-intensive and technology-enabled processes to deliver superior services at scale. Their integrated technology platform provides easy access, facilitates informed decision-making, and seeks to address pain points for both customers and partners.
- PolicyBazaar boasts of delivering leads that result in lower claims, loss ratios, and lapse rates compared to others due to:
 - ✓ PolicyBazaar employs advanced selection methods and rigorous underwriting, emphasizing integrity, precision, and fraud detection to improve approval rates.
- Bolstered by extensive consumer traction, PolicyBazaar has emerged as a leading marketplace in India's insurance landscape. PolicyBazaar's success can be attributed to its deep understanding of risk dynamics, robust tech-enabled platform, and strong and improving unit economics.

- While PolicyBazaar has done a phenomenal job in explaining its competitive advantage, technology and data driven business model it has not been able to provide similar clarity on its financials for regulatory (cap on commissions) and competitive reasons.
- PolicyBazaar does not provide segment-wise revenue and take rates making it difficult to dissect the financials.
 - ✓ It broadly operates in four different segment with different take rate and operating margins and LTV to CAC.
 - ✓ For instance, motor business is the low-quality business while health is highly lucrative with high LTV to CAC.
 - ✓ Modeling segmentwise revenue is important to assess the underlying health of the business.
- Revenue growth needs to be adjusted for renewal business. Else growth can look optically high.
- Automation and productivity led improvement have not been visible as business mix was shifting towards more human intensive health and term business.
 - ✓ In FY2022-23 annual report management indicated that all business segment are contribution positive
 - ✓ They expected incremental EBIDTA of Rs50 crs qoq as operating leverage becomes visible. They are trending above that rate for the last 3 reported quarters.
 - ✓ We expect the employee cost line – equally divided between call center and technology + corporate – to show significant operating leverage.

PHASE I - 2008-2021: Winning the compliance-led (motor and travel) insurance market

- PolicyBazaar's journey commenced as an online lead generator for insurance firms, evolving into a full-stack sales engine.
 - ✓ Product and process digitization with API integration with insurance partners and payment gateways and digital verification of customers.
- This transformation disrupted the price-sensitive compliance-led motor renewal & travel insurance market improving lead conversion and establishing it as an undisputed leader in the online insurance marketplace with 95% market share
 - ✓ PB's ownership of the customer relationship ensures an end-to-end experience, solidifying its brand position.
 - ✓ Product standardization drastically reduced human intervention, propelling the market shift online.

PHASE II 2021 Onwards: Putting Building Blocks in Place to Win the protection-led (health and term) insurance market

- Securing an insurance broker license in June 2021 enabled it to provide advisory and claim administration services.
 - ✓ This helped venture into selling complex products in the lucrative Term and Health insurance market to be sold online.
- Leveraging extensive user data, PB crafts personalized product and marketing strategies, enhancing satisfaction and reducing costs, ensuring a sustainable competitive advantage.
- PB's innovative blending of physical and digital channels establishes it as a leader in customer-centric insurance solutions.
 - ✓ Integration of these channels enhances engagement, fostering trust and loyalty, and drives higher conversion rates.
 - ✓ Offering personalized assistance through concierge services and a phygital network streamlines the buying journey, boosting conversions. Assured 30-minute claim filing service renders agents redundant, consolidating PB's competitive edge.
- Superior product mix, and continuous productivity enhancements, driven by automation and data-driven insights, yield substantial cost reductions resulting in improved LTV/CAC. More importantly, unlike motor, premiums in protection business increase with age.

Term and Health Segment

Attractive LTV to CAC:

- High Renewal Rates
- Annual Premium Increase

High Take Rate:

- Discretionary Purchase
- Product Complexity
- High Administrative Cost

High Margins:

- Scale Benefits
- Process Automation
- Attractive Renewal Margin

PB is redefining the way Protection Insurance is sold – forever!

Policybazaar became an insurance broker in June 2021 which allowed it to provide advice on product selection and do claim administration. With this PB has been able to address the customer pain points and shift the product and distribution landscape

| Customer Pain Points | Initiative by PB to solve such a problem |
|-----------------------------------|--|
| Complex Product | <ul style="list-style-type: none"> • System simplifies customer journey by allowing comparison on various criteria aiding product selection • Displaying FAQ upfront to improve transparency and customer satisfaction • Providing unbundling and personalized options to help add or exclude criteria features. • Possibility of combining two different products to meet customized requirements – especially in savings |
| Cumbersome Process | <ul style="list-style-type: none"> • From un-assisted to chatbot to tele-assistance to in-person appointments to store visit assistance options • Offline expansion was initiated because the management saw an opportunity increase reach and conversion and improve customer loyalty • One-click renewals and real-time update on service and claim requests • Video Calls / Video Uploads - Video medicals / KYC |
| Antagonising Claim Process | <ul style="list-style-type: none"> • Introduced a concierge service offering a 30-minute in-person turnaround at hospitals for claims filing which aims to render agents redundant, thereby tilting the market in favour of PB. • Claim Samadhan – representing rejected claims for review |

The effect of these initiatives is seen in a high customer satisfaction score of 88% and incremental market share in new health and term insurance now in double digits. We believe, many of these features are an outcome of scale and can't be replicated.

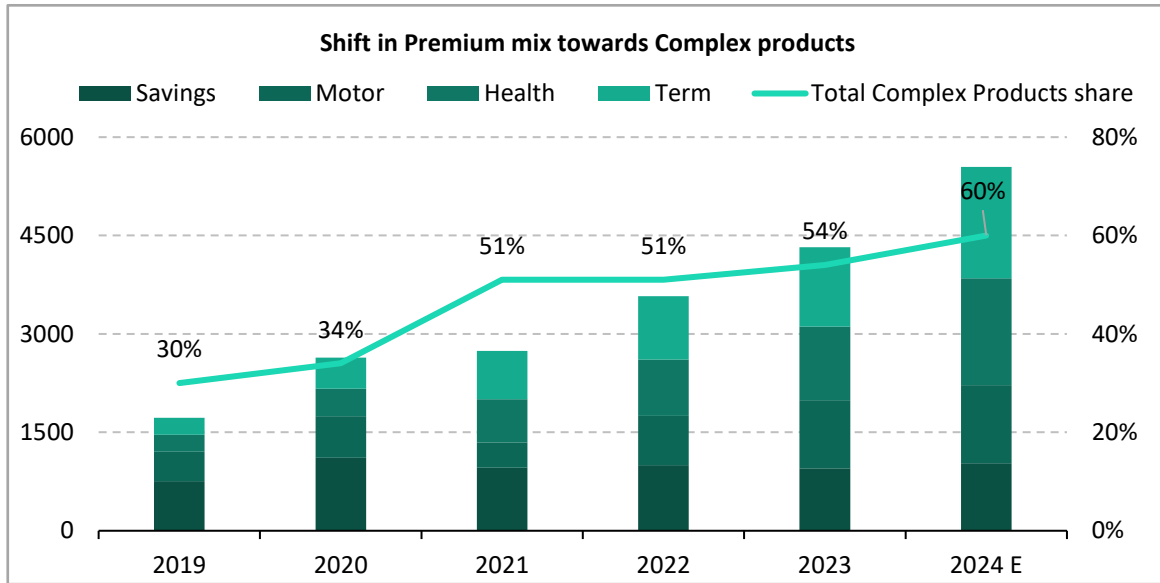
Noticeable Traction Seen in Incremental Market Share in Health and Term

- Incremental market share of new business premium in health and term insurance is now in double digits
- 60% of premium now comes from high-margin protection business. Both businesses earn a highly profitable annuity revenue.

| Products/Attributes | Health | Term Life | Savings Life | Motor |
|---|---------|-----------|-----------------|--------|
| Insurance Partners / Insurance Products | 18/160+ | 15/90+ | 21/95+ | 20/85+ |
| Premium Mix (New Business FY24E) | 29% | 31% | 19% | 22% |
| Commission/Take Rate % | 34% | 43% | 5% | 11% |
| Revenue Mix (New Business FY24E) | 38% | 50% | 3.5% | 8.5% |
| Addressable Market Size (Cr.) | 30000 | 7000 | Approx 5 Lakh | 6000 |
| Incremental Market Share of New Premium | 15% | 25% | 5-5.5% (Ex-LIC) | 20% |

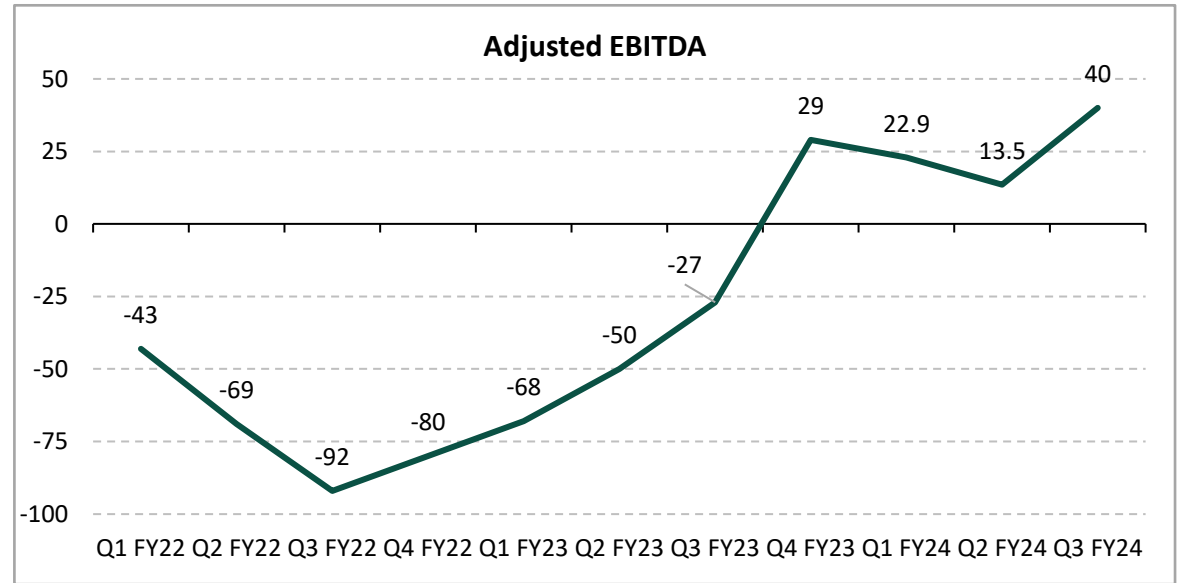
*The total motor insurance market is around 81,000 Crores of which we believe majority goes into the new vehicle insurance. Given most of the vehicle insurance is done for multiple periods when the vehicle is purchased (3 years for PV, 5 years for 2W etc.) the normalised premium for the year is much lower. Moreover, PB only caters to the Renewal side of the business.

Impact of these initiatives is already showing



CAGR Total Premium- 26%

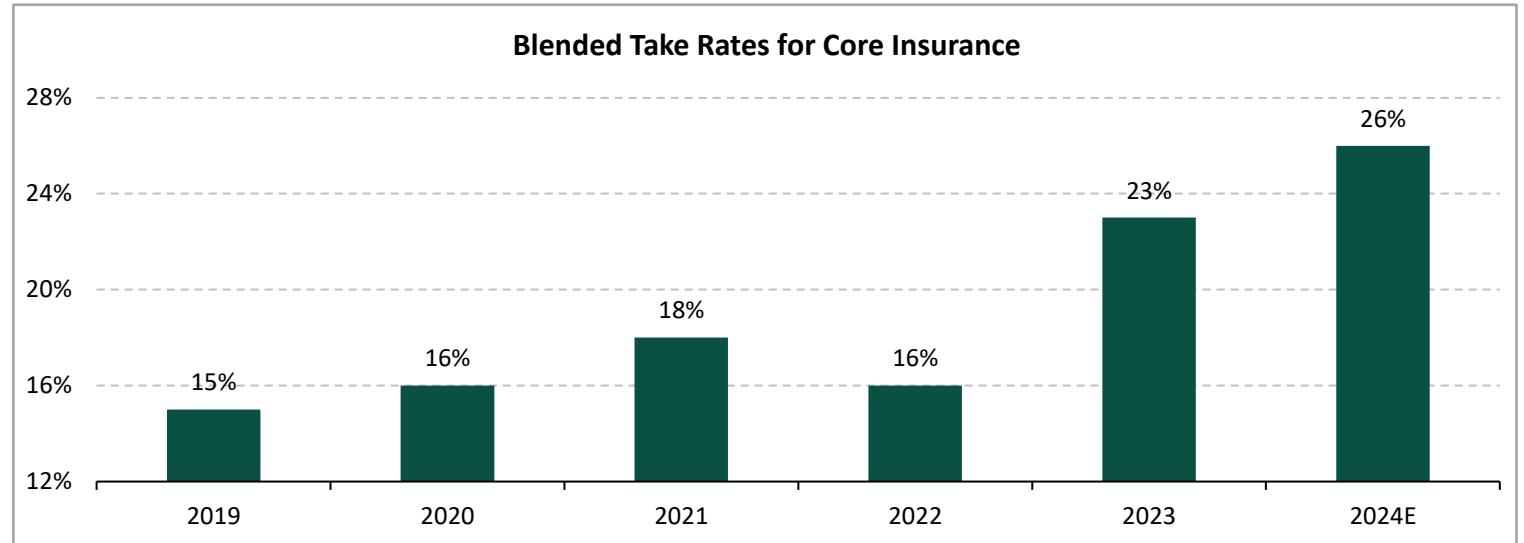
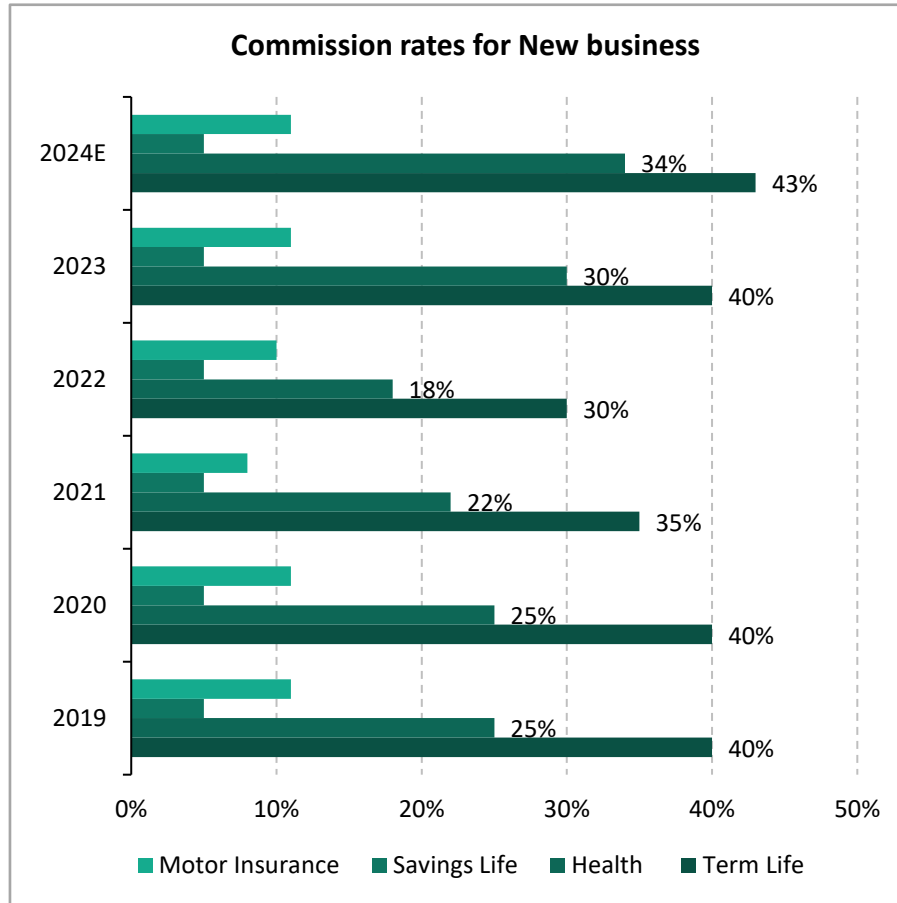
CAGR Only Protection- 45%



- The premium mix is shifting more towards the complex products side which now accounts for 60% of the total premium.
- The revenue mix has also evolved in favour of the complex products where the Revenues as a % of the Total core business revenues has moved from 75% to 90% in the last 4 years.
- The incremental market share for the Health and Term business now stands 15% and 25% respectively. Whereas, on an overall basis the market share for PB in health is around 3.9% as against 2% a couple of years back.
- The contribution from complex products has allowed a significant push on the EBITDA front for the overall business which has turned EBITDA positive and should now scale as we move forward.

Mix is Driving Sharp Improvement in Blended Take Rates

- New Business take rates for Health and Term range from 25-45%; much higher than commission rates for Motor and Life savings which tend to be around 11% and 5% respectively. Additionally, there are hardly any renewal revenues in motor and life. In other words, the quality of Health and Term income is very high.
- This is reflected in the sharp improvement in take rates.



| Growth % | 2020 | 2021 | 2022 | 2023 | 2024E |
|-----------------------|-------|-------|-------|-------|-------|
| New Business premium | 53.7% | 3.9% | 30.4% | 20.9% | 28.3% |
| New Business revenues | 65.4% | 14.8% | 17.9% | 72.7% | 49.1% |

- Being a dominant online marketplace PolicyBazaar gets high-intent inbound leads – 80% are direct. But these leads still need to be converted into sales. PolicyBazaar provides a seamless customer experience by offering a user-friendly interface that assists customers throughout the insurance lifecycle
 - ✓ Through continuous technological enhancements, PolicyBazaar optimizes its platform's user experience, making it easier for customers to navigate and understand insurance options. A seamless and user-friendly interface improves customer satisfaction and encourages higher conversion rates, consequently boosting revenues
 - ✓ Leveraging technology, PolicyBazaar implements data-driven personalization techniques to tailor insurance offerings based on individual customer needs and preferences. Products are unbundled with options for customization. Personalized recommendations enhance customer engagement and increase the likelihood of conversion, ultimately driving revenues.
 - ✓ Offer seamless transactions and easy documentation using OCR and Computer Vision technologies
 - ✓ Easy access to garage and hospital network information, and smooth coordination with surveyors, TPAs, garages, and hospitals
 - ✓ Provide first-loss notification using a mobile app, which helps customers notify the insurer about the loss as soon as it happens
 - ✓ Round-the-clock customer support by leveraging tele/video calls, chatbots, and other technologies to provide real-time assistance and guidance to customers throughout their journey on the platform
 - ✓ These automated tools enhance customer engagement, address queries promptly, and facilitate smoother transactions, leading to improved conversion rates and revenues.
 - ✓ Use Artificial Intelligence (AI) and Machine Learning (ML) algorithms to [detect fraud](#), reduce risk and improve quality of underwriting
- These solutions help customers make informed decisions and conveniently manage their policies. This customer-centric approach and operational excellence have garnered them trust and built a brand and a key competitive edge

- **Automation of Processes:**
 - ✓ PolicyBazaar implements automation technologies to streamline customer acquisition processes, such as lead generation, data entry, and policy issuance
 - ✓ Automation reduces manual effort, minimizes errors, and accelerates task completion, thereby enhancing productivity and lowering operational costs
- **Data-Driven Decision Making:**
 - ✓ PolicyBazaar makes data-driven decisions regarding marketing strategies, lead prioritization, and customer segmentation
 - ✓ By analyzing vast amounts of data, PolicyBazaar identifies trends, predicts customer behavior, and optimizes resource allocation, resulting in more effective customer acquisition campaigns
 - ✓ Utilizing sophisticated algorithms, PolicyBazaar implements dynamic pricing strategies that adjust insurance premiums in real-time based on various factors such as customer demographics, risk profiles, and market trends to improve underwriting risk
- **Enhanced Targeting and Personalization:**
 - ✓ Through advanced technology, PolicyBazaar enhances targeting capabilities by tailoring marketing messages and offers to specific customer segments based on their preferences, demographics, and behavior
 - ✓ Personalized communication improves engagement, increases conversion rates, and reduces customer acquisition costs by maximizing the impact of marketing efforts
- **Efficient Customer Relationship Management (CRM) Systems:**
 - ✓ PolicyBazaar utilizes [state-of-the-art CRM systems](#) to manage interactions with leads and existing customers seamlessly
 - ✓ These CRM systems enable efficient tracking of leads, automation of follow-up processes, and personalized communication, resulting in higher productivity among sales teams and lower customer acquisition costs
- **Efficient Training Programs and CRM Systems:**
 - ✓ Data-driven customer relationship management (CRM) systems reduce the time taken to train advisers and improve their understanding of customer journeys
 - ✓ Data analytics prompt conversations with leads, enabling telecallers to provide relevant information efficiently
 - ✓ Training programs are also implemented to ensure employees are equipped with the necessary skills to leverage these tools effectively
 - ✓ Telecallers predominantly focus on selling term and health insurance, allowing for specialized training and targeted approaches to increase conversion rates

These technology-driven initiatives enable PolicyBazaar to operate more efficiently, target customers effectively, and acquire customers at a lower cost, thereby driving productivity and reducing customer acquisition expenses.

Measuring Cost Efficiency: Premium Per Employee

- The key metrics tracked to measure the efficiency of a sales engine for insurance policies would be premium per executive, and lead-to-sale conversion
- We understand from expert interactions that lead conversion has improved from 9% in 2019 to 20% in 2022. Given the phygital initiative we expect the conversion will improve further

| Improving Productivity factors | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|------|------|-------|------|-------|
| Premium per transacting customer | NA | 5369 | 4897 | 5911 | 8278 |
| Transacting customers/Registered customers | NA | NA | 18.8% | 20% | 20.9% |
| Revenue per transacting customer | NA | 756 | 673 | 848 | 1549 |
| Policy per transacting customer | NA | 1.27 | 1.68 | 2.24 | 2.43 |
| Premium per Employee (Mn) | 2.4 | 4 | 6.4 | 6 | 7.5 |

The synergy of the aforementioned factors—such as product mix optimization, effective customer problem-solving, and strategic data utilization—can serve as pivotal drivers for revenue increase, cost efficiency, and sustainable practices within the company which in a way define the potential for Sustained Competitive Advantage and Value Creation. These elements, each in their unique capacity, have the potential to propel the business into an elevated trajectory of growth and enhanced profitability.

| Revenue Drivers | Cost Drivers | Sustainability Drivers |
|--|---|--|
| ❖ Large Under Penetrated Protection Market | ❖ Product and UX Standardisation | ❖ Strong Brand – High Loyalty |
| ❖ Personalisation To Grow the Market | ❖ Increasing Share of Unassisted Purchase | ❖ Deep Integration with Insurance Partners |
| ❖ Ancillary Revenue from Reward and Consultancy | ❖ Targeted Marketing | ❖ Most Profitable Channel for Insurance Partners |
| ❖ Improve mix and take rates | ❖ Advanced CRM to Increase conversion | ❖ Large and Growing Data Stack |
| ❖ Near Annuity like Renewal Revenue | ❖ Optimised Resource Allocation | ❖ Favourable Regulatory Framework |

Future Profitability Drivers - Higher Take Rate and New Revenues Streams

- Regulatory Cap on commission has been removed from 1st June 2023. We expect this to bring transparency to commission payouts
- PB preferred channel partner for Insurers given lowest claim ratio
 - ✓ They use extensive data disclosure directly from customers to bypass agents prone to fraud and reduce the chances of information asymmetry.
 - ✓ Policybazaar leverages rich historical data collected over 15 years to improve underwriting and uses an AI-based risk framework for fraud detection.
 - ✓ Offer voice analytics to analyze conversations between agents and customers providing transparency and a sharp risk assessment for insurers.
 - ✓ Insurer integration layer provides seamless services to their partners.
- PB claims to be at least 20% cheaper when compared to other channels on Total Cost of Revenue (Cost of Revenue - COR)
 - PolicyBazaar is cheaper on COR despite higher commission rates
- Company expects Insurers to share this benefit with PolicyBazaar
 - ✓ With Customers: By offering exclusive online products with sharper pricing based on better underwriting
 - ✓ With PolicyBazaar: Offering Higher Take Rate
- PolicyBazaar recently got the Composite Broker Licence. We expect this to drive data monetization opportunities from the reinsurance business. There are also untapped growth opportunities in commercial insurance segments such as fire and marine.

| Total Cost of Revenue for Insurance Partner - Health Segment | | | | |
|--|----------------|---|---------------|---|
| Distribution Channel / Costs | Direct Channel | Agency Channel | Banca Channel | PolicyBazaar |
| New Business Commission Rate | NIL | 15-25% | 20-30% | 25-40% |
| Operating Cost | Very High | High | Moderate | Lowest; One on Business Development Person Required. Processes are automated. |
| Claims and Administrative Cost | Moderate | Highest; prone to fraud and poor disclosure | Moderate | Lowest. At least 2-3% lower claim ratio |

| New Life Data | 2022 | 2024E | 2027E | CAGR (2024-27) |
|---------------------------|--------------|--------------|--------------|----------------|
| Total New Premium | 3575 | 5542 | 10211 | 22.6% |
| Motor | 21% | 22% | 17% | 14% |
| Savings | 28% | 19% | 13% | 10% |
| Term | 27% | 31% | 37% | 31% |
| Health | 24% | 29% | 32% | 26% |
| Take Rate | 569 | 1465 | 3011 | 27.1% |
| Motor | 10% | 11% | 11% | |
| Savings | 5% | 5% | 5% | |
| Term | 30% | 43% | 43% | |
| Health | 18% | 34% | 34% | |
| Total Take Rate | 15.9% | 26.4% | 29.5% | |
| Contribution % | | | | |
| Motor | 20% | 27.3% | 30% | |
| Life | 30.8% | 35.7% | 38.7% | |
| Health | 38.9% | 35.3% | 39.7% | |
| Total Contribution | 180 | 509 | 1160 | 31.6% |
| Contribution % | 31.6% | 34.8% | 38.5% | |
| Indirect Cost | 341 | 360 | 456 | 8.2% |
| EBITDA Total | -161 | 150 | 704 | 67.5% |
| EBITDA % | -28.4% | 10.2% | 23.4% | |

The unit economics for the New business has been improving on the back of:

- A shift in product mix where the share of Health and Term is moving from 51% in 2021 to 69% by FY27. (Already at around 61% as of 2024)
- Improvement in the overall take rate from 15.9% to 26.4% and eventually to 29.5% by FY2027. (Shift in product mix to higher value-added products)
- Better revenue mix + operating leverage resulting in significant impact on the contribution and EBITDA margins.
- 80% of the motor insurance is now sold without any human intervention. On the other hand, we estimate the human cost of selling a policy is around INR3000 for health and INR 2000 for term as of FY24. Like in case of motor, automation and productivity improvement would result in significant reduction in selling cost which would significantly aid the contribution margins.

Growing Share Of Highly Profitable Renewal Business:

- PolicyBazaar has experienced rapid growth in its protection business, resulting in a substantial increase in renewal commissions.
- The share of renewal to total core business has increased from 30% in 2020 to 53% in 2024. We expect this to increase further to >58% in 2027.
- Renewals offer an attractive contribution margin of 85% due to minimal incremental costs leading to share improvement in profitability.
- Anticipated growth in premium and revenues for the renewal business stands at an impressive 37% and 43% respectively, underlining a promising outlook for continued expansion and profitability.

| Renewals | FY2020 | FY2024E | FY2027E |
|-----------------------------------|------------|------------|-------------|
| Renewal Premium (As a % of Total) | 1118 (30%) | 6218 (53%) | 15416 (60%) |
| Renewal Revenues | 108 | 545 | 1483 |
| Contribution profit/EBITDA | | 463 | 1261 |

In renewals contribution = EBITDA as there are no other indirect expenses attributable to the segment.

LTV to CAC Extremely Attractive – Contributing Significantly To Overall Value Creation

High Renewal Rates and Lifetime Value:

- Protection businesses boast high renewal rates due to the non-portability of no claim bonus, encouraging customers to stay with the same insurer
- PolicyBazaar achieves persistency rates of 85-91% for health insurance and 74-80% for term insurance, showcasing strong customer loyalty.
- Despite the initial high customer acquisition cost, the protection segment offers a significant lifetime value (LTV) per customer, emphasizing the importance of assessing LTV to customer acquisition cost (CAC).
- PolicyBazaar claims to have an impressive LTV to CAC ratio of 4x in the health segment, indicating robust long-term profitability.

| Years | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---------------------------------------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Health Premium | 18000 | 18720 | 19468 | 20247 | 21057 | 21899 | 22775 | 23686 | 24634 | 25619 | 26644 |
| Growth in Premium | | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4% |
| No. of policies | 100 | | | | | | | | | | |
| Total Premium | 1800000 | | | | | | | | | | |
| Take Rate (Year 1) | 34% | | | | | | | | | | |
| Take Rate (Year 2 and Beyond) | 20% | | | | | | | | | | |
| Direct Cost of the Policy | 22.5% | | | | | | | | | | |
| Allocation of Indirect Cost | 14% | | | | | | | | | | |
| Total Cost of the Policy (A) | 6570 | | | | | | | | | | |
| Discount Rate | 13% | | | | | | | | | | |
| Revenue | 6120 | 3744 | 3894 | 4050 | 4211 | 4380 | 4555 | 4737 | 4927 | 5124 | 5329 |
| Direct Cost from Year 2 | | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% |
| Contribution from the Policy | | 3182 | 3310 | 3442 | 3580 | 3723 | 3872 | 4027 | 4188 | 4355 | 4530 |
| Persistency | | 85% | 91% | 91% | 91% | 91% | 91% | 91% | 91% | 91% | 91% |
| Contribution from Policy (Disc @ 13%) | 6120 | 2816 | 2592 | 2386 | 2196 | 2021 | 1860 | 1712 | 1575 | 1450 | 1334 |
| Total Earnings from a Policy (B) | 26061 | | | | | | | | | | |
| LTV to CAC (B/A) | 4.0 | | | | | | | | | | |

In Summary - Sharp Improvement Unit Economics To Drive Growth in Profitability



Aided by tailwinds from across the board we believe PB has and should continue to see a significant amount of operating leverage going forward and should see profitability much higher than their given targets in the years to come.

| Particulars | 2022 | 2024E | 2027E | CAGR (FY24-27) |
|--|-------|-------|-------|----------------|
| Total Premium (Core Business- New + Renewal) | 6075 | 11760 | 25627 | 29.6% |
| Renewal Premium | 2500 | 6218 | 15416 | 35.3% |
| Total Revenues (Core- New + Renewals) | 797 | 2010 | 4495 | 30.8% |
| Total Take Rate | 13.1% | 17.1% | 17.5% | |
| Contribution Profit | 374 | 972 | 2420 | 35.5% |
| Contribution % | 46.9% | 48.4% | 53.9% | |
| Indirect Cost | 341 | 360 | 456 | 8% |
| Indirect Cost as a % of Revenues | 42.8% | 17.9% | 10.1% | |
| EBITDA (Core Business) | 33 | 613 | 1964 | 47% |

In Insurance Business Regulatory Framework is extremely supportive for an intermediary. Some key points are listed below:

- Insurers must take IRDAI approval before opening or closing a branch. This regulation don't apply to intermediary like insurance brokers which significantly reduces operational compliance and operating cost. These regulations are indirectly encouraging insurance companies to work with distribution companies to source business.
- Inability of agents to offer products from more than 1 Life/General insurance company. (Increases the cost burden on companies and competition for agents). This regulators does not applicable to insurance brokers who can offer and advice on competing products and offer a bouquet of insurance solutions.
- Until recently there was a cap on take rate that could be offered by insurance companies. This regulation has been withdrawn from 1st June 2023. This would allow larger agents and brokers like Policybazaar earn higher commissions.
- Regulation does not allow agents or brokers to solicit business by offering price discounts. This creates an entry barrier for competition to grab market share by offering price discounts on policies. As prices are the same on competing website or agencies customers gravitate to larger companies that offer large breath of products and better service. Service becomes a key differentiator.

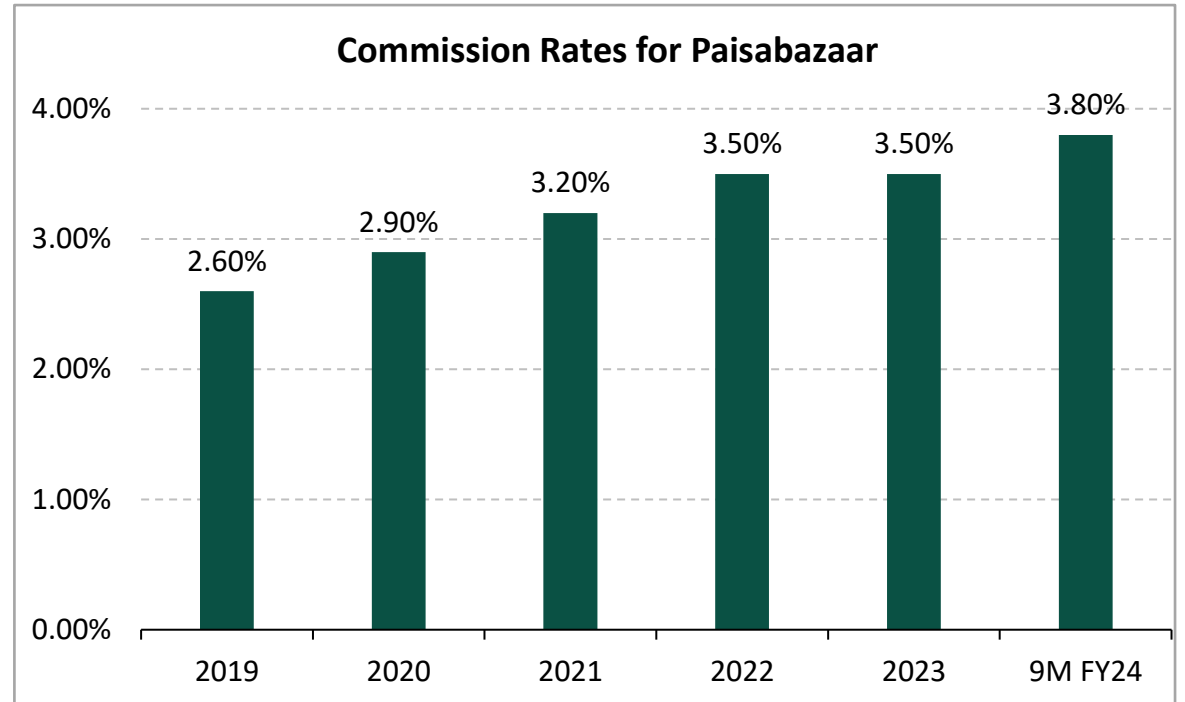
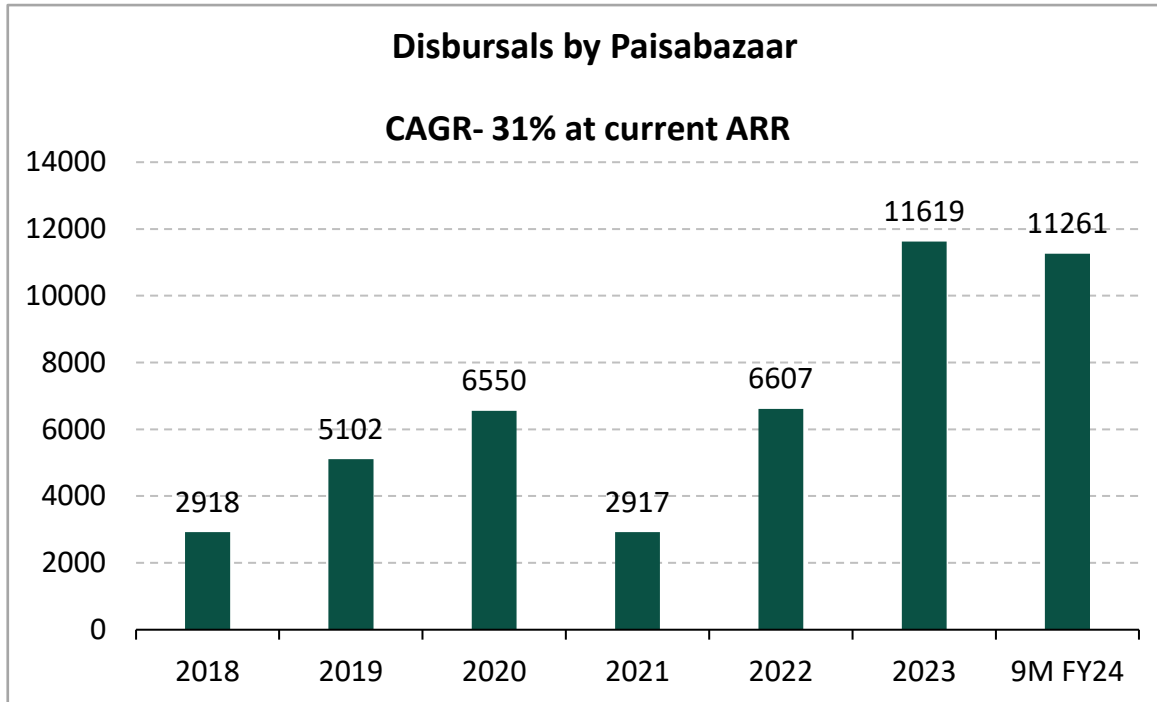
Paisabazaar is a Policybazaar for Lending. With 21 Lakh monthly enquiries, 5.6 lakh credit card issuance and 21 Lakh customers added in Q3 FY24, the business remains one of the leaders within the digital lending aggregator space. It can solve for a lot of customer pain points by offering them a wide choice along with ease of comparison.

| Pain Points for a Customer | Initiative by PB to solve such a problem |
|--|--|
| ❖ Difficulty in finding the best Offer | ❖ Transparent and Neutral comparison from 65+ Partners |
| ❖ Lack of assistance in selecting the best product | ❖ End to End assistance with personalized advice and a chance to personalize the product |
| ❖ A lot of Paperwork and delays | ❖ PB takes care of the digital process, onboarding and approvals. |

Strength of the platform:

1. Independent, unbiased and transparent platform with assistance from trained personnel
2. A smart match algo to help find the most suitable product
3. 15% of India's active credit score consumers are present on paisabazaar
4. 8% of Credit enquiries in India happens on paisabazaar
5. Diversification of business lines with Credit cards.

Paisabazaar's scale up has been like Policybazaar. The disbursements on a YTD basis have grown by 31% in the last 6 years at the current ARR. The management while expects a near term impact on the business growth led by RBI regulation change on unsecured credit, they believe 40% growth for the next few years should not be a problem. Further the take rate within the business has been quite consistent at 3.5-3.7% which we believe carries the potential to inch higher led by: Growing market share driving pricing power and higher share of new products such as Credit Cards



As per our understanding Paisabazaar should be operating at an EBITDA margin of 8-9% in FY24

For PolicyBazaar:

- PolicyBazaar is predominately an online business. And regulatory change requiring a physical interaction such as physical KYC etc could have a material impact on cost. While this risk is partly mitigated as PolicyBazaar is becoming Phygital and establishing branches it still would have cost implication which are higher than other competing distribution channels.
- Regulation allowing bundling or extending duration where competition channels have an inherent advantage
 - ✓ For instance, where regulation changed where coverage for new motor insurance increase for 3 years for Car and 5 years for Two-Wheeler it significantly shrunk the market for renewals which is the primary addressable market for PolicyBazaar.
- Any direct or indirect cap in commissions
- If intermediaries were allowed to offer discounts it would increase competition and thus reduce the profit pool for the industry.

For Paisabazaar

- Implementation of restriction on the size of loans that can be disbursed or regulatory changes or changes in policies within the unsecured side of the business.
- Implementation of physical verification

Other general risk

- Any deterioration in risk underwriting by PolicyBazaar would ultimately impact take rates and overall growth for the business.
- Spike in Defaults from customers coming from Paisabazaar

| Particulars | 2022 | 2024E | 2027E |
|--|-------|-------|-------|
| Total Revenues Policybazaar (Including PoSP) | 1001 | 2811 | 6711 |
| Total Revenues Paisabazaar | 231 | 580 | 1346 |
| Total Revenues | 1232 | 3391 | 8057 |
| Total Contribution % | 26.9% | 34% | 37.3% |
| Total EBITDA | -1104 | -9 | 1782 |
| PAT | -833 | 130 | 1377 |

Our model suggests a Target price of 1526 (36% Upside) as against the current price of 1120 (As of 21/03/2024). It further implies a forward asset light multiple of around 42.5x and 36.2x times FY27E price to earnings.

Note: Our estimates do not account for any ancillary revenues or their newly received Composite license which could open doors for Reinsurance and Commercial insurance which remains a very large opportunity, thereby leaving significant room for growth and market share gains.

Thank you

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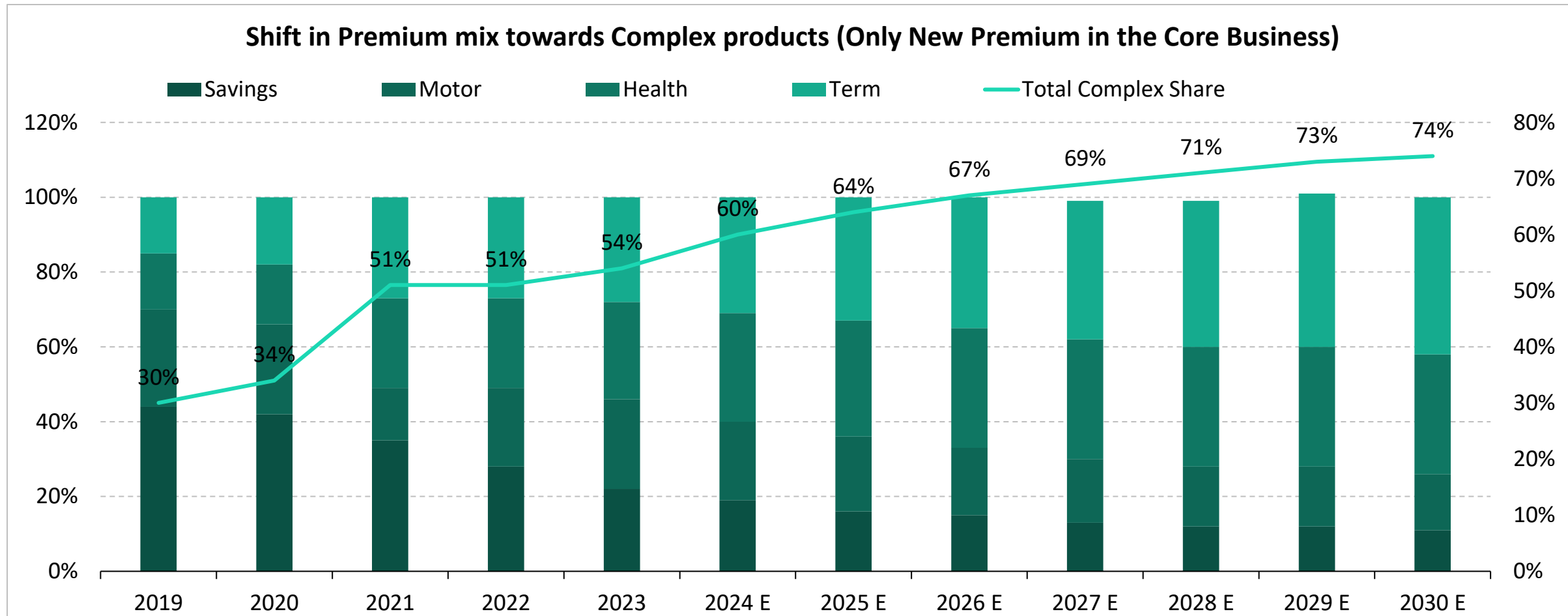
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Annexure

Product Mix evolution


The product mix would more and more move towards the Complex product side thereby driving higher share of Health and Term premium within the entire business mix.



Operating Leverage from Employee Cost

- Based on our estimate the direct human cost of selling a health policy for Policybazaar to be around INR3000.

| Year | 2024E | 2025E | 2026E | 2027E |
|--------------------------------|-------|-------|-------|-------|
| Employee Cost per Month | 36500 | 38325 | 40421 | 42253 |
| Growth in Employee Cost | | 5% | 5% | 5% |
| Policy Sold Per month (Health) | 12 | 14 | 16 | 18 |
| Cost per Policy Sold (A/C) | 3042 | 2738 | 2515 | 2347 |




Health Insurance

Unbundled offers & personalized options

policybazaar.com paisabazaar.com

Unbundled offers: Choose the features you want !



HAR FAMILY HOGI INSURED

Policy benefits

These benefits are part of your insurance cover. You can check plans as per your desired benefits

| | |
|---|---|
| <input type="checkbox"/> Pre-hospitalization covered | <input type="checkbox"/> Post-hospitalization covered |
| <input type="checkbox"/> Day care treatments | <input type="checkbox"/> No claim bonus |
| <input type="checkbox"/> Restoration benefits | <input type="checkbox"/> Free health checkup |
| <input type="checkbox"/> Doctor consultation and pharmacy | <input type="checkbox"/> Maternity cover |

[Apply filters](#)

Existing disease waiting period

It is a time span before a select list of ailments get covered in your policy

- No preference
- Recommended**
 Covered after 1 year
If you have an existing illness
- Covered after 2 years
- Covered after 3 years

Policy period

Selecting a multi-year plan saves your money and the trouble of remembering yearly renewal

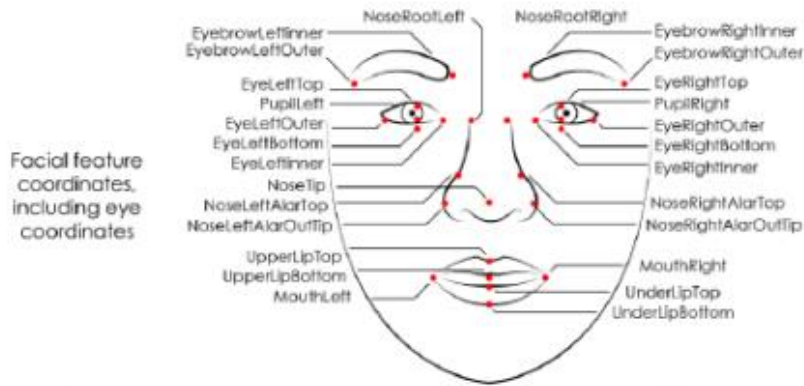
- 1 year
- 2 years
Save up to 10% on premium
- Recommended**
 3 years
Save up to 15% on premium



Technology solutions for Insurance Partners: Risk Assessment

AI based risk framework used to detect fraud

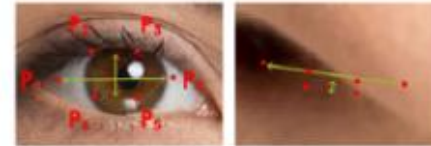
Liveliness checks Models- Deep fakes detection



Face detection using Caffe (Deep learning based Face detector)

1. Face stillness check across all frames [using relative movement of facial coordinates]

Eye blink detection across all frames [Using (EAR) eye aspect ratio logic]



Lip Movement detection across all frames [Using relative movement between Lip top and below coordinates with (considering horizontal distance)]



Eye gaze detection across all frames [on movement of iris region across eye space]



Hand Raise detection across all frames Optional check [As pb suggests for hand raise too while video capture]



Technological Differentiation



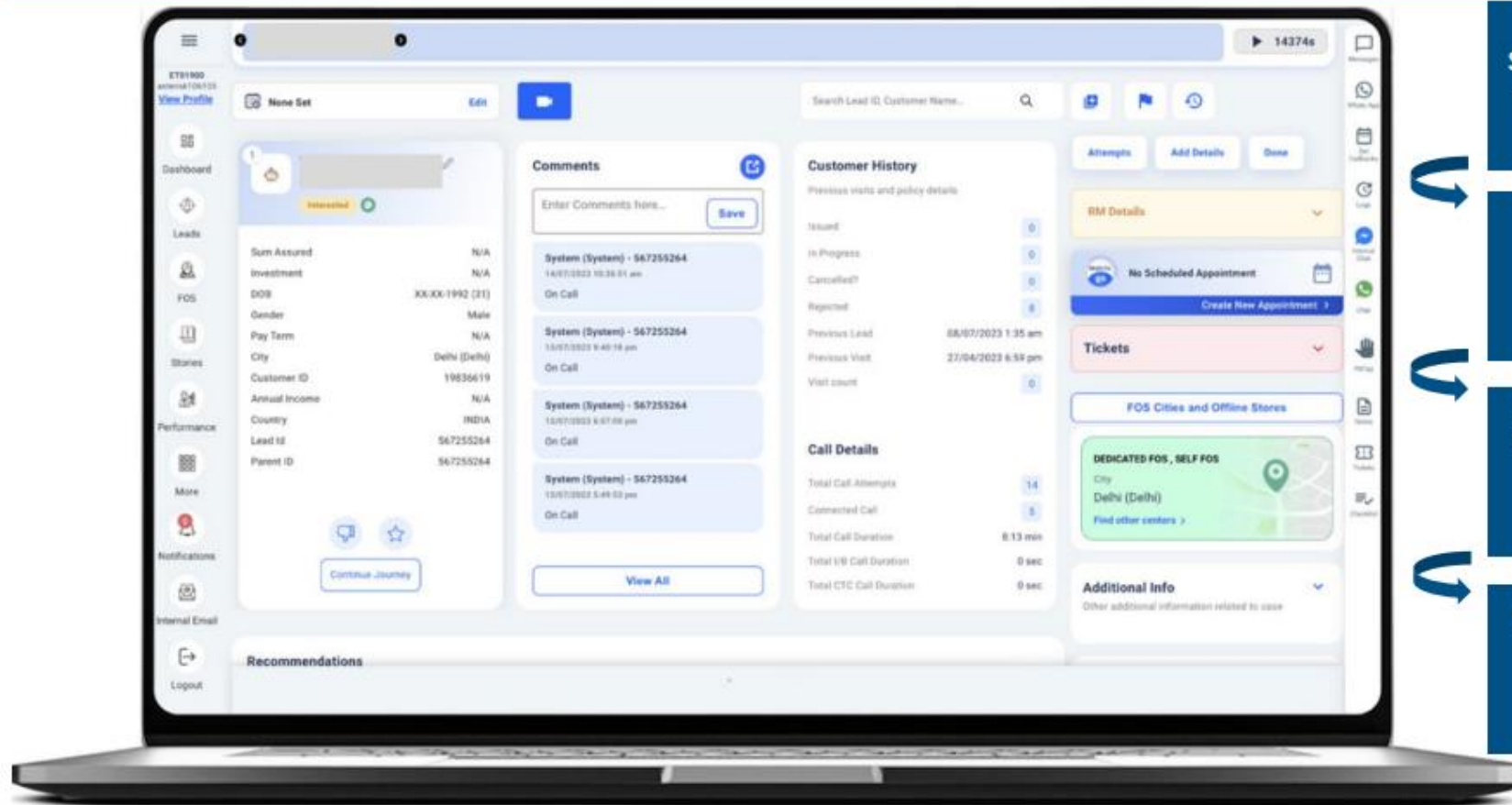
Technology for Operations

Proprietary solutions: CRM, Dialer, Reporting & Analytics

policybazaar.com

paisabazaar.com

Proprietary systems for lead management & booking management



System conducts "Intent Analysis"

Match Lead-score with Agent-score

Auto-allocation of leads, system based DND mode, call reminders

ML based voice analytics for Pitch Quality Check