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IPO Note



Company Name: "Niva Bupa Health Insurance Company Limited"

Date: November 5, 2024

Niva Bupa Health Insurance Company Limited

About the Company

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 a range of 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. 5494.43 crore in Fiscal 2024. From Fiscal 2022 to Fiscal 2024, the company's overall gross written premium (GWP) grew at a compound annual growth rate (CAGR) of 41.27%, while its GWP from retail health grew at a CAGR of 33.41%. Additionally, from the three months ended June 30, 2023, to the three months ended June 30, 2024, the overall GWP grew by 30.84%, and the GWP from retail health increased by 31.99%.

NBHICL's growth in overall health GDPI from Fiscal 2022 to Fiscal 2024, at 41.37%, is among the highest in the SAHI sector, nearly doubling the industry's average growth rate of 21.42% over the same period.

Outlook & Valuation

Regarding financial performance, over the past three fiscal years, Niva Bupa Health Insurance Co. Ltd. (NBHICL) has reported the following consolidated figures: a gross written premium (GWP) / net profit (loss) of Rs. 2809.97 crore / Rs. -196.53 crore (FY22), Rs. 4073.03 crore / Rs. 12.54 crore (FY23), and Rs. 5607.57 crore / Rs. 81.85 crore (FY24). For Q1 of FY25 ending on June 30, 2024, the company recorded a loss of Rs. -18.82 crore on a GWP of Rs. 1464.18 crore. Historically, insurance companies experience a sluggish first half with most activities occurring in the second half of the fiscal year.

Over the last three fiscal years, NBHICL has reported an average earnings per share (EPS) of Rs. 0.05 (basic) and an average return on net worth (RoNW) of -2.58%. The issue is priced at a price-to-book value (P/BV) of 6.19 based on its net asset value (NAV) of Rs. 11.95 as of June 30, 2024, and a P/BV of 4.73 based on its post-IPO NAV of Rs. 15.66 per share (at the upper cap).

If we annualize FY25 earnings to the post-IPO fully diluted equity base, the asking price results in a negative price-to-earnings (P/E) ratio. Based on FY24 earnings, the P/E ratio stands at 642.22. Consequently, the issue appears to be aggressively priced.

Recommendation : Subscribe for Long Term

Issue Details:

Price Band (Rs)	Rs 70– Rs 74
Issue Size	2200 Cr
Lot Size	200 shares
Issue Opens	November 7, 2024
Issue Closes	November 11, 2024
Lead Manager	ICICI, Morgan Stanley, Kotak, Axis, HDFC Bank, Motilal Oswal
Registrar	KFin Technologies Limited
Listing Date	November 14, 2024
Listing on	BSE, NSE

We recommend to subscribe the IPO with a long-term perspective.

Indicative Timetable

Finalization of Basis of allotment	November 12, 2024
Refund/ Unblocking of ASBA	November 13, 2024
Credit of Equity Shares to DP A/C	November 13, 2024

Issue Breakup

QIB	Not more than 75.00% of the Net offer
RETAIL	Not less than 10.00% of the Offer
NII	Not less than 15.00% of the Offer
TOTAL	100%

Promotor Shareholding

Pre Issue Share Holding	62.27%
Post Issue Share Holding	-

Niva Bupa Health Insurance Company Limited

Objective of The Issue

The company proposes to utilise the Net Proceeds towards the following objects:

- ❑ Augmentation of its capital base to strengthen solvency levels and
- ❑ General corporate purposes

Business Overview

Niva Bupa Health Insurance Co. Ltd. (NBHICL) is one of the leading health insurance company in India. Its purpose is to "give every Indian the confidence to access the best healthcare". It aims to achieve this purpose through health insurance products and services that enable customers to navigate their healthcare journey, by providing them access to a holistic health ecosystem.

NBHICL is one of India's largest and fastest growing SAHI based on overall health GDPI of Rs. 5494.43 cr. in Fiscal 2024. From Fiscal 2022 to Fiscal 2024, overall GWP grew at a CAGR of 41.27% and GWP from retail health grew at a CAGR of 33.41%. From the three months ended June 30, 2023 to the three months ended June 30, 2024, our overall GWP also grew by 30.84% and our GWP from retail health grew by 31.99%. Our 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, increased by 21.42% from Fiscal 2022 to Fiscal 2024. It 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 based on retail health GDPI.

Responding to the evolving needs of customers 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, thereby offering them a holistic proposition. This application provides 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 its diverse and evolving product suite and 'Niva Bupa Health' mobile application and website, the company aims to provide customers access to a range of healthcare and disease management solutions.

Financials

Income Statement			(Rs in million)
Particulars	FY24	FY23	FY22
Operating Profit	1,880.26	3,509.43	457.43
Income from Investment	1,375.39	559.62	375.42
Other income	31.60	61.61	71.94
Total Income	3,287.25	4,130.66	904.79
Provisions	18.13	10.25	21.94
Other Expenses	2,450.60	3,995.01	2,848.10
Total expenses	2,468.73	4,005.26	2,870.04
Profit before tax	818.52	125.40	-1,965.25
Total Tax expenses	0	0	0
Profit after tax	818.52	125.40	-1,965.25
Basic EPS	0.51	0.09	-1.42

Cash Flow Statement			(Rs in million)
Particulars	FY24	FY23	FY22
Net Profit before tax	818.52	125.4	-1,965.25
Cash generated from Operating Activity	8,125.25	5,925.11	3,378.18
NET CASH FLOW FROM OPERATING ACTIVITY	8125.25	5925.11	3378.18
NET CASH FLOW FROM INVESTING ACTIVITY	-	-	-7231.68
NET CASH FLOW FROM FINANCING ACTIVITY	11100.18	2799.3	3737.56
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENT	409.57	430.47	-115.94
Cash and Cash Equivalent at the beginning of the year	1018.6	588.13	704.07
Cash and Cash Equivalent at the end of the year	1428.17	1018.6	588.13

Niva Bupa Health Insurance Company Limited

Balance Sheet			(Rs in million)
Particulars	FY24	FY23	FY22
ASSETS			
Sources of Funds			
Share Capital	16997.3	15,106.78	14,086.02
Reserves and Surplus	12820.2	3,342.64	1,254.02
Shareholder's Fund	8.3	-33.63	-20.03
Policy Holder's Fund	0.4	3.15	0.09
Borrowings	2500.0	2,500.00	2,500.00
Total	32326.2	20918.9	17820.1
Current Assets			
Investments - Shareholders	25854.7	11554.5	8696.2
Investments - Policyholders	28727.6	22106.5	15317.0
Fixed Assets	588.12	555.82	496.78
Cash and bank	1428.2	1,018.60	588.13
Advances	5320.1	3,530.28	2,286.29
Sub Total (A)	6748.3	4548.9	2874.4
Current Liabilities	16637.22	11,843.95	8,910.92
Provisions	22274.93	16,140.95	10,916.92
Sub Total (B)	38912.2	27984.9	19827.8
Net Current Assets	-32163.9	-23436.0	-16953.4
Debit Balance in P&L	9319.67	10138.19	10263.59
Total	32326.2	20918.9	17820.1

Niva Bupa Health Insurance Company Limited

Directors Profile

Chandrashekhar Bhaskar Bhаве is the Chairman and Independent Director of Company. He is an alumnus of Jabalpur Engineering College, Jabalpur, Madhya Pradesh. He has been associated with Company since December 16, 2019. He has experience in the state and central administrative services and securities regulation. He was with the Indian administrative services and has worked in different positions with State Governments and the Central Government.

Krishnan Ramachandran is the Managing Director and Chief Executive Officer of Company. He holds a bachelor's of technology in electrical and electronic engineering from Indian Institute of Technology, Madras, Tamil Nadu and holds a post-graduate diploma in management from Indian Institute of Management, Calcutta, West Bengal. He has been associated with Company since April 2020. He has over 24 years of experience across health insurance, healthcare & life sciences industries.

Pradeep Pant is an Independent Director of Company. He holds a bachelor's degree in arts (honours course) from the Delhi University in year 1975, bachelor's degree in economics from the Shri Ram College of Commerce, Delhi University and master's degree in management studies from Jamnalal Bajaj Institute of Management Studies, Bombay University in year 1976.

Geeta Dutta Goel is an Independent Director of Company. She holds a bachelor's degree in commerce from University of Delhi and a post-graduate diploma in management from the Indian Institute of Management, Ahmedabad, Gujarat. She is presently the managing director, India at the Michael & Susan Dell Foundation. She has over 16 years of experience in investing in non-profit industry.

David Martin Fletcher is a Non-Executive Director of Company and nominee of Bupa Singapore Holdings Pte. Ltd. He holds a bachelor's degree in modern history from Durham University, United Kingdom. He commenced in the role of chief risk officer for Bupa in 2017. He has been with Bupa since 2014 and previously held roles as chief internal auditor and managing director of Bupa International Development Markets

Divya Sehgal is a Non-Executive Director of Company and nominee of Fettle Tone LLP. He holds a bachelor's of technology in electrical engineering from Indian Institute of Technology, Delhi and holds a post graduate diploma in management from Indian Institute of Management, Bengaluru, Karnataka. He has been associated with Company since December 2019.

Maninder Singh Juneja is a Non-Executive Director of Company and nominee of Fettle Tone LLP. He holds a bachelor's degree in civil engineering from Maharaja Sayajirao University of Baroda and a post graduate diploma in management from Indian Institute of Management Society, Lucknow, Uttar Pradesh. He has been associated with Company since December 2019.

Penelope Ruth Dudley is a Non-Executive Nominee Director of Company and nominee of Bupa Singapore Holdings Pte. Ltd. She holds a first-class honours degree in international business and law from Queensland University of Technology, Australia. She commenced in the role of chief legal officer for Bupa in 2016. She has been with Bupa since 2010 and previously held roles as legal & corporate affairs director of Bupa Global, and head of legal of Bupa International.

Carlos Antonio Jaureguizar Ruiz Jarabo is a Non-Executive Director of Company and nominee of Bupa Singapore Holdings Pte. Ltd. He holds a business administration degree from Complutense University of Madrid, Spain and has completed the Advanced Management Program (AMP) from the Harvard Business School, United States of America.

Competitive Strength

- ❑ Diverse product range to suit customer's needs.
- ❑ An automated approach to customer service driven by technology.
- ❑ Bupa parentage and brand associated with health insurance and healthcare
- ❑ The company's expertise and experience in claims and provider management.

Key Risk of The Business

- ❑ Profitability depends on accurate medical expenses and claims estimation.
- ❑ Regulatory inspections by IRDAI may cause reputational harm.
- ❑ Network Hospitals' relationships are crucial for cashless claims services.

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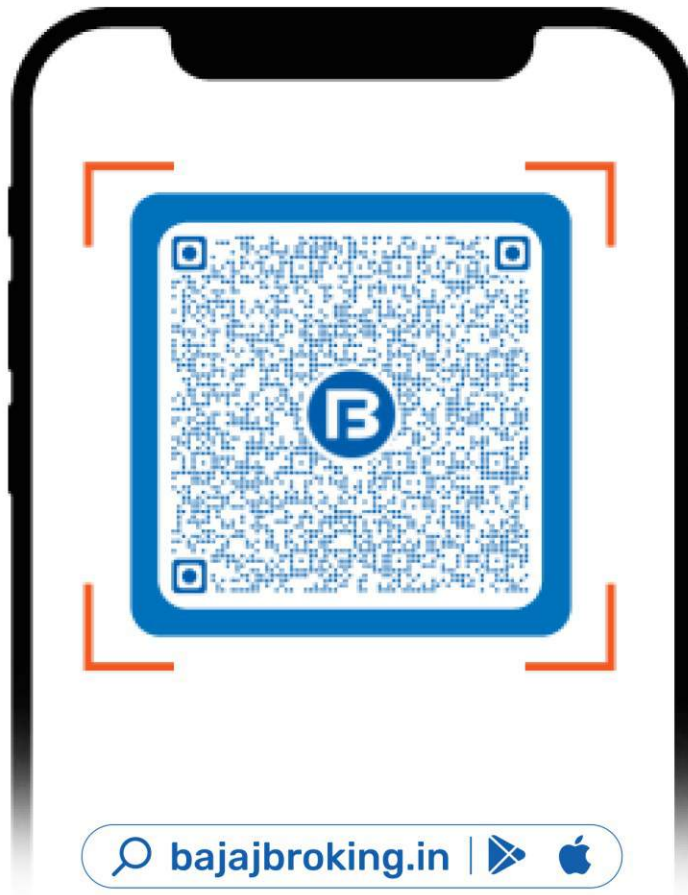
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