

RESULT UPDATE

KEY DATA

Rating	REDUCE
Sector relative	Neutral
Price (INR)	1,768
12 month price target (INR)	1,550
52 Week High/Low	2,255/1,161
Market cap (INR bn/USD bn)	812/9.5
Free float (%)	72.0
Avg. daily value traded (INR mn)	2,943.7

SHAREHOLDING PATTERN

(%)	Mar-25	Dec-24	Sep-24
Promoter	-	-	-
FII	45.9	47.8	49.7
DII	23.0	20.6	18.3
Pledge	-	-	-

FINANCIALS

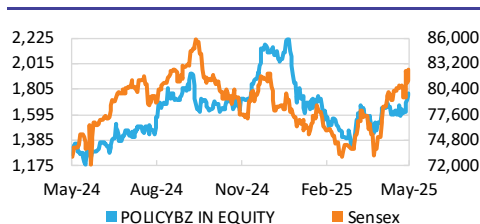
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	49,772	63,603	79,976	98,688
EBITDA	1,182	6,237	11,248	16,074
Adjusted profit	3,366	7,131	11,013	14,673
Diluted EPS (INR)	7.1	14.9	23.1	30.7
EPS growth (%)	383.5	111.9	54.4	33.2
RoAE (%)	5.7	10.4	14.1	16.1
P/E (x)	243.7	115.0	74.5	55.9
EV/EBITDA (x)	663.2	120.8	66.4	45.8
Dividend yield (%)	0	0	0	0

CHANGE IN ESTIMATES

(INR mn)	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	63,603	79,976	0.2	1.3
Adj. EBITDA	7,137	11,548	4.8	4.9
EBITDA	6,237	11,248	5.5	5.0
Adj. Profit	7,131	11,013	11.5	5.1

PRICE PERFORMANCE



Core protection premium growth steady

Despite a slowdown in Q4FY25 online new business premium growth to 20.6% YoY, strong renewal premium growth of 50.2% YoY drove up core insurance revenue 44% YoY. With scale, core adj. EBITDA margin improved 492bp YoY/688bp QoQ to 21.7%. New initiatives' revenue jumped 50.2% YoY led by 41.4% YoY growth in premiums. For Q4, adjusted EBITDA margin rose +361bp YoY to 9.9%, driving overall adj. EBITDA to INR 1.49bn. APAT improved to INR1.70bn (+183.5% YoY).

PB Fintech continues to deliver strong growth in core term and health fresh premiums. Given strong growth and margin focus, we are increasing FY26E/27E adjusted EBITDA by 4.8%/4.9%. Consequently, our TP increases to INR1,550 (earlier INR1,510); retain 'REDUCE'.

Insurance platform shows resilience; credit remains sluggish

For Q4, core platform insurance revenue shot up 44% YoY to INR7.62bn driven by strong growth of 35.2% YoY in premium. For FY25, growth in total premium continued to be strong as new online business premiums jumped 45% YoY, within which online term and life new premium growth is 48% YoY. New core insurance premium growth was just 20.6% YoY as savings business slowed sharply. Core online insurance renewal premium (which operates at 80%+ margins) rose 50.2% YoY. Online core credit revenues slid 17.9% YoY to INR1.15bn as disbursements remained muted (down 33.3% YoY) as a result of restrictions imposed by the RBI on the industry. Q4FY25 contribution margin for existing business came in at 46.3% (+115bp YoY) supported by a higher share of renewals (high-margin segment), scale and operating cost control. Additionally, call centre capacity rationalisation in Q3FY25 aided margins QoQ. Existing business's adj. EBITDA margin improved +492bp YoY/+688bp QoQ to 21.7%. Overall, for FY25, core insurance premium/revenue grew 42.3%/43.2%, along with adj. EBITDA margin improving 252bp YoY to 16.2%, resulting in 53.5% growth in adjusted EBITDA. Management continues to guide for a rapid uptick in contribution and adj. EBITDA margins. Management stated while growth in new business premium has been strong FY25, it expects medium-term growth to be about 30%+.

Operating leverage and cost control boost margins

New initiatives witnessed strong premium growth of 41.8% YoY driving revenue growth of 50.2% YoY. This was driven by a 30% YoY increase in POSP premiums. Contribution margin improved 428bp YoY to 4.3%, resulting in a contribution of INR270mn. Segment delivered adjusted EBITDA margin of (6.3)%, +390bp YoY. Management guided for a breakeven over the next two years in POSP/corporate.

Financials

Year to March (INR mn)	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	15,079	10,896	38.4	12,916	16.7
EBITDA	1,130	54	1,980.2	277	308.4
Adjusted Profit	1,707	602	183.5	715	138.6
Diluted EPS (INR)	3.7	1.3	181.7	1.6	135.0

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	49,772	63,603	79,976	98,688
Employee costs	19,587	22,649	27,059	32,971
SG&A expenses	10,901	13,306	16,484	20,062
Other expenses	16,712	19,813	23,347	27,466
EBITDA	1,182	6,237	11,248	16,074
Depreciation	1,213	1,008	1,044	1,399
Less: Interest expense	338	372	409	450
Add: Other income	4,077	4,677	4,928	5,392
Profit before tax	3,708	9,534	14,723	19,616
Prov for tax	345	2,403	3,710	4,943
Less: Other adj	166	0	0	0
Reported profit	3,532	7,131	11,013	14,673
Less: Excp.item (net)	(166)	0	0	0
Adjusted profit	3,366	7,131	11,013	14,673
Diluted shares o/s	477	477	477	477
Adjusted diluted EPS	7.1	14.9	23.1	30.7
DPS (INR)	0	0	0	0
Tax rate (%)	9.3	25.2	25.2	25.2

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue growth (%)	44.8	27.8	25.7	23.4
Gross Margin (%)	27.4	30.3	32.5	33.9
Other cost (% of Rev)	33.6	31.2	29.2	27.8
EBITDA margin (%)	2.4	9.8	14.1	16.3
Net profit margin (%)	6.8	11.2	13.8	14.9
Revenue growth (% YoY)	44.8	27.8	25.7	23.4
EBITDA growth (% YoY)	nm	427.7	80.4	42.9
Adj. profit growth (%)	391.8	111.9	54.4	33.2

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.2	7.0	7.0
Repo rate (%)	6.0	5.0	5.0	5.0
USD/INR (average)	84.0	82.0	81.0	81.0
Capex	0	0	0	0
Tax rate (%)	9.3	25.2	25.2	25.2
Payable days	42.0	40.0	40.0	40.0
Recievable days	73.3	55.0	55.0	55.0
Dividend per share	0	0	0	0
Employee exp (% of rev)	39.4	35.6	33.8	33.4

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	243.7	115.0	74.5	55.9
Price/BV (x)	13.2	11.8	10.2	8.6
EV/EBITDA (x)	663.2	120.8	66.4	45.8
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	919	919	919	919
Reserves	63,404	71,519	82,832	98,005
Shareholders funds	64,378	72,495	83,809	98,984
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	3,669	4,116	4,973	6,044
Other liabs & prov	3,843	4,010	4,647	5,464
Total liabilities	75,294	84,331	97,576	115,149
Net block	4,165	3,911	6,066	8,615
Intangible assets	11,814	514	554	597
Capital WIP	0	0	0	0
Total fixed assets	15,978	4,425	6,620	9,212
Non current inv	15,332	8,455	8,455	8,455
Cash/cash equivalent	7,931	38,136	45,281	55,122
Sundry debtors	9,996	9,584	12,051	14,871
Loans & advances	13,566	13,702	13,839	13,977
Other assets	7,039	7,711	8,448	9,258
Total assets	75,294	84,331	97,576	115,149

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	3,532	7,131	11,013	14,673
Add: Depreciation	1,213	1,008	1,044	1,399
Interest (net of tax)	338	372	409	450
Others	22,835	507	(8,000)	(9,022)
Less: Changes in WC	(11,755)	(217)	1,847	1,880
Operating cash flow	16,162	8,801	6,313	9,381
Less: Capex	(2,168)	(755)	(3,199)	(3,948)
Free cash flow	13,994	8,046	3,114	5,433

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	5.7	10.4	14.1	16.1
RoCE (%)	6.6	14.5	19.4	22.0
Inventory days	nm	nm	nm	nm
Receivable days	61	56	49	50
Payable days	nm	nm	nm	nm
Working cap (% sales)	46.4	36.0	30.9	27.0
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.1)	(0.5)	(0.5)	(0.6)
Interest coverage (x)	(0.1)	14.1	24.9	32.6

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	383.5	111.9	54.4	33.2
RoE (%)	5.7	10.4	14.1	16.1
EBITDA growth (%)	nm	427.7	80.4	42.9
Payout ratio (%)	0	0	0	0

Exhibit 1: Strong revenue growth drives adjusted EBITDA growth of 116.3% YoY

Income Statement (INR mn)	Q4FY25	Q4FY24	YoY(%/bp)	Q3FY25	QoQ(%/bp)	FY25	FY24	YoY(%)	FY26E	FY27E	FY28E
Revenues	15,079	10,896	38.4	12,916	16.7	49,772	34,377	44.8	63,603	79,976	98,688
Employee expenses	5,082	4,396	15.6	4,874	4.3	19,587	16,441	19.1	22,649	27,059	32,971
Advertising expenses	2,774	2,379	16.6	2,895	(4.2)	10,901	8,990	21.3	13,306	16,484	20,062
Network and internet expense	364	302	20.6	369	(1.4)	1,391	1,148	21.1	1,599	1,839	2,115
Other expenses	5,728	3,764	52.2	4,502	27.3	16,957	9,660	75.5	19,813	23,347	27,466
Total Expenses	13,948	10,841	28.7	12,639	10.4	48,835	36,239	34.8	57,367	68,728	82,614
EBITDA	1,130	54	1,980.2	277	308.4	937	(1,863)	NM	6,237	11,248	16,074
D&A	333	238	39.9	336	(0.8)	1,213	887	36.7	1,008	1,044	1,399
EBIT	798	(184)	NM	(59)	NM	(276)	(2,750)	NM	5,229	10,204	14,675
Finance Costs	92	66	39.6	93	(1.5)	338	265	27.9	372	409	450
Other Income	1,011	983	2.8	1,004	0.7	4,077	3,806	7.1	4,677	4,928	5,392
PBT	1,717	734	134.0	852	101.5	3,463	791	337.6	9,534	14,723	19,616
Tax Expense	8	127	(93.8)	136	(94.2)	345	127	171.3	2,403	3,710	4,943
PAT	1,709	607	181.7	716	138.7	3,119	664	369.4	7,131	11,013	14,673
Profit/(Loss) from Associates	(2)	(5)	NM	(1)	NM	3	(20)	NM	-	-	-
RPAT	1,707	602	183.5	715	138.6	3,532	644	448.3	7,131	11,013	14,673
Basic EPS	3.7	1.4	175.0	1.6	136.7	7.8	1.5	418.0	15.5	24.0	32.0
Diluted EPS	3.7	1.3	181.7	1.6	135.0	7.7	1.5	427.6	14.9	23.1	30.7
Adjusted EBITDA	1,490	689	116.3	787	89.4	3,333	1,440	131.4	7,137	11,548	16,574

Source: Company, Nuvama Research

Exhibit 2: Adjusted EBITDA margin improves 356bp YoY to 9.9%

Margin Analysis	Q4FY25	Q4FY24	YoY (% / bp)	Q3FY25	QoQ (% / bp)
EBITDA Margin (%)	7.5	0.5	700bp	2.1	535bp
Adjusted EBITDA Margin (%)	9.9	6.3	356bp	6.1	379bp
EBIT Margin (%)	5.3	(1.7)	697bp	(0.5)	574bp
APAT Margin (%)	11.3	5.5	579bp	5.5	578bp

Source: Company, Nuvama Research

Exhibit 3: Existing business revenue growth strong at 31.1% YoY; adjusted EBITDA margin improves 492bp YoY

	Q4FY25	Q4FY24	YoY (% / bp)	Q3FY25	QoQ (% / bp)
Revenue Reclassified (INR mn)					
Existing Business	8,770	6,690	31.1	7,710	13.7
New initiatives	6,310	4,200	50.2	5,210	21.1
Total	15,080	10,890	38.5	12,920	16.7
Contribution (INR mn)					
Existing Business	4,060	3,020	34.4	3,150	28.9
New initiatives	270	-	#DIV/0!	150	80.0
Total	4,330	3,020	43.4	3,300	31.2
Contribution Margin (%)					
Existing Business	46.3	45.1	115bp	40.9	544bp
New initiatives	4.3	-	428bp	2.9	140bp
Total	28.7	27.7	98bp	25.5	317bp
Adjusted EBITDA (INR mn)					
Existing Business	1,900.0	1,120.0	69.6	1,140	66.7
New initiatives	(400.0)	(430.0)	(7.0)	(350)	14.3
Total	1,500.0	690.0	117.4	790	89.9
Adjusted EBITDA Margin (%)					
Existing Business	21.7	16.7	492bp	14.8	688bp
New initiatives	(6.3)	(10.2)	390bp	(6.7)	38bp
Total	9.9	6.3	361bp	6.1	383bp

Source: Company, Nuvama Research

Note: Numbers in above exhibit are taken from Q4FY25 investor presentation and may differ slightly from number reported in earnings release.

Exhibit 4: Core insurance take rate improves 99bp YoY

Calculated take rate	Q4FY25	Q4FY24	YoY (% / bp)	Q3FY25	QoQ (% / bp)
Total revenues (A+B)	15,390	10,890	41.3	12,680	21.4
Insurance revenues (A = A1+A2)	13,747	9,490	44.9	11,250	22.2
Total insurance premium	74,178	51,270	44.7	61,350	20.9
Take rate (%)	18.5	18.5	2bp	18.3	19bp
Core insurance revenues (A1)	7,620	5,290	44.0	6,520	16.9
Core insurance premium	47,520	35,160	35.2	41,130	15.5
Take rate (%)	16.0	15.0	99bp	15.9	18bp
Estimated new initiatives revenues (A2)	6,127	4,200	45.9	4,730	29.5
New initiatives premium	26,658	16,110	65.5	20,220	31.8
Take rate (%)	23.0	26.1	(309)bp	23.4	(41)bp
Renewal revenue (included in above)	3,013	2,053	46.8	2,488	21.1
Renewal premium	31,379	20,450	53.4	24,750	26.8
Take rate (%)	9.6	10.0	(44)bp	10.1	(45)bp
Credit revenues (including PB connect) (B)	1,643	1,400	17.4	1,430	14.9
Credit disbursement (including PB connect)	76,520	35,520	115.4	54,370	40.7
Yields (%)	2.1	3.9	(179)bp	2.6	(48)bp
Credit revenues	1,150	1,400	(17.9)	1,190	(3.4)
Credit disbursement	23,680	35,520	(33.3)	28,660	(17.4)
Yields (%)	4.9	3.9	91bp	4.2	70bp
PB connect revenues	493	-	nm	240	105.5
PB connect disbursement	9	7	24.7	9	4.6
Yields (%)	0.9	-	93bp	0.9	-

Source: Company, Nuvama Research

Exhibit 5: Operational metrics

Operational metrics	Q4FY25	Q4FY24	YoY (% / bp)	Q3FY25	QoQ (% / bp)
Policybazaar.com					
Total premium	70,300	51,270	37.1	61,350	14.6
Registered customers (mn)	104.8	77.3	35.6	96.8	8.3
Transacting customers (mn)	20.6	16.6	24.1	19.4	6.2
Policies sold (mn)	52.6	42.1	24.9	49.6	6.0
Transacting/Registered customers (%)	19.7	21.5	(182)bp	20.0	(38)bp
Policy per transacting customer (x)	2.6	2.5	0.7	2.6	(0.1)
Online aggregators market share (%)	93.0	93.0	-	93.0	-
Paisabazaar.com					
Paisabazaar disbursements (INR mn)	23,680	35,520	(33.3)	28,660	(17.4)
Registered customers (mn)	50.8	43.4	17.1	49.4	2.8
Transacting customers (mn)	6.3	5.1	23.5	6.0	5.0
Cumulative number of transactions made since inception (mn)	9.1	7.3	24.7	8.7	4.6
Transacting/Registered customers (%)	12.4	11.8	5.5	12.1	2.1
No. of transactions per transacting customer (x)	1.4	1.4	0.9	1.5	(0.4)

Source: Company, Nuvama Research

Modelled assumptions

We model in a considerable improvement in market share and profitability. For term and health businesses, we model in a market share improvements by 2,269bp and 2,324bp over FY24 to 51.6% and 41.1% in FY35E, respectively.

These segments, along with other businesses, are expected to drive an FY24–35E revenue CAGR of 24%. We are also building in a significant improvement in FY24–35E overall contribution margin by 1,599bp to 45.9%. This is expected to drive adj. EBITDA from INR1.4bn in FY24 to INR34.3bn by FY30E and then to INR120bn in FY35E.

Cost of equity is calculated at 13.5% with a terminal growth rate of 5.5%, resulting in a DCF-based TP of INR1,550. We maintain 'REDUCE'. Upside surprise hereon may come in from the reinsurance business or from any additional businesses that the company may undertake.

Exhibit 6: Revenue build-up assumptions

Revenue drivers	FY23	FY24	FY25E	FY26E	FY27E	FY30E	FY35E	FY24to FY30E (bp)	FY30E to FY35E (bp)
Platform business market share (%)									
Term (ex. LIC)	26.7	28.9	34.9	39.3	42.6	48.4	51.6	1,958	311
Savings (ex. LIC)	2.0	1.8	1.7	1.8	1.9	2.2	2.9	38	66
Savings (total)	1.1	1.1	1.0	1.1	1.2	1.5	2.2	41	65
Health new	13.1	17.8	20.1	23.3	26.9	34.2	41.1	1,639	684
Motor	2.2	2.2	2.4	2.4	2.4	2.3	2.2	16	(10)
Motor (ex. CVs)	5.0	4.8	5.4	5.4	5.3	5.2	5.0	36	(22)
Platform business premium (INR bn)									
								FY24-30E CAGR	FY30E-35E CAGR
Total premium	84	113	161	202	250	480	1,315	27.2	22.3
Platform business take rate (%)	15.5	15.9	16.0	17.3	18.3	19.0	18.7		
Platform business revenue (A)	13	18	26	35	46	91	246	31.0	22.0
Revenue growth (YoY %)	31.7	38.9	43.1	35.3	31.2	24.7	21.2		
Credit business revenue (INR bn)									
Credit business disbursements	119	148	119	166	216	422	1,287	19.1	25.0
Credit business take rate (%)	3.5	3.9	4.2	3.7	3.6	3.5	3.5		
Credit business revenue (B)	4	6	5	6	8	15	45	17.1	25.0
Revenue growth (YoY %)	91.9	39.1	(12.7)	22.9	26.5	25.0	25.0		
New initiatives revenue (INR bn)									
PB Connect disbursements (INR bn)	0	0	86	258	361	856	3,179		
New initiatives premium (INR bn)	32	45	77	92	108	153	246	22.5	9.9
PB Connect take rate (%)	0.0	0.0	0.9	0.9	0.9	0.9	0.9		
New initiatives take rate (%)	26.6	23.4	23.5	22.0	21.4	20.3	19.3		
New initiatives revenue (C)	8	11	19	23	26	39	76	24.1	14.4
Total revenue (A+B+C) (INR bn)	26	34	50	64	80	145	367	27.0	20.5
Revenue growth (YoY %)	79.5	34.4	44.8	27.8	25.7	21.2	20.5		

Source: Company, Nuvama Research

Exhibit 7: Long-term margin assumptions

Earnings and margins	FY23	FY24	FY25E	FY26E	FY27E	FY30E	FY35E	FY24-30E CAGR	FY30-35E CAGR
Contribution (INR bn)	5.1	10.3	13.7	19.3	26.0	57.2	168.4	33.1	24.1
Existing business	6.8	10.6	13.2	18.1	24.3	54.4	161.5	31.3	24.3
New initiatives	(1.7)	(0.3)	0.4	1.1	1.6	2.8	6.9	NM	20.2
Adj. EBITDA (INR bn)	(2.8)	1.4	3.3	7.1	11.5	34.3	120.0	69.6	28.4
Existing business	(0.2)	3.3	5.0	8.4	12.7	35.8	120.7	49.1	27.5
New initiatives	(2.6)	(1.8)	(1.7)	(1.3)	(1.2)	(1.5)	(0.7)	NM	-14.4
EBITDA (INR bn)	(8.2)	(1.9)	1.2	6.2	11.2	33.7	119.1	NM	28.7
Margins (%)									
Contribution margin (%)	20.0	29.9	27.4	30.3	32.5	39.6	45.9		
Existing business	39.9	44.7	43.0	44.2	45.4	51.5	55.5		
New initiatives	(20.1)	(3.2)	2.2	5.0	6.2	7.1	9.1		
Adj. EBITDA margin (%)	(11.0)	4.2	6.7	11.2	14.4	23.8	32.7		
Existing business	(1.0)	13.8	16.2	20.6	23.7	33.9	41.5		
New initiatives	(31.2)	(17.2)	(8.8)	(5.8)	(4.4)	(3.9)	(0.9)		
EBITDA margin (%)	(32.2)	(5.4)	2.4	9.8	14.1	23.3	32.4		

Source: Company, Nuvama Research

Exhibit 8: Market sizing

Segments market size	FY22		FY27E		FY22-27E CAGR	
	(INR bn)	(USD bn)	(INR bn)	(USD bn)	(INR, %)	(USD, %)
Term life (A)	43	0.6	110	1.3	20.7	17.8
Life savings (ex. LIC) (B)	662	8.7	1,245	14.6	13.5	10.8
Life savings (total)	1,210	16.0	1,952	22.8	10.0	7.4
Motor	704	9.3	1,310	15.3	13.2	10.5
Motor ex. CV (C)	317	4.2	590	6.9	13.2	10.5
Health (D)	311	4.1	644	7.5	15.6	12.9
Total PB Fintech addressable premium (A+B+C+D)	1,334	17.6	2,589	30.3	14.2	11.5

Source: Company, Nuvama Research

Exhibit 9: Estimates revision

	Earlier		Revised		Change (%)	
(INR mn)	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	63,387	77,185	63,603	79,976	0.2	1.3
Contribution	18,674	25,226	19,272	25,957	3.2	3.2
Contribution margin (%)	29.5	32.7	30.3	32.5	90bp	60bp
Adj. EBITDA	6,806	11,062	7,137	11,548	4.8	4.9
Adj. EBITDA margin (%)	10.7	14.3	11.2	14.4	49bp	50bp
EBITDA	5,906	10,762	6,237	11,248	5.5	5.0
Adj. Profit	6,380	10,501	7,131	11,013	11.5	5.1
Diluted EPS	13.6	22	14.9	23.1	9.6	3.4
Target Price (INR)	1,510		1,550		2.6	
Rating	Reduce		Reduce			

Source: Company, Nuvama Research

Q4FY25 conference call highlights

Policybazaar

Core insurance platform: Management highlighted that the core insurance premium has increased at a CAGR of 43% over the last five years. For Q4FY25, new core insurance premium increased by 21% YoY. However, there was a drag in Q4 due to underperformance in the savings business. The performance in this segment reflects the overall slowdown in industry growth. Management expects the savings business to remain sluggish until H1FY26. On a positive note, growth in motor and vehicle insurance, which was subdued earlier, has recovered and is now clocking a CAGR of over 30%.

Protection business: In the **protection segment**, management indicated that growth remains intact. The observed reduction in sum assured at the industry level is primarily due to a decline in ULIP products. Protection growth has been in the range of 12–15% over the past two years.

Health Insurance: At the industry level, retail fresh health insurance contributes 23% while renewals account for 77%. For PB Fintech, the contribution from fresh health policies is higher than renewals. The company expects its health insurance business to outpace the term business. This is notable because, at the industry level, the ratio of term to health insurance is 1:3, whereas for PB Fintech, both are currently at similar levels.

Contribution margin: Management stated that the take rate has remained largely stable across business lines. The expansion in contribution margin is supported by the core online business (excluding renewals), which operates at a margin of ~20%. As the share of renewals (high-margin segment) increases, the overall margin is expected to improve further. Additionally, call centre costs incurred during Q2 and Q3 were reduced sequentially, aiding margin expansion. However, the margin was also impacted by the core fresh health business, which currently operates at a negative margin of 15–20%. The company aims to grow business through smaller POSP agents, who offer better margins.

Core business premium stands at INR161.4bn, with an equal split between new and renewal premiums.

Renewal margins: A reduction in the renewal margin from 85% to 80% has been attributed to a revised allocation of costs such as marketing, sales, and call centre expenses.

Commission structure: Management clarified that there has been no change in its strategy regarding the sale of long-term insurance contracts.

Paisabazaar

Credit business: In FY25, credit business witnessed a slowdown due to overall moderation in the lending industry. To counter this, the company is planning to expand into secured lending products such as home loans, loans against property, and car loans. The company also continues to emphasize technology-led collections.

PB Connect: PB Connect is currently in its early stages. The business is largely driven by large POSP agents, making it lumpy and resulting in a low take rate of around 0.9%.

FLDG (First Loan Default Guarantee): Management stated that FLDG exposure will likely increase as the company gains better understanding of credit risk. Importantly, any FLDG the company undertakes is fully provided for upfront.

PB Money: PB Money is helping PB Fintech gain a deeper understanding of its customers, allowing it to provide more tailored financial advice. This initiative is enhancing product curation and risk management. The company plans to monetize PB Money by selling bonds and fixed deposits through the platform.

Adj. EBITDA margin in the credit business stands at 7% for FY25. The revenue from PB Connect during this period was INR550mn.

New initiatives

Contribution margin: UAE business has started contributing to overall profitability, although its share remains small, contributing only 10–20%. Corporate and POSP businesses are expected to break even over the next two years.

Premium contribution: Premium from POSP: INR50bn, Corporate – INR10bn and Dubai INR11bn.

Others

Increase in receivables: Management explained that the increase in receivables is due to the accounting treatment of long-term health insurance policies. For example, in a three-year health insurance plan, although the insurer pays commission over the policy tenure, PB Fintech is recognizing the full three-year commission upfront. This has led to a spike in receivables. Moreover, the company is now selling more health policies with a monthly premium mode compared to the annual mode. As a result, collections are spread over time. Management expects the receivables situation to normalise in the next two–three quarters.

PB Health: Management emphasised PB Health should be evaluated from a long-term perspective. The company plans to operate five hospitals in the NCR region, and it may acquire two–three already-operational hospitals as part of this plan.

AI: Collections are currently being handled through a combination of AI bots and human agents. For complex products such as life and health insurance, human agents continue to play a key role, as AI has limited capability in explaining product features at this point. However, the company is conducting experiments with AI and acknowledged that it has improved overall productivity.

Persistency: In terms of NOP and premium, the company has reported a record-high year 1 (R1) persistency, which it considers structural. Management also highlighted that their generous no-claim bonuses have supported strong renewal rates. Persistency beyond two years (R2+) has remained steady and consistent.

Future plans: The company is evaluating opportunities to enter distribution of bonds, fixed deposits and pension products.

Company Description

PB has built largest online platform for insurance and lending products, leveraging the power of technology, data and innovation. The company also facilitates its insurer partners and lending partners in the financial services industry to innovate and design customised products for consumers leveraging its extensive data insights and data analytics capabilities.

PB launched PolicyBazaar, its flagship product in 2008 to create a consumer-pull based, provider-neutral model for insurance distribution. It is registered with, and regulated by IRDAI, as a life and general insurance broker. PolicyBazaar is largest digital insurance market place in India with 90%+ market share, based on the number of online policies sold in FY22 and a total premium collection of INR 235bn in FY25.

PB also launched PaisaBazaar in 2014, with strong emphasis on convenience and transparency in selecting a variety of personal loans and credit cards. PaisaBazaar is India's largest digital consumer credit marketplace with over 50% share, based on disbursements in FY22. Paisabazaar is also widely used to access credit scores, with ~50.8mn consumers cumulatively having accessed their credit score through its platform as of FY25.

The company has invested in new initiatives like PB Partners (Tech platform for independent agents), PB Corporate (Tech platform for Corporate/SME insurance experience), and PB UAE. These investments have helped the company scale up significantly and command leadership across complementary areas to its core offering.

Investment Theme

PB has a market share of 90% plus in online insurance policies sales. Digital insurance sales is only ~1% of total premiums. The company has invested in the appointments channel to drive sales of savings and health insurance sales as growth in these segments requires higher customer engagement. PB has set up a strong network of client servicing agents across India with on ground support touch points in 200 cities to help customers file for claims. The company believes that investing in claims servicing will enable it to attract more customers both in the online and offline channels.

We believe Margin expansion to be driven by uptick in: i) renewal revenues in general and health insurance; ii) appointments channel; iii) renewal business in Paisabazaar, and iii) overall efficiency.

Key Risks

Growth slowdown in insurance sales or offtake of online insurance, particularly in savings and health products, and protracted weakness in capital markets affecting ULIP persistency may result in lower-than-anticipated revenues.

Intensifying competition from online platforms and IRDAI initiatives such as Bima Sugam may result in: i) a loss in market share; and ii) reduced bargaining power with insurers, which in turn may translate to lower take rates.

Regulatory changes that can have a profound impact and materially impact business.

As insurers focus on growing their direct channels, we believe any disagreements on terms of business or commissions may lead to exits by large insurers.

Insurance sales is people intensive and we believe that the company will need to keep adding employees to generate sales.

Additional Data

Management

Group CEO	Yashish Dahiya
CTO	Saurabh Tiwari
CFO	Mandeep Mehta
Auditor	Walker Chandio & Co LLP

Holdings – Top 10*

	% Holding		% Holding
Makesense Techn	13.04	Axis AMC	2.75
Capital Group C	6.91	FundRock Manage	2.72
Dahiya Yashish	4.31	Blackrock Inc	2.63
Diphda Internet	4.11	NPS Trust A/c U	2.49
Vanguard Group	2.88	Franklin Resour	2.21

*Latest public data

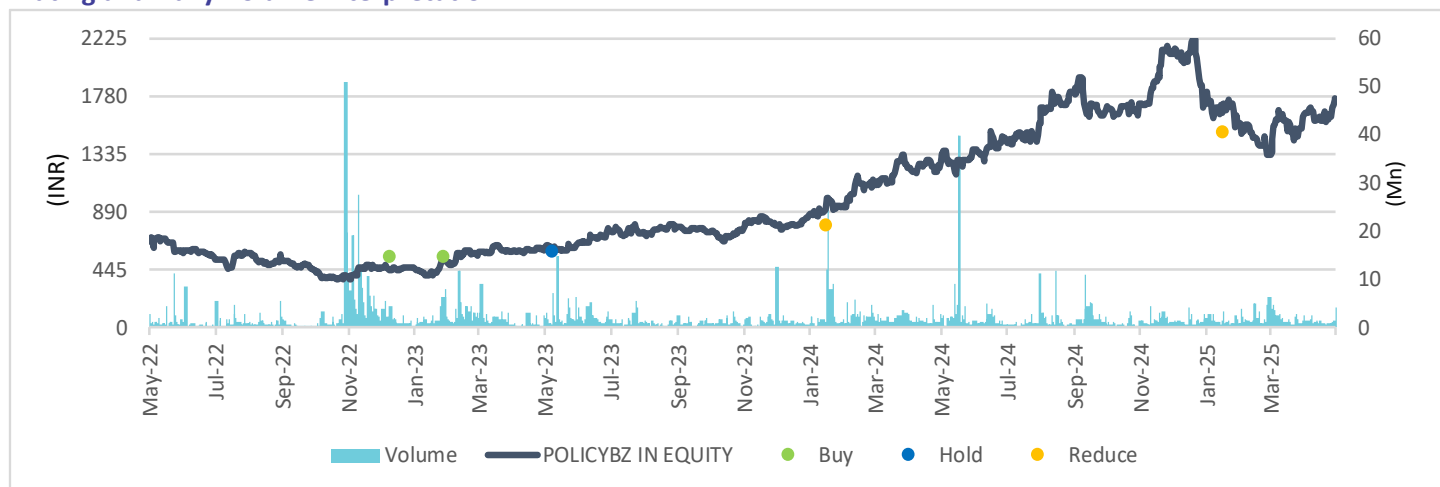
Recent Company Research

Date	Title	Price	Reco
30-Jan-25	Core growth intact; <i>Result Update</i>	1763	Reduce
06-Nov-24	Core growth strong; margins slightly off; <i>Result Update</i>	1642	Reduce
07-Aug-24	Premium growth; valuation steep; <i>Result Update</i>	1425	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
01-May-25	ETERNAL	Strong execution despite competition; <i>Result Update</i>
29-Apr-25	IndiaMART	Subscriber addition remains subdued; <i>Result Update</i>
21-Apr-25	Just Dial	In-line results; collection growth surpr; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	63
Reduce	<-5%	34

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