

Medi Assist Healthcare Services Limited

Company Overview:

Medi Assist Healthcare Services Limited provides third-party administration services to insurance companies through the wholly owned subsidiaries, Medi Assist TPA, Medvantage TPA (from Feb'23) and Raksha TPA (from Aug'23). Its a holding company and has nine subsidiaries of which four are direct subsidiaries and five are indirect subsidiaries. The company provides third party facilities between (a) insurance companies and their policy holders, (b) insurance companies and healthcare providers (such as hospitals) and (c) the Government and beneficiaries of public health schemes. Medi Assist TPA had a market share of 14.8% of the retail health insurance market and 41.7% of the group health insurance market and a cumulative retail and group segment share of 33.7% serviced by third party administrators, as of FY22.

Key Highlights:

1. Business Verticals: The company works as a facilitator between the insurance companies and the policyholders/health care providers. The company also helps the government to provide various public beneficiary schemes. It also provides other healthcare and ancillary services such as hospitalization services, call centre services, customer relations and contract management services, billing services and claims processing services through the company and other subsidiaries, IHMS, Mayfair India, Mayfair UK, Mayfair Group Holding, Mayfair Philippines and Mayfair Singapore.

2. Attractive contracts with a pan-India healthcare provider network: The company has developed a pan-India healthcare provider network which comprises of 18,754 hospitals across 1,069 cities and towns and 31 states (including union territories) in India as of 1HFY24. During 1HFY24, the company has processed claims amounting to Rs 7,950 cr and settled 3.05 mn claims comprising 1.37 mn in-patient claims and 1.68 mn domiciliary or out-patient claims.

3. Technology driven infrastructure: The company's technology-driven infrastructure and services are custom-built and assist various stakeholders such as insurance companies, hospitals, insurance brokers and insurance agents in the operations and are scalable, comprehensive, easy to use and secure. This enables to offer a comprehensive healthcare solution to the customers encompassing an extensive in-patient and out-patient network, on-demand health services, robust management of fraud, waste and abuse as well as effective medical inflation control.

4. Strong growth in the group segment: The company has serviced over 9,500 group accounts across sectors to help administer the insurance requirements of their employees. As of Mar'23, Medi Assist TPA and Medvantage TPA managed around Rs 128.2 bn of group health insurance premiums which grew at the CAGR of 37% from Mar'21, representing 27.6% of India's overall group health insurance market.

Valuation: The company is valued at FY23 P/E and EV/EBITDA multiple of 38.9x and 22.3x based on the upper price band on post-issue capital. The company has consistently delivered healthy financial performance with its Revenue/EBITDA/PAT growing at a CAGR of 25.1%/25.7%/40.8% from FY21-FY23. As of FY23, the company holds 17.3% of the total premium served in the TPAs industry and contributes around 28.6%/48.8%/56.4% of Revenue/EBITDA/PAT of the total TPAs industry. Premium serviced by TPA's is expected to grow at a CAGR of 24%+ with penetration expected to increase further to 61.2% from 54.7% during FY22-FY28F on back of enhanced value proposition to insurers by TPAs.

Issue Details	
Date of Opening	15 th January 24
Date of Closing	17 th January 24
Price Band (Rs)	397 - 418
OFS (No. of shares)	2,80,28,168
Issue Size (Rs cr)	1,113 – 1,172
No. of shares	2,80,28,168
Face Value (Rs)	5.0
Post Issue Market Cap (Rs cr)	2,734 – 2,878
BRLMs	Axis Capital Ltd., IIFL Securities Ltd., Nuvama Wealth Management Ltd., SBI Capital Markets Ltd.
Registrar	Link Intime India Private Limited
Bid Lot	35 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NIB shares	15%

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	5,31,17,212	77.1
Public & Others	1,57,42,000	22.9
Total	6,88,59,212	100.0

Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	3,15,03,444	45.8
Public & Others	3,73,55,768	54.2
Total	6,88,59,212	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	3,15,03,444	45.8
Public & Others	3,73,55,768	54.2
Total	6,88,59,212	100.0

Source: RHP, SSL Research

Key Financials

	FY21	FY22	FY23	1HFY24
Revenue from operation (Rs cr)	323	394	505	302
EBITDA (Rs cr)	76	91	119	62
Adj. PAT (Rs cr)	26	62	74	45
EBITDA Margin (%)	23.4	23.2	23.6	20.7
Adj. PAT Margin (%)	8.1	15.6	14.7	14.8
EPS (Rs)	3.8	8.9	10.8	6.5*
ROE (%)	9.0	18.3	19.7	10.9*
ROCE (%)	23.0	24.0	28.3	12.9*
Total Debt / Equity (x)	-	-	0.0	0.0*

* Not Annualized

Source: RHP, SSL Research

Risk Factors

- **Client relationship:** For FY21, FY22, FY23 and 1HFY24 the five largest clients by revenue contributed Rs 252 cr, Rs 311 cr, Rs 394 cr, and Rs 214 cr or 78.2% 79.0% 78.0% and 71.0% of the total revenue from contracts with customers, respectively. The loss of one or more such clients could adversely affect the business.
- **Premium under management:** The company's income from benefit administration services provided to insurance companies across the group and retail portfolio is largely generated as a percentage of the premium under management and any decline in the premium under management may adversely affect the future revenues and profitability.
- **Service quality:** Any failure to maintain the quality of the services such as quick turnaround time in claims processing, responsiveness, accuracy and effective grievance redressal may negatively impact the brand reputation and adversely affect the business and results of operations.
- **Competitive market:** The third party administration industry is intensely competitive and any inability to compete effectively may adversely affect the business, results of operations and financial condition.

Growth Strategy

- **Maintaining leadership:** Employ a three-prong strategy to ensure its leadership position among corporates.
- **Inorganic growth:** Pursue acquisition opportunities to expand its existing service offerings, increase market share in existing markets or to expand to new geographies.
- **Technology Infrastructure:** Continue to enhance the technology platforms.
- **Retail segment:** To increase market share in the retail segment.

Premium under management, Market share and Number of clients as of and for the periods indicated:

Premium Under Management (Rs cr)				
Category	FY21	FY22	FY23	1HFY24
Medi Assist Group Portfolio	6,820.9	9,595.2	12,817.9	8,416.0
Medi Assist Retail Portfolio	1,097.6	1,453.7	1,756.8	1,126.6
Total Premiums	7,918.5	11,048.9	14,574.6	9,542.6

Category	Overall Market Share in Gross Premium Serviced (%) in FY23	Share of Market Serviced by TPAs (%) in FY22
Medi Assist Group Portfolio	26.4	41.7
Group Portfolio for Raksha TPA	2.4	4.8
Group Portfolio for Medvantage TPA	1.2	4.5
Medi Assist Retail Portfolio	5.1	14.8
Retail Portfolio for Raksha TPA	1.9	7.6

Number of Clients				
Particulars	FY21	FY22	FY23	1HFY24
Medi Assist Group Portfolio	23	24	24	25
Medi Assist Retail Portfolio	11	12	13	12

Source: RHP, SSL Research

Company's 10 largest insurers based on premium under management.

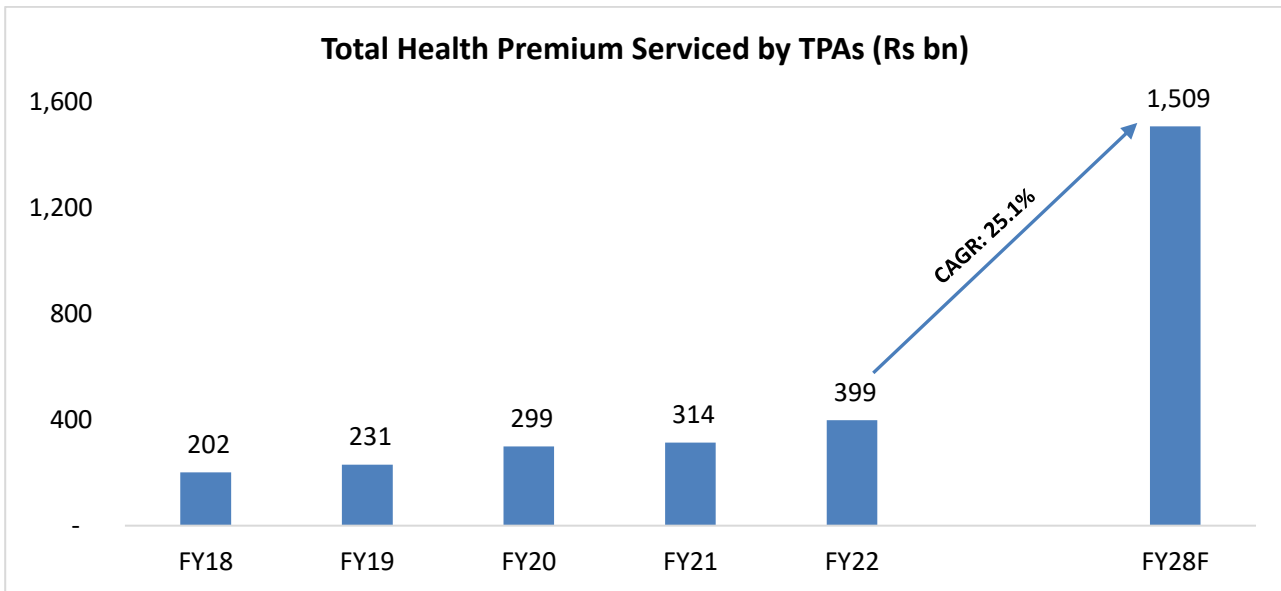
Insurer	Length of Relationship	Premium under Management (Rs cr)			
		FY21	FY22	FY23	1HFY24
Insurer 1	21	4,246.3	5,859.9	7,488.4	4,174.6
Insurer 2	20	852.7	1,340.1	1,456.0	650.5
Insurer 3	19	853.7	1,166.8	1,413.4	889.3
Insurer 4	20	718.8	797.4	793.2	873.0
Insurer 5	7	414.0	551.5	733.4	456.8
Insurer 6	7	97.8	183.4	470.7	374.8
Insurer 7	16	173.5	295.7	307.3	183.5
Insurer 8	10	165.5	184.4	287.1	130.8
Insurer 9	16	119.7	190.3	267.1	60.0
Insurer 10	10	295.6	339.7	258.2	99.4

Source: RHP, SSL Research

Industry Overview

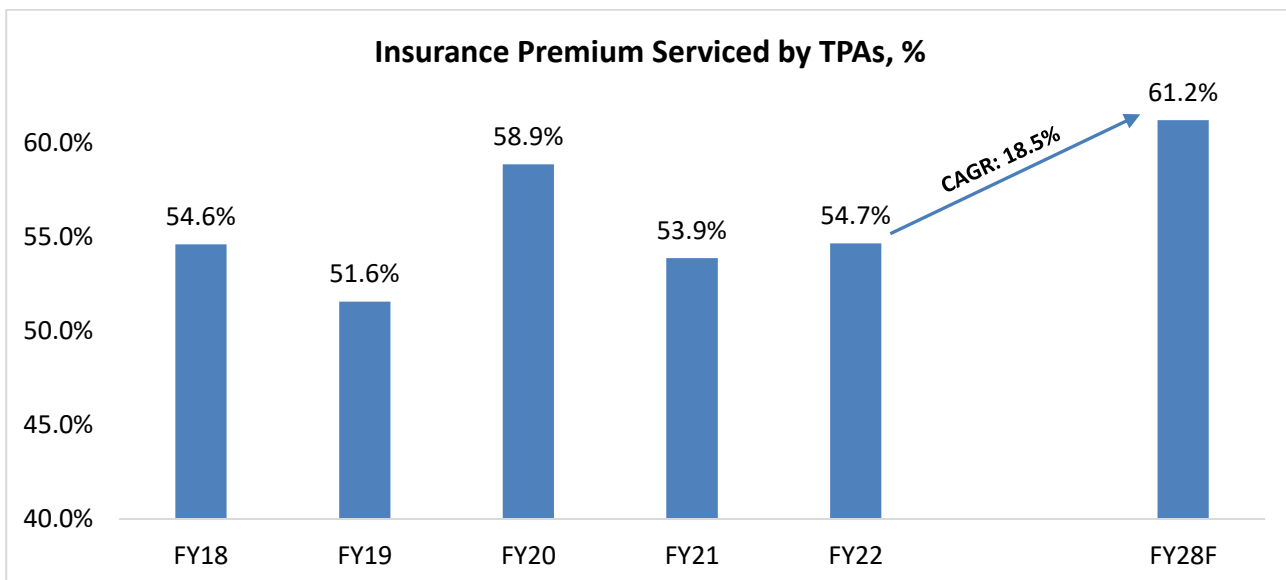
Total health insurance premium served the TPAs

In recent years, third-party administrators (TPAs) have emerged as prominent players in the group segment, with over 60% of the premiums serviced by them. The Third-Party Administrator (TPA) serviced group segment has witnessed rapid growth in terms of premiums processed, with a 22.2% increase between FY18 and FY22. As corporations expand their coverage for employees and dependents and offer more prevention, wellness, and health-tracking services, insurers will likely rely on Third-Party Administrators (TPAs) for cost containment, customized programs, efficient claims processing, and overall management. It is expected to drive a significant growth of around 25.1% in the Third-Party Administrator (TPA) segment over the next five years.



Source: RHP, SSL Research

Premiums serviced by TPAs as a % of total health insurance premiums



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
(Rs cr)	FY21	FY22	FY23
Revenue from Operations	323	394	505
YoY growth (%)	-	22.0	28.2
Cost Of Revenues (incl Stock Adj)	0	0	0
Gross Profit	323	394	505
Gross margins (%)	100.0	100.0	100.0
Employee Cost	143	156	198
Other Operating Expenses	104	147	188
EBITDA	76	91	119
EBITDA margins (%)	23.4	23.2	23.6
Other Income	23	18	14
Net Interest Exp.	6	3	3
Depreciation	32	28	27
Exceptional Items	0	3	0
PBT	61	81	104
Tax	23	17	28
Adj PAT	26	62	74
Adj. PAT margin (%)	8.1	15.6	14.7
Adj. EPS	3.8	8.9	10.8

BALANCE SHEET			
(Rs cr)	FY21	FY22	FY23
Assets			
Net Block	29	21	27
Intangible Assets under development	50	43	69
Other Non current Assets	98	113	168
Current Assets			
Current Investment	103	195	43
Trade receivables	116	119	127
Cash and Bank Balances	115	63	212
Other Current Assets	34	49	61
Total Current Assets	369	425	442
Current Liabilities & Provisions			
Trade payables	34	29	36
Other current liabilities	170	189	218
Short-term provisions	15	17	24
Total Current Liabilities	219	234	278
Net Current Assets	150	191	164
Total Assets	327	368	427
Liabilities			
Share Capital	0	34	34
Reserves and Surplus	290	303	342
Total Shareholders Funds	290	337	377
Minority Interest	2	2	7
Total Debt	0	0	0
Long Term Provisions	9	11	14
Other Long Term Liabilities	26	18	26
Net Deferred Tax Liability	0	0	3
Total Liabilities	327	368	427

Cash Flow (Rs cr)	FY21	FY22	FY23
Cash flow from Operating Activities	135	64	79
Cash flow from Investing Activities	-56	-83	-8
Cash flow from Financing Activities	-11	-30	-31
Free Cash Flow	123	58	51

RATIOS			
	FY21	FY22	FY23
Profitability			
Return on Assets (%)	4.8	10.2	10.5
Return on Capital (%)	23.0	24.0	28.3
Return on Equity (%)	9.0	18.3	19.7
Margin Analysis			
Gross Margin (%)	100.0	100.0	100.0
EBITDA Margin (%)	23.4	23.2	23.6
Net Income Margin (%)	8.1	15.6	14.7
Short-Term Liquidity			
Current Ratio (x)	1.7	1.8	1.6
Quick Ratio (x)	1.7	1.8	1.6
Avg. Days Sales Outstanding	131	11	92
Avg. Days Inventory Outstanding	–	–	–
Avg. Days Payables	38	27	26
Fixed asset turnover (x)	11.1	18.5	18.4
Debt-service coverage (x)	13.2	30.9	38.9
Long-Term Solvency			
Total Debt / Equity (x)	–	–	0.0
Interest Coverage Ratio (x)	11.7	27.5	35.7
Valuation Ratios			
EV/EBITDA (x)	36.6x	30.9x	22.3x
P/E (x)	109.6x	46.7x	38.9x
P/B (x)	9.9x	8.5x	7.6x

Source: RHP, SSL Research

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