

MEDI ASSIST HEALTHCARE SERVICES LIMITED

15-01-2024 TO 17-01-2024

Industry: Healthcare Business

Price Band: ₹ 397-418

Recommendation: Subscribe for long term

Post Implied Market Cap: ₹ 2,734 – 2,878 Cr

Key Data

| | |
|-----------------------|------------|
| Issue Size (₹ Cr) | 0 |
| Fresh (₹) | 1,172 |
| OFS (₹) | - |
| No of shares offered | 28,028,168 |
| Face Value (₹ /share) | 5 |
| Bid Lot | 35 |

About the Company

Medi Assist Healthcare Services Limited (Media Assist), established in 2000, functions as a holding company providing third-party administration (TPA) services through its subsidiaries, including Medi Assist TPA, Medvantage TPA, and Raksha TPA. Operating as a facilitator, it connects insurance companies with policyholders, healthcare providers, and government health schemes. Managing ₹14,574.65 cr of health insurance premiums by FY2023, with a notable CAGR of 35.67% since FY2021, the company collaborates with 35 insurance entities globally. Beyond TPA, it extends services like hospitalization, call centres, customer relations, and claims processing. Serving over 9,500 group accounts, it administers insurance needs for employees. Notably, Medi Assist TPA and Medvantage TPA collectively managed ₹12,818 cr in group health insurance premiums, representing 27.61% of India's overall market. Additionally, the company catered to individual policyholders, overseeing ₹1,757 cr in retail health insurance premiums, capturing 5.06% of the national market for FY2023.

Indicative Timetable

| | |
|------------------------------------|-------------|
| Activity | On or about |
| Finalisation of Basis of Allotment | 18-1-2024 |
| Refunds/Unblocking ASBA Fund | 19-1-2024 |
| Credit of equity shares to DP A/c | 19-1-2024 |
| Trading commences | 22-1-2024 |

Investment Rationales

- Well-Established Third-Party Administrator in India:** Media Assist subsidiaries, including Medi Assist TPA, Medvantage TPA and Raksha TPA, are prominent third-party administrators in India. Managing a total premium of ₹14,574.65 Cr in FY 2023, the company's group portfolio is at ₹12,817.87 Cr, and the retail portfolio is at ₹1,756.78 cr. Serving 24 clients in the group portfolio and 13 clients in the retail portfolio, the company holds a notable market share, with 26.39% in the group portfolio and 5.06% in the retail portfolio. Despite the challenges posed by the pandemic, the company witnessed a 31.91% increase in retail and group premiums in FY 2023, reflecting heightened awareness of health insurance needs. This upward trend is anticipated to contribute to continued sector growth.
- Longstanding Relationships with a Majority of Insurance Companies:** Medi Assist has capitalized on its extensive domain expertise in the Indian health insurance sector, fostering trust and enduring relationships with insurance companies. Leveraging a diverse service portfolio and adept management of numerous products, the company has become a trusted partner to insurers. With a proven track record, Medi Assist boasts long-term associations, averaging 20 years with four PSU insurance companies and nine years with 23 non-PSU sector insurance companies as of September 30, 2023. This sustained commitment is reflected in their growing share of retail and group benefits administration premiums from non-PSU insurers, increasing from 14.65% in FY2021 to 24.33% in the 6 months ending September 30, 2023. These strong relationships underscore the company's reliability and strategic positioning in the health insurance ecosystem.
- Diversified base of Group Accounts with Longstanding Relationships:** Medi Assist has consistently led India's group health insurance segment, increasing its market share from 23.30% to 26.01% between FY2020 and FY2022. Managing premiums for over 9,500 group accounts, totalling ₹12,817.87 cr in FY2023, the company achieved a robust CAGR of 37.08% from FY2021 to FY2023. In FY2023, they commanded 26.39% of India's overall group health insurance market. With a steadfast base of group accounts, Medi Assist maintained retention rates of 95.09%, 93.94%, 94.17%, and 94.01% during FY2021, FY2022, FY2023, and the 6 months ending September 30, 2023, respectively, showcasing enduring customer loyalty.
- Attractive Contracts with a Pan-India Healthcare Provider Network:** As of September 30, 2023, Medi Assist boasts a widespread healthcare provider network, encompassing 18,754 hospitals in 1,069 cities across 31 states in India. Leveraging their leading market position, advanced technology platforms, and substantial claims volume, the company has secured discounted rates and preferential packages with top hospital chains. This advantageous network pricing has led 23 insurance companies, including 14 exclusively, to avail negotiated discounted rates through Medi Assist's extensive provider network, solidifying their pivotal role in the industry.
- Ability to Integrate Acquisitions:** Medi Assist adopts a disciplined and opportunistic approach to acquisitions, showcasing expertise in seamlessly integrating acquired businesses. Their track record reflects efficiency in realizing cost synergies and consolidating market positions. Leveraging robust technology and operational capabilities, they ensure smooth integration, enhancing customer experience, optimizing efficiencies, and achieving cost optimization. These strategic acquisitions have expanded service offerings, fortified technology solutions, and granted access to new geographies, reinforcing their ability to deliver superior value to customers and stakeholders.

Shareholding (No. of shares)

| | |
|--------------------------------|------------|
| Pre-Issue | 68,859,212 |
| Post Issue (Lower price band) | 68,859,212 |
| Post Issue (Higher price band) | 68,859,212 |

Shareholding Pattern

| Promoters: | % |
|---------------------------------------|--------|
| Pre Issue | 67.55% |
| Post Issue | 45.75% |
| Promoter Group: | |
| Pre Issue | 9.59% |
| Post Issue | 0.00% |
| Public - Investor Selling S/h: | |
| Pre Issue | 21.65% |
| Post Issue | 12.54% |
| Public - Others Selling S/h: | |
| Pre Issue | 0.49% |
| Post Issue | 0.29% |
| Public - Others: | |
| Pre Issue | 0.71% |
| Post Issue | 41.42% |

Risk

- Dependency on Industry growth
- 100% OFS

Issue Breakup

| | |
|--------|-----|
| QIB | 50% |
| NIB | 15% |
| Retail | 35% |

Other Details

BRLMs: Axis Capital, IIFL Securities, Nuvama Wealth, SBI Capital Market

Registrar: Link Intime India Pvt. Ltd

Listing: BSE & NSE

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MView

We believe Medi Assist IPO gives investors an opportunity to invest in a leading Third Party Administrator (TPA) health-tech and insurance-tech company which is serving the emerging Indian health insurance sector. We think as a dominant market share holder and leveraging extensive domain expertise, Medi Assist has built enduring relationships with insurance companies, serving as a trusted and well established third-party administrator. With an average relationship term of 20 years with PSU insurers and nine years with non-PSU insurers, the company's reliability is evident. We also believe the company's well diversified base of group accounts and leadership in group accounts with longstanding relationships highlight the company's reliability and strategic positioning in the health insurance ecosystem. By looking at the financials, the company has shown a strong growth in FY 2022 and FY 2023 with 22% and 28.2% in revenue from operation and health insurance premiums (group and retails) growth with a substantial CAGR at 35.67% from FY2021 to FY 2023. By looking at the financials, the company has shown a strong growth in FY 2022 and FY 2023 with 22% and 28.2% in revenue from operation and health insurance premiums (group and retails) growth with a substantial CAGR at 35.67% from FY 2021 to FY 2023. On valuation parse at upper band of ₹418/-, the issue is asking for a market cap of ₹2878 Cr. If we attribute FY24 annualized earnings to its post-IPO fully diluted paid-up equity capital, then the asking P/E would be around 35x, thus on prima facie, the issue looks fully priced-in. Perhaps it is asking a decent premium for its unique play and taking first mover advantage in the listed space. Given the low penetration of insurance in India and expected growth from current ~16% to ~33% in next 5 years, we feel Medi Assist is well positioned as a dominant TPA player to tap the upcoming growth, and the rising awareness in the healthcare business is the tailwind for the whole sector. Considering all the factors, we recommend investors to "SUBSCRIBE" to the Medi Assist IPO with a long-term perspective only.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

| Particulars ₹ (in Cr) | As at Sept' 30 | | As at March' 31 | | |
|---------------------------------|----------------|-----------|-----------------|--------|--------|
| | 2023 (06) | 2022 (06) | 2023 | 2022 | 2021 |
| Equity Share Capital | 34.43 | 34.43 | 34.43 | 34.43 | 0.04 |
| Reserve | 373.97 | 334.35 | 342.18 | 302.70 | 290.35 |
| Net worth | 416.64 | 370.93 | 383.67 | 339.29 | 292.55 |
| Revenue from Operations | 301.96 | 243.45 | 504.93 | 393.81 | 322.74 |
| Revenue Growth % | 24.0% | - | 28.2% | 22.0% | - |
| EBITDA | 51.46 | 62.67 | 133.37 | 112.05 | 98.43 |
| EBITDA Margin (%) as stated | 16.49% | 25.25% | 25.70% | 27.19% | 28.48% |
| Profit Before Tax | 30.41 | 48.91 | 103.61 | 80.69 | 61.04 |
| Net Profit for the period | 22.49 | 36.67 | 74.04 | 64.22 | 26.27 |
| Net Profit Margin (%) as stated | 7.21% | 14.78% | 14.27% | 15.59% | 7.60% |
| EPS (Rs.) | 3.1 | 5.33 | 10.76 | 9.33 | 3.92 |
| RONW (%) | 5.40% | 9.89% | 19.30% | 18.93% | 8.98% |
| NAV (Rs.) | 60.51 | 53.87 | 55.72 | 49.27 | 42.48 |
| ROCE (%) as stated | 11.23% | 12.57% | 24.95% | 22.02% | 20.43% |

Source: Company RHP



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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