



Company Overview

Niva Bupa Health Insurance Co. Ltd. (NBHICL) is a leading health insurance company in India dedicated to giving every Indian the confidence to access the best healthcare. The company aims to achieve this through various health insurance products and services that help customers navigate their healthcare journey, providing access to a comprehensive health ecosystem. According to the RedSeer Report, NBHICL is one of India's largest and fastest-growing standalone health insurers (SAHIs) based on an overall health gross direct premium income (GDPI) of Rs. 5494 crores in FY24. From FY22 to FY24, the company's overall gross written premium (GWP) grew at a CAGR of 41.3%, while its GWP from retail health grew at 33.4%. The company's overall health GDPI growth from FY22 to FY24, at 41.4%, is among the highest in the SAHI sector, nearly doubling the industry's average growth rate of 21.4% over the same period. Responding to customers' evolving needs over 16 years of operations, it has built a track record of product innovation catering to a range of customer groups. The company aims to create a health insurance platform of choice for customers in India. It offers customers the ability to access a comprehensive health ecosystem and service capabilities via its 'Niva Bupa Health' mobile application and website, offering them a holistic proposition. This application provides customers access to various 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. The company aims to provide customers access to various healthcare and disease management solutions through its diverse and evolving product suite and 'Niva Bupa Health' mobile application and website.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Augmentation of its capital base to strengthen solvency levels;
- ⇒ General corporate purposes.

Investment Rationale

Diverse product suite for customers, bolstered by a track record for product innovation

Niva Bupa Health Insurance stands out with a comprehensive suite of innovative health insurance products designed to meet the diverse needs of customers at every stage of their lives. The company identifies customer groups based on various parameters such as age, income and health status. The company strives to achieve the best customer-product fit based on these customer groups and the sales process. Recently, the company launched the Aspire product to target Millennials (26 to 40 years old) and Generation Z (18 to 25 years old), which offers features tailored to target the distinctive needs of these demographics, such as Lock the Clock where the age of a person for premium calculation purposes is locked/fixed at the entry age until the time a claim is paid. The company has demonstrated a track record of innovation, launching products with industry-first features. Through the company's product innovation capabilities, they have developed products with selling propositions that have assisted in scaling the business. The company has developed a customer LTV-based approach towards new product creation, which leverages data analytics to determine LTV based on customer profile, claims experience, loss ratio assumptions, inflation, acquisition cost and risk perception. This has enabled us to innovate with new products targeted at specific customer groups, map customer groups via distribution channels, and achieve favourable underwriting outcomes.

Multi-channel diversified Pan-India distribution, with technology-led empowerment of distribution partners to aid financial performance

Niva Bupa Health Insurance has adopted a comprehensive distribution strategy that leverages multiple channels across India, supported by technology, to empower its distribution partners and enhance financial performance. The company's distribution channels comprise (a) direct sales through employees, online sales through the website and 'Niva Bupa' mobile application, and (b) intermediated sales through distributors. The company's LTV-led approach towards business selection and underwriting seeks to build a sustainable portfolio via the preferred product-channel-customer strategy by enabling them to strategically focus on products tailored to a particular customer and the appropriate channel to distribute such products. The company's decision-making on sales incentives, rewards, recognitions and commissions is also driven by this approach, where target efforts towards higher-LTV customers focus sales strategy at the policy and channel levels more efficiently. According to the Redseer Report, they are the largest selling non-life insurer on India's largest online insurance broker/web aggregator, based on insurance commission paid by insurers to the insurance

Issue Details

Offer Period	7 th Nov, 2024 - 11 th Nov, 2024
Price Band	Rs. 70 to Rs. 74
Bid Lot	200
Listing	BSE & NSE
Issue Size (no. of shares in mn)	297.2
Issue Size (Rs. in bn)	22
Face Value (Rs.)	10

Issue Structure

QIB	75%
NIB	15%
Retail	10%

BRLM	ICICI Securities Ltd., Morgan Stanley India Company Private Ltd., Kotak Mahindra Capital Company Ltd., Axis Capital Ltd., HDFC Bank Ltd., Motilal Oswal Investment Advisors Ltd.
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Registrar	KFin Technologies Ltd.
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Particulars	Pre Issue %	Post Issue %
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Promoter & Promoter Group	62.9%	-
Public	37.1%	-
Total	100.00	-

(Assuming issue subscribed at higher band)

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broker/web aggregator. The company's online direct sales channel and digital distributors, namely web aggregators and certain online brokers, are beneficial on account of better quality of disclosures driving optimal pricing and no third-party acquisition costs for the direct sales channel. Niva Bupa's agency distribution channel is supported by a physical branch network of 210 physical branches, and the e-agency model is used for locations where agents undertake business without a physical branch presence. The company e-agency model enables remote onboarding and training of individual agents in a cost-efficient and agile manner, which may increase operating leverage and lower Expense Ratio and allow them to reach a wider footprint to target a broader group of customers.

Valuation

Niva Bupa Health Insurance Co. Ltd. (NBHICL) is India's leading health insurance company. It aims to achieve various health insurance products and services that help customers navigate their healthcare journey, providing access to a comprehensive health ecosystem. The combination of health insurance products, access to the health ecosystem, and extensive customer service, coupled with multi-channel distribution capabilities, all underpinned by the LTV-based approach, drives customer retention and attracts new business customers. The company also focuses on creating a holistic, customer-centric health insurance platform and a healthcare ecosystem that provides customers access to various facilities across wellness, doctor consultations, diagnostics, and medicine delivery. According to the RedSeer Report, NBHICL is one of India's largest and fastest-growing standalone health insurers (SAHIs) based on an overall health gross direct premium income (GDPI) of Rs. 5494 crores in FY24. From FY22 to FY24, the company's overall gross written premium (GWP) grew at a CAGR of 41.3%, while its GWP from retail health grew at 33.4%. The company's overall health GDPI growth from FY22 to FY24, at 41.4%, is among the highest in the SAHI sector, nearly doubling the industry's average growth rate of 21.4% over the same period. As we advance, Niva Bupa Health Insurance's financial performance is likely to be driven by product innovation, investment in technology and analytics to facilitate the sales and servicing of products and further expand presence in existing geographies within India, investment in deepening distribution channels and increase market share in retail health insurance. **Given its leading health insurance company, innovative expansion plans, technology-led automated approach and potential for profitability, we recommend a "SUBSCRIBE" rating for the issue with a medium to long-term investment perspective.**

Key Risks

- ⇒ The company's profitability depends on managing underwriting risks and appropriately priced products. Any failure to estimate medical expenses accurately or the frequency of claims could harm the business, financial condition, results of operations, cash flows, and prospects.
- ⇒ As a significant portion of business is generated from the health insurance line, any adverse changes to the demand for health insurance products and the retail health insurance sector may affect the sale of health insurance products and, in turn, business and profitability.
- ⇒ If company fail to align products, including in particular, retail health insurance products, with the needs of targeted customer demographics or if they are unsuccessful in product development strategy, the business could adversely affect.

Niva Bupa Health Insurance Company Ltd.

Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Operating profit/(loss)			
(a) Miscellaneous insurance	457	3,509	1,880
Income from investments			
(a) Interest, dividend and rent - gross	375	541	1337
(b) Profit on sale/redemption of investments	9	14	33
Less: Loss on sale/redemption of investments	-	-	-
(c) Accretion/amortization of (premium)/discount of investments	-9	5	6
Other income			
(a) Gain/(loss) on foreign exchange fluctuation	-1	0	-2
(b) Interest income on fixed deposits	2	8	9
(c) Provisions written back	71	54	24
Total (A)	905	4,131	3,287
Provisions (other than taxation)			
(a) For diminution in the value of investments	-200	-	-
(b) For doubtful debts	222	10	18
(c) Others	-	-	-
Other expenses			
(a) Expenses other than those related to Insurance business			
(i) Managerial remuneration	24	39	12
(ii) Interest on subordinated debentures	65	268	268
(iii) Director's sitting fees	7	5	6
(iv) Others	35	41	1
(b) Contribution to policyholders funds towards excess EOM (refer note 25 of schedule 17)	2,717	3,642	2,165
Total (B)	2,870	4,005	2,469
Profit/(loss) before tax	-1,965	125	819
Provision for taxation	-	-	-
Profit/(loss) after tax	-1,965	125	819
EPS	-1.4	0.1	0.5

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Cash Flow from operating activities	3,378	5,925	8,125
Cash flow from investing activities	-7,232	-8,294	-18,816
Cash flow from financing activities	3,738	2,799	11,100
Net increase/(decrease) in cash and cash equivalents	-116	430	410
Cash and cash equivalents at the beginning of the period	704	588	1,019
Cash and cash equivalents at the end of the period	588	1,019	1,428

Source: RHP, BP Equities Research

Niva Bupa Health Insurance Company Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24
Share capital	14,086	15,107	16,995
Share application money pending allotment	-	-	2
Reserves and surplus	1,254	3,343	12,820
Fair value change account			
Shareholders	-20	-34	8
Policyholders	0	3	0
Borrowings	2,500	2,500	2,500
Total	17,820	20,919	32,326
Application of funds			
Investments - shareholders	8,696	11,554	25,855
Investments - policyholders	15,317	22,106	28,728
Loans	-	-	-
Fixed assets	497	556	588
Current assets:			
Cash and bank balances	588	1,019	1,428
Advances and other assets	2,286	3,530	5,320
Sub-total (A)	2,874	4,549	6,748
Current liabilities	8,911	11,844	16,637
Provisions	10,917	16,141	22,275
Sub-total (B)	19,828	27,985	38,912
Net current assets (C) = (A - B)	-16,953	-23,436	-32,164
Miscellaneous expenditure	-	-	-
Debit balance in profit and loss account	10,264	10,138	9,320
Total	17,820	20,919	32,326

Source: RHP, BP Equities Research

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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