

15th January 2024

Medi Assist Healthcare Services Ltd – SUBSCRIBE

Investment Thesis

- Medi Assist Healthcare Service Ltd. (MAHS) is set to launch its initial public offering (IPO) on January 15, 2024. MAHS IPO has an Issue size of Rs. 1,171 crs a complete Offer for Sale (OFS). MAHS will not receive any proceeds of the OFS.
- MAHS is a holding company and provides third party administration (TPA) services to insurance companies through its wholly owned Subsidiaries, Medi Assist TPA, Medvantage TPA and Raksha TPA. A third-party administrator is an organization that processes health insurance claims for insurance companies and provides services such as policy administration, customer service and network management, among others.

| Market share in Gross Premium for FY23 | Retail Policies | Group Policies | Combined |
|--|-----------------|----------------|----------|
| Medi Assist | 5.06% | 26.39% | 17.26% |
| Raksha | 1.92% | 2.42% | 2.21% |
| Medvantage | - | 1.22% | 0.70% |

- Medi Assist TPA and Medvantage TPA, contributed to 96.32% of revenue from contracts with customers in the FY23. The contribution for H1FY24 stood at 92.98%
- Through its subsidiaries, IHMS, Mayfair India, Mayfair UK, Mayfair Group Holding, Mayfair Philippines and Mayfair Singapore, MAHS has developed a pan-India healthcare provider network which comprises 18,754 hospitals across 1,069 cities and towns and 31 states (including union territories) in India and network across 141 countries globally, as on Sept 30, 2023.

Revenue from business Verticals

- The revenue for MAHS has grown at a steady 8.1% CAGR from FY18-FY23 to reach Rs. 504.9 crs. A noteworthy aspect of the MAHS is the stability in the Adj. EBITDA margin which has been above 23% since FY21. For the H1FY24 MAHS as clocked in Rs. 302.0 crs of revenue and is on track to report the life high revenues in the FY24.

| Particulars | FY21 | FY22 | FY23 | H1FY24 |
|--------------------------|-------|-------|-------|--------|
| Revenue (Rs. in crs) | 322.7 | 398.1 | 504.9 | 302.0 |
| Adj. EBITDA (Rs. in crs) | 75.6 | 91.2 | 119.3 | 62.4 |
| Adj. EBITDA Margin (%) | 23.4 | 23.2 | 23.6 | 20.7 |
| Adj. PAT (Rs. in crs) | 38.0 | 63.4 | 75.3 | 24.3 |
| PAT Margin (%) | 11.0 | 15.4 | 14.5 | 7.8 |
| RoCE (%) | 20.4 | 22.0 | 25.0 | 11.2 |
| RoNW (%) | 13.0 | 18.7 | 19.6 | 5.8 |

- A salient aspect of the financial performance of MAHS is the ability of generated Free Cash Flow (FCF). From FY21-FY23 MAHS has generated a cumulative FCF of Rs. 242.6 crs, with the FCF for FY23 at Rs. 53.4 crs.

IPO Details

| | |
|---------------------|-------------------|
| Issue Open Date | 15 January 2024 |
| Issue Close Date | 17 January 2024 |
| Price Band (Rs.) | Rs. 397 – Rs. 418 |
| Issue Size* | Rs. 1,171 crs |
| Issue Size (Shares) | 2.80 crs |
| Market Lot | 35 Shares |
| Listing Exchanges | NSE / BSE |
| Face Value (Rs.) | Rs. 5/- |

* At highest price band

Key Details

| | |
|-----------------------------------|--|
| Fresh Issue* | NA |
| Issue Type | Book Building |
| Book Running Lead Manager | Axis Capital IIFL Securities Nuvama Wealth Management SBI Capital Markets |
| Issue structure | QIB: 50% Non-Institutional: 15% Retail: 35% |
| Credit of Shares to Demat Account | 19 January 2024 |
| Issue Listing Date | 22 January 2024 |

* At highest price band

- This FCF has been prudently deployed by the management over the year for strategic acquisitions in the TPA space such as Dedicated Healthcare Services TPA, Medicare Insurance TPA Services, IHMS, Mayfair India and Mayfair UK which have resulted in MAHS to build a strong in the market.

Key Business Highlights

- Well-Established Third-Party Administrator in India:** MAHS subsidiaries Medi Assist TPA, Medvantage TPA and Raksha TPA are well-established TPA's in India. This can be appreciated from the premium under management that have increased to Rs. 14,574.6 crs in FY23 from Rs. 7,918.5 crs in FY21. Further, MAHS has a significant market share of 26.4% in the group portfolio in FY23. Therefore, MAHS has proven track record which would act as a competitive advantage for over competition.
- Connecting all Stakeholders: A Scalable Tech Hub for Health Insurance:** MAHS robust technological infrastructure has and will continue to serve, as the foundation for sustained growth. The technology ecosystem is based on 4 pillars: 1) Cost Leadership 2) Insurer Benefits, 3) Insured Member Experience, and 4) Offerings for Healthcare Providers. Its moat lies in the ability to leverage purpose-built, modern, and scalable technology platforms and applications which incorporate all facets of its operations. This holistic approach facilitates smooth engagement with key stakeholders across the health insurance ecosystem, including insured members, hospitals, insurance companies, brokers etc.
- Deeply Embedded within the Insurance Landscape:** MAHS primarily derives revenue from health insurance ecosystem, where it enjoys long-standing relationships (20-year on average with PSU insurers, 9 years with non-PSU) fostering trust on its diverse services and robust technology infrastructure. MAHS excels at efficient data transfer, fast transaction processing, and accurate claim processing, ultimately enhancing member retention and satisfaction. Notably, its market share of retail and group benefits administration premiums from non-PSU insurers has risen to 24.3% in H1FY24 from 14.7% in FY21, demonstrating the proven expertise of MAHS.
- Agile Integration Engine:** Boasting a strategic M&A history, MAHS has consolidated its position in health insurance through efficient integrations. A disciplined approach has yielded cost synergies and market share gains, exemplified by acquisitions like DHS, IHMS, and Medvantage. Its robust infrastructure seamlessly absorbs acquired businesses, optimizing processes, and minimizing overhead. This operational agility drives growth and benefits stakeholders, as evidenced by a 13.74% CAGR in premiums for major DHS accounts, solidifying the company's industry leadership.

Valuation

At the upper price band, the IPO is priced at 39.2x FY23 EPS. Since there are no direct listed peers of MAHS, we must base our view on the future outlook. MAHS intends to pursue acquisition opportunities to expand its existing service offerings, increase market share in existing markets or to expand to new geographies. It also intends to pursue opportunities for carve-outs and alliances with insurance companies and focus on partnerships with employers and distributors.

Considering the above we are assigning a "SUBSCRIBE" rating to the IPO of MAHS. Investors with a long-term horizon can apply for the IPO.

Risk & Concern

- Revenue concentration from limited clients
- Significant dependence on group accounts in certain industries.
- Decrease in insurance companies outsourcing claims processing to TPAs.

Graphs & Charts

Figure 1: Revenue Trend

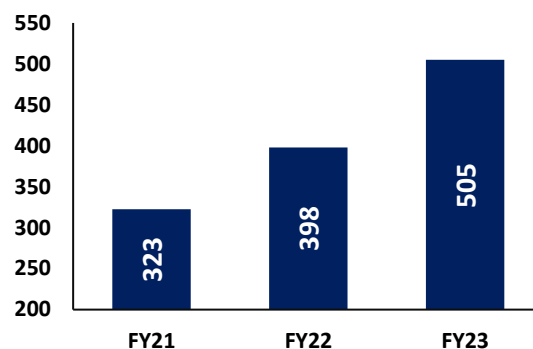


Figure 2: EBITDA & EBITDA Margin

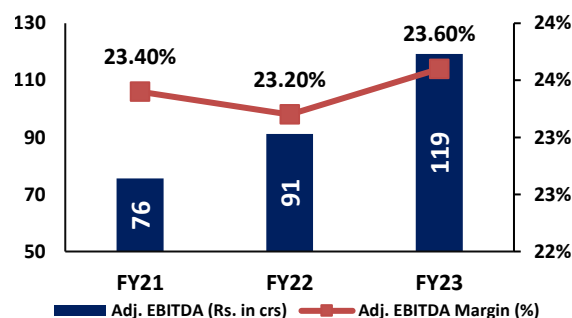
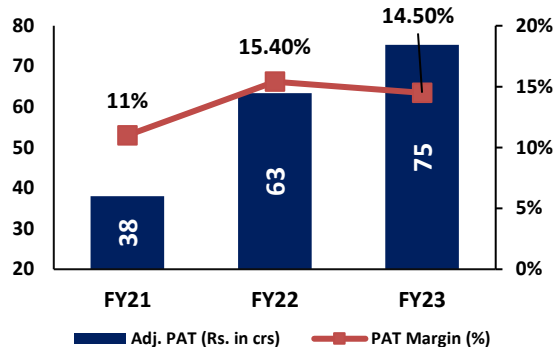


Figure 3: PAT & PAT Margin Trend



Name
Omkar Kamtekar

Designation
Research Analyst

Disclosure: M/s. Bonanza Portfolio Ltd here by declares that views expressed in this report accurately reflect view point with subject to companies/securities. M/s. Bonanza Portfolio Ltd has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. The Analysts engaged in preparation of this Report or his/her relative: - (a) do not have any financial interests in the subject company mentioned in this Report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the Report. The Analysts engaged in preparation of this Report:- (a) have not received any compensation from the subject company in the past twelve months; (b) have not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the Report; (f) has not served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

M/s. Bonanza Portfolio Ltd is a registered Research Analyst under the regulation of SEBI, the year 2014. The Regn No. INH100001666 and research analyst engaged in preparing reports is qualified as per the regulation's provision.

Disclaimer: This research report has been published by M/s. Bonanza portfolio Ltd and is meant solely for use by the recipient and is not for circulation. This document is for information purposes only and information / opinions / views are not meant to serve as a professional investment guide for the readers. Reasonable care has been taken to ensure that information given at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. If this report is inadvertently sent or has reached to any individual, same may be ignored and brought to the attention of the sender. Preparation of this research report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide for future performance. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by Bonanza portfolio Ltd to be reliable. This report should not be taken as the only base for any market transaction; however this data is representation of one of the support document among other market risk criterion. The market participant can have an idea of risk involved to use this information as the only source for any market related activity. The distribution of this report in definite jurisdictions may be restricted by law, and persons in whose custody this report comes, should observe, any such restrictions. The revelation of interest statements integrated in this analysis are provided exclusively to improve & enhance the transparency and should not be treated as endorsement of the views expressed in the analysis. The price and value of the investments referred to in this report and the income from them may go down as well as up. Bonanza portfolio Ltd or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of M/s. Bonanza portfolio Ltd shall be liable. Research report may differ between M/s. Bonanza portfolio Ltd RAs and other companies on account of differences in, personal judgment and difference in time horizons for which recommendations are made. Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. Research analyst have not received any compensation/benefits from the Subject Company or third party in connection with the research report.

M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate. Walbhat Road, Goregaon (E), Mumbai – 400063
Web site: <https://www.bonanzaonline.com>

Research Analyst Regn No. INH100001666

SEBI Regn. No.: INZ000212137

BSE /NSE/MCX : | CASH | DERIVATIVE | CURRENCY DERIVATIVE | COMMODITY SEGMENT |

| CDSL: | 120 33500 | NSDL: | IN 301477 | | PMS: INP 000000985 | AMFI: ARN -0186