

October, 29, 2021

PB Fintech Limited

PB Fintech is India's leading online platform for insurance and lending products. The company provides convenient access to insurance, credit, and other financial products and aims to create awareness in India about the financial impact of death, disease, and damage. The Company has two business segments (1) Policybazaar & (2) Paisabazaar.

Positives: (a) The Company has strong brand recall (b) High renewal rates providing clear visibility into future business and delivering superior economics (b) Policybazaar is india's largest online platform for insurance (c) Experienced Board and senior management team.

Investment concerns: (a) PB Fintech is making continuous losses on bottom-line front, hence profit concerns remain; (b) the company operate in dynamic and competitive online fintech industries, which makes it difficult to predict our future prospects.

Outlook & Valuation: In terms of valuations, the post-issue FY2021 EV/Sales works out 47.6x to (at the upper end of the issue price band), which is high considering 's historical financial performance (making continuous losses on bottom-line front). Considering the company's overall business model and higher valuation, we recommend a NEUTRAL rating on the issue.

Key Financials

Y/E March (Rs cr)	FY2019	FY2020	FY2021	1QFY21	1QFY22
Net Sales	492	771	887	175	238
% chg	-	56.7	15.0	-	-
Net Profit	(347)	(304)	(150)	(60)	(111)
% chg	-	-	-	-	-
OPM (%)	(68.3)	(41.5)	(18.0)	(34.0)	(49.8)
EPS (Rs)	(8.4)	(7.4)	(3.7)	-	-
P/E (x)	-	-	-	-	-
P/BV (x)	82.2	31.8	20.2	-	-
RoE (%)	-	-	-	-	-
RoCE (%)	-	-	-	-	-
EV/Sales (x)	81.3	51.0	43.4	-	-
EV/EBITDA (x)	-	-	-	-	-

Angel Research; Note: Valuation ratios based on pre-issue outstanding shares and at upper end of the price band

Neutral

Issue Open: Nov 01, 2021

Issue Close: Nov 03, 2021

Issue Details

Face Value: `2

Present Eq. Paid up Capital: `82.5cr

Offer for Sale: `1,960cr

Fresh issue: `3,750cr

Post Eq. Paid up Capital: `89.9cr

Issue size (amount): `5,710cr

Price Band: `940-980

Lot Size: 15shares

Post-issue mkt.cap: `40,406*- 44,051cr**

Public holding Pre-Issue: 94.5%

Public holding Post-Issue: 95.0%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	75%
Non-Institutional	15%
Retail	10%

Post Issue Shareholding Pattern

Promoters	0.0%
Public	95.0%
Others	5.0%

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Company background

PB Fintech is India's leading online platform for insurance and lending products. The company provides convenient access to insurance, credit, and other financial products and aims to create awareness in India about the financial impact of death, disease, and damage. The Company has two business segments (1) Policybazaar & (2) Paisabazaar.

(1) In 2008, PB Fintech launched Policybazaar aimed at catering to consumers who need more information, choice, and transparency in insurance policies. Policybazaar is an online platform for consumers and insurer partners to buy and sell insurance products. 51 insurer partners offered over 390 term, health, motor, home, and travel insurance products on the policy bazaar platform, as of September 2021. Policybazaar offers its users with i) pre-purchase research, ii) purchase, including application, inspection, medical check-up, and payment; and iii) post-purchase policy management, including claims facilitation, renewals, cancellations, and refunds. The company's technology solutions are focused on automation and self-service-driven consumer experiences requiring minimal human intervention. According to Frost & Sullivan, Policybazaar was India's largest digital insurance marketplace with a 93.4% market share based on the number of policies sold in Fiscal 2020. Also, in the same year, 65.3% of all digital insurance sales in India by volume were transacted through Policybazaar.

(2) PB Fintech also launched Paisabazaar in 2014 intending to provide ease, convenience, and transparency in selecting a variety of personal loans and credit cards for the consumers. The company has partnered with 56 large banks, NBFCs, and fintech lenders offering a wide choice of products to consumers across personal credit categories, including personal loans, business loans, credit cards, home loans, and loans against property. According to Frost & Sullivan, Paisabazaar was India's largest digital consumer credit marketplace with a 51.4% market share, based on disbursements in Fiscal 2020.

Issue details

PB Fintech is raising ₹5,710cr through fresh issue (₹3,750cr) and offer for sale by the company's shareholder of ₹1,960cr.

Exhibit 1: Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	-	0.0%	-	0.0%
Public	388,697,000	94.5%	426,962,306	95.0%
Other	22,537,500	5.5%	22,537,500	5.0%
Total	411,234,500	100.0%	449,499,806	100.0%

Source: Source: RHP, Note: Calculated on upper price band

Objectives of the Offer

- For enhancing visibility and awareness of company's brands, including but not limited to "Policybazaar" and "Paisabazaar" - ₹1500cr
- New opportunities to expand company's consumer base including offline presence - ₹375cr
- Funding strategic investments and acquisitions - ₹600cr
- Expanding presence outside India - ₹3,75cr and
- General corporate purposes.

Exhibit 2: Consolidated Income Statement

Y/E March (` cr)	FY2019	FY2020	FY2021
Net Sales	492	771	887
% chg		56.7	15.0
Total Expenditure	828	1,091	1,046
Personnel	398	521	554
Others Expenses	431	570	492
EBITDA	(336)	(320)	(160)
% chg		(4.8)	(50.1)
(% of Net Sales)	(68.3)	(41.5)	(18.0)
Depreciation& Amortisation	30	47	41
EBIT	(366)	(367)	(201)
% chg		0.2	(45.2)
(% of Net Sales)	(74.4)	(47.6)	(22.7)
Interest & other Charges	8	12	12
Other Income	37	84	71
(% of PBT)	(10.8)	(28.6)	(49.9)
Share in profit of Associates	-	-	-
Recurring PBT	(337)	(295)	(142)
% chg		(12.6)	(51.9)
Tax	9	9	8
(% of PBT)	(2.8)	(3.1)	(5.9)
PAT (reported)	(347)	(304)	(150)
Basic EPS (`)	(8.4)	(7.4)	(3.7)
% chg		(12.3)	(50.6)

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (` cr)	FY2019	FY2020	FY2021
SOURCES OF FUNDS			
Equity Share Capital	1	1	1
Reserves & Surplus	489	1,265	1,991
Shareholders Funds	490	1,266	1,992
Total Loans	89	108	109
Deferred Tax Liability	-	-	-
Total Liabilities	579	1,374	2,100
APPLICATION OF FUNDS			
Net Block	119	147	125
Capital Work-in-Progress	-	-	-
Investments	125	2	138
Current Assets	507	1,427	2,068
Inventories	-	-	-
Sundry Debtors	131	179	173
Cash	267	1,106	1,810
Loans & Advances	16	25	19
Other Assets	93	118	66
Current liabilities	172	202	230
Net Current Assets	335	1,225	1,838
Deferred Tax Asset	-	-	-
Total Assets	579	1,374	2,100

Source: Company, Angel Research

Consolidated Cash Flow Statement

Y/E March (Cr)	FY2019	FY2020	FY2021
Profit before tax	(337)	(295)	(142)
Depreciation	30	47	41
Change in Working Capital	33	(24)	39
Interest / Dividend (Net)	7	2	(24)
Direct taxes paid	(35)	(39)	48
Others	20	(55)	65
Cash Flow from Operations	(282)	(364)	29
(Inc.)/ Dec. in Fixed Assets	(35)	(32)	(5)
(Inc.)/ Dec. in Investments	410	112	(1197)
Cash Flow from Investing	375	79	(1202)
Issue of Equity	0	1059	781
Inc./(Dec.) in loans	(16)	(18)	(11)
Dividend Paid (Incl. Tax)	0	0	0
Interest / Dividend (Net)	(7)	(10)	(12)
Cash Flow from Financing	(23)	1031	759
Inc./(Dec.) in Cash	69	746	(415)
Opening Cash balances	38	107	853
Closing Cash balances	107	853	439

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	-	-	-
P/CEPS	-	-	-
P/BV	82.2	31.8	20.2
EV/Sales	81.3	51.0	43.4
EV/EBITDA	-	-	-
EV / Total Assets	69.1	28.6	18.3
Per Share Data (Rs)			
EPS (Basic)	(8.4)	(7.4)	(3.7)
EPS (fully diluted)	(8.4)	(7.4)	(3.7)
Cash EPS	(7.7)	(6.2)	(2.6)
Book Value	11.9	30.8	48.4
Returns (%)			
ROCE	-	-	-
Angel ROIC (Pre-tax)	-	-	-
ROE	-	-	-
Turnover ratios (x)			
Asset Turnover (Net Block)	4.1	5.2	7.1
Inventory / Sales (days)	-	-	-
Receivables (days)	97	85	71
Payables (days)	82	56	42
Working capital cycle (ex-cash) (days)	15	29	29

Source: Company, Angel Research

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