NIVA BUPA HEALTH INSURANCE COMPANY LIMITED

November 06, 2024

SMC Ranking

★★☆☆☆ (2/5)

Issue Highlights

Industry	Insurance
Offer for sale (Shares)	189,189,189
Fresh Issue (Shares)	108,108,108
Net Offer to the Public	**297,297,297**
Issue Size (Rs. Cr.)	2081-2200
Price Band (Rs.)	70-74
Offer Date	7-Nov-24
Close Date	11-Nov-24
Face Value	10
Lot Size	200 Shares

Issue Composition

	In shares
Total Issue for Sale	297,297,297
QIB	222,972,973
NIB	44,594,595
Retail	29,729,730

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	89.07%	73.44%
QIB	10.93%	22.49%
NIB	0.00%	2.44%
Retail	0.00%	1.63%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects 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

Book Running Lead Manager

- ICICI Securities Limited
- Morgan Stanley India Company Private
- Kotak Mahindra Capital Company Limited
- Axis Capital Limited
- HDFC Bank Limited
- Motilal Oswal Investment Advisors Limited

Name of the registrar

- Kfin Technologies Limited

About the company

Founded in 2008, Niva Bupa Health Insurance Company Limited is a joint venture between the Bupa Group and Fettle Tone LLP, specializing in health insurance. The company provides a comprehensive health ecosystem through its Niva Bupa Health app and website. Its offerings include:

1. Retail products for individuals and families
2. Group products for employers and employees

As of March 31, 2024, Niva Bupa insured 14.73 million active lives across 22 states and four union territories. With a GDPI of Rs. 5,494.45 crore in FY24, it is among India's largest and fastest-growing SAHIs, achieving a CAGR of 41.37% in health GDPI from FY22 to FY24—almost double the industry average. The company also offers personal accident and travel insurance. From FY22 to FY24, overall GWP grew at a 41.27% CAGR, while retail health GWP rose by 33.41%. Supported by a 410-member telemarketing team, Niva Bupa leverages machine learning for lead scoring and real-time CRM to enhance customer engagement and conversions.

Strength

Strong Retail Health Focus with Growth in GWP, Efficiency, and Profitability: The company ranks as India's third-largest and second-fastest-growing standalone health insurer (SAHI) based on health GDPI for Fiscal 2024, with a 41.37% CAGR from Fiscal 2022-2024. Its market share in retail health GDPI steadily rose to 17.29% by August 2024, up from 13.87% in Fiscal 2022. Prioritizing high LTV and higher-margin retail health products, 73.66% of new retail health indemnity policies issued in June 2024 had sums insured above ₹1 million. Consequently, the average policy size increased, reaching Rs.3041.91 crore for the three months ending June 2024, with active lives covered growing by 55.99% over the previous year.

Customer-Centric Approach to Experience and Retention: The company offers a diverse range of health insurance products tailored to different customer demographics, using parameters like age, income, and health status. Key offerings include "Reassure" for affluent customers, featuring "Booster+" to carry forward unused coverage, and the recently launched "Aspire," designed for Millennials and Gen Z with features like "Lock the Clock." This product innovation has driven substantial growth, with overall GWP rising at a CAGR of 41.27% from FY22 to FY24, and retail health GWP growing by 33.41%.

Technology-Driven Customer Service: The company's digital and automated self-serve options enable a seamless customer experience with minimal manual intervention. Nearly all new policies in FY24 and the first quarter were digitally applied through its website and mobile app.

360-Degree Health and Wellness Ecosystem: Through its 'Niva Bupa Health' app and website, the company provides a comprehensive health platform with features for claims submission, tracking, and access to policy details. This ecosystem enhances customer experience by supporting health and wellness beyond basic insurance.

Bupa-Backed Brand with Global Healthcare Experience: As part of the Bupa Group, the company benefits from Bupa's global healthcare expertise, which spans health insurance in the UK, Australia, Spain, and more? Bupa operates clinics, hospitals, dental

centers, and residential care globally and has a strong focus on digital health solutions, such as 'Blua,' a virtual health platform providing remote appointments and wellness coaching.

Diversified Multi-Channel Distribution with Tech-Enabled Partner Support: The Company's distribution model includes direct sales, online sales via its website and mobile app, and intermediary channels like corporate agents, individual agents, and brokers. Its approach aligns product types with targeted customer segments to optimize lifetime value (LTV) through the most effective channels. For Fiscal 2024, corporate agents, individual agents, and broker channels contributed 27.25%, 32.07%, and 27.04% of GDPI, respectively, with technology further empowering partners to reach higher-LTV customers efficiently.

Advanced Technology and Analytics Integration: Technology and analytics are integrated across all business operations, from customer acquisition and underwriting to claims and renewals. Nearly all new policies and claims are processed digitally, with digital renewals and payments nearing full automation. An in-house auto-underwriting system supports medical and non-medical rule-based decisions, with 50.59% of retail policies processed without human intervention by June 2024. This automation also enables targeted cross-selling and upselling to high-LTV customers, enhancing revenue and customer engagement.

Strategy

Expanding Product Portfolio and Healthcare Ecosystem: The Company aims to build a holistic, customer-focused health insurance platform that includes a wide-ranging healthcare ecosystem with wellness, consultations, diagnostics, and medicine delivery. It plans to expand services through in-house tools, wellness content, and partnerships for digital consultations and medication delivery, while increasing geographic reach for services like health check-ups. Known for its innovative products, the company will continue to develop tailored offerings for diverse customer segments, including options for chronic conditions, enhancing its industry-leading position. Strengthening relationships with Network Hospitals across India is also a priority to ensure broad access for customers.

Investing in Technology and Analytics: The Company relies on advanced technology to drive every facet of its business, from customer acquisition to underwriting and claims processing. With a commitment to a digital-first model, it leverages AI and machine learning for efficient underwriting, fraud detection, and faster service. Ongoing investments in technology aim to improve operational efficiency, data security, and the customer experience, ultimately reducing its Combined Ratio and enabling continued growth at scale.

Expanding Market Reach and Distribution Channels: To grow its market share, the company is enhancing its presence across India by establishing new branches, especially in smaller towns and Tier-2 cities, and broadening its distribution through agents, brokers, and corporate partnerships. It is also strengthening its digital footprint by expanding partnerships with web aggregators, digital brokers, and direct-to-customer initiatives. Through its e-agency model, the company is building a wide network of agents in areas without physical branches, enabling broader market access and customer acquisition. The model is supported by mobile tools like the 'Niva Bupa UNO' app, which aids productivity and training.

Fostering Talent for Future Growth: The Company recognizes the value of its employees in driving growth and executing strategy. With structured recruitment, retention, and development programs—including campus hiring and in-house training academies—it continues to invest in its workforce to ensure a pipeline of skilled talent for the future.

Promoting a Culture of Sustainability: The company emphasizes "doing the right thing" to create a sustainable, long-lasting health insurance franchise. By embedding sustainability in all areas, it ensures growth without compromising customer service or profitability. Its commitment to incorporating ESG practices aligns with its goal to build a responsible and valuable brand that benefits customers, partners, and employees alike.

Risk factor

- As a significant portion of its business is generated from the health insurance line of business, any adverse changes to the demand for health insurance products and the retail health insurance sector may affect the sale of its health insurance products and in turn its business and profitability.
- If it fails to align its products, including in particular, its retail health insurance products with the needs of its targeted customer demographics or if it is unsuccessful in its product development strategy, its business could be materially and adversely affected.
- It is dependent on its intermediated distribution channels, particularly individual agents, corporate agents and brokers, and if it is unable to develop and grow its network of distributors or attract, retain and incentivize its distributors, it could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
New India Assura	44294.61	1361.39	8.26	22.97	1.03	185.03	5	189.70	31262.56
ICICI Lombard	22342.13	2225.28	44.97	42.62	6.96	275.31	10	1916.50	94827.01
Star Health Insu	15148.01	862.09	14.67	32.76	4.03	119.39	10	480.60	28238.50
Niva Bupa Health Insurance Company Limited	328.73	81.85	0.45	165.18	4.77	15.51	10	74.00	13520.00

***Peer Companies financials are based on TTM**
****Niva Bupa Health Insurance Company Limited Financials are based on Fy24**

Valuation

Considering the P/Bv valuation, on the upper end of the price band of Rs.74 the stock is priced at pre issue, book value of Rs. 11.84 of P/Bvx 6.25x. Post issue, book value of Rs. 15.51 of P/Bvx 4.77x.

Considering the P/Bv valuation, on the lower end of the price band of Rs.70 the stock is priced at pre issue, book value of Rs. 11.84 of P/Bvx 5.91x. Post issue, book value of Rs. 15.51 of P/Bvx 4.51x.

Industry Outlook

According to the Redseer Report, in India, health insurance providers can be broadly categorized into three main types and as of August 31, 2024, there are 4 IRDAI-recognized public insurers excluding specialized insurers, 21 private insurers and 7 IRDAI-recognized SAHIs. The retail health insurance segment is the most promising segment in the health insurance industry in India as of March 31, 2024, due to higher average premium per life, higher renewal rates and lower combined ratios as compared to group health insurance, and SAHIs lead the retail health insurance with a market share of 56% in Fiscal 2024, according to the Redseer Report.

Outlook

Niva Bupa Health Insurance, established in 2008 as a joint venture between Bupa Group and Fettle Tone LLP, has rapidly become one of India's leading health insurance companies. Known for its policyholder-friendly products and world-class services, the company has made significant strides in the industry. As of March 31, 2024, the company insured 14.73 million active lives and expanded its presence across 22 states and four union territories. However, the company remains heavily reliant on intermediated distribution channels, particularly individual agents, corporate agents, and brokers. If Niva Bupa is unable to expand its distributor network or effectively attract, retain, and incentivize its distribution partners, it could face significant risks to its financial performance and long-term growth prospects. Given these factors, long-term investors may consider participating in the issue, though they should carefully evaluate the company's dependence on its distribution model.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	07-November-24
BID/ISSUE CLOSES ON	11-November-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	12-November-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	13-November-24
Credit of Equity Shares to Demat Accounts of Allottees	13-November-24
Commencement of trading of the Equity Shares on the Stock Exchanges	14-November-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-24 (3 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Operating profit	23.23	188.03	350.94
Income from Investment	48.68	137.54	55.96
Other Income	0.72	3.16	6.16
Total Income	72.63	328.73	413.07
Provisions	0.83	1.81	1.03
Other expenses	90.61	245.06	399.50
Profit before tax	**-18.82**	**81.85**	**12.54**
Tax	0	0	0
Profit after tax	**-18.82**	**81.85**	**12.54**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-24	As on 31-Mar-24	As on 31-Mar-22
Assets			
Fair Value Change Account			
Investment			
Shareholders Fund	2589.66	2585.47	1155.45
Policyholders Fund	3084.78	2872.76	2210.65
Fixed assets	55.65	58.81	55.58
Total Non Current Assets	**5730.10**	**5517.04**	**3421.68**
Current assets			
Cash and Bank Balance	**101.26**	**142.82**	**101.86**
Advances and other assets	710.71	532.01	353.03
Total current assets	**811.97**	**674.83**	**454.89**
Total Assets	**6542.06**	**6191.87**	**3876.57**
Non-current liabilities			
Financial liabilities			
Borrowings	250.00	250.00	250.00
fair value change account	0.00	0.00	0.00
Shareholders	-2.41	0.83	-3.36
Policy holders	2.30	0.04	0.32
Total non-current liabilities	**249.89**	**250.87**	**246.95**
Current liabilities			
Current liabilities	1894.94	1663.72	1184.40
Provisions	2362.66	2227.49	1614.10
Total current liabilities	**4257.61**	**3891.22**	**2798.49**
Total	**4507.50**	**4142.09**	**3045.44**
Net worth represented by:			
Equity Share Capital	1700.12	1699.54	1510.68
Share application money pending allotment	2.79	0.19	0.00
Debit balance in Profit and loss account	-950.79	-931.97	-1013.82
Reserve and Surplus	1282.44	1282.02	334.26
Net Worth	**2034.56**	**2049.78**	**831.12**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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