

PB Fintech Limited (Policybazaar)

SSIS IPO GRADE 3.75/5 (Above Average)

26th October, 2021

Rating Overview

PB Fintech is India's leading online platform for insurance and lending products. They provide access to insurance, credit, and other financial products. It is one of their aims to raise awareness on the importance of insurance and good credit practices, with their 51 insurance provider partners.

India's life insurance market is expected to reach INR 31.9 trillion in FY2030, driven by favorable macro indicators, rising awareness towards financial products and services, digitization and simplification of products and processes, online channels for distributions, innovations and customizations in products and favorable government policies and regulatory push. The non-life insurance market in India is expected to reach INR 7.1 trillion Gross Direct Premium by FY2030, driven by a growing middle-class, rising awareness about insurance protection, innovative products, growth in associated industries, and favourable regulatory landscape.

At the upper band of INR 980, the issue is valued at a EV/Revenue multiple of 49.49x based on its FY21 Revenue of INR 8,866.6 Mn. Though the company has been making net losses for the past three years, their plans for future strategies for expansion and scalability show great promise in the fintech market. Their net losses have been declining YoY since FY19, and they could potentially become a PAT positive company soon.

Policybazaar has a 90% share in the digital insurance market, and Paisabazaar has a 51% share in the digital consumer lending market. Overall, they are the market leaders on their segment. Their digital model is capital light and efficient, and is substantially scalable in a short period of time. The industry outlook for both the consumer credit and insurance industry are both positive as they are expected to expand significantly by 2030E, and the company also has strong fundamentals which is implicit of a promising future.

PBFL has an asset-light capital strategy and do not underwrite any insurance or retain any credit risk on its books. Our overall rating of PB Fintech is fundamentally sound given its market position, asset quality and product scalability. The ask price is on the higher side but It's a great long term opportunity in the ecommerce sector.

Note: The analyst has no plans of subscribing to the offer and does not hold any shares in the company prior to, or at the time of writing this review.

Company Overview

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.

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 Fiscal 2020, 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.

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 Fiscal 2021. 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.

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. It 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 provide 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.

Fundamental Overview

2 On the financial performance front, for the last three fiscals, on a consolidated basis, PBFL has posted total income/net profit (Loss) of Rs. 528.81 cr. / Rs. - (346.81) cr. (FY19), Rs. 855.56 cr. / Rs. - (304.03) cr. (FY20) and Rs. 957.41 cr. / Rs. - (150.24) cr. (FY21). For the first three months of FY 22 ended on June 30, 2021, it has posted a loss of Rs. - (110.84) cr. on a total income of Rs. 258.17 cr. Thus it has been posting negative earnings for all these years.

For the last three fiscals, on a consolidated basis, PBFL has posted a negative EPS of Rs. - (6.95) and a negative RoNW of - (23.57%). The issue is priced at a P/BV of 19.14 based on its NAV of Rs. 51.19 as of June 30, 2021, and at a P/BV of 7.73 based on its post-issue NAV of Rs. 126.86 (at the upper cap).

Due to negative earnings, its P/E for IPO pricing cannot be ascertained.

Summary of financial Information				
Particulars	For the year/period ended (Rs in Millions)			
	30-Jun-21	31-Mar-21	31-Mar-20	31-Mar-19
Total Assets	22,789.05	23,307.26	15,759.99	7,514.48
Total Revenue	2,581.74	9,574.13	8,555.63	5,288.07
Profit After Tax	- 1,108.44	(1,502.42)	(3,040.29)	(3,468.11)

Issue Details

To part finance its needs for enhancing visibility and brand awareness (Rs. 1500 cr.), new opportunity for offline presence initiative (Rs. 375 cr.), strategic investment and acquisitions (Rs. 600 cr.), expanding its presence outside India (Rs. 375 cr.) and general corporate purpose, PBFL is coming out with a maiden combo IPO of fresh equity issue of Rs. 2 each worth Rs. 3750 cr. and an offer for sale (OFS) of Rs. 1959.72 cr. making the overall size of the issue for Rs. 5709.72 cr. (approx 58262445 shares). The company has fixed a price band of Rs. 940 to Rs. 980 per share and will be issuing 38265300 fresh equity shares and OFS for 19997145 equity shares (at the upper price band). The issue opens for subscription on November 01, 2021, and will close on November 03, 2021.

Having issued initial equity at par, PBFL has raised further equity in the price range of Rs. 3347.28 to Rs. 91269.00 between September 2008 and June 2021, (based on FV of Rs. 2 per share). It has also issued bonus shares in the ratio of 499 for 1 in June 2021. The average cost of acquisition of shares by the promoters/selling stakeholders is Rs. 20.08, Rs. 88.16, Rs. 91.35, Rs. 130.08, Rs. 159.31 and Rs. 289.95 per share.

Post issue PBFL's current paid-up equity capital of Rs. 82.25 cr. will stand enhanced to Rs. 89.90 cr. Based on the upper price band of the IPO, the company is looking for a market cap of Rs. 44051 cr.

Application Dates	Nov 1, 2021 – Nov 3, 2021
Issue Type	Book Built Issue IPO
Face Value	₹2 per equity share
IPO Price	₹940 to ₹980 per equity share
Market Lot	15 Shares
Listing At	BSE, NSE
Issue Size	[.] Eq Shares of ₹2 (Up to ₹5,625.00 Cr)

Issue Timeline	
Basis of Allotment Date	Nov 10, 2021
Initiation of Refunds	Nov 11, 2021
Credit of Shares to Demat Account	Nov 12, 2021
IPO Listing Date	Nov 15, 2021

Investment Strategy

Though the company is in operation for over a decade, it has not yet broken the ice to turn green. Based on all parameters, the issue is highly priced. No doubt recent madness for Unicorn and Tech IPOs following Zomato is still continuing and accepting fancy pricing of loss-making companies. Though, the company has bright prospects going forward, its issue pricing discounts all near term positives. Hence, risk seeker/cash surplus investors may consider investment for the long term, others may avoid it.