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### Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	22,000.0
Fresh Issue (No. of Shares in Lakhs)	1,081.1
Offer for Sale (No. of Shares in Lakhs)	1,891.9
Bid/Issue opens on	7-Nov-24
Bid/Issue closes on	11-Nov-24
Face Value	Rs. 10
Price Band	70-74
Minimum Lot	200

### Objects of the Issue:

- **Fresh issue: ₹8,000 million**  
Augmentation of the Company's capital base to maintain and strengthen their solvency ratio.
- **Offer for sale: ₹14,000 million**

Book Running Lead Managers	
ICICI Securities Limited	
Morgan Stanley India Company Private Limited	
Kotak Mahindra Capital Company Limited	
Axis Capital Limited	
HDFC Bank Limited	
Motilal Oswal Investment Advisors Limited	
Registrar to the Offer	
KFIN Technologies Limited	

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	50,000.0
Subscribed paid up capital (Pre-Offer)	17,189.2
Paid up capital (post-Offer)	18,270.3

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	89.1%	73.4%
Public – Selling Shareholders	10.9%	26.6%
Total	100.0%	100.0%

### Financials

Particulars (₹ In million)	FY24	FY23	FY22
Operating Profit	1,880.3	3,509.4	457.4
Income from Investment	1,375.4	559.6	375.4
Other Income	31.6	61.6	71.9
<b>Total Income</b>	<b>3,287.3</b>	<b>4,130.6</b>	<b>904.8</b>
Provisions	18.1	10.3	21.9
Other Expenses	2,450.6	3,995.0	2,848.1
<b>Total Expenses</b>	<b>2,468.7</b>	<b>4005.3</b>	<b>2,870.0</b>
Profit Before Tax (PBT)	818.5	125.4	(1,965.3)
Total Tax Expenses	0	0	0
<b>Profit After Tax</b>	<b>818.5</b>	<b>125.4</b>	<b>(1,965.3)</b>
<b>EPS</b>	<b>0.45</b>	<b>0.07</b>	<b>(1.08)</b>

### Company description

Niva Bupa's purpose is to "give every Indian the confidence to access the best healthcare". They aim to achieve this purpose through their health insurance products and services that enable customers to navigate their healthcare journey, by providing them access to a holistic health ecosystem. According to the Redseer Report, they are one of India's largest and fastest growing SAHI based on overall health GDPI of ₹54,944.28 million in Fiscal 2024. From Fiscal 2022 to Fiscal 2024, their overall GWP grew at a CAGR of 41.27% and their GWP from retail health grew at a CAGR of 33.41%. From the three months ended June 30, 2023, to the three months ended June 30, 2024, their overall GWP also grew by 30.84% and their GWP from retail health grew by 31.99%. The company's growth in overall health GDPI from Fiscal 2022 to Fiscal 2024 of 41.37% is one of the highest growths among SAHIs, and is almost double of the industry's average, which according to the Redseer Report, increased by 21.42% from Fiscal 2022 to Fiscal 2024. As per the Redseer Report, we had a market share in the Indian SAHI market of 17.29%, 16.24%, 15.58% and 13.87% for year-to-date August 2024 (Fiscal 2025), Fiscals 2024, 2023, and 2022 respectively based on retail health GDPI.

Responding to the evolving needs of their customers over 16 years of operations, they have built a track record of product innovation catering to a range of customer groups. The company aims to create a health insurance platform of choice for customers in India. They offer their customers the ability to access a comprehensive health ecosystem and service capabilities via their 'Niva Bupa Health' mobile application and website, thereby offering them a holistic proposition. This application provides their customers access to a range of healthcare solutions including diagnostics, digital consultation, annual health check-ups and health education content. Customers can also undertake claims submission, policy servicing and track health parameters through this application. Through the company's diverse and evolving product suite and their 'Niva Bupa Health' mobile application and website, they aim to provide their customers access to a range of healthcare and disease management solutions.

### Valuation & outlook

Niva Bupa Health Insurance Co. Ltd. (NBHICL) is a prominent health insurance provider in India.

As of Q1 FY25, the company insured 14.99 million active lives. With a strategic emphasis on the retail health market, their Gross Written Premium (GWP) from retail health products accounted for 67.65% and 68.47% of their total GWP for Q1 FY25, and for Fiscal 2024, respectively. They offer a diverse range of products for customers, strengthened by a strong track record in product innovation. Their health insurance offerings are designed to meet the needs of customers at every stage of life.

The company aims to build a comprehensive, customer-focused health insurance platform and healthcare ecosystem, offering customers access to a variety of services, including wellness programs, doctor consultations, diagnostics, and medicine delivery. They plan to keep investing in developing and expanding their health insurance ecosystem through their own initiatives, like introducing more health assessment tools and wellness content, and by partnering strategically for services such as digital consultations and home medicine delivery.

At the upper price band company is valued at P/BV of 6.1X with a market cap of ₹ 1,35,200 million post issue of equity shares. We believe that the issue is fully priced and recommend "Subscribe – Long Term" rating to the IPO.

The company’s Promoters, Bupa Singapore Holdings Pte. Ltd. and Bupa Investments Overseas Limited, are members of the Bupa Group. Through their association with the Bupa Group, they have access to its international healthcare insurance experience. Established in 1947, the Bupa Group is an international healthcare organization serving over 50 million customers worldwide, as of December 31, 2023, as per the Redseer Report. According to the Redseer Report, with no shareholders, it reinvests profits into providing more and better healthcare for the benefit of current and future customers. According to the Redseer Report, Bupa offers health insurance, healthcare provision and aged services, and it has businesses around the world but, principally, in the UK, Australia, Spain, Chile, Poland, New Zealand, Hong Kong SAR, Türkiye, Brazil, Mexico, India, the US, Middle East and Ireland. According to the Redseer Report, Bupa also has an associate business in Saudi Arabia. As per the Redseer Report, with Bupa Singapore Holdings Pte. Ltd. and Bupa Investments Overseas Limited as their Promoters, they are the only health insurance company in India majority controlled by a foreign global healthcare group.

The company had 14.99 million active lives insured as of June 30, 2024. They are strategically focused on the retail health market and their GWP from their retail health products was 67.65% and 68.47% of their overall GWP for the three months ended June 30, 2024, and Fiscal 2024, respectively. According to the Redseer Report, in India, health insurance providers can be broadly categorized into three main types and as of August 31, 2024, there are four IRDAI-recognized public insurers excluding specialized insurers, 21 private insurers, and 7 IRDAI-recognized SAHIs. The retail health insurance segment is the most promising segment in the health insurance industry in India as of March 31, 2024, due to higher average premium per life, higher renewal rates and lower Combined Ratios as compared to group health insurance, according to the Redseer Report. The following table sets forth the number of their active lives insured at the end of the Fiscal and GWP of their lines of business for the periods and years indicated:

	Three Months ended June 30,								Fiscal Year ended March 31,											
	2024				2023				2024				2023				2022			
	Active Lives Insured at the end of the Period		GWP		Active Lives Insured at the end of the Period		GWP		Active Lives Insured at the end of the Fiscal		GWP		Active Lives Insured at the end of the Fiscal		GWP		Active Lives Insured at the end of the Fiscal		GWP	
	# million	% of total	₹ million	% of total	# million	% of total	₹ million	% of total	# million	% of total	₹ million	% of total	# million	% of total	₹ million	% of total	# million	% of total	₹ million	% of total
Health (A)	14.2	95.0	14,303.8	97.6	9.21	95.8	10,975.6	98.0	13.9	94.9	54,944.3	97.9	9.5	95.9	39,873.6	97.9	6.8	93.0	27,490.4	97.8
Retail	5.6	37.4	9,905.74	67.6	4.71	48.9	7,504.7	67.0	4.9	33.8	38,397.3	68.5	4.0	41.0	29,697.4	72.9	3.0	42.4	21,573.4	76.8
Group	8.6	57.6	4,398.10	30.0	4.5	46.8	3,470.8	31.0	8.9	61.0	16,546.9	29.5	5.4	54.9	10,176.2	24.9	3.7	50.7	5,916.9	21.0
Personal Accident (B)	0.5	3.5	271.8	1.9	0.39	4.0	179.0	1.6	0.5	3.4	926.8	1.6	0.4	3.8	800.4	1.9	0.5	6.9	607.6	2.2
Travel (C)	0.2	1.4	66.12	0.4	0.02	0.2	35.8	0.3	0.2	1.6	204.7	0.4	0.02	0.2	56.3	0.1	0	0.01	1.8	0.01
Total GWP (D =A +B+C)	14.9	100	14,641.7	100	9.61	100	11,190.4	100	14.7	100	56,075.7	100	9.9	100	40,730.3	100	7.3	100	28,099.7	100

Note: Active lives insured at the end of each period/ Fiscal refers to total number of individuals who are covered under our policies as at the relevant period/ Fiscal.

The company’s approach towards customer portfolio management is based on their in-house developed recommendation engine, which determines LTV and leverages data analytics based on several variables to assess and predict risks. LTV represents the estimated value that they expect to derive from a customer throughout their relationship with them. To measure LTV, the relevant risk variables that are considered include cohort wise loss ratio, medical inflation, future premium change, cost of acquisition, expenses, investment income, required return on capital, distribution channel and geography. This exercise is performed across various customer variables such as the customer profile, claims experience, cost of acquisition and location. A five-point scale is used to categorize these combinations into a range, starting from significant (which contribute positively) to negative LTV. This five-point grid enables them to determine the appropriate incentives, rewards and product recommendations based on the LTV profile of a customer. High-LTV products are promoted by mapping the products to the appropriate customer groups, with the aim of making the product portfolio sustainable in the long run. This five-point grid is reviewed annually and fine-tuned based on our present data and experience. They rely on this LTV approach to optimize their product-to-customer group mapping across their distribution channels. They are able to strategically focus the distribution of their products through selected distribution channels to target specific customer groups. They have relied on this strategic approach of selling high-LTV products to high-LTV customers through targeted distribution channels to increase the average ticket size of their policies. According to the Redseer Report, the average ticket size per policy sold through our agency channel (individual agents) is the highest among SAHI peers, at ₹22,895.43 per policy for Fiscal 2023 and the second highest at ₹25,028.35 per policy for Fiscal 2024, signifying an enhanced ability of our agency channel to capture the mass affluent customer segment.

The company sells their products directly to customers through their direct sales channel, which accounted for 13.61% and 13.07% of their business by GWP for the three months ended June 30, 2024, and Fiscal 2024, respectively, and comprise sales made by their sales team and online sales through their website and “Niva Bupa Health” mobile application. According to the Redseer Report, their overall direct sales channel was the highest among SAHIs in terms of total health GDPI contribution in Fiscal 2024, highlighting the strength of their in-house sales capabilities through their website, “Niva Bupa Health” mobile application and sales team. Through our direct-to-customer online sales channel, policy sales are carried out on their website and “Niva Bupa Health” mobile application, supported by personalized digital marketing as well as an in-house developed technology stack that employs machine learning-based scoring to provide product recommendations to their tele-sales team. They also rely on intermediated distribution channels comprising individual agents, corporate agents (banks and others), brokers, insurance marketing firms, POSPs and web aggregators to distribute their products. As part of their intermediated distribution strategy, they seek to have a diversified sourcing mix of distribution channels, evidenced by the fact that no single distributor contributed more than 15% to their overall GWP, across the three months ended June 30, 2024, and June 30, 2023, and the last three Fiscals. According to the Redseer Report, they have a diversified channel mix with corporate agents (banks and others), individual agents and broker channels

contributing 27.25%, 32.07% and 27.04% respectively of their business by GDPI for Fiscal 2024 respectively, as compared to over 50% contribution of the individual agent's channel to overall GDPI of SAHIs in Fiscal 2024. Through the combination of their direct and intermediated distribution channels, they have a diversified presence across India, and for the three months ended June 30, 2024, and Fiscals 2024, 2023 and 2022, they have generated GWP in every state and union territory in India, with no single state or union territory accounting for more than 20% of their GWP. The following table shows the distribution mix of our GWP and as a percentage of total GWP for the periods and years indicated:

	GWP by Distribution Channels										
	Three Months ended June 30,				Fiscal Year ended March 31,						
	2024		2023		2024		2023		2022		CAGR from Fiscal 2022 to 2024
	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)	(%)
Direct Sales	1,992.3	13.6%	1,699.8	15.2%	7,329.8	13.1%	6,388.1	15.7%	5,276.8	18.8%	17.9%
Officers /Employees	1,963.1	13.4%	1,679.3	15.0%	7,239.4	12.9%	6,336.7	15.6%	5,112.2	18.2%	19.0%
Online (through Company website)	29.2	0.2%	20.6	0.2%	90.4	0.2%	51.4	0.1%	164.6	0.6%	-25.9%
Individual Agents	4,349.6	29.7%	3,391.0	30.3%	17,985.2	32.1%	14,670.4	36.0%	10,478.6	37.3%	31.0%
Corporate Agents	4,100.3	28.0%	2,919.5	26.1%	15,281.0	27.3%	10,528.6	25.9%	7,704.0	27.4%	40.8%
Banks	2,679.6	18.3%	1,900.1	17.0%	10,987.6	19.6%	7,147.0	17.6%	5,224.3	18.6%	45.0%
Others	1,420.7	9.7%	1,019.4	9.1%	4,293.4	7.7%	3,381.7	8.3%	2,479.8	8.8%	31.6%
Brokers	4,127.9	28.2%	3,128.7	28.0%	15,164.9	27.0%	8,865.7	21.8%	3,754.1	13.4%	101.0%
Insurance Marketing Firms	35.6	0.2%	21.3	0.2%	137.6	0.3%	93.7	0.2%	54.8	0.2%	58.5%
Point of Salespersons	18.0	0.1%	17.5	0.2%	116.4	0.2%	143.1	0.4%	62.7	0.2%	36.3%
Web Aggregators	18.0	0.1%	12.6	0.1%	60.9	0.1%	40.7	0.1%	768.7	2.7%	-71.9%
Total GWP	14,641.8	100.0%	11,190.4	100.0%	56,075.7	100.0%	40,730.3	100.0%	28,099.7	100.0%	41.3%

Notes: Other corporate agents comprise any other entities excluding public and private sector banks such as NBFCs, HFCs and MFIs.

They have demonstrated a track record of growth as detailed below. For Fiscals 2024, 2023 and 2022, their GWP was ₹56,075.74 million, ₹40,730.31 million and ₹28,099.71 million, respectively, representing a CAGR of 41.27%, and for the three months ended June 30, 2024, and June 30, 2023, their GWP was ₹14,641.76 million and ₹11,190.43 million, respectively, representing an increase of 30.84%. For the three months ended June 30, 2024, and June 30, 2023, and Fiscals 2024, 2023 and 2022, they have delivered a Combined Ratio of 106.08%, 108.19%, 98.79%, 97.25% and 107.52%, respectively. Combined Ratio is a non-GAAP measure. The following table sets forth certain metrics as of and for the periods and years indicated:

Particulars	Units	As of/for Three Months Ended June 30,		As of/ for Fiscal Year Ended March 31,		
		2024	2023	2024	2023	2022
Financial Metrics						
GWP	(₹ in millions)	14,641.8	11,190.4	56,075.7	40,730.3	28,099.7
Premium on reinsurance ceded	(₹ in millions)	3,125.8	2,339.8	11,866.2	8,899.2	6,523.4
Net Written Premium	(₹ in millions)	11,516.0	8,850.6	44,209.5	31,831.1	21,576.3
Change in unearned premium reserve	(₹ in millions)	1,335.8	1,414.9	6,097.0	5,203.6	4,051.2
Premiums earned (net)	(₹ in millions)	10,180.2	7,435.8	38,112.5	26,627.5	17,525.1
Claims incurred (net)	(₹ in millions)	6,518.1	4,866.2	22,495.4	14,393.1	10,886.3
Gross Commission	(₹ in millions)	3,400.0	2,305.4	11,943.9	4,952.7	3,365.0
Commission	(₹ in millions)	2,280.0	1,478.4	7,481.8	1,908.3	1,204.2
Commission on reinsurance ceded	(₹ in millions)	1,120.0	827.0	4,462.0	3,044.4	2,160.8
Operating expenses related to insurance business	(₹ in millions)	2,562.5	2,305.0	10,098.2	11,841.2	8,591.7
Borrowings	(₹ in millions)	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0
Reserves and surplus	(₹ in millions)	12,824.4	4,956.1	12,820.2	3,342.6	1,254.0
Operating profit/ loss - misc. insurance	(₹ in millions)	232.3	(134.4)	1,880.3	3,509.4	457.4
Profit/(loss) after tax	(₹ in millions)	(188.2)	(722.0)	818.5	125.4	(1,965.3)

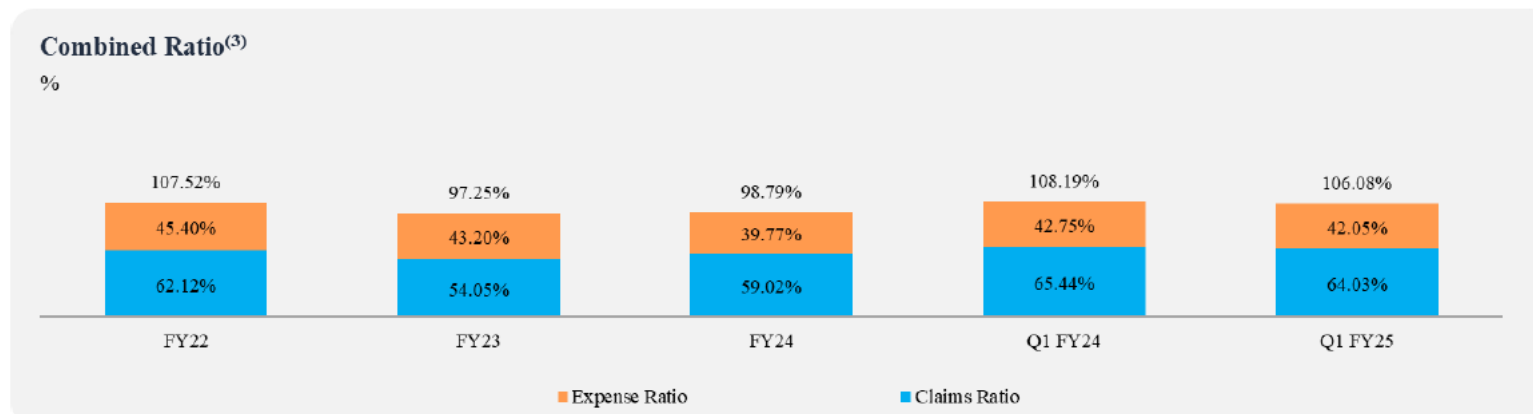
### Strengths

#### ➤ Granular retail health insurer with a focus on delivering robust GWP growth, capital efficiency and profitability

The company's focus on higher LTV and the higher margin products in the retail health line of business resulted in a contribution of 73.66% and 70.72% of their new retail health indemnity policies with sum insured of over ₹1 million for the three months ended June 30, 2024, and Fiscal 2024, respectively. As a result, the average ticket size of policies sold has increased to ₹ 28,797.48 in Fiscal 2024 from ₹ 22,186.45 in Fiscal 2022, and further increased to ₹30,419.06 million in the three months ended June 30, 2024. In line with the growth in the number of active lives insured at the end of the Fiscal by 102.06% to 14.73 million as at March 31, 2024 from 7.29 million as at March 31, 2022 and the growth in the number of policies sold by 53.75% to 1.95 million in Fiscal 2024 from 1.27 million in Fiscal 2022, they have also demonstrated the ability to increase their premiums due to their strategy of selling high-LTV products to high-LTV customers through targeted distribution channels. The number of active lives insured at the end of the period also increased by 55.99% to 14.99 million as of June 30, 2024, from 9.61 million as of June 30, 2023, and the number of policies sold increased by 25.19% to 0.48 million in the three months ended June 30, 2024, from 0.38 million in the three months ended June 30, 2023. Their average ticket size for their individual agency channel increased at a CAGR of 10.10% from Fiscal 2022 to Fiscal 2024 and increased by 4.50% from the three months ended June 30, 2023, to three months ended June 30, 2024. According to the Redseer Report, the average ticket size per policy sold through their agency channel (individual agents) is the highest among SAHI peers, at ₹22,895.43 per policy for Fiscal 2023 and the second highest at ₹25,028.35 per policy for Fiscal 2024, signifying an enhanced ability of their agency channel to capture the mass affluent customer segment.



For Fiscals 2022 to 2024, their profitability has also improved, and they had a profit after tax of ₹818.52 million, ₹125.40 million and a loss after tax of ₹1,965.25 million for Fiscals 2024, 2023 and 2022, respectively. For the three months ended June 30, 2024, as compared to three months ended June 30, 2023, they had a loss after tax of ₹188.21 million and ₹721.98 million, respectively. Their loss after tax to GWP ratio was 1.29% for the three months ended June 30, 2024 as compared to a loss after tax to GWP ratio of 6.45% for the three months ended June 30, 2023, and their profit after tax to GWP ratio was 1.46% for Fiscal 2024 and 0.31% for Fiscal 2023, compared to a loss of 6.99% in Fiscal 2022 due to the second wave of COVID-19 in Fiscal 2022. Profit/(loss) after tax to GWP ratio is a non-GAAP measure. They have also achieved an increase in Assets Under Management to ₹56,744.43 million as of June 30, 2024, from ₹24,013.15 million as of March 31, 2022, and yield on total investment, which increased to 7.13% for Fiscal 2024, from 6.60% for Fiscal 2022 and increased to 7.58% for the three months ended June 30, 2024, from 6.92% for the three months ended June 30, 2023. Assets Under Management is a non-GAAP measure. The following diagram illustrates their Claims Ratio, Expense Ratio and Combined Ratio for the periods and years indicated:



#### ➤ Their customer centric proposition driving customer experience and retention

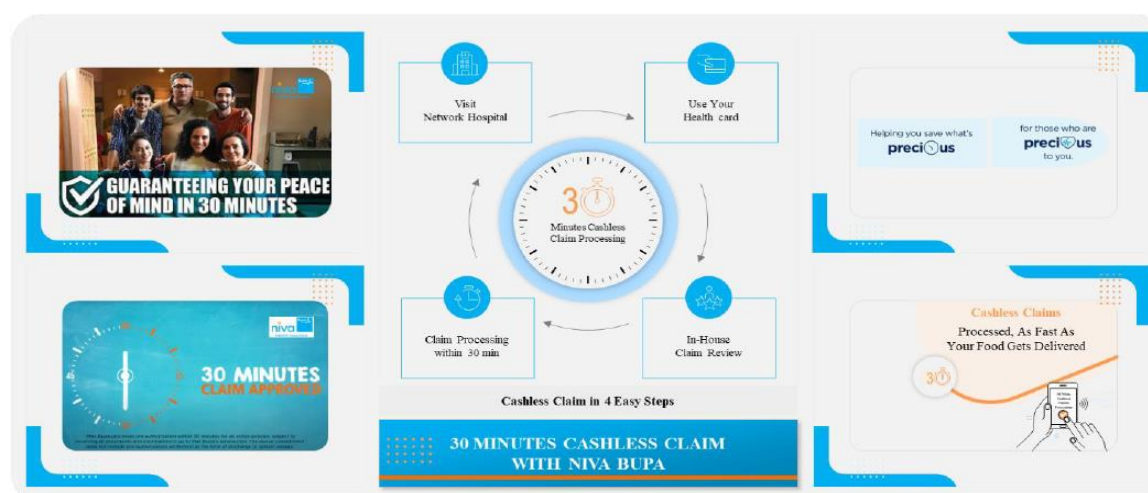
Their diverse product suite for customers, bolstered by their track record for product innovation. They have built a range of health insurance product offerings that seek to cater to all stages of the customer lifecycle. They identify customer groups based on various parameters, including for example, age, income and health status. They strive to achieve the best customer-product fit based on these customer groups and the sales process. For example, one of their key products, “Reassure”, is aimed at addressing health insurance needs for upper class / aspiring affluent customers as well as customers looking for wellness-focused products and offers add-on features such as “Booster+”, which allows customers to carry forward the balance sum insured of up to 10 times of the base cover and is sold via a sales advisory process. Recently in December 2023, they launched their “Aspire” product to target Millennials (26 to 40 years old) and Generation Z (18 to 25 years old), which offers features tailored to target the distinctive needs of these demographics, such as “Lock the Clock” where the age of a person for premium calculation purposes is locked/fixed at the entry age until the time a claim is paid. The diagram below illustrates their product map and examples of products they have introduced to target customers in these demographics:



#### ➤ Technology-led automated approach to customer servicing

The company has designed automated and digital self-serve capabilities aimed at enabling customers to benefit from a seamless, self-serve experience with minimal manual intervention. For the three months ended June 30, 2024, and Fiscal 2024, they had 99.94% and 99.95% of all of their new policies procured through their direct sales and intermediated distribution channel being applied for digitally through their website and mobile applications, respectively. This is a testament to the evolving preferences of their customers to engage with them digitally instead of through traditional ways and their ability to adapt to the shifting trends of selling insurance and servicing customers. The company has also sought to automate the underwriting decision workflow with their in-house developed auto-underwriting system, supported by features such as their in-house developed rule engine and reflexive underwriting questionnaire. For the three months ended June 30, 2024, and Fiscal 2024, 50.59% and 51.81%, respectively, of the retail policies on their platform are auto-decided without any human intervention. They offer a host of self-serve options to their customers including chatbot on their website, Insta Assist, ‘Niva Bupa Health’ mobile application and interactive voice responses. These cater to general queries of their customers, with a transfer mechanism to their customer service representatives as needed. They have an established NPS process as part of their customer journey and they regularly upgrade their processes and digital assets based on NPS scores and AI enabled instant feedback. They have built a dedicated customer

portal called 'Insta Assist' which is available on their website and on their 'Niva Bupa Health' mobile application to provide customers instant access to their health insurance coverage details, the status of outstanding claims and other personalized information seeking to facilitate a seamless interface and efficient self-service for our customers. They have also launched a conversational AI-driven chatbot named "Cia", which has natural language processing and intent recognition capabilities, to support their customers. The following diagram sets forth an overview of their cashless claims process:



#### ➤ Bupa parentage and brand associated with health insurance and healthcare

Bupa Singapore Holdings Pte. Ltd. and Bupa Investments Overseas Limited, their Promoters, are members of the Bupa Group. Through their association with the Bupa Group, they have access to its international healthcare experience. According to the Redseer Report, Bupa maintains a domestic health insurance presence in the UK, Australia, Spain, Chile, Hong Kong SAR, Türkiye, Mexico and Brazil and via its associate business in Saudi Arabia and also offers international private medical insurance to customers across the world through its 'Bupa Global' businesses. Bupa's health insurance services accounted for a significant portion of Bupa's revenue for the year ended December 31, 2023. Bupa operates health clinics, hospitals and dental centers around the world. Bupa also operates residential aged care businesses in the UK, Australia, New Zealand and Spain. Bupa's focus on digital transformation is reflected by 'Blue', its digital health solution. 'Blue' gives access to virtual health appointments and preventative health coaching. Bupa's global health insurance and healthcare experience has had a meaningful influence and impact on our Company in multiple areas, including:

**Product Innovation:** They are able to leverage Bupa's experience in providing healthcare benefits to customers globally in their efforts to innovate new products. For instance, they are working on launching a new health insurance product with the aim of increasing their overall customer base, using the experience gained from Bupa, who offer a similar product to expatriates with direct access to a global network of specialists.

**Technical Support and Actuarial Insights:** Bupa has provided them with guidance in their business processes, through its experience in seeking to institute the best international practices. Their existing risk management and information security frameworks have been developed based on feedback received from Bupa. Furthermore, their actuarial team has gained insights into the pricing, investments and financial reserving models used by Bupa. They also received support from Bupa in relation to the training and development of their employees. For instance, their Chief Risk Officer is currently on a secondment from Bupa.

**Customer Centricity:** The company has developed a customer listening program based on Bupa's customer listening application, where each customer is surveyed about their experience after each service interaction, which helps identify key areas for improvement and put initiatives in place. Further, they monitor NPS at each customer touchpoint and they regularly upgrade their processes and digital assets based on NPS scores and feedback to improve the score.

**Localized Global Customer Solutions:** 'Blue' is Bupa's digital health solution. They have adapted and localized 'Blue' into the Indian context through their own digital healthcare ecosystem with a holistic proposition through features such as virtual consultations, health programs and remote healthcare.

#### ➤ Their Domain Knowledge and Experience in Claims and Provider Management

For Fiscals 2024, 2023 and 2022, they processed 100% of claims under their retail health products through their dedicated in-house claims team. Their claims management capabilities are equipped with a paperless digital claims submission system, end-to-end auto adjudication of claims for cashless claims, real-time fraud detection mechanisms using machine learning algorithms and a claims billing analytics tool that flags outliers and anomalies based on the treatment, provider category and location. According to the Redseer Report, they have demonstrated strong customer service metrics on claims, with a Claims Settlement Ratio of 91.93% and 90.53% for Fiscal 2024 and Fiscal 2023, respectively. They use machine learning-based algorithms and logistics regression models to identify fraudulent claims, and as per the Redseer Report, this has helped drive higher success on fraud detection and reduce investigation referrals, thereby reducing impact on the customer experience. Their machine learning-based predictive model is deployed in the claims process to score and identify claims with a high likelihood of fraud and abuse. Such claims are automatically pushed to a separate processing queue for higher scrutiny including field investigations, thus enabling early intervention and fraud avoidance. These capabilities have collectively helped them achieve a Claims Ratio of 64.03%, 65.44%, 59.02%, 54.05% and 62.12% for the three months ended June 30, 2024, and June 30, 2023, and Fiscals 2024, 2023 and 2022, respectively. Claims Ratio is a non-GAAP measure.

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➤ **Multi-Channel Diversified Pan-India Distribution, with Technology-Led Empowerment of Distribution Partners**

The company has employed a multi-pronged approach towards their distribution strategy. Their distribution channels comprise (a) direct sales through their employees, as well as online sales through their website and 'Niva Bupa' mobile application and (b) intermediate sales through their distributors. Their LTV-led approach towards business selection and underwriting seeks to build a sustainable portfolio via the preferred product-channel-customer strategy, by enabling them to strategically focus on products tailored to a particular customer as well as the appropriate channel to distribute such products. Their decision making on sales incentives, rewards and recognitions and commissions are also driven by this approach where they target their efforts towards higher-LTV customers, in order to focus their sales strategy at the policy and channel levels in a more efficient manner. According to the Redseer Report, they have a diversified channel mix with corporate agents (banks and others), individual agents and broker channels contributing 27.25%, 32.07% and 27.04% respectively of their business by GDPI for Fiscal 2024 respectively, as compared to over 50% contribution of the individual agent's channel to overall GDPI of SAHIs in Fiscal 2024. They have grown their GWP from their direct sales online channel, which increased to ₹7,329.77 million in Fiscal 2024 from ₹5,276.79 million in Fiscal 2022, and increased to ₹1,992.25 million in the three months ended June 30, 2024, from ₹1,699.82 million in the three months ended June 30, 2023, through continued investments in search engine optimization and marketing on their online platform as well as building hyper-personalized and event-based digital marketing capabilities. To support their digital marketing efforts, they also seek to provide their customers with an intuitive website and mobile application design to facilitate a smooth digital onboarding journey. The company's user interface and user experience functions are built on a bespoke technology stack, with instant and zero-touch decisioning. They have also created technology-enabled, in-house CRM and dialer tools that carry out machine learning-based lead scoring and product recommendation, thus providing flexibility to their telemarketing sales team when introducing key product features, intended to drive lead conversions and reduce drop offs on their direct sales channel. They also partner with 14 web aggregators as of June 30, 2024, to distribute their products.

➤ **Their Technology and Analytics Platforms**

The company's technology and analytics platforms are present across every aspect of our business and form the bedrock of our day-to-day business from customer sourcing, onboarding and underwriting, payments, claims management and policy renewal. For the three months ended June 30, 2024 and Fiscal 2024, they had 99.94% and 99.95% of all of their new policies procured through their direct sales and intermediated distribution channel being applied for digitally, respectively, 88.69% and 81.27% of their claims submitted digitally, respectively, 86.26% and 85.39% of their renewals completed without human intervention, respectively, and 96.64% and 95.50% of the number of payments received were made digitally through our website and mobile applications, respectively. They utilize their technology platform to simplify the journey for the customers across the customer lifecycle, including customer onboarding, customer underwriting, claim management and customer renewals. During the customer sourcing phase, they rely on modules integrated with the technology of our distributors, as well as their mobile applications, such as the "Niva Bupa UNO" mobile application and website, which enable their employees and distributors to carry out sales digitally. They have also deployed an analytical model to perform real-time scoring of leads for likelihood of conversions, supported by their product recommendation engine. The customer onboarding process is supported by their web-enabled platforms, where each customer (either directly or via their distributors on behalf of their customers) may complete and apply form on the platform that integrates with our underwriting processes. Their analytics platform is integrated and plugged into multiple partner platforms which provide them access to additional data repositories and the ability to carry out optimizations on underwriting and risk pricing. For example, they have partnerships with platforms such as GetVisit for pre-policy medical check-ups, including annual health check-ups and online medical evaluations, which provides their underwriting engine with raw data that supports their efforts to underwrite the customers more accurately and strengthen their risk-based pricing capabilities. Similarly, the company's arrangements with Transunion CIBIL and other online payment service providers and credit information companies provide them with data insights that enable them to carry out propensity modeling and identify cross-sell and upsell strategies which can be provided to their distributors to support their sales efforts.

The company also used technology and analytics during the customer renewal stage, where they use a predictive machine-based learning model that utilizes unsupervised clustering techniques, which in turn uses algorithms to identify patterns within data sets, to predict the probability of customers who would allow their policies to lapse and enables them to conduct targeted upsell and cross-sell marketing. They also consider factors such as credit score, income segment and LTV scores in determining the appropriate upsell and cross-sell marketing strategy.

**Strategies:**

➤ **Continuing to grow their product portfolio to serve the needs of customers, expand the partnerships with Network Hospitals, and further develop their healthcare ecosystem**

The company seeks to create a holistic, customer-centric health insurance platform and a healthcare ecosystem providing customers access to a range of facilities across wellness, doctor consultations, diagnostics and medicine delivery. They intend to continue investing in building and enhancing their healthcare insurance ecosystem through their own initiatives, such as additional health assessment tools and wellness content, and by collaborating with strategic partners such as for digital consultations and home delivery of medicines. They also plan to expand the coverage of services offered to their customers under the health ecosystem platforms, such as health check-ups and medicine delivery, to new geographies and deepen their presence in the existing geographies in India. Product innovation has been a key focus area and driver of their growth in the past and they plan to continue this strategy



going ahead. Their product portfolio is a cornerstone of their value proposition to customers. As per the Redseer Report, they have delivered many “industry-firsts” in terms of product innovation in the Indian health insurance industry, and they intend to continue leveraging on their understanding of the changing medical needs of the customers’, their own and Bupa’s experience in health insurance, medical care and healthcare services, and their product-focused innovation capabilities to consistently deliver on product innovation. They will also focus on expanding their portfolio by creating health insurance products to target various customer groups in the market and products that cover additional diseases and conditions aimed at addressing the needs of customers who are at risk or have chronic health conditions with disease management requirements. Their overall aim is to create a diverse portfolio of products that are relevant, affordable and beneficial across a range of prices, use-cases, income groups and age groups.

➤ **Continue to invest in technology and analytics to facilitate the sales and servicing of our products**

The company’s technology stack is central to their continued success and serves as a key enabler across all aspects of their operations, including customer acquisition, underwriting and claims adjudication. As per the Redseer Report, one of the key drivers and enablers for growth of India’s health insurance industry is the development of a digital-first ecosystem, and technology has improved customer experience across the value chain through online purchase channels, AI or machine learning models for specialized underwriting, identifying fraudulent claims, and expediting processing times. Accordingly, they intend to continue deploying the latest technology in their core operations, while also instituting and growing the data analytics and AI capabilities. Such efforts are intended to ultimately improve operational efficiency, strengthen underwriting and data security and improve the experience for their customers, distributors and employees, ultimately resulting in a reduction in our Combined Ratio while driving continued growth in scale.

➤ **Further expand their presence in existing geographies within India, invest in deepening their distribution channels and increase market share in retail health insurance**

The company’s aim to continue to increase their presence across India and acquire new customers by growing and diversifying their offline distribution footprint through their distributors such as corporate agents, individual agents and brokers. They intend to continue to grow their market share by setting up new physical branches in new districts in existing geographies and strengthening their presence in existing geographies by seeking ways to expand their existing physical branches to accommodate more individual agents. Going forward, they intend to expand their physical presence in smaller towns and Tier-2 cities, while also expanding their distribution reach to newer customer segments. They also intend to continue to expand their digital presence through increasing the number of web aggregators, digital brokers and direct-to-customer initiatives. They are also focused on developing their e-agency model as they believe it will be an important driver of their future growth in existing geographies and expansion into new geographies. Their e-agency model enables them to recruit individual agents in geographies where they do not have a physical branch presence, thereby providing them with the capability to reach a wider footprint across India and acquire new customers in those locations. Since the pilot of their e-agency model during the nation-wide COVID-19 lockdowns, they have built capabilities in-house to support their e-agency model including mobile applications such as ‘Niva Bupa UNO’ mobile application to improve productivity and engagement as well as provide remote training programs to promote growth in this line of business. They intend to continue to improve on their existing technology infrastructure to support their agents, as well as seek new ways to engage with them and support them. As they expand geographically, their aim is to continue to focus their expansion efforts on growing the scale of their retail health insurance business across the country.

➤ **Continue to invest in talent recruitment, development and retention to drive execution**

The company’s employees have been a driver of their historical growth and performance, and they believe they will be instrumental in executing their future strategies. They have put in place processes for the recruitment, development, retention and growth in the capabilities of their workforce, such as engagement with campuses for hiring of future managerial talent and growing their in-house management team through a talent academy among others. In the future, they will strive to continue to invest in employee management practices.

**Products**

The company’s products are broadly categorized into (a) retail products, which are intended for individuals and families and (b) group products, which are intended for employers and employees, as well as third parties such as customers of banks and other corporate agents. The following table sets forth their GWP for retail and group products, for the periods and years indicated:

	Three Months ended June 30,				Fiscal Year ended March 31,					
	2024		2023		2024		2023		2022	
	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)
Retail	10,169.1	69.5%	7,696.3	68.8%	39,349.5	70.2%	30,492.9	74.9%	22,136.4	78.8%
Group	4,472.6	30.6%	3,494.2	31.2	16,726.2	29.8%	10,237.5	25.1%	5,963.3	21.2%

Notes: Group health includes our group affinity products which are sold to individuals.

**The company’s retail and group products can be classified into the following lines of business:**

- **Health Insurance:** This line of business includes both indemnity-based and benefit-based health insurance products which are offered to retail and group customers.
- **Personal Accident:** This line of business includes primarily benefit-based products offered to retail and group customers.
- **Travel Insurance:** This line of business includes a combination of indemnity-based and benefit-based products, along with travel inconvenience benefits, and is offered to retail and group customers, including domestic and international travelers.

The following table sets forth the GWP contribution for health, personal accident and travel lines of business for the periods and years indicated:

	Three Months ended June 30,				Fiscal Year ended March 31,					
	2024		2023		2024		2023		2022	
	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)
Health (A)	14,303.8	97.7%	10,975.6	98.1%	54,944.3	98.0%	39,873.6	97.9%	27,490.4	97.8%
Retail	9,905.7	67.7%	7,504.8	67.1%	38,397.3	68.5%	29,697.4	72.9%	21,573.4	76.8%
Group	4,398.1	30.0%	3,470.8	31.0%	16,547.0	29.5%	10,176.2	25.0%	5,917.0	21.1%
Personal Accident (B)	271.8	1.9%	179.0	1.6%	926.8	1.7%	800.4	2.0%	607.6	2.2%
Travel (C)	66.1	0.5%	35.8	0.3%	204.7	0.4%	56.3	0.1%	1.8	0.0%
Total GWP (D = A+B+C)	14,641.8	100.0%	11,190.4	100.0%	56,075.7	100.0%	40,730.3	100.0%	28,099.7	100.0%

The company’s products include individual products which are purchased solely for an individual as well as family products, where customers extend their policies to family members. The following table sets forth the GWP contribution of their individual and family retail health products, as a percentage of their total GWP for the periods and years indicated:

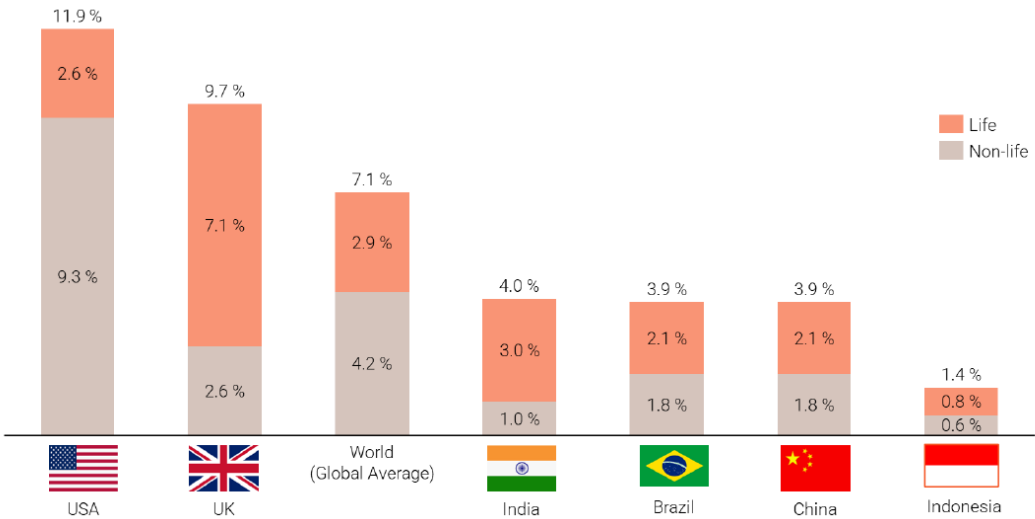
	Three Months ended June 30,				Fiscal Year ended March 31,					
	2024		2023		2024		2023		2022	
	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)	(₹ in millions)	(% of total GWP)
Individual	463.0	4.7%	523.4	7.0%	2,015.7	3.6%	2,184.6	5.4%	2,487.4	8.9%
Family	9,442.7	95.3%	6,981.3	93.0%	36,381.7	64.9%	27,512.8	67.6%	19,086.0	67.9%
Total Retail Health GWP	9,905.7	100.0%	7,504.8	100.0%	38,397.3	68.5%	29,697.4	72.9%	21,573.4	76.8%

Industry Snapshot

Insurance in India is expected to grow rapidly across both life and non-life

India exhibits significantly lower insurance penetration (measured by the total Gross Written Premium as a % of GDP) when compared to developed global economies. As of FY23, insurance penetration in India was 4.0%, with life insurance contributing 3.0% and non-life insurance contributing 1.0%. The global average in CY23 for life insurance stood at 2.9% and non-life at 4.2% based on Insurance Regulatory and Development Authority of India’s (“IRDAI”) report.

Insurance penetration – Global Benchmarks

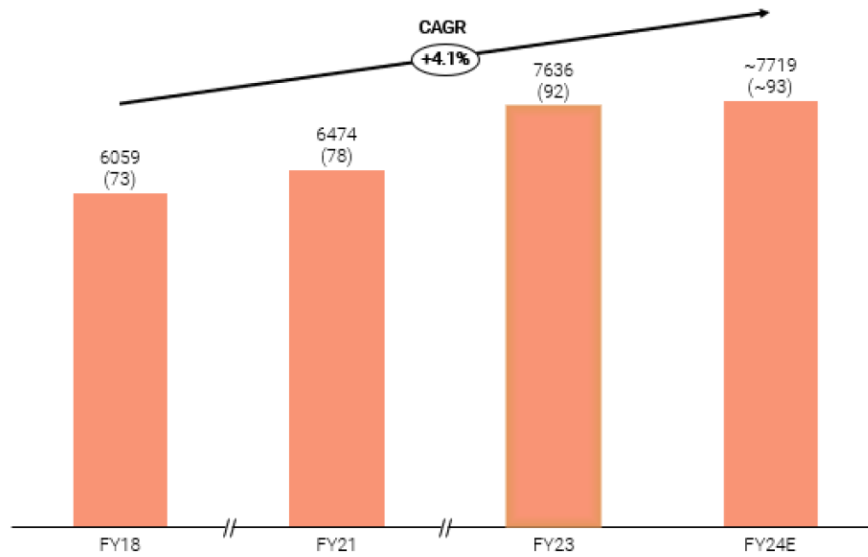


Insurance penetration in India has increased from 3.7% in FY18 to 4.0% in FY23. There has also been a substantial increase in insurance density, which is calculated as premium per capita. It has increased from INR 6,059 (USD 73) in FY18 to INR 7,636 (USD 92) in FY23 as per IRDAI’s report. As per Redseer estimates, insurance density is expected to reach ~ INR 7,719 (USD 93) by FY24 driven by factors such as rising incomes, increasing insurance awareness, government initiatives to promote insurance adoption and increasing healthcare costs.



**Insurance density – India**

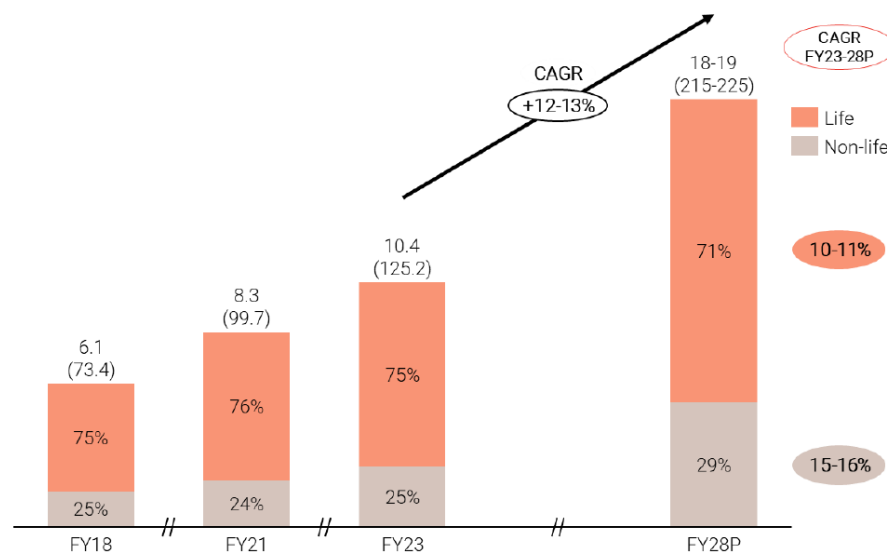
INR (USD), FY18, 21, 23, 24E



The overall insurance Gross Direct Premium Income (“GDPI”) has shown a noteworthy increase from INR 6.1 Tn (USD 73.4 Bn) in FY18 to INR 10.4 Tn (USD 125.2 Bn) in FY23, with a CAGR of 11.3%. In FY23, life insurance constituted 75% of total insurance premiums, while the remaining 25% was contributed by non-life insurance. As per Redseer estimates, insurance GDPI is expected to reach INR 18-19 Tn (USD 215-225 Bn) by FY28, with life and non-life insurance constituting approximately 71% and 29%, respectively. Between FY23 and FY28, non-life insurance GDPI is expected to grow at a CAGR of 15-16%. This growth will be driven by multiple factors such as the growing yet-to-be-insured working-class population, an increase in the average income per household, increased awareness of and access to insurance, and the evolving regulatory landscape. Moreover, multiple product offerings, simplification of onboarding process and ease in insurance settlement will further facilitate insurance penetration across India.

**Total Gross Direct Premium Income (GDPI) - Split between Life and Non-Life Insurance**

INR Tn (USD Bn), FY18, 21, 23, 28P

**Government initiatives have helped drive insurance penetration**

The Indian government has actively pursued initiatives to increase insurance penetration in the country. Few key initiatives include:

**Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY):** Launched in 2015, PMSBY and PMJJBY are low-cost term life and accident insurance schemes. Both schemes have been instrumental in fostering financial inclusion by offering straightforward, cost-effective insurance options to a vast population, particularly those who might not have otherwise considered insurance coverage.

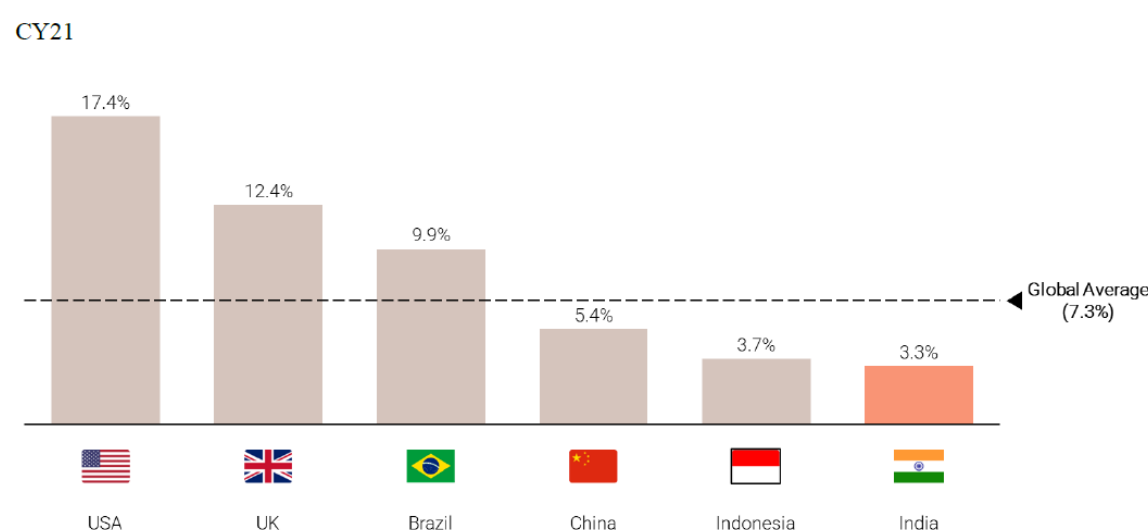
**Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (AB-PMJAY):** Launched in 2018, AB-PMJAY represents a major step towards enhancing healthcare coverage in India. This ambitious health insurance scheme aims to provide financial support for vulnerable families by offering coverage for hospitalization expenses up to INR 0.5 Mn. AB-PMJAY focuses on ensuring that no family faces financial distress due to high medical costs, thereby contributing to increased health insurance penetration. Beyond this, there are a variety of state-led health insurance schemes such as Awaz Health Insurance Scheme (Kerala), Bhamashah Swasthya Bima Yojana (Rajasthan), Mahatma Jyotiba Phule Jan Arogya Yojana (Maharashtra), etc.

**Key drivers and enablers for growth of India’s health insurance industry**

- Regulatory and government support** – IRDAI is enhancing health insurance growth through supportive initiatives like Insurance for all by 2047, Bima Sugam, IRDAI Regulatory Sandbox. AB-PMJAY scheme, covering diverse medical treatments, has significantly contributed to achieving universal health coverage, especially for rural India and the underprivileged sections. These government-sponsored initiatives underscore the commitment to social security and financial well-being for citizens across different economic strata. Additionally, employer-provided insurance to employees further contributes to this collective effort towards comprehensive healthcare coverage.

- **New and specialized insurers** – IRDAI is encouraging supply-side offerings through approvals of new license and product offerings. This is expected to expand the market by targeting new customer segments.
- **Evolving healthcare landscape** – The fast-developing healthcare landscape in India serves as a significant catalyst for the growth of health insurance. As specialized and high-quality healthcare infrastructure expands, healthcare costs will also grow. In this context, health insurance will play a crucial role in safeguarding household wealth.
- **Demand-side: increasing awareness for health** – Covid-19 pandemic has brought about a significant shift in awareness about health, well-being, and the importance of financial protection against unexpected medical expenses, driving the demand for health insurance.
- **Development of digital-first ecosystem** – Digital enablement across insurance value-chain has streamlined the insurance process. Technology has improved customer experience across the value chain through online purchase channels, AI/ML (Artificial Intelligence/Machine Learning) models for specialized underwriting, identifying fraudulent claims, and expediting processing times.

#### Current Health Expenditure (CHE) as a % of GDP – Global Benchmarks



However, India's CHE as a % of GDP has grown rapidly from 2.9% in CY18 to an estimated 4.0% in CY23, as per Redseer. This indicates a positive shift in the importance of healthcare in India, with more resources being channeled towards it.

#### Comparison With Listed Peers

Name of the Company	Face Value (₹ per share)	EPS	Net Profit (₹ Million)	RONW (%)	P/E	P/B	NAV Per Share
Niva Bupa Health Insurance Company Ltd.	10	0.45	818.52	5.7%	164.4	6.13	12.06
<b>Listed Peers</b>							
Star Health and Allied Insurance Company Ltd	10	14.48	8,450.1	14.4%	33.2	5.01	108.35
ICICI Lombard General Insurance Company Ltd	10	39.03	19,185.9	17.2%	49.0	7.81	242.75
The New India Assurance Company Ltd.	5	6.77	10,911.2	5.1%	28.0	1.46	132.55

\*Note –: 1) P/E and P/B Ratio has been computed based on the closing market price of equity shares on NSE on Nov 05, 2024.

2) \* P/E of company is calculated on EPS of FY24, and post issue no. of equity shares issued.

#### Key Risks

- The company's profitability depends on their ability to manage their underwriting risks and appropriately price their products and any failure to accurately estimate medical expenses, or the frequency of claims could have a material adverse effect on their business, financial condition, results of operations, cash flows and prospects.
- As a significant portion of their business is generated from the health insurance line of business, any adverse changes to the demand for health insurance products and the retail health insurance sector may affect the sale of their health insurance products and in turn their business and profitability.
- If the company fails to align their products, including in particular, their retail health insurance products with the needs of our targeted customer demographics or if they are unsuccessful in their product development strategy, their business could be materially and adversely affected.
- The company is subject to extensive supervision and regulatory inspections (onsite and offsite, thematic or otherwise) by IRDAI and any regulatory and statutory actions against them or their distributors could cause them reputational harm and have a material adverse effect on their business, financial condition, cash flows, results of operations and prospects.
- The success of their business depends on their ability to attract and retain, as well as obtaining timely approvals from IRDAI with respect to, their senior management and employees in critical roles, and the loss of their services could have a material adverse effect on their business, financial condition, results of operations, cash flows and prospects.

- The company is dependent on their intermediated distribution channels, particularly individual agents, corporate agents and brokers, and if they are unable to develop and grow their network of distributors or attract, retain and incentivize their distributors, it could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.
- They have incurred losses in Fiscal 2022 and the three months ended June 30, 2024, and June 30, 2023, and may not be able to maintain their profitability in the future, which could adversely affect their operations and financial condition and the trading price of their Equity Shares.
- Their failure to accurately and timely pay claims could lead to customer dissatisfaction and result in regulatory actions or penalties, which could materially and adversely affect their business, financial condition, results of operations, cash flows and prospects.
- The company may be unable to obtain reinsurance on a timely basis at reasonable costs and could be exposed to credit risks in their reinsurance contracts, including with General Insurance Corporation of India (“GIC Re”).

### **Valuation & Outlook**

Niva Bupa Health Insurance Co. Ltd. (NBHICL) is a prominent health insurance provider in India.

As of Q1 FY25, the company insured 14.99 million active lives. With a strategic emphasis on the retail health market, their Gross Written Premium (GWP) from retail health products accounted for 67.65% and 68.47% of their total GWP for Q1 FY25, and for Fiscal 2024, respectively. They offer a diverse range of products for customers, strengthened by a strong track record in product innovation. Their health insurance offerings are designed to meet the needs of customers at every stage of life.

The company aims to build a comprehensive, customer-focused health insurance platform and healthcare ecosystem, offering customers access to a variety of services, including wellness programs, doctor consultations, diagnostics, and medicine delivery. They plan to keep investing in developing and expanding their health insurance ecosystem through their own initiatives, like introducing more health assessment tools and wellness content, and by partnering strategically for services such as digital consultations and home medicine delivery.

At the upper price band company is valued at P/BV of 6.1X with a market cap of ₹ 1,35,200 million post issue of equity shares. We believe that the issue is fully priced and recommend “**Subscribe – Long Term**” rating to the IPO.



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Ratings Methodology

- ☐ Analysts’ ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid-Caps & Small Caps as described in the Ratings Table below:

	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0%-15%	Below 0%
Mid-Caps (101st-250th company)	>20%	0%-20%	Below 0%
Small Caps (251st company onwards)	>25%	0%-25%	Below 0%

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