Turtlemint Fintech Solutions Limited

Q2 & H1 FY27 Earnings Conference Call

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Chairperson, Managing Director & Chief Executive Officer

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Mr. Nitin Garewal

Head-Investor Relations

Moderator

Ladies and gentlemen, good evening, and welcome to the Turtlemint Fintech Solutions Q2 and H1 FY27 earnings call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Please note, this call is being recorded.

I would now like to hand the conference over to Mr. Nitin Garewal, Head-Investor Relations. Thank you. Over to you, sir.

Nitin Garewal

Good evening, everyone. Welcome to Turtlemint's earnings call for Q2 and H1 FY27. Joining with me on the call are Mr. Dhirendra Mahyavanshi, Chairperson, MD and CEO; Mr. Anand Prabhudesai, Executive Director and COO; and Mr. Badri Sanjeevi, Chief Financial Officer.

We would like to highlight that the management may make certain statements that may be forward-looking in nature. Please be advised that our actual results may differ from these statements. We do not guarantee these statements or results and are not obliged to update them at any point of time. I'll now hand over the call to Dhiren.

Dhirendra Mahyavanshi

Thank you, Nitin. Good evening, everyone, and thank you for joining. I'll start with business update. In H1, we continue to execute on all fronts. Platform premium for us grew by about 52% to INR 2,419 crores. Major portion, as we know, the premium came from Tier 3 and Tier 4 markets. We added 69,000 new digital partners, taking our DP base to 7,28,000 in H1.

We continue to focus significantly in training our DPs, getting the DPs to get more product knowledge, get trained on soft skills, ensure that they know how to market themselves so that they are able to build a long-term career in financial services with us. The P3M-active DP count grew to 96,368, up from 80,253 last year.

Revenue in H1 grew 38% to INR 637 crores, up from INR 463 crores last year. Renewal revenue grew by about 52%. Service EBITDA grew 66%, and we achieved INR 85 crores against INR 51 crores last year. And the margin as a percentage improved by 2% points. From 11%, it moved up to 13%. The absolute value of our overhead costs have more or less remained the same. As a percentage of the revenue, the cost has dropped from 28% last year to close to 21% right now. And there was an improvement in adjusted EBITDA margin. It improved from minus 17% last year in H1 to minus 7%.

In Q2, premium grew 55% to INR 1,214 crores. This was due to strong adoption of our Turtlefin platform. Revenue grew 35% to INR 342 crores, and adjusted EBITDA margin improved from last year's minus 14% to this year's minus 6%.

Now, I'll cover a bit about our view on the proposed regulations and what the paper, and what are the implications for us. A few points on that first. So, our view is that the regulation is aiming to address these five key areas. One, increasing penetration and growth of the sector, customer centricity, avoid misselling, protect renewals, provide assistance in claims, and lower the cost of distribution.

At Turtlemint, we believe that a tech-enabled distribution model like ours is best suited to address all of these and to ensure that market penetration gets driven efficiently. Our POSPs are granular. They are in the last mile. They go well beyond the top 30 cities. In fact, beyond 50 and beyond the top 100 cities also, the presence is very deep.

We complement the insurer branch networks, which are mostly concentrated in the Tier 1 cities and bring those markets to the insurers. Our policyholders become aware of insurance to the POSP who is within his social network and has a relationship. They get choice and last-mile servicing for any post-sale endorsement and claims that he will need.

For insurers, we offer a low cost of distribution that allows an insurer to do granular underwriting and reduce its fixed costs. For example, branches, agent training, technology, and local servicing is fully taken care of by us, and we are able to get a benefit of, as per the redseer report of 8-10%. This go very well in line with the stated objectives of the paper.

The paper also suggests a few positives. Number one, the product cap for POSPs has been removed in health, life, and SME. So, if you look at SME alone, so SME single transit, CPM, small group health, less than 50 and less than 500 lives, add up to more than INR 50,000 crores of opportunity.

Plus, the opening up of life traditionally for us has been less than - on a new basis has been 5%. So that opens up as a big opportunity because the caps have been removed. Also, the document proposes multiple products could be distributed, and we can generate income beyond insurance. So that simplifies things for us. We were already offering mutual funds and loans. Now we can push the pedal on that.

From a POSP network point of view, I'll just explain what is our profile of POSPs. Most of the POSPs enter the market through us. There are about 65-plus POSP profiles ranging from full-time insurance professionals to people who have an alternate business or some other income, and they become POSPs and distribute to their customer base. Significantly high %age of premiums, come from POSPs who are multi-product and multi insurance.

88% of premiums come from PoSPs who distribute more than five insurance companies and are multi product. 76% premiums comes from POSP who distribute more than eight insurance companies on the platform. The reason why they work with Turtlemint is that they get a zero-friction model, a fully digital journey, on-time payouts, and every product choice that their customer may need, a customer will get a

360-degree solution on a Turtlemint platform. So, for a POSP, he is able to also issue policies, almost 80% of them fully digitally.

So, this brings me to the point of individual agents versus the POSPs, which as per in the regulation has been proposed that there will be a differential there in terms of income. We have mapped the earnings of our POSPs. The income from, as a percentage, is going to be reduced for both for the agent and the POSP.

And the differential on an average basis, on a monthly basis, could come to about 1,000 per month for a POSP versus an agent if they are doing the similar volume. Now this can be offset by them doing more health, which is now opened up. You can do greater than a particular term insured. You can do life insurance and other also financial services product, which is something that for which we are building the capacity.

So, our view is that the significant cohort of the POSPs will continue to be multi-brand, multi-category. And in fact, that is the only viability now from an insurance distribution option point of view. If you are doing all solutions for a customer is when you will be able to generate enough to be able to serve and get your income.

So, Turtlemint, with its superior technology, the reliability that has been over the last several years, and the last-mile presence, which is there in Tier 3, Tier 4, which is very difficult to create, gives a good open architecture option for a POSP to be working on to our platform and sustain their business.

So, we will continue to keep offering policyholders' choice, transparency, support, do what is right for them. We will grow and continue to grow in a cost-calibrated manner. We'll use AI significantly to drive cost efficiencies, which is something from a timing point of view. AI implementation is quite advanced, and we are well placed for us to be able to take advantage of the AI development that has happened to reduce or to improve efficiencies.

We have a very strong balance sheet. We are well capitalized and hence well placed to navigate and emerge as a much more bigger and a diversified ecosystem player. I'll let Anand now talk about our tech and AI initiatives and speak about the learning and development initiatives that we are in.

Anand Prabhudesai

Thank you, Dhirendra, and good evening, everyone. The consultation paper on distribution reforms talks about better-trained distributors, suitable advice, and accountability at the level of the individual seller. I would like to share with you how our platform addresses these and what uniquely places us to benefit from the proposed reforms.

50% plus of our business already comes from difficult-to-reach geographies, districts with five or less general insurer offices. A typical digital partner on our platform is often a first-time insurance seller, a car dealer, a travel agent, a shop owner in a small town. We have 65 plus such various profiles. Our job is to

turn that person into a trusted advisor for a community, and the way we do it is through structured continuous training. Our learning platform has 55,000 plus average monthly active users, and DPs who go through our training programs show higher activation and better persistency.

This quarter, we launched AI-based product training. The AI tutor is able to deliver a live interactive training while teaching in the user's preferred language, and we saw a 2x higher learning-to-action conversion with this exciting new capability. Training is an important part of building seller capacity that we exclusively control in small towns to drive our business growth. The AI tutor technology gives us the ability to efficiently scale all our interactive training modules across geographic regions and to other products like mutual funds, loans, and recently launched fixed deposits as we diversify revenue streams beyond insurance.

A key focus area for our AI efforts is growing digital partner incomes. We have built an entirely digital onboarding journey, and nearly 85% of our policies are end-to-end digitally issued on Turtlemint's platform. At the point of sale, our AI-led recommendation engine guides the partner to the right product based on the customer's profile and needs, ensuring suitability. This quarter, we launched our AI assistants for agents called Ninja AI.

The Ninja AI assistant provides instant support to the seller partners on quotes, issuances, payments, renewals, endorsements, and claims. The goal of Ninja AI is to significantly improve productivity of our digital partners and our frontline sales and support staff, target being 3x higher productivity while providing a great customer experience.

As the economics of distribution gets recalibrated, a highly optimized cost structure to acquire, produce, and serve customers becomes critical. Agentic AI-led business automation will be a big part of that transformation, and I'm confident we are well on that way.

All our teams, whether product, technology, marketing, content, or analytics are on the forefront of AI adoption in their work. We share one metric, the majority of new code is generated using AI. We are seeing real productivity gains from AI, which should enable us to keep our employee cost flat going forward while we grow and diversify our revenue streams.

With that update, let me hand it over now to Badri, who will walk you through the financials.

Badri Sanjeevi

Thanks, Anand, and good evening, everyone. H1 FY27 has been a strong start to the year, both in volume and revenue terms. Platform premium has been INR 2,419 crores, which has grown by about 52% YoY, supported by a premium SaaS Turtlefin platforms as well.

Our revenue was INR 637 crores for the half year, which was a growth of 38% over the prior year. Our revenue growth continues to be led by the growth of digital partner base. The number of active partners

for the three months ending September, the only 90-day active, was 96,368 active digital partners, up from 80,253 in the prior year.

Our renewal revenues grew to over INR 136 crores in H1. This was a 52% growth YoY. Our renewal revenue growth has been faster than overall revenue growth led by improvement in renewal rates across all the categories that we sell insurance in.

All this has led to service EBITDA also growing faster than revenue. In H1 FY27, service EBITDA grew at nearly 66% to reach INR 85 crores for the six months. This is approximately 13% of our revenue, as against 11% in the prior financial year. Cost below service EBITDA, as we have explained before, is fixed in nature. We expect them to stay in line with inflation.

In fact, that increase has only been about 2.5-3% in the half year of this year compared to the prior year. As a result, these fixed costs as a percentage of revenues have declined from 28% of revenues to 21% in H1. This has resulted in adjusted EBITDA loss being much lower at minus 7% of revenue versus minus 17% of the previous year.

Now, coming to the quarterly performance, we had a strong quarterly growth as well. Our premium grew by 55%, our revenues by 35%. Our corporate overhead as a percentage of revenue declined from 26% last year to 19% this year in this Q2 quarter. This has led to adjusted EBITDA improvement for this quarter coming down to minus 6% versus minus 14% in the prior year same quarter.

EBITDA loss for the year at minus INR 16.7 crores, which was otherwise about minus 5% of our revenue, is our lowest ever historically, proving that our operating leverage continues to play out as expected in our business. I'll reiterate what Dhirendra and Anand has just highlighted, that POSPs will continue to play an important role in the growth of insurance sector, as we believe insurance could be a product that needs assisted purchase journeys for the end customer, especially in B30 market.

We have a strong balance sheet. We expect to close the year with a strong cash balance, and that also will enable us to emerge stronger and continue with our volume growth. Thank you. We'll open up the floor to the Q&A.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Participants who wish to ask questions may do so by clicking the Raise Hand icon at the bottom of your screen, and wait for your turn to speak. We will wait for a moment while the question queue assembles. We request the participants to introduce the firm they represent and ask a question or give comments.

The first question comes from the line of Supratim Datta. Please go ahead.

Supratim Datta

Hello. Thanks a lot for the opportunity. I'm Supratim. I'm from Jefferies.

I have three sets of questions starting with the first one. Thanks a lot for articulating your stance on the distribution paper that has been put across. Just wanted to understand, how are you looking at the cash burn? If this paper comes in the current form or shape, how should we think about the cash burn going into FY28 and FY29, considering you have somewhere around INR 700 crores on the book, just wanted to understand how is the cash burn track record look like?

Second, you highlighted the cross-sell opportunity on health, other financial products. Wanted to understand where are you in this journey today? What is the proportion of health business that is coming from existing agents? How much of cross-sell is happening on the mutual fund and loan side? If you could give us some color there, that also will be very helpful.

And lastly, a more fundamental question. See, if the overall earnings of an agent is going down, I do understand that in a POSPs and platforms like you offer a lot of value-add to the agents. But overall, for an agent, is the attractiveness to come and sell insurance itself going down? And how do you address that as a platform which depends on adding new agents to drive growth? Yeah. So those would be my three questions. Thank you.

Dhirendra Mahyavanshi

Yeah. Thanks, Supratim. First, from a cash burn point of view, the way to think about the business is there are many different profiles of POSPs who are existing. But if you want to do a broad stroke and divide them into two buckets, one bucket is somebody who is multi-brand, multi-category, and can operate and has also started insurance dealers and can operate only in a digital format.

Those set of POSPs, based on our research study understanding, will continue when we continue to build. In fact, we have got a lot of request inbound to understand what more can be done and how do they continue to build their business. And that said, will become progressively will do more premiums, and they will continue to be sustaining their income and the livelihood with us. That is one set. For us, 76% of the premiums come from POSPs who operate across eight-plus insurance companies. And more than 60% comes from PoSP who operate across more than four subcategories within the insurance.

And the new segment we have been able to, in the last two years, also train people to start doing non-core products. So that value proposition remains very, very strong because if somebody was to just be an agent and operate, it will be very, very difficult because they will not be able to sustain. So the importance of generating enough revenues by providing 360-degree solution to the customer will remain, and that kind of a solution is possible only on a digital, fully integrated platform like Turtlemint. So that set will continue.

Now there will be a lot of POSPs who are doing the single product or maybe low in volume. And they would maybe not be interested, and they would go out. Now they are customers. So, like you've spoken about before, right? It's a triadic platform where the policyholders are fully, deeply engaged by us, and there is the contactability for us is 90% plus, and we continue to provide all the servicing to the customers, including doing their renewals.

Now there, we have a policy of contract maintenance. There's a PSOPs churn out, those policyholders will continue to be serviced by us. We will ensure that all of their interests, including renewal, claims, and documents is maintained and they are protected. So, to an extent, we anticipate that business to become a B2C business or a direct business for us.

So that's the expectation in terms of how business will get built out. Obviously, there are a lot of assumptions here, but we see that will ensure that our profitability and the cash burn get protected significantly because whatever basic modeling that we've been doing, we see that we should be able to protect next year our service EBITDA on an absolute value basis. So, on a percentage, it could be higher, but on an absolute value basis, we will be able to protect the service EBITDA.

So that is what we don't see. Now we are not giving out any exact specific numbers because there are lot of assumptions here. The draft has not come out. So, once we have that, we will be able to do a more closer modeling, and maybe next time, we should be able to give you exact number. But at least at a high level, we see that from a P&L point of view, service EBITDA and the EBITDA levels can be protected because of how this will emerge as a business.

Now on the second question, which is cross-sell, a good chunk of them has started doing that, but there were a lot of restrictions and including life. The restrictions around how the product could be distributed, and hence, we could have low sum insured, which was allowed under the earlier guidelines or even now in the current guidance. But what is proposed is that those caps will be removed.

So now they will have under one, we used to get a lot of inquiry, but we could not service that. We will be able to offer those other products with full sum insured possible for them. And hence, they can, to the same customer, diversify and offer other insurance products. Then the third is SME. Within SME, we spoke about the CPM, workmen’s compensation, small group health, and then in term life and all those other products, that will also allow a person who's a distributor in the market to go and offer all the choices. Again, the way we operate is fully digital.

The platform takes care of all the complexity. The training is taken care of by us, but we also provide digital expert at the backend to ensure that all the queries of the customers are protected. So that same model will continue, and we should be able to move many significant portion of the POSPs into multi-product kind of a distribution framework.

And non-insurance, we are looking at - so that mutual fund and loans, we have also already been doing. The loan, especially, has been a recent addition. Maybe about 18 months back, we had started. So, on a monthly basis, it is growing at a healthy CAGR rate. It also gives power to the POSPs because while he's

offering insurance, he's also able to give them loan and those kind of other product offerings. It gives him much more leverage in the market. So, we feel that it will augment the distribution framework very, very well, and we should be able to get into diversify even into outside of the insurance category.

And from his earnings point of view, for him to earn, to maintain that level, he will have to do maybe one or two health or life or one SME or one VAS product, will ensure that he's able to be at the same level as before.

Supratim Datta

Thanks a lot for that. Just two clarifications. One, when you say you will be able to protect the service EBITDA and EBITDA, are you meaning that you will be able to keep it positive? Or are you meaning that you would be able to protect, you know, still grow it next year? So, if you could just clarify what do you mean by protect that would be helpful.

And secondly, could you give us some sense that how, out of your POSP base, what proportion would already be doing this cross-sell? Is it 10-20%? Just some quantification there. Obviously, I understand there are now things open up and the opportunity is better, but what is the starting point for this cross-sell? Thank you.

Dhirendra Mahyavanshi

Yeah. So, 40% of the premiums come from PoSP who do cross sell. And people who operate across eight-plus categories, they do 76% of the business on the platform. 76% of the business.

Supratim Datta

Got it. Yeah. And on that, EBITDA and service EBITDA by protect, could you clarify what you exactly mean?

Dhirendra Mahyavanshi

Yeah. So, service EBITDA on an absolute value basis, service EBITDA margin, we expect it to go up because of some portion of the business becoming B2C. And on an absolute value basis, we are expecting a similar number of what was originally the plan next year.

Supratim Datta

Got it. Understood. Thank you.

Badri Sanjeevi

So, Supratim, Badri here. I just wanted to add a quick point on the cash balance observation. You're right in that at the end of the quarter, it was INR 740 crores. I just wanted to add that with some working capital movements, including some refunds, tax utilization and all, we should actually end the financial year with a slightly higher cash balance as at March 31. So, we'll end the year with a fairly strong cash position as of March 31.

Supratim Datta

Understood. That's very helpful. Thank you.

Moderator

Thank you. The next question comes from the line of Karthikeya Mohata. Please go ahead.

Karthikeya Mohata

Yes. Hi, thanks for the opportunity. So, I had two questions basically. One was, I wanted to know, like, since the consultation paper has been out for more than a month now, so what is the on-ground view? You must be talking to distributors, and there might be, of course, smaller as well as larger POSPs, sorry, who would have a certain kind of reaction to it or who might be talking to you regarding what next can be done, or they may have some suggestions. So, what is your on-ground view on that?

And the second is, since the month of October has passed by, what kind of growth did you see, given there was a base effect of GST as well as, I think, since the news was also out, did you see any churn of the POSPs in October and impact on growth due to that?

Dhirendra Mahyavanshi

I'll tell you that churn has been historically on trend. No difference from a churn point of view. And I'm not sure whether I can give out the October number. I'll just check here. We can't. So sorry, because we are in the middle of the quarter, we can't give out the number. But overall, everything has been trending on track is what I can say.

Now, from a ground viewpoint of view, the POSPs are looking at seeking training from us, wanting to understand what more could be done. And, actually, we have an online academy called Turtlemint Academy, which Anand covered, and the engagement has shot up over there. And we are getting requests to do trainings, including training around how to use AI to market themselves better or how to learn other products.

Our number of POSPs showing interest in doing non-insurance products has also gone up. But within insurance also, specifically, some segments that I spoke about, the queries have significantly shot up more than 10 times in the last 30 days or more. So, these are some indicators. Obviously, only when there is a landing is when we will know in which direction we are to drive them, but these are some very positive indicators. POSPs have also been recruited and have been added, and the addition has been very strong.

The POSPs wanting to work on tech-enabled platform has only gone up, given the history of timely payment of commissions that we have. We are seeing some gain in market share. So, the daily active that we would track earlier has gone up significantly.

So, we have a view better tech-enabled POSP distribution ecosystem will gain market share and will survive. If there are more than 300 POSPs distributing companies there, and unfortunately, if somebody who does not have a technology kind of a platform will find it difficult to operate at an efficient level, and there could be some level of gain in market share that we could see because of that. Some early indications of that, we really know and we know. But we are feeling better in the market.

Karthikeya Mohata

Yeah. Thank you so much. All the best.

Dhirendra Mahyavanshi

Thank you, Karthik.

Moderator

Thank you. Ladies and gentlemen, if you wish to ask questions, you may do so by clicking the Raise Hand icon at the bottom of your screen and wait for your turn to speak. We request the participants to introduce the firm you represent and ask a question or give comments.

The next question comes from the line of Visnu. Please go ahead. Visnu, your line is unmuted. Please go ahead with your question. There seems to be no response. Participants who wish to ask questions may do so by clicking the Raise hand icon at the bottom of your screen and wait for your turn to speak.

The next question comes from the line of Prayesh Jain. Please go ahead.

Prayesh Jain

Yeah. Hi, everyone. Wish you a very happy New Year. Just trying to understand what you mentioned about cross-sell. While the people that are your POSPs generally, a mechanic would be selling motor or a shopkeeper would be. And in a very close circle is what I understand that they do this business in a very close circle. How easy it would be them to -- how easy would it be for you to train them into cross-selling of products? Like you mentioned, 40% of the customers, 40% of your distributors are already doing cross-sell. So, when you say cross-sell, it's motor and health together, or what are the other products that, if you could give some more granularity on that, that would be helpful.

Dhirendra Mahyavanshi

Yeah. So great question, Prayesh. So, this goes back to the profile of the POSPs. Now there are a set of POSPs who, by nature of what they do, they have an ability to offer multiple solutions to the customer, and hence, they mostly operate across multiple categories. So, when we say cross-sell, it means motor to health, motor to life, and other services, including mutual fund and loans. So, 40% comes from PoSP who do multiple categories now.

For certain kind of profiles, there are about several different types of profiles, but a certain segment of profile operating only one category. So typical, let's say, a garage owner who set up a QR code, there is a walk-in, and he's maybe offering only two-wheeler insurance there and beyond that, nothing. No other services are offered.

There possibly he will not be able to do process. And maybe he will not continue or maybe turn off. There will be a certain set of profiles who will be keenly looking at what other solutions that can be offered to the customer. So, we have started, for example, the kind of queries that we are getting are, what are the kind of new products that could be looked at within insurance.

Now they can look at a better sum assured, more add-on covers, increase and improve the coverage under -- there is a significant underinsurance within their customer basis, so could they improve? And our ability to look at their customer profiles, offer them right advice, and then do a very targeted specific solution providing. For example, for a particular customer profile, we can tell them that he is lacking in term, his health insurance is inadequate, and one of his vehicles is uninsured.

So that ability will allow him to -- that segment to go and reach out to their customer and to distribute better. So that is something that we will focus on, multi-category, multi-insurer, we will focus on. See, one of the point that is to be noted is most of our business come from the Tier 3, Tier 4 market. This market dynamic is different from the top cities market. Here, there is a significant relationship orientation, and hence, their ability to offer a single-window solution is sort of cherished and is liked, and their income is

also variable because for them, an alternative would be to maybe migrate out of that location, move to a city, and do a delivery, become a delivery boy or something, right?

So, they would want to continue to be in their hometown, continue to build on whatever they have worked on so far, and hence, we'll diversify and we'll operate into multiple categories. But there will be churn for certain set of POSPs who are single-product categories. There could be some churn. But like I mentioned, we will ensure that we are in touch with the customer and ensure that policies get renewed.

Anand Prabhudesai

Yeah, just to add on how exactly we run the cross-sell engine. So, of course, first is training them and, in fact, making them aware about opportunities in other products that they can sell. Once that is done, we actually look at their own customer base and help them identify leads that they can sell a different product to. So, we actually help them with lead generation and looking at their customer profiles to see how they can reach out to them with a different offering.

And then the third part of it is, of course, in the initial sales in particular, they need expert support and hand holding to actually take the product to the customer. And so, we have a centralized expert desk to help them with that part of the sale process as well. So, it's a complete 360-degree solution. And, of course, as partners mature, they are able to do many of these things on their own. But our goal is to support them in whatever way possible, including, of course, the claims support, which sometimes we have concerns for partners in terms of how, for example, on a health claim, they will get support.

So, we have that capability as well. So, we address all their pain points, and that's how we've been able to drive the cross-sell engine. And it's working very well for us now. And we will double down on it, like Dhiren mentioned, on many of the products which were even within life insurance, for example, which we were restricted in selling, we can now open up. And there are many opportunities in there itself for our partners to reach out to. So, we will double down on our cross-sell.

Prayesh Jain

The other question was on the motor TP business. Would it make sense for you to have motor TP business at all in your portfolio at the levels of commissions that has come in the consultation paper? Would it even make sense to do that business?

Dhirendra Mahyavanshi

So, we have a very small motor TP share price, so it does not behove us. But we will continue to offer all the requirements to the customer. We wouldn't want our POSP to be in a position where he is not able

to offer if a customer is asking for something. So, we'll continue to offer, but the economics to take the standalone is not very helpful.

Prayesh Jain

And just last question. So, this all cross-sell and new product offering will take time to build, right? And it will need investments from your side in terms of training, in terms of reaching out to POSPs. It will not only require cost, but also it will take time. So how will you kind of maintain profitability in FY28?

I'm sure there would be some stress case scenario that you would have built for FY28. If the regulations are implemented as it is, what will be the hit on your revenues and profitability? If you could throw any light on that, it would be great for us to understand as to worst-case scenario. What's the worst case scenario for us in FY28 if the regulations get implemented as it is?

Dhirendra Mahyavanshi

Right. So, it's a little too early because a lot of assumptions are built into that and what we have been engaging. So, what I can tell you is we are constantly engaged to the right bodies with. And unfortunately, the discussion is going on, so we can't share much around it. So, it will be basically on assumptions. We will have assumptions, and then we will end up saying something. So that's why as a cautious thing, we have said that, okay, let's not try and pinpoint and comment.

We will very soon whenever the actual guidance come up, we should be able to do a proper session on what it want to be expected. But the profitability for immediate term doesn't come from the cross-sell. You are right. Cross-sell and building that capacity will take time, few quarters, but it comes from our CMC, the contract maintenance criteria. As if you see some churn, you see that the business becomes direct, and that's where we see a significant impact on the profitability. So that will happen immediately. That will be a result of the regulations, actually.

Prayesh Jain

Got that. Thank you so much, and all the best.

Badri Sanjeevi

Yeah. And, Prayesh, you're quite aware of our financials, Badri here. We have a fairly low cost base. And some points we have mentioned earlier, just wanted to reiterate for the benefit of all the listeners, is that we do have within the fixed cost base, which is non-payout fixed cost base, over INR 343-350 crores. We

have ability to kind of address about INR 50 crores plus of discretionary cost, which will certainly be able to have an impact on.

And the second data point which all our investors are familiar with is that we've managed to continue to grow our productivity of our frontline employees fairly significantly YoY. And we look forward to sharpening that with some of the AI initiatives and already the good traction that we have. So, we feel we have a very good handle on cost on a very low cost base.

One metric that we have spoken about in the past is that, if you look at the total premium that we generate through our platform and the non-payout cost base, we've already kind of 5-6%, and our long-term plans wanted to bring it down to 1-3%. So, we'll nevertheless continue on the journey of being one of the lowest-cost in insurance distribution platforms in the country. And I think that's what advantage very few others will have when you continue to keep working on that. And that will also help us in preserving the cash balance and managing this transition.

Prayesh Jain

Thank you and all the best.

Dhirendra Mahyavanshi

Thank you, Prayesh.

Moderator

Thank you. The next question comes from the line of Divith Punjabi. Please go ahead with your question. Divith Punjabi, please go ahead with your question. The line is unmuted. Mr. Punjabi, I request you to unmute your line and ask your question. So there seems to be no response. We move on to the next question.

Next question comes from Mahesh Soni. Please go ahead.

Mahesh Soni

Are you able to hear me?

Dhirendra Mahyavanshi

Yes. Your voice is audible.

Mahesh Soni

Yeah. So, what was Turtlemint's feedback to IRDAI? And if you can specifically share some feedback around the commission cap, if you gave any inputs around that.

Dhirendra Mahyavanshi

So, Mahesh, we have been engaged. There was a format for feedback that was given, and thousands of companies, people, individuals have given feedback in that. In the same format, we have submitted our feedback. We've also engaged with the Insurance Brokers Association and submitted our recommendations. I can't maybe, because it is a discussion going on, give you exact specifics of what has been our feedback. But there has been an active engagement, is what I can share with you, Mahesh.

Mahesh Soni

Yeah, that I understand. But anything that is tangible that you can share to give us a little speech, because we have seen the stock price decline in good time, and we would like to know whether with all the financial that you have shared and the kind of cash in our company has, that gives us some security, But how long will this continue, and how much time to profitability for that? The information around this could really help.

Badri Sanjeevi

Hi, Mahesh, while the consultation is going on, as Dhirendra said, it's difficult. But where the regulator and the authority have asked to engage us with a lot of data on our businesses. And I think on that, we have been as proactive as possible in sharing. Some of the data has been around business that we do beyond the top 30 cities.

Data has been on average earnings of the POSPs that the authority has asked for data, not just from us, but from all the registered brokers and all the efforts that the authority also looks to get from us with respect to quality of the book renewals or complaints, and so on. The engagement has been very positive, and the follow-up discussions do give us a hope of a fair consideration of all our recommendations.

Sorry, Mahesh, I understand your anxiety as a valuable shareholder, but we have to respect the process that the regulator has given us. I apologize for not being able to give more. I think the industry is doing an amazing job through the broker association to present the views in a very transparent manner. At this stage, we'll struggle to give anything more, Mahesh.

Mahesh Soni

Yeah. No worries. Don't say the specifics, but the current form of proposal, I'm sure, that makes any kind of distribution business unsustainable, for sure, as much as I understand, because you guys have more data points. Does the data that you shared support the kind of proposal that I have here? That is the sum of it? I'm sure it may not support, but I just want to know from you guys, does it support those kind of commission?

Because if you want insurance for all and if the distribution is not empowered, I don't see that happening for India with the kind of proposal that these guys are some of it. So, the regulator has been very, very stringent around this. And as a consumer myself, I don't see this making sense. So, does the data support for whatever data you have on the platform? Those kind of numbers that IRDAI has shared around the insurance commission cap, is it supported by the data?

Dhirendra Mahyavanshi

So, there are different types of distribution companies, and they are engaging through -- there are banks who are distributing, there are OEM brokers, there are corporate brokers, SME brokers, there are insurtechs like us, and many different ways of doing business in the market. And what we have spoken about is highlighted the point, like you mentioned, that the POSP network has been built in the last 10 years to cater to the Tier 3, Tier 4 market. Those are the markets which have been traditionally underserved and underpenetrated, and it's a great channel to drive penetration in the market.

And insurance for all as a goal can be achieved. They also do smaller ticket size. Those ticket sizes that are relevant to those markets. And they are the emerging distributors who are comfortable using technology, comfortable using smartphones, and hence, the new age, the Gen Zs who are using the tech capabilities that have been created to distribute.

And that can be a great channel to drive the penetration. You have been heard like Badri said, and the conversations have been very positive. It is not us only independently, but several other companies have gone together and have spoken about it. And we've got the right hearing, is what I can – yeah, it's what I would like to tell you. And we are hopeful. We are continuing to engage and quite hopeful on some other specifics that we are engaging with them.

Mahesh Soni

Thanks. And just one thing. Are we trying to do something with Policybazaar? Like, have a website-based incoming lead-generation?

Dhirendra Mahyavanshi

Yeah. Can you repeat that question?

Mahesh Soni

Like Policybazaar, we have an online channel to generate leads, right? I don't know how much Turtlemint Fintech website is popular for comparison. Are we making any promotion efforts on insurance keywords on the web? Like, anything you search about insurance Policybazaar that's getting out there in the first year. So Turtlemint also put effort on this direct channel and getting the leads to the web.

Dhirendra Mahyavanshi

Yeah. So great question. So, from a B2C point of view, I think the model is going to change because, I'll tell you about the Turtlemint strength. We have issued more than 2 crore policies in the history of the company. A significant percentage of the customers are our existing customers, with contactability being very, very high, where they would have purchased one or maybe two products. On an average, it would be about 1.2 to 1.3.

And hence, our ability to reach out to them and offer 360-degree solution to them, including insurance and non-insurance is very, very high, which we are able to do now using, in fact, AI and have a very high level of engagement, and then possibly that will turn into conversion rates and get increased revenue streams for us.

Now, from turtlemint.com as an online platform being marketed on search engines, we do not see that as a big lever because, see, there are guidelines also around dark patterns, right? And those models will require you to get the phone number in advance and then call and also the entire search for insurance is also moved to the AI, the chat kind of an option.

So, the way the direct will happen will shift dramatically over the next few years, is what we believe. What we have as a strength right now is a huge customer base to whom we can reach out and we can offer them other products which can be done directly, which is something that we intend on doing.

Mahesh Soni

So, basically, tutlemint.com may not be our focus area right now because of the dark web possible regulation that might come in. I've got that, right.

Dhirendra Mahyavanshi

Yeah. So, in the history of our company, we have never taken phone numbers in advance, and we'll continue to do that, and that approach to B2C will be different. The answer is that we will continue to do B2C, but we will not do aggressive marketing to do B2C as well.

Mahesh Soni

All good. Thank you so much. All the best.

Moderator

Thank you. The next question comes from the line of Visnu. Please go ahead with your question.

Visnu

Hello. Am I audible?

Dhirendra Mahyavanshi

Yes. You are audible.

Visnu

In the current scenario, about the renewal book, how protected is it? Can an Insurance agent can easily move them on the health front towards the insurance agent? How protected is it currently?

Dhirendra Mahyavanshi

So, Visnu, great question. So, we have historical data on that. We recruit POSPs, and they go through our training cycle on the platform, and over a period of time, they continue to be on the platform and build business. But there is a percentage of POSPs who churn out and have been churning out historically. The retention rates on those churned-out POSPs are not different. The policyholders continue to be serviced by us, and the retention rates are significantly high.

So, we do not expect any change in the renewal rates because policy in, especially in health, the policyholder himself is very sensitive because it's the benefits accrue over a period of three, four years,

and hence, the renewal rate will continue to be where it is today. So, we are at about 90% plus, and we'll continue to get 90% plus from a health renewal book point of view.

Visnu

So, my second question is about the profitability. I know there has been discussion about it. But assuming the regulator too gives us some relaxation and the new rate for us, given our product mix comes at around high single digits or something.

So, given our current payout rate, can you share some strategy about how we can come back to profitability or reach profitability on the EBITDA front? I know you're talking about service EBITDA being positive next year, but can you throw some light about how we can reach positive EBITDA, operating profit?

Dhirendra Mahyavanshi

So, the biggest portion of our cost is payout, right? It's a most variable component of our cost. Now, that is a function of the business. Second variable component is the entire field presence that we have. Now, here, there is an opportunity to improve productivity significantly. Every year, we have been improving our productivity at a CAGR of 20% plus, and that will continue to improve as we go forward from a premium and a revenue point of view.

Below that, the cost structure is about -- for the last four years, our costs have been the same. We have been in the range of INR 240-260 crores. And hence, our costs don't scale in the business. So given the fact that the nature of the cost is the payout, and the second is the lever that we have in terms of productivity, there is a degree of freedom within which we can by offering more choice and more products, and ensuring that the unit economics at an RM level and at a POC level remain the same.

And below that, and the fixed cost there is an opportunity. So, there was an investment that we were doing and some overhead, which we see an opportunity of INR 50-60 crores of reduction over there, which if need be, we do not anticipate it right now, but if need be, we can reduce that further. So, we should be able to quickly move to profitability.

Obviously, the decisions will depend on the actual nature of the guidelines. And once they come, then we will move our assumptions, and then we should be able to take those steps. But we have significant degrees of freedom, and there are a lot of levers that we can use to ensure that the business remains properly.

Visnu

Yeah. We have done better in terms of maintaining our fixed cost of near INR 250 to 300 range. But given our aim to maintain, or if we try to maintain, our payout rate, sort of, back-of-the-envelope calculations, need us to reach more than INR 20,000 premium to just turn operating profit, to bring operating profit on our book. So, is my calculation right, or do we see reduction in the payout rate? Or is it just too early to say something?

Dhirendra Mahyavanshi

It's a little early. It will be a function of our profitability, obviously. So historically, we have never been the best payout company, right? We have been known for trust. We have been known for digitization, technology, bringing choice, and providing all the solutions digitally. And there is a high level of reliability. That is a very, very attractive thing for a POSP. They know that if something reflects as an activity point, they will definitely get that payment, and in the last eleven years, there has never been a single day delay in that.

And that's why the POSP's loyalty levels have always been highest, even when they have been offered much higher outside of our ecosystem, outside of the settlement platform. They have continued to be loyal on the platform. So, there is historical proof. The NPS scores are at an all-time high for us, so that brings it a big component of loyalty among the POSPs, and they will continue to be active on the platform.

We will ensure that we maintain a certain level of healthy margin for us, which is what we have always done. There will be a reset of the entire market. There will be a reduction of competition. There will be a going away of lot of non-tech distributors. So, all that will lead to a gain in market share is what we believe, which we are seeing some early signs right now.

But we really know, I think once it gets implemented, we will know how it moves. But yeah, we have operated in this regime before, right? PSUs used to pay 10% before, and we have done healthy PSU business by retaining our healthy margins, right? So, this commission structure was only between ‘23 to ‘24. So, we should be able to navigate very easily and retain our margins going forward.

Visnu

So, it would be difficult to -- you talk about payout rates and all. But on an extreme scenario or an extreme negative scenario, how much fixed cost would be able to reduce from the current INR 260 to 300 odd levels to operate at utmost efficiency?

Badri Sanjeevi

No, I'll answer it this way, Visnu, Badri here. I think the way I had said earlier, a fixed cost base as a percentage of premiums today is just about 6-8% depending upon season, depending upon year. And in fact, this has come down significantly in the last two years. In fact, our forward-looking estimates are always that it should come down to between 3-4%. So, as a percentage of premium, we offer extremely low cost, which is also beneficial to the insurance companies.

One point I just want to just add on to the point, hoping it's relevant, is that for an insurance company, given we're a highly tech-based platform, the commission that we earn from them is the only expense of management that they incur. They don't need to add any further cost. And so, from that perspective also, we are amongst the best distribution partners for insurance companies. There is no other significant overhead cost that they have to incur.

So, as Dhirendra just mentioned, we certainly have some discretionary cost that we can take out, maybe to the extent about INR 50 crores. We will work on increasing the productivity of our employees, which is above the service EBITDA, which today is about 7-8% of revenue, something like that. Also, we can kind of try to manage to improving the productivity of our existing employees through the cross-selling opportunity that we are pursuing and the AI support we're giving to the agents as well. I think those efforts will continue.

As a percentage of revenue, you'll see sharp falls that you will see as a percentage of revenues of premium. Yeah. That's the right approach for us, Visnu, because we have to continue to build the business. It is this team which has built all these additional products we're already offering, and it is the same team that needs to continue to build the business in terms of new offerings, new products, educating our POSPs to sell new products. And so, we are grateful to the team and the POSP team for having built the business all these years, and then this team will continue to do the same for us going forward.

Visnu

Thank you.

Moderator

Thank you. There are no further questions. I would now like to hand over the floor to the management for closing comments.

Anand Prabhudesai

Thank you everyone for joining the call. Have a good day ahead.

Dhirendra Mahyavanshi

Thank you, everyone.

Moderator

Thank you very much, sir, and thank you members of the management. Ladies and gentlemen, on behalf of Turtlemint Fintech Solutions Limited, that concludes your conference. Thank you for joining us, and you may now exit the meeting.

Note:

This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.