

Company Overview

Medi Assist is a Bengaluru-based health-tech and insure-tech company that administers health benefits to employers, retail members and public health schemes. The company provides third-party administration services to insurance companies through its wholly-owned subsidiaries, Medi Assist TPA, Advantage TPA and Raksha TPA. A third-party administrator is an organization that processes health insurance claims for insurance companies and provides services such as policy administration, customer service and network management. As a third-party administrator, the company acts as a facilitator between Insurance companies and their policyholders, Insurance companies and healthcare providers (such as hospitals) and the Government and beneficiaries of public health schemes. The company also facilitates other healthcare and ancillary services such as hospitalization services, call centre services, customer relations and contract management services, billing services and claims processing services through the company and other Subsidiaries, IHMS, Mayfair India, Mayfair UK, Mayfair Group Holding, Mayfair Philippines and Mayfair Singapore. The company has developed a pan-India healthcare provider network which comprises 18,754 hospitals across 1,069 cities and towns and 31 states (including union territories) in India and a network across 141 countries globally as of September 30, 2023.

Objects of the issue

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

- ⇒ Achieve the benefits of listing the Equity Shares on the Stock Exchange;
- ⇒ Offer for sale - Rs. 1171.58 crores;
- ⇒ General corporate purposes.

Investment Rationale

Well-established Third-Party Administrator in India

Medi Assist provides third-party administration services to insurance companies through its wholly-owned subsidiaries, Medi Assist TPA, Advantage TPA and Raksha TPA. The company believes that a market-leading position as a third-party administrator in India enhances the ability to benefit from the prospects of the health insurance industry, enhances profitability and strengthens value proposition due to increasing economies of scale, ability to invest in cutting-edge technology and better scale for negotiating with healthcare provider networks. The COVID-19 pandemic has brought about a fundamental and lasting shift in behaviour across both the retail and group segments. This shift has significantly driven substantial growth for several TPAs, including Medi Assist over the past three Financial Years, despite the economic downturn caused by the pandemic in 2021. During FY23, retail and group premiums increased by 31.91% compared to the previous year, partly due to the heightened awareness of the need for adequate health insurance brought on by the pandemic. This trend continues to support growth in the overall sector. With the company's leading market position, technology-enabled ecosystem, longstanding relationships with insurers, hospitals and corporates and pan-India presence, Medi Assist is well-positioned to take advantage of this growth.

Longstanding Relationships with a Majority of Insurance Companies

Medi Assist interacts with many participants in the health insurance ecosystem and generates revenues predominantly from health and other general insurance companies. Over the years, the company leveraged the domain expertise of the Indian health insurance ecosystem to establish trust and strengthen longstanding relationships with these insurance companies. Insurance companies benefit from a diverse range of services and the ability to manage many products and services. The company has developed a longstanding client base of insurance companies where their clients trust and rely on its services, technology infrastructure and expertise built over several years of experience for day-to-day aspects of their businesses. The average relationship term with the four PSU insurance companies was 20 years, and with 23 non-PSU sector insurance companies, it was nine years as of September 30, 2023. The company share of retail and group benefits administration premiums under management from non-PSU insurance companies has increased from 14.65% in FY21 to 21.3% in FY23 and 24.3% during the six months ended September 30, 2023.

Issue Details

Offer Period	15 th Jan, 2024 - 17 th Jan, 2024
Price Band	Rs. 397 to Rs. 418
Bid Lot	35
Listing	BSE & NSE
Issue Size (no. of shares in mn)	28.0
Issue Size (Rs. in bn)	11.7
Face Value (Rs.)	5

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	Axis Capital Ltd, IIFL Securities Ltd, Nuvama Wealth Management Ltd, SBI Capital Markets Ltd
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Registrar	Link Intime India Private Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	100.00%	59.30%
Public	0.00%	40.70%
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138



Medi Assist Healthcare Ltd.

Valuation

Medi Assist provides third-party administration services to insurance companies that process health insurance claims for insurance companies and provide services such as policy administration, customer service and network management, among others. We believe that the company's market-leading position as a third-party administrator in India enhances the ability to benefit from the prospects of the health insurance industry, enhances profitability and strengthens value proposition due to increasing economies of scale, ability to invest in cutting-edge technology and better scale for negotiating with healthcare provider networks. In addition to generating organic growth opportunities, the company has demonstrated a history of integrating acquisitions with its business and consolidating its position in the health insurance industry. The company's ability to reduce acquisitions has been a key strength, enabling it to continue delivering superior value to customers. The company has a record of sustained consolidated revenue from operation, growing at a CAGR of 25.1% during FY21-23. Medi Assist intends to pursue acquisition opportunities to expand existing service offerings, increase market share in existing markets, or expand to new geographies. Medi Assist also wants to pursue opportunities for carve-outs and alliances with insurance companies and focus on partnerships with employers and distributors. **The issue is valued at a P/E of 38.2x on the upper price band based on FY23 earnings, which is fairly valued. We, therefore, recommend an SUBSCRIBE rating for the issue.**

Key Risks

- ⇒ The companies contract with insurance companies and corporates to provide services. The company's contractual arrangements with insurance companies are on a non-exclusive basis and are usually for a term of one to three years or until such contracts are terminated by either party and may be renewed at the sole will of the insurance companies. Any such termination harms business and the results of operations.
- ⇒ The company's loss of one or more large clients or a decline in the amount of business or fees the company obtains from them, including due to them performing the services provided in-house, could adversely affect business and the results of operations.
- ⇒ The company income from benefit administration services provided to insurance companies across group and retail portfolios is primarily generated as a percentage of premiums under management, and any decline in premiums under management may adversely affect future revenues and profitability



Medi Assist Healthcare Ltd.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Revenue				
Revenue from Operations	3,227	3,938	5,049	3,020
Total Revenue	3,227	3,938	5,049	3,020
Expenses				
Cost of raw materials consumed	0	0	0	0
Employee benefit expenses	1,433	1,557	1,977	1,171
Other expenses	1,039	1,469	1,879	1,224
Total Operating Expenses	2,471	3,026	3,856	2,396
EBITDA	756	912	1,193	624
Depreciation and Amortization expenses	317	284	268	197
Other income	228	182	140	101
EBIT	668	810	1,066	527
Finance costs	57	30	30	13
Exceptional Item	0	26	0	-210
PBT	610	807	1036	304
Total tax	230	172	283	61
PAT	380	635	753	243
Diluted EPS	5.7	9.2	10.9	3.4

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Cash Flow from operating activities	1,352	645	787	-189
Cash flow from investing activities	-556	-829	-82	164
Cash flow from financing activities	-108	-304	-314	-314
Net increase/(decrease) in cash and cash equivalents	688	-488	391	-340
Cash and cash equivalents at the beginning of the period	-55	634	149	540
Cash and cash equivalents at the end of the period	634	146	539	200

Source: RHP, BP Equities Research



Medi Assist Healthcare Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Equity and Liabilities				
Equity Share Capital	0	344	344	344
Other Equity	2,925	3,049	3,492	3,822
Total Equity	2,925	3,393	3,837	4,166
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	0	0	0	0
(ii) Lease Liabilities	257	175	187	168
Provisions	86	112	142	180
Other financial liabilities	0	0	73	67
Deferred tax liabilities (net)	0	0	32	116
Current Liabilities				
Financial Liabilities				
(i) Borrowings	0	0	1	1
(ii) Lease Liabilities	96	100	119	145
(iii) Trade Payable	340	290	364	409
(iv) Other financial liabilities	159	133	351	169
Current tax liabilities	81	0	0	9
Provisions	52	66	121	141
Other current liabilities	234	216	116	182
Contract liabilities	1,222	1,537	1,713	2,273
Total Current Liabilities	2,185	2,342	2,785	3,329
Total liabilities	2,528	2,629	3,220	3,860
Total Equity and Liabilities	5,453	6,022	7,057	8,026
Assets				
Non-Current Assets				
Property, plant and equipment	291	212	274	286
Right of Use assets	268	201	269	283
Intangible Assets	410	410	754	1287
Other intangible assets	223	164	418	719
Intangible Assets under development	7	65	0	0
Financial Assets				
(i) Investments	75	69	13	68
(ii) Other financial assets	62	59	117	581
Income tax assets (net)	303	492	662	698
Deferred tax assets (net)	106	95	91	130
Other non current assets	9	7	39	37
Total Non current assets	1,755	1,774	2,636	4,088
Current Assets				
Investments	1,031	1,945	427	127
Trade Receivables	1,163	1,188	1,272	2,223
Cash and cash equivalents	1,147	625	2,115	765
Other Current Financial Assets	223	224	282	403
Other current assets	134	266	325	420
Total Current Assets	3,698	4,248	4,421	3,939
Total Assets	5,453	6,022	7,057	8,026

Source: RHP, BP Equities Research

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

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Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001

BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591

BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392