

Company Overview

PB Fintech Limited ("PB Fintech") incorporated on June 4, 2008 has built India's largest online platform for insurance and lending products leveraging the power of technology, data and innovation. To provide convenient access and awareness for Insurance products PB Fintech launched Policybazaar, which has since become India's largest digital insurance marketplace with 93.4% market share based on the number of policies sold. They also facilitate Insurer partners to innovate and design customized products through extensive data insight and data analytics capabilities. As of September 30, 2021, 48 Insurer Partners have offered over 390 Term, Health, Motor, Home and Travel Insurance Products on the Policybazaar platform. PB Fintech has also launched Paisabazaar which is India's largest digital consumer credit marketplace with a 53.7% market share, based on disbursements in Fiscal 2021.

Objects of the issue

The IPO proceed will be used towards the following purposes;

- ⇒ For enhancing visibility and awareness of company's brands, including but not limited to "Policybazaar" and "Paisabazaar"
- ⇒ New opportunity to expand the consumer base and fund strategic investments and acquisitions
- ⇒ Expanding presence outside India
- ⇒ General Corporate Purposes

Investment Rationale

Strong, consumer-friendly brands offering wide choice, transparency and convenience:

PB Tech has invested heavily in marketing to create strong brands in both PolicyBazaar and Paisabazaar giving it a Pan-India presence which is increasingly moving towards a digital economy.. Their innovative marketing campaigns are focused on themes including "comparing products and features", "not getting fooled" and "making the right buying decision", reinforcing the purpose of Policybazaar and Paisabazaar which is to enable consumers to make informed purchasing decisions. This simple and strong marketing has enabled them to command high market share.

Asset light model and strong network effects

The technology based business model of PB Fintech is innovative and customer centric which benefits from strong network effects at scale as a result of their positioning as a trusted and default trust engine for insurance and personal credit products in India. Company's Policybazaar and Paisabazaar platform offerings address the large and highly underpenetrated online insurance and lending markets. PB Fintech has an asset-light capital strategy which keeps risks at bay and do not underwrite any insurance or retain credit risk on their books.

Valuation and Outlook

PB Fintech has built India's largest online platform for insurance and lending products leveraging the power of technology, and innovation. which has a massive scope of growth. The company has created such strong brands in both "Policybazaar" and "Paisabazaar" that they are recognized throughout India. Their innovative marketing campaigns, proprietary technology stack and powerful network will help them benefit from the increased awareness and demand for insurance products in India. On the valuation front, the issue is priced at a P/B value of around 22.1x on the basis of FY21 book value, upper price band and post issue equity shares. However, at such high valuations, the issue is fully priced and risk to reward seems unfavorable for investors. Thus, we recommend to **AVOID** this IPO.

Issue Details	
Offer Period	01 st Nov– 3 rd Nov, 2021
Price Band	INR.940 to INR.980
Bid Lot	15
Listing	BSE&NSE
Issue Size (no. of shares in Mn)	58.26

Issue Size (INR. in bn)	57.10
Face Value	2

Issue Structure	
QIB	75%
NIB	15%
Retail	10%

BRLM	Kotak Mahindra Capital, Morgan Stanley, Citigroup, ICICI Securities, HDFC Bank, IIFL Securities, Jeffries India
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Registrar	Link Intime India Pvt. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoters	0%	0%
Public-selling shareholders	15.48%	9.53%
Employee Trust	5.48%	5.01%
Public	79.23%	85.45%
Total	100%	100%

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Income Statement (In mn)

Particulars	FY19	FY20	FY21	Q1FY22
Revenue				
Revenue from Operations	4,922	7,713	8,867	2,377
Total Revenue	4,922	7,713	8,867	2,377
Expenses				
Employee Benefit Expenses	3,976	5,208	5,540	2,099
Advertisement and promotion expense	3,458	4,452	3,678	1,062
Network and Internet Expense	317	508	588	159
Other Expenses	531	744	657	240
Total Operating Expenses	8,283	10,912	10,464	3,561
EBITDA	(3,361)	(3,199)	(1,598)	(1,184)
Depreciation and Amortisation Expense	304	473	414	100
Other Income	366	843	708	204
EBIT	(3,299)	(2,829)	(1,304)	(1,079)
Finance Costs	75	119	115	29
PBT	(3,374)	(2,948)	(1,419)	(1,108)
Current Tax		92	83	0
Tax Related to Earlier Period	(0)	-	0	-
Deferred Tax Charge	94	-	-	-
Total Tax	94	92	83	0
PAT	(3,468)	(3,040)	(1,502)	(1,108)
Diluted EPS	(12)	(9)	(4)	(3)
PE	(81.6)	(112.9)	(238.4)	(84.2)

Source: RHP, BP Equities Research

Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21	Q1FY22
Cash Flow from operating activities	(2,821)	(3,640)	287	(4,327)
Cash flow from investing activities	3,753	787	(12,018)	398
Cash flow from financing activities	(234)	10,313	7,588	(50)
Net increase/(decrease) in cash and cash equivalents	698	7,460	(4,142)	(3,980)
Cash and cash equivalents at the beginning of the period	375	1,069	8,534	4,388
Cash and cash equivalents at the end of the period	1,069	8,534	4,388	411

Source: RHP, BP Equities Research



Balance Sheet (In mn)

Particulars	FY19	FY20	FY21	Q1FY22
Liabilities				
Share Capital	9	11	12	822
Other Equity	4,894	12,647	19,905	18,699
Net worth	4,903	12,658	19,917	19,522
Lease Liabilities	644	935	958	1,120
Employee Benefit Obligation	92	136	222	246
Other Non Current Liabilities	3	-	-	-
Total Non Current Liabilities	739	1,071	1,180	1,366
Lease Liabilities	243	150	129	132
Trade Payables	1,110	1,179	1,019	1,030
Other Financial Liabilities	286	365	445	359
Employee Benefit Obligation	100	136	163	192
Other Current Liabilities	134	200	454	188
Total Current Liabilities	1,872	2,031	2,210	1,902
Total Liabilities	7,514	15,760	23,307	22,789
Assets				
Property, Plant & Equipment	319	403	235	203
Right of Use Asset	850	1,013	977	1,144
Intangible Assets	20	57	36	36
Financial Assets	106	59	105	119
Current Tax Assets (Net)	817	1,117	550	661
Other Non-Current Assets	4	1	10	6
Total Non Current Assets	2,117	2,651	1,912	2,169
Investments	1,252	20	1,377	5,551
Trade Receivables	1,313	1,788	1,729	1,609
Cash and Cash Equivalents	1,069	8,534	4,388	411
Bank Balances	1,604	2,522	13,714	9,306
Loans	3	6	3	4
Other Financial Assets	1	77	57	3,588
Other Current Assets	155	163	126	151
Total Current Assets	5,398	13,109	21,395	20,620
Net Current Assets	3,525	11,079	19,185	18,718
Total Assets	7,514	15,760	23,307	22,789

Source: RHP, BP Equities Research

Key Risks

- ⇒ Uncertainty in relation to the continuing effects of the COVID-19 pandemic and associated responses in their business.
- ⇒ Company's inability to undertake fee and commission based activities owing to external factors such as general macro economic conditions, regulatory instructions and competitive factors among others.
- ⇒ Adverse changes in states of Uttar Pradesh, Bihar and Madhya Pradesh, where their significant portion of merchant distribution network is located, can adversely affect their business, financial condition and results of operations.
- ⇒ Disruption, weakness, failure of our information technology systems, breach of data, cyber threats, inability to innovate, upgrade and respond to new technological advances.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001

BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591

BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392