

**Rating: Subscribe for Long Term**

**Issue Offer**

Fresh Issue of 108,108,108 Equity shares aggregating up to INR 8000 Mn and OFS of 189,189,189 shares by the Promoters group taking the total issue size at INR 14000 Mn

**Issue Summary**

Price Band (INR)	70-74
Face Value (INR)	10
Implied Market Cap (INR mn.)	135,200
Market Lot	200
Issue Opens on	Nov,7,2024
Issue Close on	Nov,11,2024
No. of share pre-issue	1,718,918,290
No. of share pre-issue	1,827,026,398
Listing	BSE,NSE

**Issue Break-up (%)**

QIB Portion	75%
Retail Portion	10%
NII Portion	15%

**Registrar**

Kfin Technologies Limited

**Book Running Lead Managers**

ICICI Securities limited  
Morgan Stanley India Company Pvt Ltd.  
Kotak Mahindra Capital Company Ltd.  
Axis Capital Limited  
HDFC Bank Limited  
Motilal Oswal Investment Advisors Ltd.

**Shareholding Pattern**

	Pre-Issue	Post-Issue
Promoters	89.07%	73.44%
Public & Others	10.93%	26.56 %

**Objects of the issue**

- Augmentation of its capital base to strengthen solvency levels
- General corporate purposes

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Niva Bupa Health Insurance Co. Ltd. is one of India's leading health insurers, dedicated to empowering individuals with the confidence to access quality healthcare. Supported by the Bupa Group, NBHICL has built a comprehensive health ecosystem offering insurance products and digital tools like the "Niva Bupa Health" app, which provides customers with access to diagnostics, digital consultations, health check-ups, and seamless claims management. NBHICL stands out for its innovative products like "Reassure" and "Aspire," featuring unique "industry-first" benefits such as "2 Hours Hospitalization" and "Unlimited Reinstatement" of the insured sum. This customer-centric approach, driven by product innovation, enhances the overall experience by providing coverage flexibility and a broad suite of wellness tools.

**Investment Rationale**

**Generating strong GWP growth, capital efficiency, and profitability:** The company, ranked as the third largest and second fastest-growing SAHI (Standalone Health Insurance) player in India robust GWP growth with a CAGR of 41.37% from FY22-24. Its market share in the SAHI segment was 17.29% as of August 24, consistently closing the gap with larger competitors while distancing itself from smaller peers. Focusing on high-LTV and high-margin retail health products, the average ticket size increased from INR 22,186.45 in FY22 to INR 30,419.06 in Q1 of FY25. Active lives insured grew by 102% to 14.73Mn by March 24, indicating significant expansion. The company improved its Claims Ratio from 62.12% in FY22 to 59.02% in FY24, and reduced Expense of Management as a percentage of GWP to 39.31% in FY24, enhancing operational efficiency. Profitability also turned around, with a profit of INR 818.52Mn in FY24, driven by higher underwriting efficiency and cost control. Additionally, the company's AUM grew to INR 56,744.43Mn as of June24, with improved investment yields.

**Customer-Centric Growth Through Product Innovation in Health Insurance:** Company health insurance portfolio, designed with a customer-centric approach, prioritizes innovation and tailored offerings to meet the diverse needs across customer lifecycles. Their leading products, like "Reassure" for affluent customers and the newly launched "Aspire" targeting Millennials and Gen Z, feature unique benefits such as "Booster+" for balance sum insured and "Lock the Clock" for age-based premium consistency. Backed by the Redseer Report, their products include "industry-first" features like "2 Hours Hospitalization" and unlimited sum reinstatement, setting us apart in the market. Through continuous product innovation and data-driven customer lifecycle value (LTV) analysis.

**Technology-Driven Automation Enhancing Customer Experience in Health Insurance:** Technology-led automation in customer service has streamlined their processes, delivering a seamless self-serve experience with minimal manual intervention. In FY24, 99.95% of new policies were digitally processed via their website and mobile apps, reflecting adaptability to customers' preference for digital engagement. Through innovations like auto-underwriting system, chatbot "Cia" with AI-driven conversational capabilities, and the "Insta Assist" portal, Company offer customers instant access to policy details and self-service options. Collaborations with Vitraya Technologies have enabled AI-led, paperless claims processing, enhancing accuracy and speed with auto-adjudication and document digitization. These advancements, supported by AI and analytics, ensure an efficient and customer-friendly insurance experience.

**Strategic Expansion and Channel Diversification for Retail Health Insurance Growth:** Company strategy focuses on expanding their retail health insurance market share across India by deepening the distribution channels and enhancing their presence in both urban and rural areas. Company plan to increase their footprint by opening new branches in existing districts, expanding branches to support more agents, and establishing a stronger presence in smaller towns and Tier-2 cities. Alongside this, they are strengthening their digital distribution through web aggregators, digital brokers, and direct-to-customer channels. A key growth driver is e-agency model, which enables agent recruitment in regions without physical branches, supported by their "Niva Bupa UNO" app and remote training programs. By enhancing technology infrastructure and support for agents, they aim to drive substantial retail health insurance growth nationwide.

**Valuation and View :** Niva Bupa Health Insurance Co. Ltd. has positioned itself as India's third largest and second fastest-growing standalone health insurer, achieving robust GWP growth at a 41.37% CAGR from FY22-24 and a 17.29% market share as of August 2024. The company focuses on high-LTV retail health products with an increasing average ticket size and significant expansion in active lives insured. Operational efficiencies have improved, with a reduced Claims Ratio and Expense of Management, driving profitability to INR 818.52Mn in FY24. NBHICL emphasizes customer-centric innovation with unique offerings like "Reassure" and "Aspire," and leverages technology-led automation, including AI-driven claims processing, to enhance the customer experience. Strategic expansion across India and digital channel growth, supported by the e-agency model, further strengthens its retail health market reach. At the upper band of INR 74, the issue is valued at a PBV ratio of 6.1x based on a FY24 BV of INR 12.06 We are recommending a "Subscribe for Long Term" for this issue.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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