

11th November 2024

Niva Bupa Health Insurance Company Limited – SUBSCRIBE

Investment Thesis

Niva Bupa Health Insurance (NBHICL) IPO is a book built issue of Rs 2,200.00 crores. The issue is a combination of fresh issue of 10.81 crore shares aggregating to Rs 800.00 crores and offer for sale of 18.92 crore shares aggregating to Rs 1,400.00 crores.

Niva Bupa Health Insurance (NBHICL) stands out as one of India's largest and fastest-growing standalone health insurers (SAHIs), with a remarkable growth trajectory that positions it as a key player in the rapidly expanding health insurance sector. According to the Redseer Report, NBHICL achieved a Gross Direct Premium Income (GDPI) of Rs.5,494.43 crore in Fiscal 2024, reflecting a strong compound annual growth rate (CAGR) of 41.37% from FY2022 to FY2024—nearly double the industry's average growth of 21.42%. This exceptional performance underscores the company's robust market position and ability to capture market share, with a retail health GDPI market share of 17.29% for the year-to-date August 2024.

The company's granular focus on retail health, with a 33.41% CAGR in GWP from retail health, and strategic shift toward higher-margin, high-value products, such as its ₹1 million+ sum insured policies, is fueling its profitability. Its product offerings, including the "Reassure" and "Aspire" plans, are tailored to specific customer demographics, such as upper-class, affluent, and millennial customers, ensuring strong customer-product fit and retention. The average ticket size for policies has increased significantly, from Rs.22,186 in FY2022 to Rs.28,797 in FY2024.

NBHICL's tech-driven approach, with a focus on digitalization and automation, has created a seamless customer experience, allowing for 99.95% of new policies to be digitally procured. This is further supported by Bupa's global expertise and brand credibility in health insurance, enhancing NBHICL's growth potential and market trust.

Niva Bupa Health Insurance's strong growth, digital innovation, customer-focused products, and backing from Bupa make it a promising investment, well-positioned to capitalize on India's expanding health insurance market.

Financials

Particulars	FY22	FY23	FY24
Total Income (Rs in Cr.)	2,113.96	3,165.20	4,195.57
Total Expenses (Rs in Cr.)	2,870.04	4,005.26	2,468.73
PBT (Rs in Cr.)	-1,96.52	12.54	81.85
PAT (Rs in Cr.)	-1,96.52	12.54	81.85
EPS (Rs)	-1.42	0.90	0.51

* At highest price band # Post listing

IPO Details

Issue Open Date	7 November 2024
Issue Close Date	11 November 2024
Price Band (Rs.)	Rs.70 – Rs. 74
Issue Size*	Rs. 22,000.0 Mn
Issue Size (Shares)	297,297,297
Market Lot	200 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 10/-

* At highest price band

Key Details

Fresh Issue*	Rs. 8000 Mn
Issue Type	Book Building
Book Running Lead Manager	Axis Capital Limited, ICICI Securities Limited, Morgan Stanley India Company Pvt Ltd, Kotak Mahindra Capital Company Limited, Hdfc Bank Limited and Motilal Oswal Investment Advisors Limited
Issue structure	Anchor Investors: 45% QIB: 30% Non Institutional:15% Retail: 10%
Credit of Shares to Demat Account	13 November 2024
Issue Listing Date	14 November 2024

* At highest price band

Key Business Highlights

- Niva Bupa Health Insurance Company Limited, incorporated in 2008, is a joint venture between the Bupa Group and Fettle Tone LLP, offering a comprehensive range of health insurance products. Initially launched as "Max Bupa Health Insurance Limited" in New Delhi, the company was granted its business commencement certificate in December 2008. It underwent a name change to "Max Bupa Health Insurance Company Limited" in 2009 to reflect its partnership with Bupa, a global healthcare leader. In 2021, the company rebranded to its current name, "Niva Bupa Health Insurance," marking a new phase in its growth. Niva Bupa offers both retail products for individuals and families and group products for employers, with a focus on providing access to a complete health ecosystem through its mobile app and website.
- NBHICL offers a wide range of health insurance solutions designed to meet the diverse needs of individuals, families, and organizations across India. The company provides access to quality healthcare through an extensive network of partners and facilities, ensuring comprehensive care and financial protection during medical emergencies. Its offerings include individual health plans, family floater policies, and critical illness coverage, tailored to address various health and financial security concerns. Niva Bupa has built a strong presence in the Indian health insurance industry, supported by its innovative digital initiatives, customer-centric approach, and transparency.
- The company's growth has been fueled by product innovation, expanding distribution networks, and strategic partnerships with healthcare providers. With this strategic focus, Niva Bupa is well-positioned to meet the evolving healthcare needs of India's population.

Valuation

- Till date, the company insured 14.99 million active lives, with retail health products contributing 67.65% of GWP. Their product range, backed by strong innovation, meets customers' needs across life stages. The company aims to build a comprehensive health insurance platform, offering wellness programs, doctor consultations, diagnostics, and medicine delivery. They continue investing in ecosystem expansion, introducing health tools and strategic partnerships. **Valued at a P/BV of 6.1x with a post-issue market cap of Rs.135,200 million, we recommend a "Subscribe – Long Term" rating.**

Risk & Concern

- The company's performance is closely tied to the demand for health insurance, particularly retail health products. Changes in consumer preferences or government regulations could affect growth and profitability. Majority of the company's stores are located in the eastern region of India, and any adverse developments in this area could significantly impact revenues.
- Niva Bupa relies on reinsurance companies to absorb losses from claims. The ability to renew reinsurance policies and obtain favorable terms is crucial for mitigating risk and maintaining financial stability.
- Broader economic conditions (e.g., inflation, unemployment) and the escalating costs of medical treatments and procedures place financial pressure on insurers, affecting their claims and profitability.

Graphs & Charts

Figure 1: Total Income (Rs. Crs.)

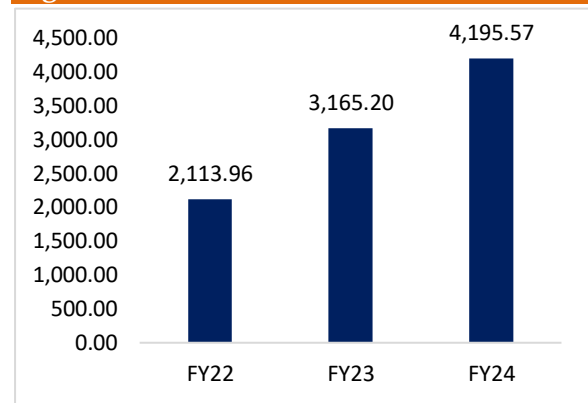


Figure 2: Premium Earned (In Crs.)

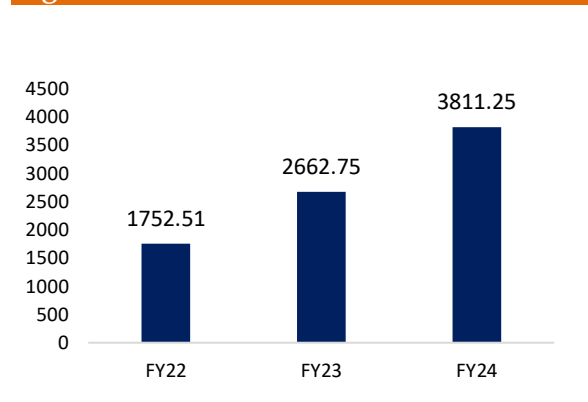


Figure 3: PAT (In Crs.)

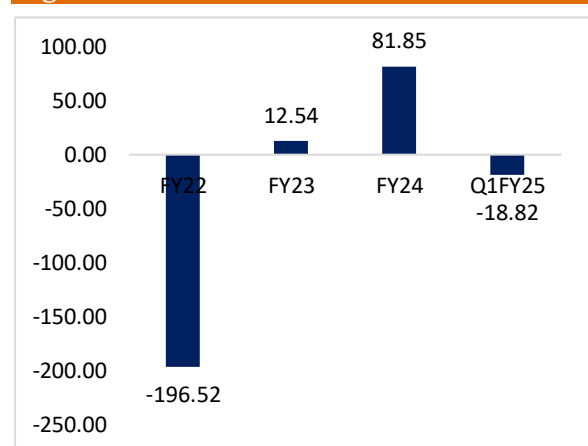
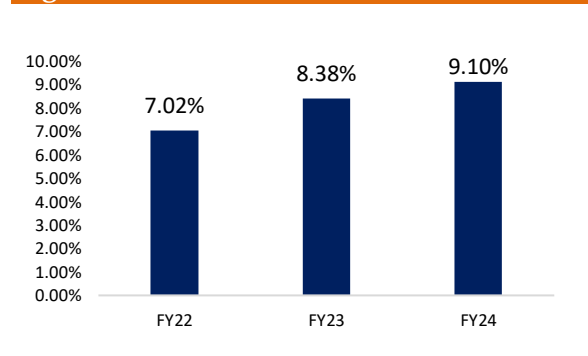


Figure 4: Retail health Market share



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