Niva Bupa Health Insurance | ADD

A steady quarter

Niva Bupa reported a loss of INR 353mn (against INR 903mn JMFe), led by strong Claims Ratio of 71.2%, against JMFe 75.0%. The company had built additional IBNR (Incurred But Not Reported) in 1Q seeing volatile claims, which has been reduced by a factor of 3.4% of 2Q NEP – resulting in the positive surprise in Claims Ratio. Like-to-like growth was limited to 19% YoY with demand weak in September (expected and reported to GIC – General Insurance Council) – the company has seen that reverse with strong 50%+ retail growth in October. Based on reported financials, we expect another quarter of loss in 3Q before it reports strong profits in 4Q. Meanwhile, IFRS profitability remains on track. We largely maintain our Claims and Combined Ratio estimates over FY26-FY28e, cut FY27/FY28e EPS by 3%/4% to get a revised target price of INR 84, valuing the company at an unchanged 35x FY28e EPS of INR 2.4 (earlier INR 2.5). We maintain ADD.

- **Weak growth was known, led by an expectation of GST cut:** 2Q has seen Niva Bupa report growth of 10%/5%/0% for July/August/September to General Insurance Council. Like-to-like growth for 2Q came in at 19% (1H at 23%). In October, the company has seen growth in retail premiums jump to 50%+, led by a ticket size increase of 15% in new retail policies. This ticket size expansion implies that the lives insured have used the GST 2.0 to increase the product benefits (like riders) or increased Sum Assured, and **the share of wallet has not leaked to other financial products / consumption**. While the 50%+ growth will normalize, this consumer behaviour bodes well for the sector. Further, from 3Q onwards, the base normalizes (For 1.n accounting) and we can expect stronger reported growth.
- **Miss on Opex Ratio led entire by denominator, expenses growth limited to 5% YoY** Net commissions were flattish on a YoY basis at INR 2.8bn while opex growth was limited to 10% YoY, both below JMFe. Miss on opex ratio was led by weak premium growth. **The company mentioned that it will meet the regulatory EOM cap (35% of Gross Written Premiums) in FY26.** We maintain our EOM estimates for FY26e at 36.0% and cut FY27e by 40bps. We expect the company to report strong profits in 4Q, after another quarter of reported losses in 3Q. Meanwhile, fundamentals remain strong with a like-to-like growth of 19%, flattish commissions, benefits of operating leverage and steady investment income. On the incidence of ITC post GST 2.0, the company has passed on the impact to distributors.
- **Valuations and view – growth and claims trajectory on track, maintain ADD:** The Niva Bupa stock has corrected post losses in 1Q, however, we thump the table and say the company's fundamentals remain strong, and the reported losses are only on account of the accounting treatment. Based on reported financials, we expect another quarter of loss in 3Q before it reports strong profits in 4Q. We largely maintain our Claims and Combined Ratio estimates over FY26-FY28e, cut FY27/FY28e EPS by 3%/4% to get a revised target price of INR 84, valuing the company at an unchanged 35x FY28e EPS of INR 2.4 (earlier INR 2.5). We maintain ADD.

Raghvesh
raghvesh@jmfl.com | Tel: (91 22) 66303099
Ajit Kumar
ajit.k@jmfl.com | Tel: (91 22) 66303489
Sunita Nayak
sunita.nayak@jmfl.com | Tel: (91 22) 66301889
Mayank Mistry
mayank.mistry@jmfl.com | Tel: (91 22) 62241877
Pratik Matkar
pratik.matkar@jmfl.com | Tel: (91 22) 66301881
Shubham Karvande
shubham.karvande@jmfl.com | Tel: (91 22) 66303696
Arun Nalkara
arun.nalkara@jmfl.com | Tel: (91 22) 66303696

Recommendation and Price Target	
Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	84
Upside/(Downside)	13.4%
Previous Price Target	88
Change	-4.5%

Key Data – NIVABUPA IN	
Current Market Price	INR74
Market cap (bn)	INR136.7/US$1.5
Free Float	31%
Shares in issue (mn)	435.9
Diluted share (mn)	435.9
3-mon avg daily val (mn)	INR249.6/US$2.8
52-week range	109/61
Sensex/Nifty	83,939/25,763
INR/US$	88.8

Price Performance

%	1M	6M	12M
Absolute	-8.6	-9.9	0.0
Relative*	-11.7	-13.6	0.0

** To the BSE Sensex*

Financial Summary (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Gross premiums	56,076	67,622	83,175	105,633	132,041
GWP growth (% YoY)	38%	21%	23%	27%	25%
Net profit	830.3	2,135.2	1,557.2	2,359.3	4,420.4
EPS (INR)	0.5	1.2	0.9	1.3	2.4
EPS growth (% YoY)	489%	139%	-27%	52%	87%
Combined ratio (%)	99%	101%	103%	101%	99%
ROE (%)	3.4%	6.3%	4.0%	5.8%	10.1%
PE (x)	**152.1**	**63.6**	**87.2**	**57.5**	**30.7**
BV (INR)	17.5	20.7	21.5	22.8	25.2
PBV (x)	**4.2**	**3.6**	**3.4**	**3.2**	**2.9**

Source: Company data, JM Financial. Note: Valuations as of 03/November/2025

Key concall takeaways

- **GST 2.0**
  - Retail health is seeing 50%+ growth in October post GST 2.0,
  - The company has passed on the ITC hit to distributors effective 1st October'25 – distributors have agreed to it seeing larger volumes,
  - The insurer does not intend to raise prices to contain the hit from remaining ITC losses – expects the benefits of higher growth to compensate for that,
- **Long-term Outlook**
  - Mid to high teens RoE by FY29.
- **Growth**
  - Of the 28% retail GWP growth, 20%+ is due to a growth in the number of lives insured, and the rest due to increased ticket sizes,
  - Retail health insurance market share maintained at 9.9%,
  - Within group business, premium breakup remains similar at 1/3rd employer-employee and 2/3rd affinity business,
  - Company offers discounts based on favorable claims experience and health parameters, including up to 30% discount for customers who average 10,000 daily steps.
- **Investment Book**
  - 1H yield maintained at 7.3%,
  - Duration of debt securities at 4.5 years,
  - 6% of book is in Nifty ETF, REITs, INvITs, etc., no direct equity exposure.
- **Channel Performance**
  - Share of direct channel has come off due to 1/n accounting,
  - Share remains largely steady at 30:30:30:10 between individual agents: banca: brokers: direct,
  - Post GST 2.0, banca remains steady but the growth push is coming from direct, agency and digital channels,
  - Added the following in 2Q to strengthen distribution,
    - 19 brokers in this quarter.
    - 16k individual agents' addition.
    - 12 banca channels.
    - 574 employee addition.
- **Loss Ratio**
  - IFRS Claims Ratio increased by 120bps YoY to 65.9%,
    - Retail Claims Ratio remains in line at 68.1% (against 68% in 1HFY25),
    - Increase in Claims Ratio entirely due to group business.
  - The preferred provider network (PPN) hospitals offers 10-15% lower pricing compared to other facilities.

Exhibit 1. Niva Bupa 2QFY26 results

Earnings Table (INR mn)	2Q25	1Q26	2Q26	YoY (%)	QoQ (%)	2Q26e	Var %
Net earned premiums	12,132	12,200	14,221	17.2%	16.6%	14,787	-3.8%
Net claims incurred	7,423	9,499	10,126	36.4%	6.6%	11,090	-8.7%
Net commissions	2,803	2,598	2,798	-0.2%	7.7%	3,223	-13.2%
Opex re. to insurance business	2,787	2,439	3,077	10.4%	26.1%	3,205	-4.0%
Underwriting result	**-881**	**-2,336**	**-1,780**	**102.2%**	**-23.8%**	**-2,732**	**-34.8%**
Investment income	682	868	981	43.9%	13.0%	1,042	-5.8%
Other income	783	16	179	-77.2%	1032.9%	16	999.9%
Operating Profit	**585**	**-1,452**	**-620**	**-206.0%**	**-57.3%**	**-1,674**	**-63.0%**
Investment income-Shareholders' A/C	399	642	539	35.0%	-16.2%	771	-30.1%
Other income	3	0	0	-84.0%	-500.0%	0	NM
Other opex	856	105	272	-68.3%	159.9%	0	NM
Profit before tax	**130**	**-914**	**-353**	**-370.9%**	**-61.4%**	**-903**	**-60.9%**
Taxes	0	0	0			0	
Profit after taxes	**130**	**-914**	**-353**	**-370.9%**	**-61.4%**	**-903**	**-60.9%**
Loss ratio	61.2%	77.9%	71.2%	10.0%	-6.66%	75.0%	-3.8%
EOM to NWP	40.1%	39.1%	40.5%	0.4%	1.40%	36.0%	4.5%
Opex (ex-commission) ratio	20.0%	18.9%	21.2%	1.2%	2.28%	20.5%	0.7%
Combined ratio	**101.3%**	**117.0%**	**111.7%**	**10.4%**	**-5.25%**	**111.0%**	**0.7%**

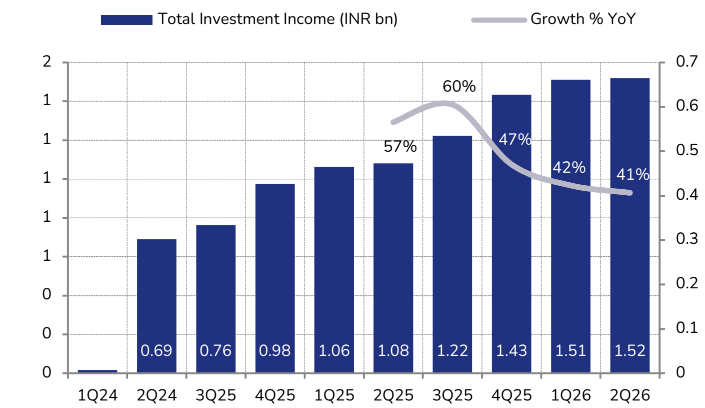
Source: Company, JM Financial

Exhibit 2. Niva Bupa: Change in estimates - JMFe

Star Health	FY26 old	FY26 new	Change %	YoY growth	FY27 old	FY26 new	Change %	YoY growth	FY28 old	FY28 new	Change %	YoY growth
Net earned premiums	60,673	59,868	-1.3%	22.3%	75,770	74,957	-1.1%	25.2%	93,536	94,356	0.9%	25.9%
Loss ratio	67.2%	67.2%	0.0%	6.0%	67.2%	67.2%	0.0%	0.0%	65.2%	65.2%	0.0%	-2.0%
EOM to NWP	36.0%	36.0%	0.0%	-4.0%	34.5%	34.1%	-0.4%	-1.9%	33.5%	33.5%	0.0%	-0.6%
Combined ratio	103.2%	103.2%	0.0%	2.0%	101.7%	101.3%	-0.4%	-1.9%	98.7%	98.7%	0.0%	-2.6%
EPS (INR)	0.9	0.9	-0.6%	-67.9%	1.3	1.3	-3.2%	51.5%	2.5	2.4	-4.0%	87.4%

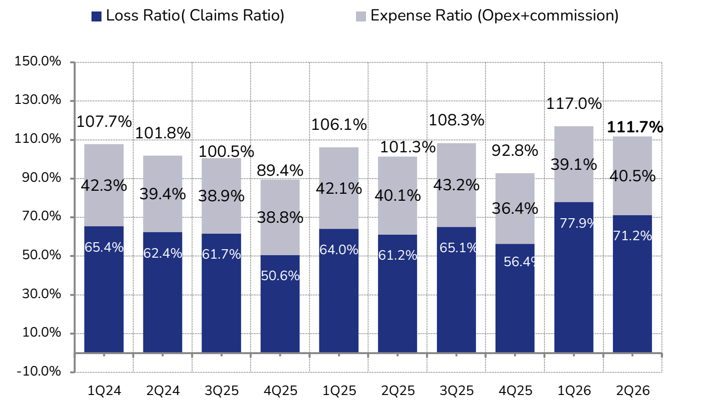
Source: Company, JM Financial

Exhibit 3. Investment income stable QoQ at INR 1.5bn



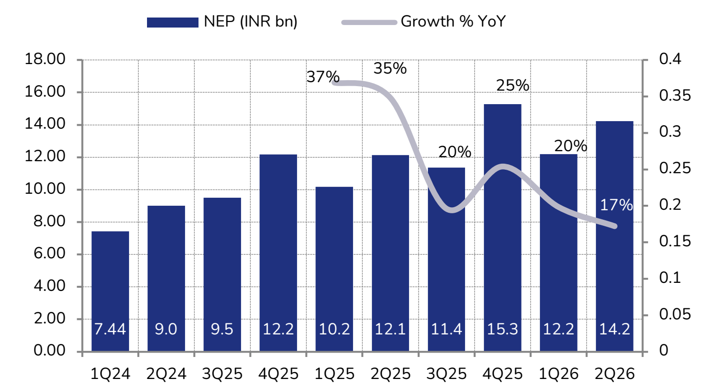
Source: Company, JM Financial

Exhibit 4. Combined ratio improved to 111.7% sequentially



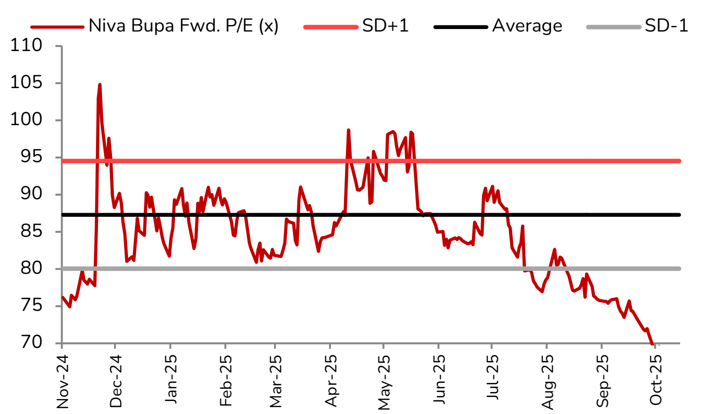
Source: Company, JM Financial

Exhibit 5. NEP growth slowed down to 17% YoY



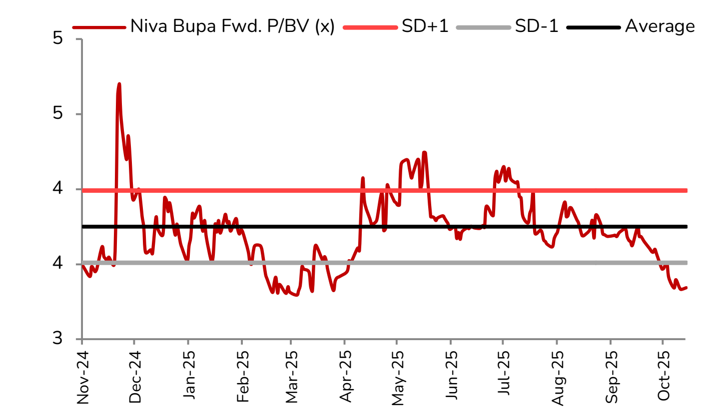
Source: Company, JM Financial

Exhibit 6. Niva Bupa trades below 1SD from mean PE



Source: Bloomberg, Company, JM Financial

Exhibit 7. Niva Bupa trades below 1SD from mean PB



Source: Bloomberg, Company, JM Financial

Financial Tables (Standalone)

P&L (technical account) (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Gross premiums	56,076	67,622	83,175	105,633	132,041
Net written premiums	44,210	53,694	66,041	83,872	104,841
Net Earned Premiums	38,113	48,945	59,868	74,957	94,356
Investment income	1,667	2,874	3,507	3,806	4,301
Total revenue	**39,779**	**51,818**	**63,375**	**78,763**	**98,658**
Claims Incurred (net)	22,495	29,965	40,245	50,388	61,542
Commission (net)	7,482	10,646	11,923	14,546	18,183
Opex related to insurance	10,086	10,831	11,852	14,054	16,939
Total expenses	**40,064**	**51,442**	**64,020**	**78,989**	**96,663**
Operating Profit	1,892	1,800	(502)	(69)	2,167
o.w. underwriting profit	(1,951)	(2,498)	(4,152)	(4,032)	(2,307)

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Investments	54,582	81,751	86,923	94,167	106,764
Fixed assets	588	753	941	1,176	1,470
Net current assets	(32,164)	(49,426)	(73,966)	(103,892)	(142,383)
Debit balance in P&L account	9,320	7,185	27,896	52,704	82,723
Total assets	**32,326**	**40,262**	**41,794**	**44,154**	**48,574**
Borrowings	2,500	2,500	2,500	2,500	2,500
FV change account	9	(31)	(31)	(31)	(31)
Equity Capital	16,995	18,270	18,270	18,270	18,270
Reserves and Surplus	12,822	19,523	21,055	23,414	27,834
Shareholder's equity	**32,326**	**40,262**	**41,794**	**44,154**	**48,574**

Source: Company, JM Financial

P&L (Shareholder's account) (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Operating profit/(loss)	1,892	1,800	(502)	(69)	2,167
Income from investments	1,375	1,925	2,353	2,755	3,003
Total revenue	3,299	3,855	1,883	2,722	5,211
Total expenses	2,469	1,720	326	362	403
Profit / (Loss) before tax	830	2,135	1,557	2,359	4,808
Taxes	-	-	-	-	388
Profit / (Loss) after tax	**830**	**2,135**	**1,557**	**2,359**	**4,420**

Source: Company, JM Financial

Operational metrics (INR mn)

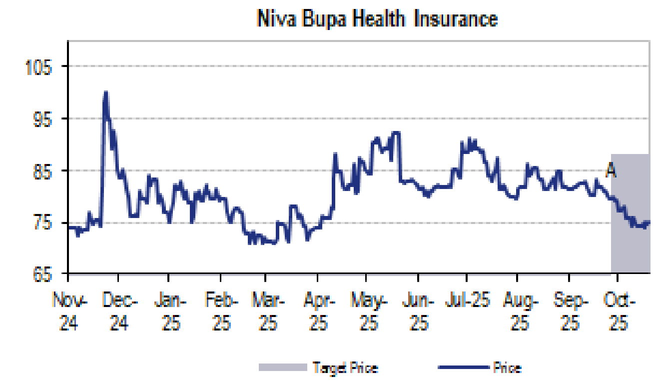
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
GWP growth	38%	21%	23%	27%	25%
NPE growth	43%	28%	22%	25%	26%
Retention Ratio (%)	79%	79%	79%	79%	79%
NPE/NPW (%)	86%	91%	91%	89%	90%
Loss Ratio (%)	59%	61%	67%	67%	65%
Total Expense Ratio (%)	40%	40%	36%	34%	34%
COR	99%	101%	103%	101%	99%
Yield on Policyholder A/C (%)	7%	8%	8%	8%	8%
Yield on Shareholder A/C (%)	7%	6%	6%	7%	7%
ROA (%)	3.1%	5.9%	3.8%	5.5%	9.5%
ROE (%)	3.4%	6.3%	4.0%	5.8%	10.1%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
9-Oct-24	Add	88	

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081
Member of BSE Ltd. and National Stock Exchange of India Ltd.
SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610
Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.
Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com
Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: ashley.johnson@jmfl.com
Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com

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New Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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