PB Fintech

Operator: Good evening, everyone, and a very warm welcome to PB Fintech Ltd.'s earnings conference call for Q2 FY27. Thank you for joining us today. On the call today, we have Mr. Yashish Dahiya, Chairman & Group CEO; Mr. Alok Bansal, Executive Vice Chairman; Mr. Sarbvir Singh, Joint Group CEO; Ms. Santosh Agarwal, CEO, Paisabazaar; Mr. Dhruv Sarin, CEO, PB Partners; Mr. Mandeep Mehta, Group CFO; and myself, Mohit, Head of Investor Relations, PB Fintech. We will begin with opening remarks from management, followed by the Q&A session. I now invite Yashish to share his opening remarks. Over to you, Yashish.

Yashish Dahiya – Chairman & Group CEO: Thank you, Mohit. Good afternoon, good evening, and good morning to everyone, wherever you are joining from. Thank you for joining us. We have had another strong quarter, with healthy growth across insurance and credit. Total insurance premium for the quarter was 5,450 crores, up 52% year-on-year, setting us up well for over 20,000 crores this year.

As always, growth was led by protection because that has been our focus from day one and continues to be our focus. Core online new health and term grew 42%, and within this, new health grew 46% year-on-year.

Consolidated operating revenue grew 44% to 1,167 crores. Core insurance revenue was up 46%, and core credit revenue was up 19%. PAT was 51 crores, an improvement of 72 crores from a loss of 21 crores, and PAT margin improved from minus 3% to plus 4%.

The quality of this growth is reflected in its consistency. Core new premium, excluding savings, has now grown above 34% for 14 consecutive quarters. Our core renewal and trail revenue is now over 1,000 crores; it is almost 1,100 crores on a rolling 12-month basis, up 42% year-on-year.

In credit, disbursals grew 22% in the core business, and this has now risen for five consecutive quarters.

Our insurance-led new initiatives, PB Partners, the UAE business, and PB for Business, delivered 324 crores of revenue, up 40%, and are now close to break-even. UAE premium grew 36%.

Let me now address the question directly, which I assume is on everybody's mind. First, where do we stand on the IRDAI's consultation paper? The IRDAI's consultation paper aims for lower mis-selling, a better claims experience, lower prices, and deeper penetration. We fully support all of these goals. These are the goals on which Policybazaar was built. Our first campaign back in 2009 was "Ullu Mat Bano," aimed at addressing mis-selling.

We have engaged constructively with the regulator, and we will implement the final framework fully and in its spirit.

Second, the impact. Lower distribution payouts will certainly reduce our insurance distribution revenue.

We are working on three fronts. We will expand our non-insurance revenue within the areas permitted by the regulator, and there is some anticipation that this could happen. The discussion paper does mention this. We will accelerate our ecosystem offerings, and, as any long-term

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business should, we are evaluating other options to strengthen our business over time. We will share much more on this when the time is appropriate.

Now, why do we remain confident? Health and term insurance remain deeply underpenetrated, and for the consumer, it is not really about buying a policy. The customer receives nothing on the day they buy it. The real test comes at the time of a claim. I would like to cover our record on the four points that the regulator itself has laid out.

On claims, industry data says that 87% of health claims are settled in the health insurance industry. That same number for Policybazaar customers is 97%. Last year, 11,156 rejected claims worth 185 crores were reopened after initial rejection and paid. In the first half of this year alone, we supported about 1.25 lakh health claims and 80,000 motor claims. Our customer satisfaction is consistently above 90%.

On persistency, 71% of our life policies are still in force at month 61. This is against a benchmark of 51% to 66% for the large players. Our renewal rate in health insurance is 89%, rising to 91% from second-year renewals onward.

On mis-selling, in the life insurance category, we receive 16 complaints from our customers per 10,000 customers. This is against a benchmark of 30 to 53. In health insurance, we receive 21 claims-related complaints for every 10,000 claims. This is against a benchmark of 29 to 54.

On price reduction, for the plans they choose, our health customers pay, on average, 9% less and up to 30% less than they would through some other channels.

On reaching and expanding the market, about 40% of new customers added in retail health across the country come through us. More than a quarter of India's pure term premium and 17.8% of retail health premium came through us last year. 74% of our term policies and 64% of our health policies come from Tier 2 and Tier 3 cities.

These outcomes are very much required in the country, and that is why, as a management team, we are extremely confident that we solve this particular problem. We are part of the solution, and we will only grow stronger through this.

Our credit business and our UAE business are growing outside this broad framework, and we will maintain strict cost discipline over the years as we go through this period.

What will we not do? While maintaining this cost discipline and profitability focus, we will not cut back on the customer proposition—not one step back on that. Choice, transparency, and claim support remain non-negotiable.

We will remain fully compliant and consult with the regulator on whatever we do in this area.

Finally, since our listing, quarterly revenue has grown from 280 crores to 1,167 crores, a 51% CAGR, and PAT margin has moved from minus 73% to plus 4%. That came from building around what customers need.

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We have a very clear mission or strategy, whatever you want to call it. Over the next 1,000 days, we will serve customers well. It is a very simple strategy. Over the next 1,000 days, we will serve customers well, we will stay focused on that, and we will stay disciplined on cost. We will keep investing in a market that remains deeply underpenetrated.

Thank you. I look forward to your questions.

Operator: Thank you, Yashish. We will now move to the Q&A session. We will take the first question from the line of Sachin Salgaonkar from BofA. Sachin, please unmute your microphone.

Sachin Salgaonkar – BofA: Hi, Mohit. Thank you. Good day, management. I have three questions. First, I want to understand whether anything specific happened in the quarter that led to an increase in selling and marketing expenses and other expenses, both sequentially and year-on-year.

Yashish Dahiya – Chairman & Group CEO: Sarbvir, do you want to take this question?

Sarbvir Singh – Joint Group CEO: Sachin, I think two things have happened. Last year, because of the GST impact and everything, and although this quarter was somewhat pre-GST, somehow from June through December last year, demand was very robust. This meant that we spent less than our normal level on marketing. This year, the reverse has happened. Demand has actually been very tough, and we have had to spend a lot more money. If you look at it on a 2-year basis, you will find that it is not that dramatic, but compared with last year, it will look as if spending was higher. It was simply a lack of demand in the market, and we had to spend money to make sure that we obtained the leads.

Sachin Salgaonkar – BofA: Understood. As a follow-up, how should we think about the incremental spending over the next 3-6 months? I am asking from the point of view that there is an entire overhang associated with how these commission structures will be implemented. Is there a school of thought that it would make sense to control costs, particularly discretionary items, and show contribution margin improvement? In the opening remarks, Yashish did mention being disciplined from a cost point of view. How do you intend to balance this in the context of your indication that, from a demand point of view, things are somewhat difficult in the near term?

Yashish Dahiya – Chairman & Group CEO: Thank you, Sachin. Philosophically, we were earlier focused only on growth. When we say that, P0, P1, P2, and P3 were all about growth. We could have been somewhat aggressive on cost because that was not the highest priority. That does not imply that we were wasteful. As we move forward, cost consciousness will be there, but that does not mean we are backing off from growth. Growth remains very critical in this market.

There are two things. First, the market needs it, and our scale is very important. Therefore, we are going to maintain our focus on growth. However, we will be more conscious of the balance between growth and cost than we were in the past.

Sachin Salgaonkar – BofA: Understood. And my last question [crosstalk]

Sarbvir Singh – Joint Group CEO: Yashish put it correctly, Sachin. We will be more conscious of the balance. Having said that, the truth is that the biggest challenge in insurance is demand. Everything else is actually manageable. The only thing that you cannot manage is demand.

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We will have to spend money to maintain awareness and continue focusing on building the categories. Frankly, it does not impact only Policybazaar; it impacts the industry because when we advertise, it helps everyone. That is something we will have to continue doing.

Sachin Salgaonkar – BofA: Thank you, Sarbvir. My last question is that I know Yashish mentioned that you are evaluating options, and at an appropriate time, you will [trails off]

Sachin Salgaonkar – BofA: As you will mention that to the market. Does it make sense in the near term to accelerate and focus somewhat more on the international business, Paisabazaar, PB Health, and similar areas that are perhaps not impacted by these recent draft regulations?

Yashish: I do not think we are actively considering anything in the international space as of now. On Paisabazaar, we are doing everything we can, so our stance has not changed in any way. PB Health was and is a very important project that we are undertaking, so that continues.

As we said, we have several ecosystem activities. We may have had a certain timeframe for those. That timeframe is now beginning to accelerate somewhat. Our revenue expectations from those areas are also increasing. That is how it would be.

We have also been in discussions with the regulator on various other options for us. When we have clarity, we will of course announce them. There is no point in announcing them before regulatory approval. We will obtain that approval and, once we have it, we will definitely inform the market.

Sachin Salgaonkar – BofA: This is very helpful. Thank you very much.

Operator: Thank you, Sachin. We will now take the next question from the line of Manas Agrawal from Bernstein. Manas, please unmute your microphone.

Manas Agrawal – Bernstein: Thank you for the opportunity. I have a couple of questions. First, is there any understanding of whether collecting numbers in the way we collect them constitutes a dark pattern, based on discussions with the regulator?

Second, you talked about cost discipline, but at the same time you also talked about not cutting back on the core proposition to the customer. I want to understand where those cost opportunities are. I understand that you have spoken about advertising spends in the past. Could you provide more detail on how exactly we should think about the balance between growth and spending? Those are my two questions.

Yashish: On dark patterns, we and other players in the industry are engaging with the regulator. There is increasing clarity on what the expectations are, and we are fully committed to aligning with them.

In terms of costs, we have said what we wanted to say. We will, of course, align them with the new realities of net present values. That is obvious. We have had a very consistent framework for how our costs and revenues work, and I do not think that will be very different. We had a certain expectation from NPV, and as that evolves, our costs will also align with it.

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Our approach at this moment is that we are not behaving as we did in Q1 and Q2, when we were entirely focused on growth. At the same time, we are being cautious. We are not stepping away from growth. We are not stepping away from spending, and we are not stepping away from increasing our strength in terms of conversion ability.

We are also waiting and watching. This is a discussion paper. Let us be clear: this is a discussion paper. Let us see how it evolves and what ultimately comes out of it. That will advise us more appropriately on what the final course of action should be.

We will remain prudent; there is no doubt about that. Prudent, but with purpose. As we said, over the next 1,000 days, we do not want to step back from where we would otherwise have been. If anything, we want to do more. How we do that remains to be seen; we will align with the new realities.

Manas Agrawal – Bernstein: Understood. Thank you.

Operator: Thank you, Manas. We will now take the next question from the line of Nidesh Jain from Investec. Nidesh, please unmute your microphone.

Nidesh Jain – Investec: Thanks, Mohit. Yashish, as you talk about greater consciousness on the cost side, which line items do you see as areas where you have levers to pull in terms of cost consciousness or cost control? Can you provide any quantification?

Yashish: You know it as well as I do, Nidesh. Let us look at the POSP business. We make a loss there today. Given the way the regulations are structured, that entire business is somewhat under question because, to an extent, it relies on being able to pay people. If people are going to be paid whatever amount the regulations permit, you know what the regulation is like. There is some possibility that this area may have a different outcome.

The second area is that we look at both our fixed costs and our variable costs, as well as how we are looking to expand our proposition. I do not think you will see anything dramatically different in that. However, we will wait for the new NPV to emerge. If that NPV is materially different, our variable costs will also be materially different.

On the fixed-cost side, please appreciate that there are many activities. As we said, we are going to accelerate our ecosystem and look at new offerings. It is very unlikely that we will hire external people to run those activities. A lot of our current management will be repurposed.

From the perspective of current management, that is a fairly exciting proposition because people are looking forward to the challenges of building these businesses. That is where I will stop. Sarbvir, if you want to add [cut off]

Sarbvir: I just want to add to what Yashish is saying. One of the things we have to understand is that in 2026, one very significant force in the entire world is AI, or GenAI.

For the last 18 months, we have been preparing because these things take time. We read about these technologies in newspapers and on websites, but the fact is that, for a running organization, it takes time for these technologies to take effect and become real.

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In the last 18 months, we have done a lot of work. We have understood several things. There are some slides in the deck about the improvements we have made, whether in terms of our advisors' ability to handle 15-20% more leads, improving conversion, customer service, risk, or our ability to train our people faster than we did earlier.

My view is that several factors will be at play in the next 12-18 months, and we will drive these technological changes faster. Necessity is the mother of invention. Today, we understand that we cannot afford a certain cost to serve customers or to do certain things. Therefore, we will have to work out other ways.

GenAI has come at exactly the right time for us in that respect. Our teams are very excited about this. We are using it as you would expect, and I think it will also help us over the next few years.

It is hard to quantify and difficult to give you significant numbers today. However, since you asked what levers we have, my view is that AI is a very significant lever for Policybazaar to become much more efficient.

Nidesh Jain – Investec: Sure. Secondly, do you see a scenario where we return to a cash-burn scenario, or will we remain profitable in all the scenarios we see in the future?

Yashish: To be completely honest, Nidesh, we need to wait a little for the final regulations to come out. The regulator has made it clear that the paper is a discussion paper, and it has undergone intense discussions since the regulation papers were issued. The regulator is receiving feedback from many quarters. More than 1,000 pieces of feedback have already reached the regulator.

Let the regulator have the opportunity to go through that feedback and come back with the draft regulations and the final regulations. Once we have those in place, we will have a better sense of where this will end from a cash-flow perspective and an NPV perspective.

To me, the NPV is more critical than the cash-flow element. The cash position is a position of capability because, if the NPV is there and the cash is not there, cash can assist us during that timeframe. Mentally, the intent is not to pursue cash burn. Let us see what the final paper contains, what opportunities arise from it, and what situations arise.

Nidesh Jain – Investec: Sure. My last question is that we provide many claim-assistance services to customers and do not charge anything for them. With commissions and economics being severely impacted, is there a possibility of explicitly charging for the services we currently provide for free?

Yashish: We will see what the regulation permits. The regulation has explicitly mentioned that non-insurance services will be allowed. We will explore those services in their entirety and see which ones make sense for us. I am sure there are quite a few, and we are fairly confident that many of them will emerge quickly without long gestation periods. That is where we would like to leave it.

Nidesh Jain – Investec: Lastly, on dark patterns, have you conducted any analysis of how much business could be lost or how many leads converted through calls and so on if this is implemented?

Yashish: Nidesh, we have conducted the analysis fully, and we have committed to the regulator that we will fully align with the discussions. I would not want to state the quantum of the impact. I do not

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think it would be prudent for us to say that.

Nidesh Jain – Investec: Sure. Thank you, Yashish. Thank you.

Yashish: You are welcome.

Operator: Thank you, Nidesh. We will now take the next question from the line of Nishchint Chawathe from Kotak. Nishchint, please unmute yourself.

Nishchint Chawathe – Kotak: Hi. I hope I am audible. Going forward, are you open to integrating with Paisabazaar to create a more complete financial superhouse rather than focusing only on insurance, given that you are an insurance-heavy entity?

Yashish: Paisabazaar is that entity. Policybazaar will continue to be centered on insurance. Its primary task is insurance. Let me put it this way: it is not a money supermarket; it is an insurance supermarket.

Let us look at the regulations in their final form when they come out. When a discussion paper is issued and the final regulations are released, we have to see how that timeframe develops. It is a positive opportunity to conduct non-insurance activities.

There was a time before 2011, or perhaps 2013, when this was allowed, and then it was no longer allowed. It may now be allowed again. This could potentially open up an opportunity, and it is an advantage that we already have Paisabazaar ready with many products, not only credit but also investment products.

We see this as a massive opportunity, but let us wait. There is no point in acting prematurely. The teams in the background have started assessing this work. They have started assessing how we would do it if we had to do it. We have the discipline and operating discipline to get ready.

However, it does not mean that we can act on anything yet. We have to wait for the final regulations, and let us hope they come out with this possibility. If they do, there should be some serious

Yashish: opportunities. Paisabazaar platforms and Paisabazaar offerings could be utilized within Policybazaar to some extent, but they would not become the primary focus, as I see it. We are not going to become a lending platform or something else.

Nishchint Chawathe – Kotak: Understood. Are you open to extending software-services support to insurance companies—not for the distribution of their products, but for some of their other channels?

Yashish: We already do that. In fact, although it is somewhat unknown, the Bahrain government's financial platform is being powered by us. There is clearly both an ability and an intention to power more and more people's technology and operational back ends. There is no doubt about that. We will continue exploring it. It is not a new activity; we already have it.

Nishchint Chawathe – Kotak: Sure. Finally, how does PB Health fit into this? Do you have any thoughts on that? I believe that, yes.

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Yashish: Let us be absolutely clear here. If I were a health insurance company, in my view there are only two ways to address the problems we have as an industry. Claims are a massive problem, and I do not think anybody is denying that health insurance claims are a massive problem.

Why is that problem there? If you actually look at why claims are denied, a large component is either some level of pre-existing disease that existed but was not disclosed, creating disclosure problems. The second major component is treatment not being required, and similar issues.

I do not believe we can operate that way. Health insurance has achieved a lot, and I want to explain this with some brief data points. Back in 2008, 1% of hospital bills used to be settled by insurance, including health insurance and retail health insurance. Then it became about 10%, and today about 40% of hospital bills are being settled by insurance.

There has been massive growth in the healthcare costs being addressed by insurance. However, we still have a lot of negativity around claims.

That negativity comes from two problems: disclosure and the ability to align the network. Historically, Policybazaar's role was to improve disclosures. Increasingly, it has also been managing the network better. In that network management, creating a benchmark for consumer lifetime value, for example, will be PB Health.

PB Health must focus not on the highest profit, but on how the customer ought to be treated without an intention to extract the maximum from the customer on every visit. We started this project, and there is no change in our thought process on it. It is neither accelerating nor slowing down.

Some associated activities, such as PB Care Plus, which were related to network management, will of course become even more important. If claims are a problem, claims need to be solved, and we have to be part of that solution.

Nishchint Chawathe – Kotak: There is no change in the business plan. That is what I was asking. It remains intact.

Yashish: There is no change in that particular business plan.

Nishchint Chawathe – Kotak: Understood. Thank you very much.

Operator: Thank you, {? Nishin ?}. Our next question is from the line of Jayant Kharote from Axis. Jayant, please unmute yourself.

Jayant Kharote – Axis: Hello, am I audible?

Yashish: Absolutely, Jayant.

Jayant Kharote – Axis: My first question is on the POSP business. Last time, we did not have a clear answer because the regulations were new. Have you had a chance to speak to your POSP partners? Given the value we bring to the table, many of them may be able to work at lower commission structures. This may be my conjecture, so I want to understand whether you have had any such conversations and whether you can help us understand if the business can continue to operate,

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perhaps at a lower scale, or how we should think about it.

Yashish: Jayant, if you look at the POSP business, a large part of it was motor insurance.

Jayant Kharote – Axis: Yes.

Yashish: That business was not happening to a large extent because POSP existed. Some health insurance business and some other business may have grown because of the POSP business.

Under the current regulations, if you have an open architecture, you will be paid less than under a closed architecture. In my opinion, that does not leave scope for POSP in its current form.

If POSP becomes a completely different business, such as a services business, then perhaps there is some possibility. I do not think that the people involved in that business suddenly have the ability to sell mutual funds or other products. I do not think that is as easy as it is assumed to be.

At the same time, these are not the final regulations. Let us wait and watch. We will remain observant. We are waiting for the final regulations, and I hope time is provided because there are also cash-flow elements in that business. To a large extent, we end up paying the POSPs sooner than we are paid by the insurance companies.

There are also those concerns. Let us see how it develops. It involves many parts. Given that, I hope some time is provided for the transition of that business.

Jayant Kharote – Axis: Understood. My second question is on the balance-sheet businesses. Regarding PB Health, last time you mentioned that we could look at revenue of 500 crores and gave some timelines around it. Do you have any update on how it is progressing? If the business scales up well, would you be open to increasing your stake and building it out on a larger scale?

Yashish: I will let Alok answer on the plans and on where we stand against our target for March from a revenue standpoint. In terms of the stake, no. We want to maintain our current stake. We are neither increasing nor reducing it.

Alok: In terms of execution on the PB Health side, things have not changed in the last quarter. We are on track to execute at a few new hospitals. Around March, we should have a run rate somewhere between 40 and 50—45 crores per month—which is about 500 crores for the year.

Some of these are operating hospitals, so we do not need to invest too much. They are already generating profits. There will be some corporate opex and one or two greenfield operations. Otherwise, we are more or less breaking even in that business.

We want to execute and stabilize these properties first. Then, as we gain more confidence, we can look at growing aggressively. Over the next 6 months to 1 year, the focus will primarily be on executing what we already have in hand.

Jayant Kharote – Axis: Alok, do you want to take that O&M product to other hospitals that are not on PB Health's balance sheet? How long do you think that will take?

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Alok: Nothing is specific right now. Let us understand the lay of the land. Once we have 3 to 5 properties that we are managing, it will be a steep learning curve for everyone on the team. At some point, perhaps from 18 months onward, we will start looking at those options. However, that is still somewhat far away.

Jayant Kharote – Axis: Understood. My last question is to Yashish. We could potentially become a highly profitable business with the new commission structure. The COR could move to perhaps 65% in health, for example. How do you capture that economic value? Why not take minority stakes in an insurer? Have you considered something like that? I understand there could be plans to go back and become a manufacturer yourself, but what if this could be done through minority stakes in manufacturers rather than across the entire value chain?

Yashish: Jayant, we consider many options. Taking minority stakes is not one of them. We are already in conversations with the regulator, although these are informal conversations. There is clear precedent and there are laws in place, and we will engage further with the regulator and seek guidance on how they want to see this.

The intent is quite clear in our minds: we want to serve our customers more. At a fundamental level, we have been a distributor with the heart of a manufacturer from day one. We think about the combined operating ratio. Most distribution businesses in India do not think about combined operating ratio, but the first metric in almost every review is not how much our sales increased; it is the claims ratio of our insurance companies.

If you speak to our teams and ask them what questions I ask, they are mostly about claims ratios. We think about the combined operating ratio. That can be called responsible distribution.

That is also reflected in the paper, where it refers to paying for outcomes. The form and shape in which that emerges will be interesting to see, and it will inform some of our thinking.

Our discussions with our partners will revolve around the combined operating ratio model because that model already gives our partners sufficient profitability. If you think about it, a 30% to 40% return on equity is much higher than the return on equity they receive in the market. Expecting more than that could be unfair. It could be construed as an unfair expectation.

If our take rates reduce dramatically, the customer benefit may have to increase to ensure that profitability remains at a 30% to 40% return on equity, which is fair profitability. The matter will evolve; that is all I would say, Jayant.

The reality is that we think like a manufacturer while being a distributor.

Jayant Kharote – Axis: But Yashish, if [trails off] Sorry, sorry. Go ahead, Yashish. Sorry.

Yashish: I think that is it. You are absolutely right, and the rest involves conversations that it would not be prudent to discuss at this stage because they are subject to regulation and judgment.

Management: I just want to add, Jayant, that one of the unique aspects of the Policybazaar business model is that, if you think about the four things that have to be done in insurance, the first is to create awareness about insurance and bring people to buy insurance—the pull that the paper talks

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about.

The second is to sell or help them choose the right insurance policy: the right terms, conditions, and price that they should pay.

The third is to manage the sales process and provide the level of service, claims support, and other assistance required by the customer.

The fourth comprises the core insurance activities of underwriting, risk management, compliance, and so on.

If you compare Policybazaar with any other distribution network, you will find that we are doing at least 3.5 of these activities. We are doing the first one very significantly. The second one is fully done by Policybazaar. We are now a significant part of service and claims. Even in the fourth area, we help with risk management, managing the book, persistency, renewal rates, and everything else.

In a strange way, given how the system works, if you measure us only by commission, it becomes a very different comparison. I would argue that Policybazaar's commission and Policybazaar's EOM are almost the same. Because [cut off]

Sarbvir: There is very little expense after that. That is also something to think through as you assess the business.

Yashish: What Sarbvir is saying is very important. If you look at an insurance company's EOM, what does it have to do in Policybazaar's business over and above what Policybazaar has already done? The cost may be 1% to 3% at most.

That does not take into account the advantage Policybazaar brings in terms of lower claims ratios because of better underwriting, which we are working on together. Of course, it is the insurance company's underwriting, but we are helping significantly to inform those decisions.

We are a fairly unique player in that respect, and whatever solution we arrive at will also reflect that.

Jayant Kharote – Axis: This is what I was trying to get at, and you have made the point correctly. If the gains are passed on to our customers and we offset that through volumes, we become the most attractive channel. Is that regulatorily compliant? We keep innovating new products with our partners, but have you had any initial discussions about whether something like that could be structured? That is my first question.

Second, returning to the manufacturing aspect, if you do decide to manufacture in the current structure while being a distributor of all other products, would you be comfortable placing your own products as well? Those are my last two questions.

Yashish: Jayant, we will not be the most profitable channel for insurers; we are the most profitable channel for insurers. We have been for a long time. It is very rare for a manufacturer to admit that to a distributor, and most of our manufacturers clearly admit to us that we are a very profitable channel for them. That acknowledgment has increased over the years.

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Everything you are saying is fairly obvious. Please also appreciate our constraints. We are a regulated entity, and whatever we say on this call is also heard by the regulator. Please appreciate our constraints.

We cannot jump the gun here. We have to proceed step by step. The sequence is that we and the regulator have to have the conversation before it comes here. We are not trying to hide anything, but that is the sequence. You, as analysts, have to give us the space to have those conversations before coming to you. We cannot announce anything here in advance of those conversations.

Sarbvir: Jayant, I also do not think we should mystify this so much. At the end of the day, it is the insurance company's decision what prices it wants to maintain in each channel. There is nothing beyond that.

We will work with our partners, and they will decide. At the end of the day, pricing is their decision. They will decide how to handle some of these things.

What we are trying to explain repeatedly is that there is significant value in the book we generate for our insurance partners, and we serve customers well. It is important to understand that both things are happening together. Because of that, hopefully, we will continue benefiting from it and will do well in the future as well.

Yashish: The 1,000-day number is very important. It is a considered number. Persistency, patience, and engagement through these 1,000 days are critical. Let us see what comes out at the end of these 1,000 days rather than trying to say what comes out today.

Jayant Kharote – Axis: That is only fair, Yashish. I understand the constraints we have at this stage. As I said, this is work in progress, so we will watch how it plays out. Congratulations on a great set of quarters. I am sure there will be some way to navigate this. All the best.

Yashish: Thank you. Thank you, Jayant.

Operator: The next question is from the line of Shobhit Sharma from Elara. Shobhit, you may speak now.

Shobhit Sharma – Elara: Hi, Mohit. Thank you for the opportunity. I hope I am audible. My first question is on multi-year policies. We have been pursuing that business quite aggressively and recognizing revenue as the service aspect was completed. What discussions are you having with your insurance partners regarding their commitments on the payouts? Will they pay at the rate at which we sourced that business, or will it change because of the EOM that will come in?

Second, if I look at the second half of last year, there were some industry-wide campaigns around insurance, {? did well ?}. Do you think this will help moderate your advertising spends in the second half? If those campaigns continue across the industry, will they help you maintain your overall growth rate?

Lastly, if I look at the Paisabazaar numbers for this quarter, core-business disbursements were broadly flat sequentially. How are we going to accelerate that and build the channel somewhat faster going forward?

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Yashish: Shobhit, regarding multi-year policies or any other very specific query, we will not be able to respond right now.

On the campaign side, we welcome the fact that, over the last 17-18 years, we have accounted for more than half of the industry's marketing spend. That means we have, to some extent, driven that growth and brought in new customers.

We welcome greater contributions from other players in marketing because that expands the overall market. Of course, when you market, some business comes to you and some business goes to other players. Hopefully, that also has a positive spillover effect on us.

Regarding Paisa, I will let Santosh answer.

Santosh: Shobhit, regarding Paisa, we saw an opportunity in fast data and identified many partnerships and suppliers that we could add to our platform. That will help us grow disbursals. In fact, you can see in our deck that we have mentioned a few banks that we have onboarded, and those should begin contributing in Q3.

Having said that, we were not aggressive on the marketing side in growing inquiries from Q1 to Q2, which is why disbursals were also muted. We wanted to add suppliers, strengthen distribution, and then pursue growth. That is why the quarter was flat.

Shobhit Sharma – Elara: How do you think about the second half, Santosh? It becomes important for Paisa to start contributing to the overall growth of Policybazaar as a franchise. What are your near-term aspirations?

Yashish: Before Santosh answers, Paisa will contribute, but I do not think anybody needs to assume that it is more important for Paisa to contribute than it was before.

We are being cautious in our statements. That does not imply that our confidence is even 0.5% lower than it was 35 days ago.

I would leave you with this thought: judge us at the end of the 1,000-day period, beginning on the day the final regulation comes out. Judge us on the basis of what actually happens. I am standing here, and we will be here at the 1,000-day point. Please at least make a note of this statement.

Santosh, please answer without any pressure to solve the group's problems. [laughs]

Santosh: [laughs] I was not thinking about it from that perspective. I thought we would always want to add value, whether in the past or now. We are doing everything we can to build up the business.

One thing I would say has changed over time for Paisa is the risk discipline on the policy side that Yashish mentioned. We have always been cautious about the kind of portfolio we generate for our partners. That risk discipline has definitely strengthened. We are doing a lot on that side and being extremely careful about the quality of the book we generate for our partners. That is showing up very well in the portfolio we are building.

We are also in a phase where we are adding many new business lines. We were largely a credit-focused business, but we have now entered bill payments. We are doing a lot on the

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engagement and consumer-engagement side. We are also beginning our wealth journey. Bonds, fixed deposits, and similar products are now taking shape.

However, some of these products will take time to contribute to revenue. We are focused on being a meaningful part of the group, and everything required for that to happen is currently underway. It was the same earlier, and it remains the same now.

Shobhit Sharma – Elara: Understood. Thank you, Santosh, for that detailed answer. All the best to the entire team. Thank you.

Operator: Thank you, Shobhit. The next question is from the line of Dipanjan Ghosh from GS. Dipanjan, please speak now.

Yashish: I wanted to refrain from making this statement, but I remember an investor from long ago, perhaps 6 or 7 years ago. I told them that many of their investments would be found not to be wearing swimming trunks when the water went down. He said, "Who wishes for that to happen?" All I am saying is that sometimes the strong wait for an opportunity to display their strength. That is all. Please go ahead.

Dipanjan Ghosh – GS: Hi, Yashish and team. First, regarding costs, could you provide some color on three particular line items given the current scenario, assuming that the current scenario continues, although that may be a hypothesis?

The first is ESOP expenses and remuneration structures. The second is brand spend. Could you quantify that for FY26, or explain how much scope there is to rationalize it? The third is PB Pay. How do the synergies fit in, given the payment charges we may have been incurring over the past few years?

My second question is that, if you were to enter the distribution of other product categories, could you identify the top 2 or 3 products that would be at the top of your mind, both from an opportunity perspective and in terms of the scope of investments required to enter those businesses?

My third question is on your discussions with the regulator. Based on what you have discussed with the regulator and your internal business strategies, do you see a possibility that savings, particularly your phygital channel, could become a larger portion of the pie over the next few years?

One data-keeping question: could you provide PB Partners' revenue for the quarter?

Yashish: What is the PB Partners revenue? It is about 700 crores.

We would not want to specify at this stage by how much our brand cost will come down or anything of that sort. We will take a decision as time progresses. We have already explained our ethos.

In terms of how much we will make from one particular business category or one particular part of the ecosystem, it does not work that way. We want to maximize all of them, as we have always done. It is not that, if we focus more on term, health has to grow less. Historically, I am saying that it is not that PB Care Plus has to make more revenue; it has to make the maximum revenue it can. Each business is independent and is operating toward its own objectives.

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PB Pay is a 3-month-old operation, but it is scaling up fast. The intent of PB Pay was to be a solution for the insurance industry across all the different payment formats that exist and to solve its specific requirements. That is what it will do, and it should scale up as much as possible.

As I said in the opening comments, our efforts on the ecosystem side have increased, primarily because some of our management teams will be redeployed here to focus on growing these businesses. There is a need to grow those businesses. If insurance distribution revenue is coming down, we do want to develop other revenue formats.

Yashish: Repurposing management into other formats will certainly increase the focus on the business side of those activities. So far, the focus may have been more on the operating side; that focus will increase toward the business side.

In terms of key product categories, we will wait for the final regulations to come out, see what is allowed, and then take a decision.

Regarding discussions on savings, I do not think any discussion has taken place that makes savings a more meaningful or larger category. No specific development of that sort has occurred.

Sarbvir: I think, Yashish, what Dipanjan means is that so far we have sold insurance products in savings. Now that Paisabazaar has built the wealth stack in mutual funds, bonds, and fixed deposits, we have an opportunity to look at it together.

If a customer enters the system, we can determine the right product for that customer, sell multiple products to the customer, and develop a more complete financial overview of the customer. Those are all opportunities, as one would imagine, but

Yashish: As it gets allowed. As it gets allowed.

Sarbvir: Yes, but we have to wait until the entire situation becomes clear.

Yashish: Operationally, those conversations have begun, but we will wait for them to appear in the final regulations before we can act on them.

Dipanjan Ghosh – GS: Understood. Thank you, Yashish, Sarbvir, and the team. All the best.

Management: Thank you.

Operator: Thank you, Dipanjan. We are conscious of the time, so I request participants to ask only one question going forward. The next question is from the line of Ashwin Mehta. Ashwin, please unmute your microphone.

Ashwin Mehta: Hi, thanks for the opportunity. Yashish, I wanted to get a sense of the first-year loss in selling health insurance and the difference in intensity in terms of either call-center or employee costs between life and health. Given that we have indicated in the past that we make a loss in the first year, would you look at recalibrating health insurance growth if the commission regulations are passed, or would we continue to push for a shift in our favor?

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Yashish: We will wait for the final regulations to come out. You are absolutely right. Under the current framework, renewal profitability from insurance distribution is extremely limited, and fresh payouts are also limited.

Our approach will be oriented toward growth, but our costs will align with the new net present values available.

We will also need to see how much of that we can make up through non-insurance activities. We have many non-insurance activities, and we will see how they expand and how we can benefit from them.

As we said, in the four areas that Sarbvir laid out, we probably perform between 2.5 and 3.5 of the activities that insurers perform. Perhaps insurers can start performing some of those activities themselves in the future. We will see. We will align with our partners and assess the situation.

Ashwin Mehta: If I may ask one data-related question, capex appears to have increased substantially compared with last year. What is the major driver? It is almost 4 times higher.

Management: [off-mic discussion] Expansion of offices and computers... laptops... okay.

Yashish: Mandeep, do you want to answer that?

Mandeep: As we have discussed earlier, we have been building capacity and ramping up, with {? P0 ?} remaining our growth focus. This capex is largely for supporting the expansion of offices and supporting our staff.

Yashish: Our approach on that front, as we have already explained, is taking—and has already started to take—a different direction. Our October hiring was a very small fraction of what it might have been in the past. Those shifts have already started, and we will align with the new realities.

Ashwin Mehta: Thank you, Yashish. All the best.

Operator: Thank you, Ashwin. The next question is from the line of Prayesh Jain from Motilal.

Prayesh Jain – Motilal: Hi. I have a couple of questions. First, it has been some time since the consultation paper was released. Obviously, you would have calculated the IRRs and NPVs you would earn, and we have generally discussed the lifetime value of a customer. Have there been any changes from what you thought earlier?

Second, regarding investments in AI, which you mentioned, how were you thinking about them before the consultation paper, and how are you thinking about them today? What kind of cost savings could they bring? At the initial stage, they would probably require some investment before they start providing benefits, so there would be a lead time. How do you think about these aspects?

Yashish: Sarbvir already mentioned that we have been investing in AI for several years. In the last 18 months, there have been many experiments and projects, and many of them would have reached some level of fruition on their own. That will continue.

This does bring greater focus to cost-cutting opportunities than before.

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From a marketing perspective, let me give you a very simple example. Suppose you advertise in a particular space or conduct a particular influencer campaign, and you obtain 10 sales. Did all 10 come only because of the influencer campaign, or would some of them have come to you anyway? These types of analyses naturally become sharper at times like this.

A small fraction of our total sales comes from what you would call active acquisition marketing spend.

At the same time, there are two things that, from a 1,000-day perspective, we do not want to step back from. The first is the customer proposition. Suppose there is a customer proposition for which there is not enough money left for distribution. Let us take the example of maternity cover. We used to provide maternity cover, and we actually made zero commission on day one. It is a good customer proposition, but it is not very profitable for us from a 1-year perspective. It is well below the current prescribed remuneration numbers.

Are we going to back away from that? No, of course not. We will not back away from customer propositions. In fact, we would like to advance them.

We will not back away from our ability to convert and generate inquiries. At the same time, our assessment of where there may be even a small amount of unnecessary spending will naturally become sharper.

If, at the marginal level, our NPV was X and our costs were also operating at X, but the NPV becomes 0.5X, then our marginal spending will be 0.5X. There is no reason to spend X for 0.5X of business on a net-present-value basis.

That applies at the marginal level. A lot of business comes from direct traffic, and that will always exist because a brand has been built over 17-18 years. Good customer service has also been built over multiple years, and there is an advantage to having built that customer proposition.

We have that advantage, but at the upper end of marginal cost, some activities will be cut off. There is no doubt about that.

Prayesh Jain - Motilal: Understood. Have you observed any changes in your NPVs or IRRs from then until now?

Yashish: Let us wait for a while. It would be unfair to expect that management has not worked on the current proposal and assessed what it means. If that were the case, it would be unfortunate. We have spent a great deal of time on it, but we are still waiting for full clarity.

We do see where we stand, and we will see where we ultimately end up.

It would also be imprudent to expect that we would not be speaking to all our core partners and assessing how things shape up in the future.

At the same time, the constraints are very clear: no backing off from the consumer proposition, no backing off from the focus on growth and quality, and doing everything in full alignment with the regulator. Those three guiding principles are very clear.

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Prayesh Jain – Motilal: Understood. Thank you.

Operator: Thank you, Prayesh. We will now take our last question from the line of Shreya Shivani from Nomura. Shreya, please unmute your microphone.

Shreya Shivani – Nomura: Hi, thank you for the opportunity, Mohit. I wanted to understand the trends in October. How have the equity markets been? I hope I am audible.

Yashish: Yes, you are audible, Shreya.

Shreya Shivani – Nomura: I wanted to understand some of the trends in October for both the Policybazaar and Paisabazaar businesses. In Policybazaar, regarding ULIPs, what efforts are we making to push term and health sales, given that we are now coming off a high base from October onward?

For Paisabazaar, the lending ecosystem may be facing a somewhat tougher macro environment in the second half of the year, given the droughts and all the issues that are taking place. Have any banks or lending partners tightened their underwriting on the Paisabazaar portal, or are we tightening anything? Could you provide some color on the October and second-half trends for these two platforms?

Yashish: First and simply, regarding Paisabazaar, we have not seen any change from September to October or from August to October in terms of any partner. In fact, some new partners have come on board and expanded. I will leave it at that.

Immediately post-GST—of course, we have to understand one very important thing about what happened with GST—there was an 18% reduction in GST, and that was passed on to the customer. This is a very important data point for informing everyone.

For the first 6 months, we saw incremental growth of 18% in the industry. What that means is that, over a 6-month timeframe, price elasticity for the consumer in health insurance is about 1. However, that period is now over, and that growth is no longer there.

The interesting part is that, with that 18% benefit, my assessment is that, year-on-year, Q4 over Q4 for the industry may not even be a growth quarter. Let us see how it develops.

Specifically from a new-customer acquisition perspective, the period immediately after GST was very interesting. There is no way that this would not have a short-term impact on Policybazaar's visible growth numbers as well.

What I would request you all to do is evaluate the 2-year growth rate,

Shreya Shivani – Nomura: Okay.

Yashish: which I believe should remain similar, specifically as we go through the next 1 or 2 quarters.

I think the GST impact had largely gone away by around March, and now we are facing the reverse of that. The good news is that the people who bought immediately after GST are continuing to renew, and that is the positive aspect.

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Shreya Shivani – Nomura: Regarding the ULIP sales, I understand that they will surely be under pressure. How are new products relating to retirement and children performing in October? Has there been any pickup or any trend?

Sarbvir: Shreya, it would be somewhat unfair to discuss monthly trends. We have moved somewhat [cut off]

Management: All I want to tell you is that we have been on this journey of waiver-of-premium products, where we have explained that ULIPs are the best instrument for protecting your long-term goals. Serious goals require serious investment over 5, 10, or 15 years, and you need to be in the market.

Waiver of premium means that, if something happens to you, your goals remain protected because the insurance company will pay the premiums on your behalf. This is the story we have been driving very determinedly, and I think it is doing very well. The rest of the monthly trends are probably not worth spending too much time on.

Management: I want to say one thing because I am sure it is important from a shareholder's perspective. For a brief moment, there was a feeling that Policybazaar might be viewed somewhat unfavorably from a regulatory perspective.

We have had multiple meetings with the Chairman. We explained the situation in detail because some confusion had also been created by the fact that we have a POSP business, a core business, and various other parts of the business.

To put it simply, one data point I can share is that our health fresh take rate was 24%, while our motor third-party fresh take rate was 31%. That was obviously a reflection of the POSP business.

Some of these matters have been clarified. The outcome of those conversations is a much better understanding of Policybazaar's core business and how it helps customers make more informed decisions, solve customers' claims problems when they arise, and stand independently without being tied to any one carrier.

That is where we are right now. We still have more conversations, I am sure, and we expect those to continue.

Before I end, there is also one outstanding matter from the previous call. I made a comment about the media that was somewhat harsh, and I specifically want to take this opportunity to apologize to ET because I had reached out to them and spoken with them about various matters.

We discussed many matters, and my comment was more about the media at large rather than any one specific player. I owed them that apology on the same platform on which I made the comment, so I am clarifying it here.

They engaged with us, and we also engaged with them. The point about insurance being in a very bad position was one of the points made, but it was not the only point made. Thank you very much.

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Management: Before we finish, I want to say one thing. I know Yashish normally has the last word, but I also know that the entire 1 hour and 20 minutes has been about what may happen in the future.

Many people from our team will be listening, and I want to tell them that they have done a great job. Our market shares have increased in every segment that I can see. We are growing faster in protection. If you look at the business spread in Q2, almost every business has outperformed the market by at least 2 times.

The team is doing a phenomenal job. The outcomes that the regulator has laid down are the outcomes we are delivering. Our NOPs are growing faster than our premium. Our persistency is higher, our renewal rates are higher, and our mis-selling is lower.

I want to tell our team that they are doing a great job. For our shareholders as well, many people can make tall promises about the future, but one should also sometimes look at the results. I would urge you all to look at the results.

It is very easy to take 40% growth for granted, but in today's insurance world, delivering these kinds of numbers is exceptional.

Management: Over 14 quarters.

Management: I want to congratulate our team. They are the ones who have delivered, and we want to ensure that they are appreciated. Normally, you all say it, but today I thought I should say it. [laughs]

Management: For the future, our intent is no different in terms of growth and consumer focus, within the bounds of regulation. Thank you very much. We will end the call.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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