

IPO NOTE



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NIVA BUPA HEALTH INSURANCE COMPANY LIMITED

06.11.2024



Canara Bank Securities Ltd
A Wholly Owned Subsidiary Of Canara Bank



- ◆ Niva Bupa Health Insurance Company Limited (“Niva Bupa”), incorporated in 2008, is one of India’s largest and fastest growing Standalone Health Insurers (“SAHI”) based on overall health GDPI of ₹54,944.28 million in Fiscal 2024.
- ◆ Their products are broadly categorized into (1) retail products, which are intended for individuals and families and (2) group products.
- ◆ The retail and group products can be classified into Health Insurance, Personal Accident and Travel Insurance.
- ◆ From Fiscal 2022 to Fiscal 2024, their overall Gross Written Premium (“GWP”) grew at a CAGR of 41.27% and their GWP from retail health grew at a CAGR of 33.41%.
- ◆ Their growth in overall health Gross Direct Premium Income (“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 according to the Redseer Report, increased by 21.42% from Fiscal 2022 to Fiscal 2024.
- ◆ As per the Redseer Report, they 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.
- ◆ Their Promoters, Bupa Singapore Holdings Pte. Ltd. and Bupa Investments Overseas Limited, are members of the Bupa Group.
- ◆ Through their association with the Bupa Group, they have access to its international healthcare insurance experience. Established in 1947, the Bupa Group is an international healthcare organization serving over 50 million customers worldwide, as at December 31, 2023, as per the Redseer Report.
- ◆ They sell their products directly to customers through their direct sales channel, which accounted for 13.61% and 13.07% of their business by GWP for the three months ended June 30, 2024 and Fiscal 2024, respectively, and comprise sales made by their sales team and online sales through their website and “Niva Bupa Health” mobile application.
- ◆ According to the Redseer Report, they 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 their 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.

Issue Details

Price Band (in ₹ per share)	70-74
Issue size (in ₹ Crore)	2200
Fresh Issue (in ₹ Crore)	800
OFS (in ₹ Crore)	1400
Issue open date	07.11.2024
Issue close date	11.11.2024
Tentative date of Allotment	12.11.2024
Tentative date of Listing	14.11.2024
Total number of shares (lakhs)	2964.05-2904.95
No. of shares for QIBs (75%) (lakhs)	2357.14-2229.73
No. of shares for NII (15%) (lakhs)	471.43-445.95
No. of shares for S-HNI (33%)(lakhs)	157.14-148.65
No. of shares for B-HNI (66%)(lakhs)	314.29-297.30
No. of shares for retail investors (10%) (lakhs)	314.29-297.30
No of shares for Employee Reservation (lakhs)	NA
Minimum order quantity	200
Face value (in ₹)	10.00
Amount for retail investors (1 lot) (in ₹)	14000-14800
Maximum no. of shares for Retail investors at Lower Band	2800 (14 lots)
Maximum no. of shares for Retail investors at Upper Band	2600 (13 lots)
Maximum amount for retail investors at lower band - upper band (in ₹)	196000-192400
Minimum no. of shares for sHNI (2 Lakhs) at upper band	2800 (14 lots)
Maximum no. of shares for sHNI (10 Lakhs) at upper band	13400 (67 lots)
Minimum number of shares for bHNI at upper band	13600 (68 lots)
Exchanges to be listed on	BSE & NSE

Promoters

- BUPA SINGAPORE HOLDINGS PTE. LTD.
- FETTL TONE LLP
- BUPA INVESTMENTS OVERSEAS LIMITED

Objects of the Offer

The net proceeds of the Fresh Issue are proposed to be utilized in the following manner:

- ◆ Augmentation of capital base to maintain and strengthen solvency levels up to Rs.800 crores.

BRIEF FINANCIALS

PARTICULARS (Rs. Cr) *	Q1FY25	FY24	FY23	FY22
Share Capital ^{^^}	1700.12	1699.53	1510.67	1408.60
Net Worth	2031.77	2049.59	831.12	507.64
Premium Earned	1018.02	3811.24	2662.75	1752.50
Total Income	1124.89	4118.63	2859.23	1884.54
EBITDA	(7.78)	137.99	71.28	(163.23)
Profit/(Loss) After Tax	(18.82)	81.85	12.54	(196.52)
EPS (in Rs.)	(0.11)	0.50	0.08	(1.42)
Net Asset Value (in Rs.)	11.95	12.06	5.50	3.60
P/E#	NA	148	NA	NA
P/B#	6.19	6.14	NA	NA

*#Calculated at upper price band *Restated consolidated financials ^{^^} 44918368, 15710243 and 31437197 were allotted as right issue to promoters and others and ESOP Allotment in FY23 and in FY24, there was 37,443,115 and 18,229,949 allotment to shareholders via rights issue.*

Revenue Account Statement

Particulars (In Crores)	2022	2023	2024
1 Premiums earned (Net)	1752.51	2662.75	3811.25
2 Profit/Loss on sale/redemption of Investments	5.34	3.52	3.95
3 Interest, dividend & Rent	81.96	130.85	162.73
4 Other			
(a) Other Income			
(b) Contribution from the Shareholders' Account			
(i) Towards Excess Expenses of Management	271.72	364.16	216.45
(ii) Towards remuneration of MD/CEO/WTD/Other KMPs	2.44	3.93	1.18
(iii) Others			
Total (A)	2113.96	3165.20	4195.57
5 Claims Incurred (Net)	1088.63	1439.31	2249.54
6 Commission	120.42	190.83	748.18
7 Operating Expenses related to Insurance Business	859.17	1184.12	1009.82
Total (B)	2068.22	2814.26	4007.54
Operating Profit/(Loss) [C= (A - B)]	45.74	350.94	188.03
Appropriations			
Transfer to Shareholders' Account	45.74	350.94	188.03
Transfer to Catastrophe Reserve			
Transfer to Other Reserves			
Total (C)	45.74	350.94	188.03
Profit/(Loss) after tax	-196.53	12.54	81.85

Profit & Loss Statement

Particulars (In Crores)	2022	2023	2024
1 Operating profit/(loss)	45.74	350.94	188.03
(a) Miscellaneous Insurance	0.00	0.00	0.00
2 Income from investments			
(a) Interest, Dividend & Rent – Gross	37.54	54.08	133.69
(b) Profit on sale of investments	0.94	1.43	3.26
(c) (Loss on sale/redemption of investments)			
(d) Amortization of Premium / Discount on Investment	-0.94	0.45	0.60
3 Other income			
(a) Gain/(Loss) on foreign exchange fluctuation	-0.13	-0.01	-0.16
(b) Interest income on fixed deposits	0.21	0.78	0.91
(c) Provisions written back	7.11	5.40	2.41
Total (A)	90.48	413.07	328.73
4 Provisions (Other than taxation)			
(a) For diminution in the value of investments	-19.98		
(b) For doubtful debts	22.17	1.03	1.81
(c) Others			
Other Expenses			
(a) Expenses other than those related to Insurance Business			
(i) Director's sitting fees	0.66	0.53	0.55
(ii) Others	3.47	4.13	0.13
(b) Bad debts written off			
(c) Interest on subordinated debt	6.52	26.75	26.75
(d) Expenses towards CSR activities			
(e) Penalties			
(f) Contribution to Policyholders' A/c			
(i) Towards Excess Expenses of Management	271.72	364.16	216.45
(ii) Towards remuneration of MD/CEO/WTD/Other KMP	2.44	3.93	1.18
(iii) Others			
(g) Others			
Total (B)	287.00	400.53	246.87
Profit/(Loss) Before Tax	-196.53	12.54	81.85
Provision for Taxation			
Profit/(Loss) after tax	-196.53	12.54	81.85
Appropriations			
(a) Interim dividends paid during the period / year	0.00	0.00	0.00
(b) Final dividend paid			
Transfer to any Reserves or Other Accounts			
Balance of profit/(loss) brought forward from last year	-829.83	-1026.36	-1013.82
Balance carried forward to Balance Sheet	-1026.36	-1013.82	-931.97
EPS	-1.42	0.09	0.51

Balance Sheet

Particulars (In Crores)	FY2022	FY2023	FY2024
Sources of Funds			
Share capital	1,408.60	1,510.68	1,699.54
Share application money pending allotment	0.00	0.00	0.19
Reserves and surplus	125.40	334.26	1,282.02
Head office account			
Fair value change account			
-Shareholders' Funds	-2.00	-3.36	0.83
-Policyholders' Funds	0.01	0.32	0.04
Borrowings	250.00	250.00	250.00
Total	1782.01	2091.89	3232.62
Application of Funds			
Investments - Shareholders	869.62	1,155.45	2,585.47
Investments - Policyholders	1,531.70	2,210.65	2,872.76
Loans	0.00	0.00	0.00
Fixed Assets	49.678	55.582	58.812
Deferred Tax Asset (Net)			
Current Assets:			
Cash and Bank Balances	58.813	101.86	142.817
Advances and Other Assets	228.63	353.03	532.01
Sub-Total (A)	287.44	454.89	674.83
Deferred Tax Liability			
Current Liabilities	891.09	1,184.40	1,663.72
Provisions	1,091.69	1,614.10	2,227.49
Sub-Total (B)	1982.78	2798.49	3891.22
Net Current Assets (C) = (A - B)	-1695.34	-2343.60	-3216.39
Miscellaneous Expenditure			
Debit Balance In Profit And Loss Account	1,026.36	1,013.82	931.97
Total	1782.01	2091.89	3232.62

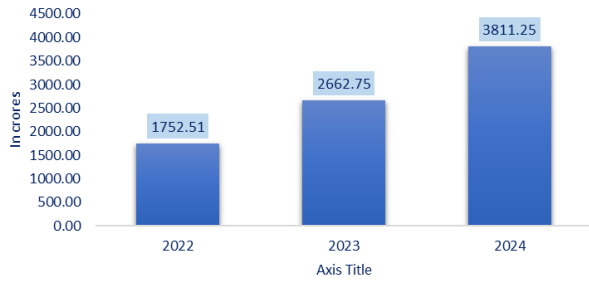
Cashflow Statement

Particulars (In Crores)	FY2022	FY2023	FY2024
Net cash generated from operating activities	337.82	592.51	812.53
Net cash used in investing activities	-723.17	-829.39	-1881.59
Net cash used in financing activities	373.76	279.93	1110.02
Net increase/ (decrease) in cash and cash equivalents	-11.59	43.05	40.96
Cash and cash equivalent as at 1 April	70.41	58.81	101.86
Effect of movement in exchange rates on cash and cash equivalents	58.81	101.86	142.82
Cash and cash equivalent as at year end	-11.59	43.05	40.96

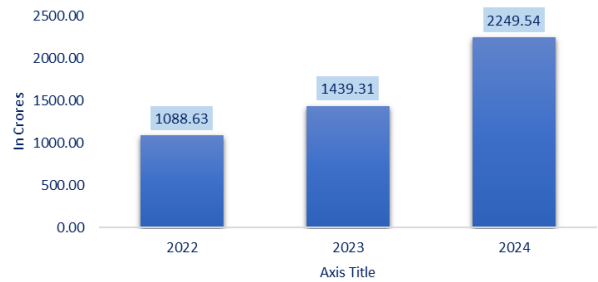


PERFORMANCE

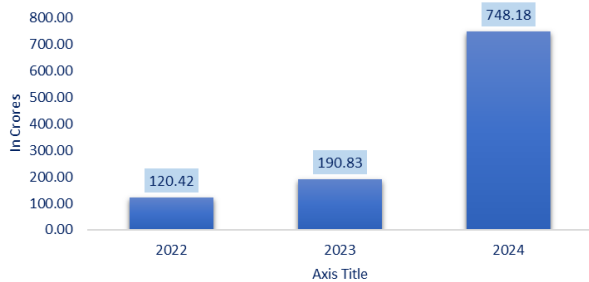
Premiums earned has grown by 47% in terms of CAGR 2 YRS



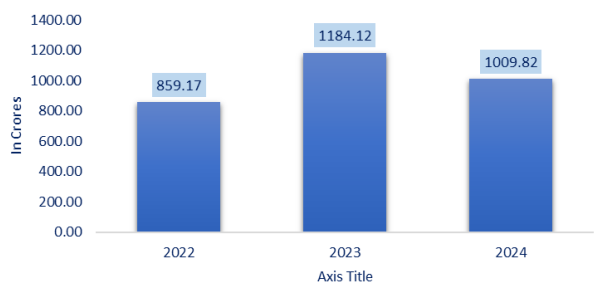
Claims has grown by 44% in terms of CAGR 2 YRS



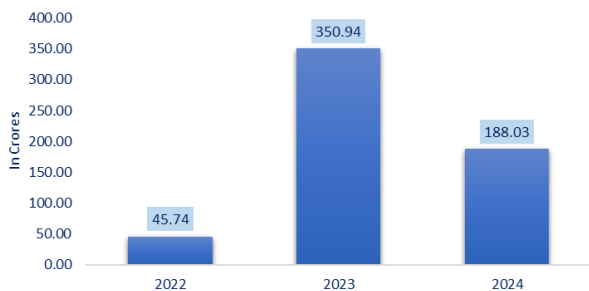
Commission has grown by 149% in terms of CAGR 2 YRS



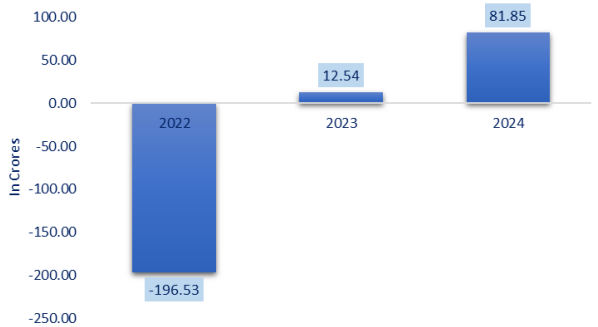
Operating Expenses has grown by 8% in terms of CAGR 2 YRS



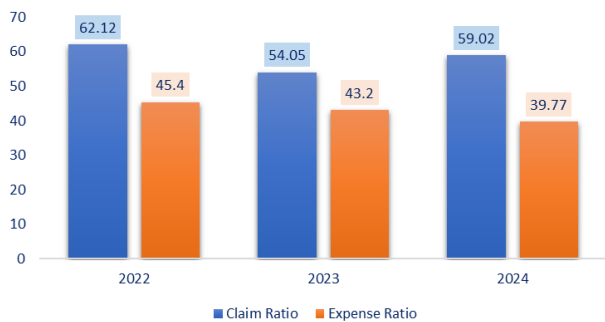
Operating profit has grown by 8% in terms of CAGR 2 YRS



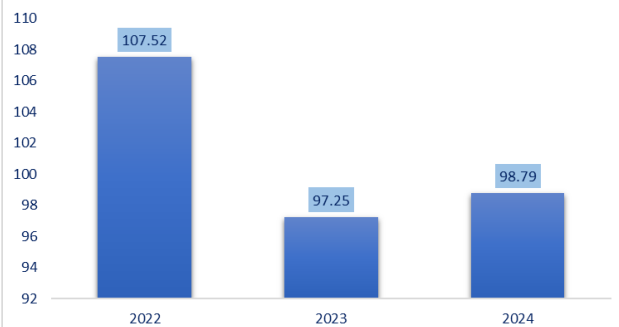
Losses have been turnaround into profits



Claim Ratio and Expense Ratio (%)



Combined Ratio (%)



INDUSTRY REVIEW

Insurance Penetration:

- India's insurance sector is projected to expand rapidly across both life and non-life segments. Currently, insurance penetration (the Gross Written Premium as a percentage of GDP) in India stands at 4.0% as of FY23, lower than in many developed economies.
- This includes 3.0% from life insurance and 1.0% from non-life insurance. Comparatively, the global average penetration in CY23 was 2.9% for life and 4.2% for non-life, according to the Insurance Regulatory and Development Authority of India (IRDAI).
- Since FY18, India's insurance penetration has risen from 3.7% to 4.0%, and insurance density (premium per capita) has grown from INR 6,059 (USD 73) in FY18 to INR 7,636 (USD 92) in FY23. Redseer estimates indicate insurance density could reach INR 7,719 (USD 93) by FY24, supported by factors like rising income levels, greater awareness, government programs, and increasing healthcare costs.

Growth in Insurance Industry:

- India's Gross Direct Premium Income (GDPI) has also shown notable growth, rising from INR 6.1 trillion (USD 73.4 billion) in FY18 to INR 10.4 trillion (USD 125.2 billion) in FY23, with a CAGR of 11.3%.
- Life insurance makes up 75% of total premiums, with non-life insurance covering the remaining 25%. By FY28, Redseer forecasts GDPI will reach INR 18-19 trillion (USD 215-225 billion), with life insurance representing about 71% and non-life insurance around 29%.
Non-life GDPI is expected to grow at a CAGR of 15-16% through FY28, propelled by factors like a growing working-class population, rising household incomes, increased awareness, regulatory changes, diverse product offerings, and simplified processes.

The Indian government has implemented several programs to increase insurance coverage, including:

- Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY): Launched in 2015, these affordable insurance schemes provide term life and accident coverage, promoting financial inclusion for a broad demographic.
- Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (AB-PMJAY): Launched in 2018, this health insurance initiative offers financial protection for hospital expenses up to INR 0.5 million, aiming to reduce financial distress from medical costs.
- Additionally, various state-specific health insurance schemes such as Kerala's Awaz Health Insurance Scheme, Rajasthan's Bhamashah Swasthya Bima Yojana, and Maharashtra's Mahatma Jyotiba Phule Jan Arogya Yojana have further boosted health insurance adoption. In the last five years, health insurance premiums in India have more than doubled.

Non-Life Insurance Trends:

- Non-life insurance in India covers categories like motor, health, travel, fire, marine, and microinsurance.
- Motor insurance was the dominant segment in FY18, comprising 39.3% of non-life GDPI, but health insurance has since expanded rapidly, growing from a 24.6% share in FY18 to 37.1% in FY24, with a CAGR of 19.5% between FY18 and FY24.
- Health insurance is expected to maintain strong growth at a projected CAGR of 15-17% from FY24 to FY29, driven by higher healthcare awareness, increased disease prevalence, and customized offerings from specialized providers. Health insurance GDPI is anticipated to reach approximately INR 2.4 trillion by FY29.

Growth of Group and Retail Health Insurance

- As of FY24, group and retail health insurance (covering companies' employees and individual policies, respectively) represent 90% of total health GDPI.
- Retail health insurance contributed around 39% of this in FY24, and it is expected to grow at a CAGR of 18-21% over the next five years, reaching INR 1.0-1.1 trillion by FY29.
- Group health insurance GDPI is expected to increase at a CAGR of 13-16% over the same period, as more SMEs adopt coverage. Insurers increasingly target SMEs due to potentially higher profitability from streamlined employee-only policies with lower claim rates than those from large corporates, which typically cover employees' dependents. SME policies also present a cost advantage for insurers, given simpler organizational structures and fewer data points to analyze, allowing for more direct engagement and efficient risk management.



COMPETITIVE STRENGTHS OF THE COMPANY

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

- According to the Redseer Report, they are 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, they 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, they have consistently narrowed the gap in scale from larger competitors, while widening the gap in scale from their smaller competitors in India from Fiscal 2022 to Fiscal 2024, in terms of retail health GDPI.
- Their focus on higher LTV and the higher margin products in the retail health line of business resulted in a contribution of 73.66% and 70.72% of their new retail health indemnity policies with sum insured of over ₹1 million for the three months ended June 30, 2024 and Fiscal 2024, respectively.

As a result, the average ticket size of policies sold has increased to ₹ 28,797.48 in Fiscal 2024 from ₹ 22,186.45 in Fiscal 2022, and further increased to ₹30,419.06 million in the three months ended June 30, 2024.

Their customer centric proposition driving customer experience and retention

- They have built a range of health insurance product offerings that seek to cater to all stages of the customer lifecycle. They identify customer groups based on various parameters, including for example, age, income and health status.
- They strive to achieve the best customer-product fit based on these customer groups and the sales process. For example, one of their key products, “Reassure”, is aimed at addressing health insurance needs for upper class / aspiring affluent customers as well as customers looking for wellness-focused products and offers add-on features such as “Booster+”, which allows customers to carry forward the balance sum insured of up to 10 times of the base cover and is sold via a sales advisory process.
- Recently in December 2023, they launched their “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.

Technology-led automated approach to customer servicing

- They have designed automated and digital self-serve capabilities aimed at enabling customers to benefit from a seamless, self-serve experience with minimal manual intervention.
- For the three months ended June 30, 2024 and Fiscal 2024, they had 99.94% and 99.95% of all of their new policies procured through their direct sales and intermediated distribution channel being applied for digitally through their website and mobile applications, respectively.
- This is a testament to the evolving preferences of their customers to engage with them digitally instead of through traditional ways and their ability to adapt to the shifting trends of selling insurance and servicing customers.
- They have also sought to automate the underwriting decision workflow with their in-house developed auto-underwriting system, supported by features such as their 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 their platform are auto-decided without any human intervention.

Bupa parentage and brand associated with health insurance and healthcare

- Bupa Singapore Holdings Pte. Ltd. and Bupa Investments Overseas Limited, their Promoters⁵, are members of the Bupa Group. Through their association with the Bupa Group, they 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.



RISK FACTORS

Profitability hinges on accurate underwriting:

- They price their products based on various assumptions, including the medical expenses they expect to incur, age and health conditions, as determined in accordance with their underwriting process. Their results of operations depend significantly upon the extent to which actual claims are consistent with these assumptions used in pricing their products.
- Their ability to predict medical expenses claims and accurately price their products also depends on factors beyond their control, such as:
- major epidemics, pandemics, or newly emergent viruses (such as COVID-19), and the resulting physical and mental health costs in broader society;
- changes in health care regulations and practices and/or the broader competitive landscape;
- the amount of claims that they receive from customers;
- increases in hospital and pharmaceutical costs, and as per the Redseer Report, escalating costs of medical treatments and procedures directly affect the claim amounts faced by health insurance companies, which places considerable financial pressure on insurers as they must balance their payout obligations while maintaining profitability;
- introduction of new medical technologies; and
- other external factors, including general economic conditions such as inflation and unemployment levels.

Changes in health insurance demand may impact their sales and profitability

- Their business is concentrated on the health insurance line of business. As a result, demand for health insurance products and the growth of the health insurance sector, particularly retail health, are generally the key factors affecting the performance of their business and their profitability.
- According to the Redseer Report, health insurance in India has witnessed growth owing to increasing awareness of insurance as protection against healthcare inflation, rise in the number of diseases and increasing affordability with customized health insurance products provided by specialized players.
- The continued growth of the health insurance market could also be affected by government regulations or changes in consumers preferences towards health insurance products. If potential customers choose to forgo health insurance and choose other types of insurance coverage or opt for reduced cover, demand for their products and their GWP may decrease.

Reinsurance challenges and credit risks could affect their operations.

- As part of their overall risk management strategy, they cede a portion of the risks they underwrite to various reinsurance companies, who cover a portion of the losses incurred by them under their claims in exchange for a premium.
- As such, they are dependent on their reinsurers for their business operations. Most of their reinsurance policies generally run for one year. While they were able to renew 100% of their reinsurance policies in the three months ended June 30, 2024 and last three Fiscals, there is no assurance that they will be able to renew their existing reinsurance policies in the future or obtain additional reinsurance on terms acceptable to them, or at all, especially as their GWP and business expands.
- Any inability to secure acceptable reinsurance protection would have a material adverse impact on their business model, which depends on reinsurance companies to absorb any unfavorable variance from the level of losses anticipated at underwriting.
- Any decrease in the amount of reinsurance at acceptable rates will increase their risk of loss. Any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce their net income.

PEER COMPARISON

Name of the company	Revenue from Operations (in Cr.)	Face Value (Rs per share)	EPS (in Rs)	NAV (Per share Rs)	RoNW (%)	P/E*	P/B*
Niva Bupa Health Insurance Company Limited	81.85	10	0.50	12.06	5.68	148.00	6.14
Star Health and Allied Insurance Company Ltd	845.01	10	14.19	108.35	14.35	33.87	4.44
ICICI Lombard General Insurance Company Ltd	1918.59	10	38.78	242.75	17.17	49.42	7.89
The New India Assurance Company Ltd	1091.12	5	6.77	132.55	5.13	28.02	1.43

*P/E & P/B ratio based on closing market price as of November 05th, 2024, at the upper price and of IPO, financial details consolidated audited results as of FY24.

OUR VIEWS

- Niva Bupa Health Insurance Co. Ltd. is one of India's leading health insurers, aiming to empower every Indian to access quality healthcare. With its strong focus on the retail health insurance segment, it has become one of the fastest-growing players in the sector, showing remarkable growth in both retail health premiums and overall GWP.
- With Bupa Singapore Holdings Pte. Ltd. and Bupa Investments Overseas Ltd as company promoters, they are the only health insurance company in India majority controlled by a foreign global healthcare group.
- Niva Bupa's Gross Written Premium (GWP) growth has been impressive, with a 41.27% CAGR from Fiscal 2022 to 2024. Retail health GWP specifically grew at a 33.41% CAGR during the same period. As of June 2024, the company's GWP reached Rs. 5,494.43 crore, and it commands a 17.29% market share in India's retail health GDPI for Fiscal 2025. This growth rate outpaces the industry average, which saw a 21.42% increase in the same period.
- Niva Bupa has consistently led with product innovation, launching "industry-first" features in its health insurance products. Notable products like "Reassure" and "Reassure 2.0" offer unique features such as unlimited reinstatement of sum insured, fixed premium calculations based on entry age, and extensive family coverage. The company's "Aspire" and "Senior First" products also stand out with their first-of-a-kind features tailored to millennials, seniors, and individuals with chronic diseases.
- The company has developed a comprehensive health and wellness ecosystem via its "Niva Bupa Health" app and website. These platforms provide holistic healthcare solutions, including diagnostics, consultations, claims submission, health tracking, and policy management, positioning Niva Bupa as a one-stop solution for health and wellness services.
- Niva Bupa has shown rapid growth in insured lives, from 3 million in FY2022 to 5 million in FY2024, a 29% increase. This growth reflects the company's expanding customer base, aided by its strong distribution network, including agents, banks, brokers, and direct channels.
- The company benefits from strategic partnerships with banks such as HDFC Bank and Axis Bank, and NBFCs like Bajaj Finance, which contribute significantly to its sales through their extensive networks. Its multi-channel approach helps diversify risk and enhance distribution, with 30% of GWP coming from agents, 19% from banks, 27% from brokers, and 13% directly.
- Niva Bupa leverages AI/ML technologies for fraud detection and efficient claim processing. The company also employs a hands-on approach to identify fraudulent claims, ensuring the integrity of its offerings.
- The Gross Written Premium (GWP) has grown at a CAGR of 78.8% from Rs. 2809.97 crore in FY22 to Rs. 5607.57 crore in FY24. The company has achieved a significant turnaround in net profit, growing at a CAGR of 154.3%, from a net loss of Rs. -196.53 crore in FY22 to a net profit of Rs. 81.85 crore in FY24. For Q1 FY25, ending June 30, 2024, the company posted a GWP of Rs. 1464.18 crore, alongside a net loss of Rs. -18.82 crore due to some expected slowness in Quarter one of every year.
- Despite its strong growth trajectory, Niva Bupa faces challenges from regulatory changes, such as the government's introduction of standardized insurance products, which could affect its competitiveness. However, the company views this as an opportunity to tap into the underserved lower-income demographic.
- In terms of valuation, the IPO is priced aggressively at a P/E ratio of 148x as of March 2024, which is significantly higher than its peers. This high valuation may raise concerns for investors, particularly since the company posted losses for Q1 FY2025. Nevertheless, its price-to-book ratio is in line with its competitors.
- Some of the marquee investors like Paragon Partners Growth Fund II, SBI Life Insurance, India Business Excellence Fund IV has done investment in the Company. Also, the pre-IPO internal placement by Fettle Tone LLP at Rs. 85 per share in October 2024, the promoter company Bupa Investment Overseas buying stake (36,63,81,439 shares) at Rs. 74 per share internally in January 2024 from Fettle Tone LLP indicates the confidence and likely future prospects of NBHICL. These recent transactions augur well for the IPO pricing. The company has already turned the corner in FY23 and hopes to maintain the track record of growth in coming years.
- Niva Bupa is a fast-growing health insurer in India, with innovative products, strong market presence, and a solid customer-centric approach. However, the aggressive valuation, coupled with the company's loss-making status in Q1 FY2025, suggests that the IPO may be suited for investors with a high-risk appetite. While the company has promising growth potential in a rapidly expanding sector, its high valuation could pose risks in the short term.

We recommend to **SUBSCRIBE** this issue for long-term gains.

Sources: Company website and red herring prospectus

Report Prepared By

Sankita V

sankita@canmoney.in | Tel 022-43603861



Analyst Certification

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Research Desk

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SEBI: RESEARCH ANALYST REGISTRATION: INH000001253

BSE: INB 011280238, BSE F&O: INF 011280238

NSE: INB 23180232, F&O: INF 231280232, CDS: 231280232

Maker Chambers III, 7th floor,

Nariman Point, Mumbai 400021

Contact No. : 022 - 43603861/62/63

Email id: researchdesk@canmoney.in

Website: www.canmoney.in

