



LONG TERM SUBSCRIBE

IPO Report

07th Nov '24

Snapshot

Company is one of India’s largest and fastest growing SAHI based on overall health GDPI of ₹54,944.28 million in Fiscal 2024. From Fiscal 2022 to Fiscal 2024, company’s overall GWP grew at a CAGR of 41.27% and company’s GWP from retail health grew at a CAGR of 33.41%. Company’s growth in overall health GDPI from Fiscal 2022 to Fiscal 2024 of 41.37% is one of the highest growths among SAHIs, and is almost double of the industry’s average, which increased by 21.42% from Fiscal 2022 to Fiscal 2024. Company had a market share in the Indian SAHI market of 17.29%, 16.24%, 15.58% and 13.87% for year-to-date August 2024 (Fiscal 2025), Fiscals 2024, 2023, and 2022 respectively

VALUATION

Company is bringing the issue at price band of Rs 70-74 per share at p/e multiple of 4x on post issue basis. Company is granular retail health insurer with a focus on delivering robust GWP growth, capital efficiency and profitability. Also, company’s diverse product suite for customers, bolstered by its track record for product innovation. Company has technology-led automated approach to customer servicing along with Bupa parentage and brand associated with health insurance and healthcare. Company’s domain knowledge and experience in claims and provider management along with multi-channel diversified pan-India distribution, with technology-led empowerment of distribution partners. Hence looking after all above, we recommend “Long term Subscribe” on issue.

Price Band (Rs./Share)	70-74
Opening date of the issue	07th Nov '2024
Closing Date of the issue	11th Nov'2024
No of shares pre issue	1,718,918,290 Eq Shares
Issue Size	Rs 2200 Cr
Fresh Issue	Rs 800 Cr
Offer For Sale	Rs 1400 Cr
Face Value (Rs/ share)	Rs 10/share
Bid Lot	200

BIDDING DETAILS

QIBs (Including Anchor)	75% of the offer (Approx 235,714,286 Eq Shares)
Non-Institutional	15% of the offer (Approx 47,142,857 Eq Shares)
Retail	10% of the offer (Approx 31,428,571 Eq Shares)
Lead managers	Axis Capital, ICICI Securities, Morgan Stanley, Kotak Mahindra Capital, HDFC Bank, Motilal Oswal
Registrar to the issue	KFin Technologies Limited

WHAT WE LIKE

Granular retail health insurer with a focus on delivering robust GWP growth, capital efficiency and profitability

Company is the third largest and the second fastest growing SAHI in India based on overall health GDPI in Fiscal 2024, with a CAGR of 41.37% from Fiscal 2022 to Fiscal 2024. As per the Redseer Report, company had a market share in the Indian SAHI market of 17.29%, 16.24%, 15.58% and 13.87% for year-to-date August 2024 (Fiscal 2025), Fiscals 2024, 2023, and 2022 based on retail health GDPI. According to the Redseer Report, company have consistently narrowed the gap in scale from larger competitors, while widening the gap in scale from company’s smaller competitors in India from Fiscal 2022 to Fiscal 2024, in terms of retail health GDPI.

Expansive portfolio diversified across different renewable energy technologies

Company have an expansive portfolio of projects diversified across different renewable energy technologies. Company’s projects are located across 11 Indian states of Rajasthan, Gujarat, Punjab, Madhya Pradesh, Uttar Pradesh, Bihar, Chattisgarh, Andhra Pradesh, Odisha, Karnataka and Telangana. States like Gujarat, Rajasthan, Madhya Pradesh, Andhra Pradesh, Karnataka, and Tamil Nadu offer more solar irradiance as compared to other parts of India which makes them desirable for installing solar projects. Further, states such as Gujarat, Maharashtra, Karnataka, Tamil Nadu and Andhra Pradesh have excellent wind as well solar potential and provide great opportunities for supply of hybrid power.

Long-term stable cash flows based on contracts with central and state government entities

Almost all of company’s portfolio is contracted through long term power purchase agreements with central and state government backed entities typically for a period of 25 years. As of June 30, 2024, the weighted average residual period (based on the contracted capacity) under the PPAs for all company’s Operational Projects was 19.94 years. Company generally execute its PPAs before it commence the development and construction of its projects. As a result, once the project is commissioned and it is connected to the grid, company is able to immediately sell electricity pursuant to its contractual arrangements.



COMPANY BACKGROUND

Responding to the evolving needs of company's customers over 16 years of operations, company have built a track record of product innovation catering to a range of customer groups. Company aim to create a health insurance platform of choice for customers in India. Company offer its customers the ability to access a comprehensive health ecosystem and service capabilities via company's 'Niva Bupa Health' mobile application and website, thereby offering them a holistic proposition. This application provides company's customers access to a range of healthcare solutions including diagnostics, digital consultation, annual health check-ups and health education content. Customers can also undertake claims submission, policy servicing and track health parameters through this application. Through company's diverse and evolving product suite and its 'Niva Bupa Health' mobile application and website, company aim to provide its customers access to a range of healthcare and disease management solutions.

Company's Promoters , Bupa Singapore Holdings Pte. Ltd. and Bupa Investments Overseas Limited, are members of the Bupa Group. Through its association with the Bupa Group, company have access to its international healthcare insurance experience. Established in 1947, the Bupa Group is an international healthcare organization serving over 50 million customers 3 worldwide, as at December 31, 2023. According to the Redseer Report, with no shareholders, it reinvests profits into providing more and better healthcare for the benefit of current and future customers. According to the Redseer Report, Bupa offers health insurance, healthcare provision and aged services, and it has businesses around the world but, principally, in the UK, Australia, Spain, Chile, Poland, New Zealand, Hong Kong SAR, Türkiye, Brazil, Mexico, India, the US, Middle East and Ireland. According to the Redseer Report, Bupa also has an associate business in Saudi Arabia. As per the Redseer Report, with Bupa Singapore Holdings Pte. Ltd. and Bupa Investments Overseas Limited as company's Promoters, company is the only health insurance company in India majority controlled by a foreign global healthcare group.

Company had 14.99 million active lives insured as of June 30, 2024. Company is strategically focused on the retail health market and its GWP from its retail health products was 67.65% and 68.47% of company's overall GWP for the three months ended June 30, 2024 and Fiscal 2024, respectively.

According to the Redseer Report, in India, health insurance providers can be broadly categorized into three main types and as of August 31, 2024 there are four IRDAI-recognized public insurers excluding specialized insurers, 21 private insurers, and 7 IRDAI-recognized SAHIs. The retail health insurance segment is the most promising segment in the health insurance industry in India as of March 31, 2024, due to higher average premium per life, higher renewal rates and lower Combined Ratios as compared to group health insurance, according to the Redseer Report.

Company's approach towards customer portfolio management is based on its in-house developed recommendation engine, which determines LTV and leverages data analytics based on several variables to assess and predict risks. Company is able to strategically focus the distribution of company's products through selected distribution channels to target specific customer groups. Company have relied on this strategic approach of selling high-LTV products to high-LTV customers through targeted distribution channels to increase the average ticket size of its policies. According to the Redseer Report, the average ticket size per policy sold through company's agency channel (individual agents) is the highest among SAHI peers, at ₹22,895.43 per policy for Fiscal 2023 and the second highest at ₹25,028.35 per policy for Fiscal 2024, signifying an enhanced ability of company's agency channel to capture the mass affluent customer segment. Company sell its products directly to customers through its direct sales channel, which accounted for 13.61% and 13.07% of company's business by GWP for the three months ended June 30, 2024 and Fiscal 2024, respectively, and comprise sales made by its sales team and online sales through company's website and "Niva Bupa Health" mobile application. According to the Redseer Report, company's overall direct sales channel was the highest among SAHIs in terms of total health GDPI contribution in Fiscal 2024, highlighting the strength of company's in-house sales capabilities through its website, "Niva Bupa Health" mobile application and sales team. Through company's direct-to-customer online sales channel, policy sales are carried out on company's website and "Niva Bupa Health" mobile application, supported by personalized digital marketing as well as an in-house developed technology stack that employs machine learning-based scoring to provide product recommendations to company's tele-sales team. Company also rely on intermediated distribution channels comprising individual agents, corporate agents (banks and others), brokers, insurance marketing firms, POSPs and web aggregators to distribute company's products. As part of company's intermediated distribution strategy, company seek to have a diversified sourcing mix of distribution channels, evidenced by the fact that no single distributor contributed more than 15% to company's overall GWP, across the three months ended June 30, 2024 and June 30, 2023, and the last three Fiscals. According to the Redseer Report, company have a diversified channel mix with corporate agents (banks and others), individual agents and broker channels contributing 27.25%, 32.07% and 27.04% respectively of company's business by GDPI for Fiscal 2024 respectively, as compared to over 50% contribution of the individual agents channel to overall GDPI of SAHIs in Fiscal 2024. Through the combination of company's direct and intermediated distribution channels, company have a diversified presence across India, and for the three months ended June 30, 2024 and Fiscals 2024, 2023 and 2022, company have generated GWP in every state and union territory in India, with no single state or union territory accounting for more than 20% of company's GWP.



INVESTMENT RATIONALE

<p><i>Technology-led automated approach to customer servicing</i></p>	<p>Company have designed automated and digital self-serve capabilities aimed at enabling customers to benefit from a seamless, selfserve experience with minimal manual intervention. For the three months ended June 30, 2024 and Fiscal 2024, company had 99.94% and 99.95% of all of its new policies procured through company’s direct sales and intermediated distribution channel being applied for digitally through company’s website and mobile applications, respectively. This is a testament to the evolving preferences of company’s customers to engage with it digitally instead of through traditional ways and company’s ability to adapt to the shifting trends of selling insurance and servicing customers. Company have also sought to automate the underwriting decision workflow with its in-house developed auto-underwriting system, supported by features such as company’s in-house developed rule engine and reflexive underwriting questionnaire. For the three months ended June 30, 2024 and Fiscal 2024, 50.59% and 51.81%, respectively, of the retail policies on company’s platform are auto-decided without any human intervention.</p>
<p><i>Bupa parentage and brand associated with health insurance and healthcare</i></p>	<p>Bupa Singapore Holdings Pte. Ltd. and Bupa Investments Overseas Limited, company’s Promoters , are members of the Bupa Group. Through company’s association with the Bupa Group, company have access to its international healthcare experience. According to the Redseer Report, Bupa maintains a domestic health insurance presence in the UK, Australia, Spain, Chile, Hong Kong SAR, Türkiye, Mexico and Brazil and via its associate business in Saudi Arabia and also offers international private medical insurance to customers across the world through its ‘Bupa Global’ businesses. Bupa’s health insurance services accounted for a significant portion of Bupa’s revenue for the year ended December 31, 2023. Bupa operates health clinics, hospitals and dental centers around the world. Bupa also operates residential aged care businesses in the UK, Australia, New Zealand and Spain. Bupa’s focus on digital transformation is reflected by ‘Blua’, its digital health solution. ‘Blua’ gives access to virtual health appointments and preventative health coaching</p>
<p><i>Company’s Domain Knowledge and Experience in Claims and Provider Management</i></p>	<p>For Fiscals 2024, 2023 and 2022, company processed 100% of claims under its retail health products through its dedicated inhouse claims team. Company’s claims management capabilities are equipped with a paperless digital claims submission system, endto-end auto adjudication of claims for cashless claims, real-time fraud detection mechanisms using machine learning algorithms and a claims billing analytics tool that flags outliers and anomalies based on the treatment, provider category and location. According to the Redseer Report, company have demonstrated strong customer service metrics on claims, with a Claims Settlement Ratio of 91.93% and 90.53% for Fiscal 2024 and Fiscal 2023, respectively. Company use machine learning-based algorithms and logistics regression models to identify fraudulent claims, and as per the Redseer Report, this has helped drive higher success on fraud detection and reduce investigation referrals, thereby reducing impact on the customer experience. Company’s machine learning-based predictive model is deployed in the claims process to score and identify claims with a high likelihood of fraud and abuse. Such claims are automatically pushed to a separate processing queue for higher scrutiny including field investigations, thus enabling early intervention and fraud avoidance. These capabilities have collectively helped company achieve a Claims Ratio of 64.03%, 65.44%, 59.02%, 54.05% and 62.12% for the three months ended June 30, 2024 and June 30, 2023, and Fiscals 2024, 2023 and 2022, respectively.</p>



OBJECTS OF OFFER

Offer for Sale

Each of the Selling Shareholders will be entitled to their respective portion of the proceeds from the Offer for Sale in proportion to the Equity Shares offered by the respective Selling Shareholders as part of the Offer for Sale after deducting its proportion of Offer related expenses and relevant taxes thereon and in accordance with the Offer Agreement and Cash Escrow and Sponsor Bank Agreement.

Fresh Issue

Company proposes to utilize the Net Proceeds from the Fresh Issue, as per applicable IRDAI regulations, towards augmentation of its capital base to maintain and strengthen its solvency levels by investing in instruments and in the manner prescribed under the IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024.

RISKS

Company's profitability depends on its ability to manage its underwriting risks and appropriately price its products and any failure to accurately estimate medical expenses or the frequency of claims could have a material adverse effect on company's business, financial condition, results of operations, cash flows and prospects.

Source:RHP

INDUSTRY OVERVIEW

Key drivers and enablers for growth of India's health insurance industry

- Regulatory and government support – IRDAI is enhancing health insurance growth through supportive initiatives like Insurance for all by 2047, Bima Sugam, IRDAI Regulatory Sandbox. AB-PMJAY scheme, covering diverse medical treatments, has significantly contributed to achieving universal health coverage, especially for rural India and the underprivileged sections. These government-sponsored initiatives underscore the commitment to social security and financial well-being for citizens across different economic strata. Additionally, employer-provided insurance to employees further contributes to this collective effort towards comprehensive healthcare coverage.
- New and specialized insurers – IRDAI is encouraging supply-side offerings through approvals of new license and product offerings. This is expected to expand the market by targeting new customer segments. • Evolving healthcare landscape – The fast-developing healthcare landscape in India serves as a significant catalyst for the growth of health insurance. As specialized and high-quality healthcare infrastructure expands, healthcare costs will also grow. In this context, health insurance will play a crucial role in safeguarding household wealth.
- Demand-side: increasing awareness for health – Covid-19 pandemic has brought about a significant shift in awareness about health, well-being, and the importance of financial protection against unexpected medical expenses, driving the demand for health insurance.
- Development of digital-first ecosystem – Digital enablement across insurance value-chain has streamlined the insurance process. Technology has improved customer experience across the value chain through online purchase channels, AI/ML (Artificial Intelligence/Machine Learning) models for specialized underwriting, identifying fraudulent claims, and expediting processing times.



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24	Q1 FY 2025
Total Revenue (A)	904.79	4130.66	3287.25	726.27
Total Expenditure (B)	2870.04	4005.26	2468.73	914.48
EBIDTA	-1965.25	125.40	818.52	-188.21
PBT	-1965.25	125.40	818.52	-188.21
Tax	404.16	-122.27	2116.44	488.62
PAT	-2369.41	247.67	-1297.92	-676.83
ROE%	-36.25	1.87	5.68	-0.92
EPS	-1.42	0.09	0.51	-0.11
Eq Cap	14,086.02	15,106.78	16,995.35	17,001.23
Net Worth	15,340.04	18,449.42	29,817.49	29,853.51
Solvency Ratio	1.72	1.67	2.55	2.39
Retention Ratio	76.78%	78.15%	78.84%	78.65
Claims Ratio	62.12%	54.05%	59.02%	64.03
Expense Ratio	45.40%	43.20%	39.77%	42.05
Combined ratio	107.52%	97.25 %	98.79 %	106.08

(Source: RHP)

Peer Comparison

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>Niva Bupa Health Insurance Company Limited</i>	<i>10</i>	<i>0.50</i>	<i>--</i>	<i>5.68</i>	<i>12.06</i>
Peers					
Star Health and Allied Insurance Company Ltd	10	14.48	38.27	14.35	108.35
ICICI Lombard General Insurance Company Ltd	10	39.03	48.91	17.17	242.75
The New India Assurance Company Ltd(2)	5	6.77	28.62	5.13	132.55

(Source: RHP)



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