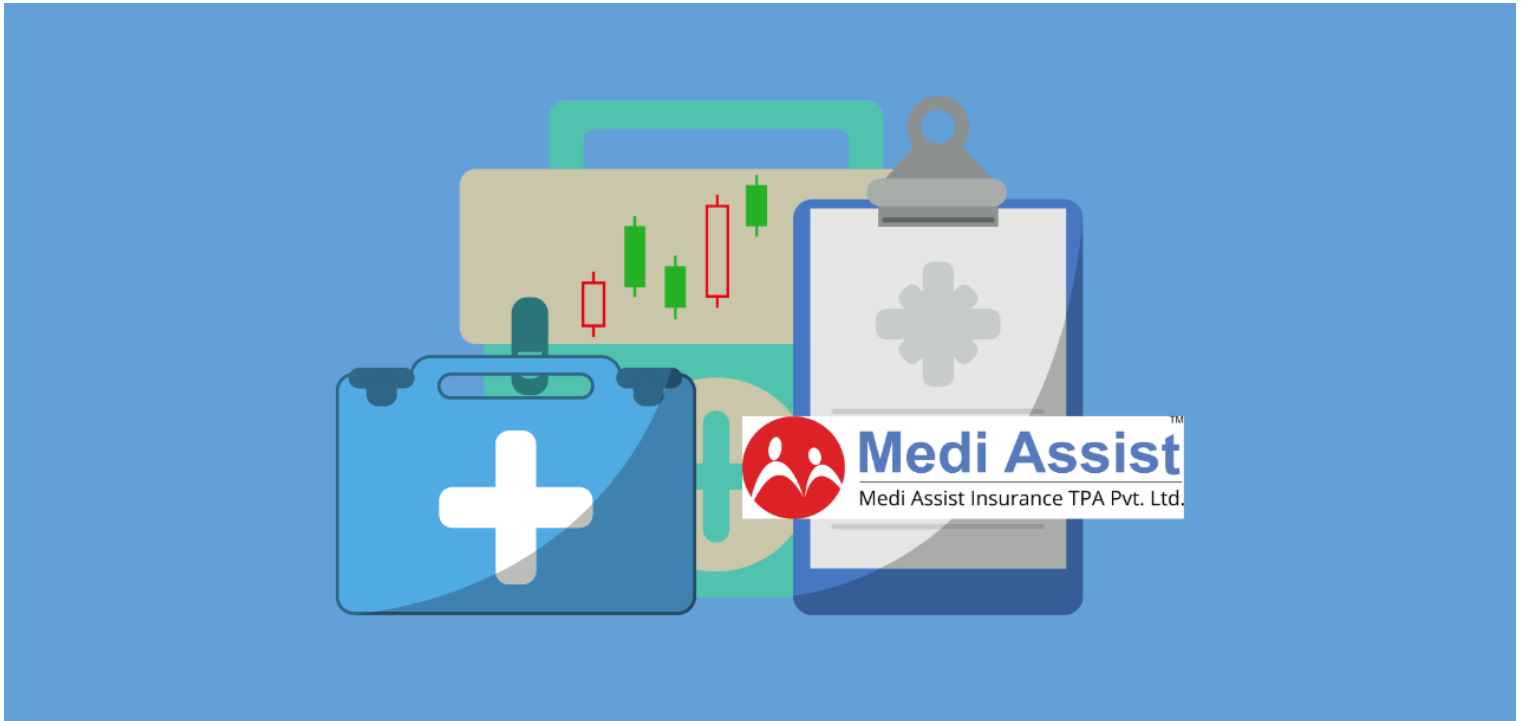


Medi Assist Healthcare Services Ltd

Empowering Health.



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Medi Assist Healthcare Services Limited (MAHSL) operates as a holding company with nine subsidiaries, four direct and five indirect. Through wholly owned subsidiaries, including Medi Assist TPA, Medvantage TPA, and Raksha TPA, MAHSL provides third-party administration services, contributing significantly to its revenue.

As a third-party administrator, MAHSL acts as a facilitator between insurance companies, policyholders, healthcare providers, and the government. Its subsidiaries, Medi Assist TPA, Medvantage TPA, and Raksha TPA, contributed 96.3% and 93.0% to revenue in FY23 and H1FY24, respectively. Medi Assist TPA holds a substantial market share in the retail and group health insurance markets.

With a vast pan-India healthcare provider network, MAHSL manages INR 14,575 cr in health insurance premiums, demonstrating a robust CAGR of 35.7%. The company collaborates with 35 insurance companies globally, offering a comprehensive healthcare solution and settling millions of claims annually.

MAHSL's growth strategy includes both organic and inorganic approaches. Through successful acquisitions, it has strengthened its market position, with a focus on global expansion. Recent acquisitions, including Mayfair UK, Medvantage TPA, and Raksha TPA, align with its goal to broaden service offerings.

The company's operational efficiency and technology ecosystem allow seamless integration of acquired businesses, optimizing processes and reducing overhead costs. This agility positions MAHSL as a key player in the growing trend of consolidation in the TPA industry, as indicated by its 17.3% market share in health insurance premiums for FY23.

As MAHSL continues to explore growth opportunities and pursue strategic M&A activities, its commitment to innovation, technological excellence, and comprehensive healthcare solutions reinforces its leadership position in the industry.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (INR)	BVPS (INR)	RoE (%)	RoIC (%)	P/E (X)	EV/Sales (X)	EV/EBITDA (X)
FY21	322.7	73.4	38.0	22.8	11.8	3.8	42.2	13.1	57.8	109.5	8.2	36.2
FY22	393.8	81.4	63.5	20.7	16.1	9.3	49.0	18.8	66.1	44.8	6.7	32.2
FY23	504.9	111.3	75.3	22.0	14.9	10.8	54.7	20.0	69.0	38.9	5.2	23.6

Industry	TPA
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Issue Details

Listing	BSE & NSE
Open Date	15 th Jan 2024
Close Date	17 th Jan 2024
Price Band	INR 397-418
Face Value	INR 05
Market Lot	35 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	100.0%
Fresh Issue	0.0%
Issue Size (Amt)	INR 1,172 cr
Issue Size (Shares)	2,80,28,230
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	6,88,59,212
Post issue sh (nos)	6,88,59,212
Post issue M Cap	INR 2,878 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter & group	77.14	45.75
Public	22.86	54.25
TOTAL	100.00	100.00

Growth Strategies

Maintain Leadership Position among Group Accounts.

Medi Assist TPA has held a significant 26.4% share of India's group health insurance market in FY23, outpacing retail growth Servicing over 9,500 group accounts with a premium under management of INR 12,818 cr in FY23, the company employs a three-prong strategy, focusing on employee satisfaction, controlling medical inflation for group accounts, and expanding partnerships with key insurance brokers to maintain its leadership position.

Continue Pursuing Inorganic Growth Opportunities.

MAHSL plans strategic acquisitions to expand services, increase market share, and enter new markets. Demonstrating a successful track record, recent acquisitions, including Medvantage TPA and Raksha TPA, bolstered corporate schemes and global services. Recognizing technology's pivotal role, the company aims to leverage it for efficient claims processing. Additionally, MAHSL intends to explore opportunities to acquire smaller benefits administrators and captive in-house claims processing teams.

To Increase Share in the Retail Segment

MAHSL is dedicated to expanding its insurance client portfolio and increasing market share in the retail and group segments. Collaborating with 12 insurance companies by September 30, 2023, its retail portfolio's premium under management has grown from INR 10,975.71 million in FY 2021 to INR 17,567.83 million in FY23. To accommodate insurance companies with in-house claims processing, the company offers modular services, including access to its network, advanced claims processing, and a SaaS offering. Positive feedback and early adoption of these services have enabled MAHSL to broaden its customer base and actively seek additional partnerships for further market expansion.

Key Risks & Concerns

- For MAHSL, the top five clients contributed 78.2%, 79.0%, 78.0%, and 71.0% of total revenue for FY21, FY22, and FY23, as well as H1FY24. The concentration of revenue from a limited number of clients poses a significant risk, and the potential loss of one or more clients could have adverse effects on MAHSL's business and prospects.
- A decrease in insurance companies outsourcing claims processing to third-party administrators (TPAs) could impact MAHSL's business. Despite TPAs settling a significant percentage of claims (76.25% in 2022), there is a potential risk of decreased claims due to market dynamics, regulatory changes, or economic conditions. Insurers, under IRDAI regulations, have the authority to engage or terminate TPA services, and any decline in claims settled by TPAs may adversely affect MAHSL's business.
- MAHSL has encountered defaults or delays in settling statutory liabilities, such as provident fund, labor welfare fund, or tax deducted at source. Further defaults may result in financial penalties imposed by relevant government authorities. Subsidiaries, including Medi Assist TPA, Raksha TPA, and Medvantage TPA, have received show cause notices from IRDAI in previous instances.
- MAHSL, providing services for government-sponsored insurance schemes, faces risks from funding uncertainties and enrollment delays. Revenue from these schemes accounted for 9.8% to 15.5% of total revenue in FY21-23. Adverse changes in government policies, funding discontinuation, or bid failures could adversely affect the company's business, results, and financial condition. Successful bidding relies on assumptions that, if incorrect, may impact operations and financial stability.

Issue Structure and Offer Details

The proposed total issue size of MAHSL is INR 1,172 cr, wholly being OFS. The price band for the issue is in the range of INR 397 – 418 and the bid lot is 45 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50% of the Offer
NIB	Not less than 15% of the Offer
Retail	Not less than 35% of the Offer

Number of shares based on a higher price band of INR 418

Details of the selling shareholders

Promoter Selling shares	Amount offered	No of shares
Dr. Vikram Jit Singh Chhatwal	Not more than 106 cr	25,39,092
Medimatter Health Management Private Limited	Not more than 521 cr	1,24,68,592
Bessemer Health Capital LLC	Not more than 276 cr	66,06,084
Investcorp Private Equity Fund 1	Not more than 262 cr	62,75,706
Vivek Pandit	Not more than 1 cr	26,382
Rahul M Khanna	Not more than 1 cr	22,613
Shankar Rao Palepu	Not more than 1 cr	17,337
Pramod Manohar Ahuja	Not more than 1 cr	17,337
Keshav Sanghi	Not more than 1 cr	17,337
Amitkumar Gajendrakumar Patni	Not more than 1 cr	13,568
Arihant Patni	Not more than 1 cr	13,568
Jyoti Ahuja	Not more than 0.2 cr	5,276
Ranjan Surajprakash Sanghi	Not more than 0.2 cr	5,276

The amount is based on a higher price band of INR 418

Source: Company Reports

MAHSL financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	322.7	393.8	504.9	Adjusted EPS (INR)	3.8	9.3	10.8
<i>YoY Growth (%)</i>		<i>22.0</i>	<i>28.2</i>	Adjusted Cash EPS (INR)	8.4	13.5	14.6
Employee Cost	143.3	155.7	197.7	Adjusted BVPS (INR)	42.2	49.0	54.7
<i>Employee Cost to Sales (%)</i>	<i>44.4</i>	<i>39.5</i>	<i>39.2</i>	Adjusted CFO per share (INR)	19.6	9.4	11.4
Other Expenses	106.0	156.8	196.0	CFO Yield (%)	4.7	2.2	2.7
<i>Other Exp to Sales (%)</i>	<i>32.9</i>	<i>39.8</i>	<i>38.8</i>	Adjusted FCF per share (INR)	3.5	9.8	8.6
EBITDA	73.4	81.4	111.3	FCF Yield (%)	0.8	2.3	2.1
<i>Margin (%)</i>	<i>22.8</i>	<i>20.7</i>	<i>22.0</i>	Solvency Ratio (X)			
<i>YoY Growth (%)</i>		<i>10.8</i>	<i>36.7</i>	Total Debt to Equity	0.0	0.0	0.0
Depreciation & Amortization	31.5	28.4	26.8	Net Debt to Equity	(0.8)	(0.8)	(0.7)
EBIT	41.9	53.0	84.5	Net Debt to EBITDA	(3.0)	(3.2)	(2.3)
<i>Margin (%)</i>	<i>13.0</i>	<i>13.4</i>	<i>16.7</i>	Return Ratios (%)			
<i>YoY Growth (%)</i>	<i>26.3</i>	<i>59.6</i>	<i>59.6</i>	Return on Equity	13.1	18.8	20.0
Other Income	24.8	28.1	22.1	Return on Capital Employed	9.0	12.4	16.3
Finance Cost	5.7	3.0	3.0	Return on Invested Capital	57.8	66.1	69.0
Interest Coverage (X)	7.3	18.0	28.3	Working Capital Ratios			
Exceptional Item	0.0	2.6	0.0	Payable Days (Nos)	38	27	26
PBT	61.0	80.7	103.6	Inventory Days (Nos)	0	0	0
<i>Margin (%)</i>	<i>18.9</i>	<i>20.5</i>	<i>20.5</i>	Receivable Days (Nos)	137	110	92
<i>YoY Growth (%)</i>		<i>32.2</i>	<i>28.4</i>	Net Working Capital Days (Nos)	99	83	66
Tax Expense	23.0	17.2	28.3	Net Working Capital to Sales (%)	27.1	22.8	18.0
<i>Tax Rate (%)</i>	<i>37.7</i>	<i>21.3</i>	<i>27.3</i>	Valuation (X)			
PAT	38.0	63.5	75.3	P/E	109.5	44.8	38.9
<i>Margin (%)</i>	<i>11.8</i>	<i>16.1</i>	<i>14.9</i>	P/BV	9.9	8.5	7.6
<i>YoY Growth (%)</i>		<i>67.0</i>	<i>18.7</i>	EV/EBITDA	36.2	32.2	23.6
Profit from discontinued operations	(15.1)	1.0	(1.7)	EV/Sales	8.2	6.7	5.2
Tax on above	3.3	(0.3)	0.4	Cash Flow Statement			
Min Int/Sh of Assoc	0.0	0.0	0.0	PBT	46.0	81.7	101.9
Net Profit	26.3	64.2	74.0	Adjustments	32.6	20.9	23.3
<i>Margin (%)</i>	<i>8.1</i>	<i>16.3</i>	<i>14.7</i>	Change in Working Capital	25.0	4.6	(7.4)
<i>YoY Growth (%)</i>		<i>144.4</i>	<i>15.3</i>	Less: Tax Paid	31.6	(42.7)	(39.1)
Balance Sheet				Cash Flow from Operations	135.2	64.5	78.7
Share Capital	0.0	34.4	34.4	Net Capital Expenditure	(12.0)	(6.0)	(27.7)
Total Reserves	290.4	302.7	342.2	Change in Investments	(43.6)	(76.9)	19.4
Shareholders Fund	290.4	337.1	376.6	Cash Flow from Investing	(55.6)	(82.9)	(8.2)
Long Term Borrowings	0.0	0.0	0.0	Change in Borrowings	(0.2)	0.0	(4.3)
Deferred Tax Assets / Liabilities	(10.6)	(9.5)	(5.9)	Less: Finance Cost	(10.6)	(13.2)	(14.1)
Other Long Term Liabilities	25.7	17.5	26.0	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	98.3	11.2	14.2	Dividend Paid	0.0	(17.2)	(13.0)
Total Liabilities	403.7	356.4	411.0	Cash flow from Financing	(10.8)	(30.4)	(31.4)
Net Block	119.3	98.7	171.5	Net Cash Flow	68.8	(48.8)	39.1
Capital Work in Progress	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.3
Intangible assets under developmen	0.7	6.5	0.0	Opening Balance of Cash	(5.5)	63.4	14.6
Non Current Investments	7.5	6.9	1.3	Closing Balance of Cash	63.4	14.6	53.9
Long Term Loans & Advances	125.1	54.0	76.6				
Other Non Current Assets	0.1	1.8	5.1				
Net Current Assets	151.0	188.5	156.5				
Total Assets	403.7	356.4	411.0				

Source: Ventura Research

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Corporate Office: I-Think Techno Campus, 8th Floor, 'B' Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) – 400608