

# Niva Bupa Health Insurance Company Ltd.

## Subscribe

Nifty: 24,484 | Sensex: 80,378

IPO Note | 06<sup>th</sup> November 2024

Sector: Health Insurance

Price Range: ₹70 - ₹74

## Emerging health insurance player with strong parentage

Niva Bupa Health Insurance Company (NBHICL) is a Standalone health insurer (SAHI) operates in India's health insurance sector, with a primary focus on the retail health market and group insurance. Established in 2008, it is a joint venture between Bupa Group and Fettle Tone LLP. The company serves 14.99 million active insured lives, utilizing a diversified distribution strategy through both direct and intermediated channels. In FY24, the retail segment accounted for ~ 70% of the overall Gross Written Premium (GWP). By August 2024, the company has a 17.3% market share in the Indian SAHI market, increasing from 13.9% in FY22 based on retail health gross direct premium income (GDPI).

- ◆ India's insurance gross direct premium income has surged from ₹6.1 trillion in FY18 to ₹10.4 trillion in FY23. It is projected to reach ₹18-19 trillion by FY28, driven by rising incomes and greater insurance accessibility.
- ◆ Currently, Bupa Singapore Holdings Pte holds a 62.2% stake in the insurance company, while Fettle Tone LLP owns 26.8%. Niva Bupa leverages Bupa's extensive global healthcare expertise, which serves 50 million customers worldwide.
- ◆ NBHICL has demonstrated robust growth, achieving a 44% YoY in revenue for FY24. The Gross Written Premium (GWP) increased by 37.7% to ₹5,607cr in FY24 from ₹4,073cr in FY23.
- ◆ In Q1FY25, It posted a loss of ₹18.8cr narrowing from a loss of ₹72.2cr in the year-ago period. The insurance industry has high gestation period.
- ◆ By Q1FY25, the company's retail health market share had increased to 9.9%, up from 7% in FY22, outperforming industry peers. Total market share is 5.1%.
- ◆ Robust increase in commission cost in recent years pose a risk for the continuity of improvement in future market share.
- ◆ At the upper price band of ₹74, NBHICL will be trading at a post-issue adj. P/B ratio of 4.8x for Q1FY25, which seems reasonable compared to its listed peers. Considering its strong parentage, improving market share, and profitability, we assign a "Subscribe" rating for long-term investment.

### Issue Details

Date of opening	November 7, 2024
Date of closing	November 11, 2024
Total No. of shares offered (cr.)	29.73
Post Issue No. of shares (cr)	182.7
Face Value	₹10
Bid Lot	200 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,800
Maximum application for retail (upper price band for 13 lot)	₹ 192,400
Listing	BSE,NSE
Lead Managers	IIFL Securities Limited, ICICI Securities Limited, Morgan Stanley India, Axis Capital Limited, Nuvama Wealth Management
Registrar	Kfin Technologies Limited

### Issue size (upper price)

	Rs.cr
Fresh Issue	800.0
OFS	1,400.0
Total Issue	2,200.0

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	89.1	73.0
Public & others	10.9	27.0
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	10	220.0
Non-Institutional	15	330.0
QIB	75	1,650.0
Emp. Reservation	-	-
Total	100	2,200.0

Y.E March (Rs cr) Consol.	FY23	FY24	Q1FY25
<b>Gross written premium</b>	4,073	5,607	1,464
% Change	44.9	37.6	30.8
<b>Net Earned Premium</b>	2,662.8	3,811.2	1,018
Total Income	3,165.2	4,195.57	1,159.29
Operating Profit	350.9	188	23.2
<b>Profit After Tax</b>	12.5	81.9	(18.8)
EPS	0.07	0.5	(0.1)
P/E (x)	1,078	165	(718)
P/B(x)	16.3	6.5	4.8*
Solvency %	1.67	2.55	2.39

\* Adjusted

## Purpose of IPO

The offering comprises a fresh issue of ₹800cr and an Offer-for-Sale (OFS) of ₹1,400cr. The primary goal is to boost its capital base to strengthen solvency levels and a portion will be used for general corporate purposes.

## Key Risks

- ◆ Depending solely on health insurance products makes it vulnerable to market fluctuations and changes in demand.
- ◆ New entrants or aggressive strategies by existing competitors can erode market share and profitability.

## Peer Valuation

Company	MCap(₹ cr)	GWP (₹ cr)	PAT(₹ cr)	AUM	Claims Ratio (%)	Combined Ratio (%)	EPS (₹)	P/E(x)	P/B(x)	CMP
<b>NIVA BUPA</b>	<b>13,520</b>	<b>5,608</b>	<b>81.8</b>	<b>5,458</b>	<b>59.02</b>	<b>98.79</b>	<b>0.5</b>	<b>165</b>	<b>6.1</b>	<b>74</b>
ICICI Lombard General Insurance	93,833	19,331	1,918	48,907	70.8	103.3	38.78	48.9	7.8	1,917
Star Health & Allied Insurance	31,908	10,286	845	15,491	66.5	96.7	14.19	38.3	5.0	481
New India Assurance	31,930	31,425	1,091	81,311	97.36	120.87	6.77	28.6	1.5	190

Source: Geojit Research, Bloomberg; Valuations of NBHICL are based on upper end of the price band (post issue), Financials as per FY24 consolidated.



### Business Operations:

NBHICL is one of India's largest and fastest-growing standalone health insurers (SAHIs) based on an overall health gross direct premium income (GDPI) of Rs. 5494.43 crore in Fiscal 2024. From Fiscal 2022 to Fiscal 2024, the company's overall gross written premium (GWP) grew at a compound annual growth rate (CAGR) of 41.27%, while its GWP from retail health grew at a CAGR of 33.41%. Additionally, from the three months ended June 30, 2023, to the three months ended June 30, 2024, the overall GWP grew by 30.84%, and the GWP from retail health increased by 31.99%.

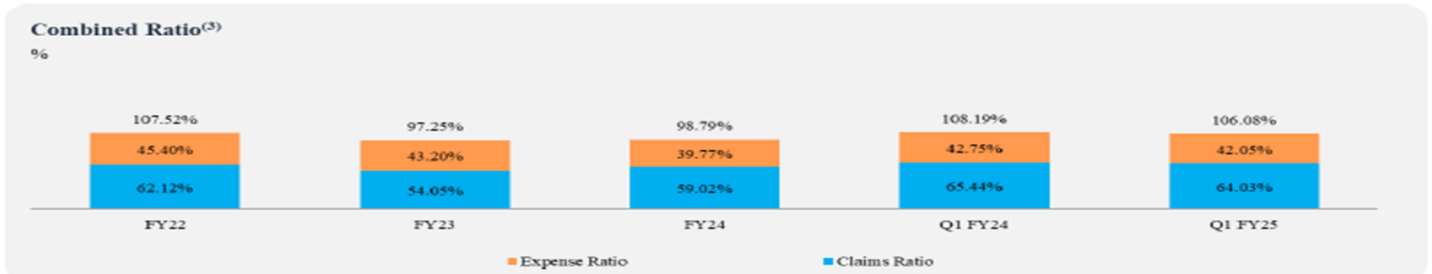
### Standalone Health Insurers (SAHI) landscape in India

In India, health insurance providers can be broadly categorized into three main types: Private Insurers, Public Insurers, and Standalone Health Insurers (SAHI). Public insurers include government-owned health and non-life insurers, Private insurers are privately-owned entities offering health and non-life insurance services, while SAHIs are specialized entities focused on health insurance (incl. travel and personal accident) coverage only. SAHIs have witnessed the highest increase in their network of hospitals through direct contracts as well as Third-Party Administrators (TPA) during FY21-23 period. For SAHIs, the network of hospitals grew at 71% versus 63% for Private insurers. This growth is also driven by a significant increase in the number of hospitals onboarded by each TPA. SAHIs have a better Loss and Combined ratio as compared to Private and Public insurers. The Claims ratio for SAHIs was 65% in FY24, whereas Private and Public Insurers had a Claims ratio of 90% and 103% respectively.

	Three Months ended June 30,				Fiscal Year ended March 31,					
	2024		2023		2024		2023		2022	
	(₹ in millions)	(% of total GWP <sup>(2)</sup> )	(₹ in millions)	(% of total GWP <sup>(2)</sup> )	(₹ in millions)	(% of total GWP <sup>(2)</sup> )	(₹ in millions)	(% of total GWP <sup>(2)</sup> )	(₹ in millions)	(% of total GWP <sup>(2)</sup> )
Retail	10,169.12	69.45%	7,696.26	68.78%	39,349.50	70.17%	30,492.85	74.87%	22,136.43	78.78%
Group <sup>(1)</sup>	4,472.64	30.55%	3,494.17	31.22%	16,726.24	29.83%	10,237.45	25.13%	5,963.28	21.22%

### Products

The company provide a range of health insurance product offerings that seek to cater to all stages of the customer lifecycle. The company 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 the 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, company launched "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.



Source: Geojit, RHP

### Key strengths

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

According to the Redseer Report, **NBHICL** 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 the smaller competitors in India from Fiscal 2022 to Fiscal 2024, in terms of retail health GDPI.

Source: Geojit, RHP

#### Bupa parentage and brand associated with health insurance and healthcare

Bupa Singapore Holdings Pte. Ltd. and Bupa Investments Overseas Limited, the Promoters, are members of the Bupa Group. Through the 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.

#### Domain Knowledge and Experience in Claims and Provider Management

For Fiscals 2024, 2023 and 2022, NBHICL processed 100% of claims under the retail health products through the dedicated in-house claims team. The claims management capabilities are equipped with a paperless digital claims submission system, end-to-end auto adjudication of claims for cashless claims, real-time fraud detection mechanisms using machine learning algorithms and a claims billing analytics tool that flags outliers and anomalies based on the treatment, provider category and location. According to the Redseer Report, they have demonstrated strong customer service metrics on claims, with a Claims Settlement Ratio of 91.93% and 90.53% for Fiscal 2024 and Fiscal 2023, respectively.



## Key strategies

- Continuing to grow the product portfolio to serve the needs of customers, expand the partnerships with Network Hospitals, and further develop the healthcare ecosystem
- Continue to invest in technology and analytics to facilitate the sales and servicing of the products
- Further expand the presence in existing geographies within India, invest in deepening the distribution channels and increase market share in retail health insurance
- Continue to invest in talent recruitment, development and retention to drive execution
- Deepen culture of sustainability and “doing the right thing” to create a sustainable health franchise for future generations.

## Industry outlook

Health insurance has exhibited the highest growth with a CAGR of 19.5% between FY18 and FY24, surpassing the overall non-life insurance market's growth (CAGR of 11.5%) over the same period. Health insurance is expected to maintain its consistent growth, projected to increase at a CAGR of 15- 17% from FY24 to FY29. India's health insurance sector has witnessed rapid growth since FY18. The health insurance GDPI has more than doubled from INR 0.37 Tn (USD 4.5 Bn) in FY18 to INR 1.08 Tn (USD 13.0 Bn) in FY24, growing at a CAGR of 19.5%. As per Redseer estimates, total health GDPI is expected to reach INR 2.2-2.4 Tn (USD 26-28 Bn) by FY29. Non-life insurance includes motor, health, travel, fire, marine, and other segments such as microinsurance. Historically, motor insurance has held a dominant position, representing 39.3% of the non-life GDPI in FY18. However, over the past five years, health insurance has experienced substantial growth, expanding its GDPI share from 24.6% in FY18 to 37.1% in FY24

## Promoter and promoter group

### Brief Biographies of directors

- **Chandrashekar Bhaskar Bhawe** is the Chairman and Independent Director of the Company. He has been associated with the Company since December 16, 2019. He has experience in the state and central administrative services and securities regulation. He was with the Indian administrative services and has worked in different positions with State Governments and the Central Government. He has held the position of a senior executive director of SEBI during the years 1992 to 1996. He has also served as the chairman and managing director of NSDL during the years 1996 to 2008. Further, he has served as the chairman of SEBI during the years 2008 to 2011. During this period, he was also the chairperson of the Asia-Pacific Regional Committee and a member of the technical and the executive committees of the International Organization of Securities Commission. He was a trustee of the IFRS foundation based in London.
- **Krishnan Ramachandran** is the Managing Director and Chief Executive Officer of the Company. He has been associated with the Company since April 2020. He has over 24 years of experience across health insurance, healthcare & life sciences industries. Previously, he has been associated with Apollo Munich Health Insurance Company Limited as their chief executive officer and has been a consultant with Deloitte Consulting L.P. and Arthur Andersen. He has also been associated with Apollo DKV Insurance Company Ltd. as their chief operating officer in 2007.
- **Pradeep Pant** is an Independent Director of the Company. He has been associated with the Company since January 20, 2015. Previously, he has been associated with Mondelēz International as the executive vice-president and president of Asia Pacific and Eastern Europe, Middle East and Africa.
- **Geeta Dutta Goel** is an Independent Director of the Company. She is presently the managing director, India at the Michael & Susan Dell Foundation.
- **David Martin Fletcher** is a Non-Executive Director of the Company and nominee of Bupa Singapore Holdings Pte. Ltd. He commenced in the role of chief risk officer for Bupa in 2017. He has been with Bupa since 2014 and previously held roles as chief internal auditor and managing director of Bupa International Development Markets. He is a member of the chief executive committee at Bupa and vice chairman and director of Bupa Arabia For Cooperative Insurance Company.
- **Divya Sehgal** is a Non-Executive Director of the Company and nominee of Fettle Tone LLP. He has been associated with the Company since December 2019. Currently, he is associated with True North Managers LLP as a partner. Previously, he has been the chief operating officer of Apollo Health Street Private Limited and also he has been a consultant with McKinsey & Company.
- **Maninder Singh Juneja** is a Non-Executive Director of the Company and nominee of Fettle Tone LLP. He has been associated with the Company since December 2019. Currently, he is associated with True North Managers LLP as a partner.
- **Penelope Ruth Dudley** is a Non-Executive Nominee Director of the Company and nominee of Bupa Singapore Holdings Pte. Ltd. She commenced in the role of chief legal officer for Bupa in 2016. She has been with Bupa since 2010 and previously held roles as legal & corporate affairs director of Bupa Global, and head of legal of Bupa International.
- **Carlos Antonio Jaureguizar Ruiz Jarabo** is a Non-Executive Director of the Company and nominee of Bupa Singapore Holdings Pte. Ltd. He commenced in the role of chief executive officer for Bupa Global and UK Market Unit in 2021 (now known as Bupa Global, India and UK). He has been with Bupa since 2006 and previously held roles as chief financial & strategy officer of Europe & Latin America (ELA) Market Unit and general manager, Bupa Chile.

## CONSOLIDATED FINANCIALS

### PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	Q1FY25
Premium Earned (Net)	2,662.8	3,811.2	743.6
% change	52	43	-
<b>Profit/Loss on Invst.</b>	<b>3.5</b>	<b>3.9</b>	<b>1.1</b>
Others	368.1	217.6	69.4
Interest, Divident, Rent	130.8	162.7	37.5
<b>Total Income</b>	<b>3,165.200</b>	<b>4,195.566</b>	<b>851.529</b>
% change	50	33	-
Claims Incurred	1,439.3	2,249.5	486.6
<b>Commission</b>	<b>190.8</b>	<b>748.2</b>	<b>147.8</b>
Operating expenses	1,184.1	1,009.8	230.5
% change	-	-	-
Premium deficiency	-	-	-
<b>Total Expenses</b>	<b>2,814.3</b>	<b>4,007.5</b>	<b>865.0</b>
<b>Operating Profit</b>	<b>380.9</b>	<b>188</b>	<b>(13.4)</b>
Income from Investments	56	137.5	23
Other Income	6.2	3.2	1.1
Other Expenses	400.5	246.9	82.8
<b>PBT</b>	<b>12.540</b>	<b>81.852</b>	<b>(72.198)</b>
% change	-	-	-
Provision for Tax	-	-	-
<b>PAT</b>	<b>12.5</b>	<b>81.9</b>	<b>(72.2)</b>
No.of Shares Post IPO	182.7	182.7	182.7
Diluted EPS	0.069	0.448	(0.395)

\*Annualised.

### BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	Q1FY25
<b>Sources of Funds</b>			
Share Capital	1,511	1,700	1,700
Reserves and Surplus	334	1,282	1,282
Fair Value A/c Change	(3)	1	0
Borrowings	250	250	250
<b>Total</b>	<b>2092</b>	<b>3,232</b>	<b>3,232</b>
<b>Application of Funds</b>			
Investments	3,366	5,458	5,674
Loans	0	0	0
Fixed Assets	56	59	56
Cash and Bank Balances	102	143	101
Net Other Cur. Assets	(2,344)	(3,216)	(3,446)
Others	1014	932	951
<b>Total</b>	<b>2,194</b>	<b>3,375</b>	<b>3,337</b>
BVPS	5	11	11

### RATIOS

Y.E March	FY23	FY24	Q1FY25
<b>Valuation</b>			
P/E (x)	1,078	165	(718)
P/BV (x)	16.3	6.53	6.7
<b>Per Share (Rs.)</b>			
EPS	0.069	0.448	(0.103)
BVPS	5	11	11
<b>Expenses (%)</b>			
Claims Ratio	54.05	59.02	64.03
Combined Ratio	97.25	98.79	106.08
<b>Solvency (%)</b>			
Solvency	1.67	2.55	2.39

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