

IPO ANALYSIS AND OVERVIEW—
MEDI ASSIST
HEALTHCARE
SERVICES



HIGHLIGHTS

- Medi Assist Healthcare Services is coming out with a 100% book building; initial public offering (IPO) of 28,028,168 shares of Rs 5 each in a price band Rs 397-418 per equity share.
- Not more than 50% of the issue will be allocated to Qualified Institutional Buyers (QIBs), including 5% to the mutual funds. Further, not less than 15% of the issue will be available for the non-institutional bidders and the remaining 35% for the retail investors.
- The issue will open for subscription on January 15, 2024 and will close on January 17, 2024.
- The shares will be listed on BSE as well as NSE.
- The face value of the share is Rs 5 and is priced 79.40 times of its face value on the lower side and 83.60 times on the higher side.
- Book running lead managers to the issue are Axis Capital, IIFL Securities, Nuvama Wealth Management and SBI Capital Markets.
- Compliance Officer for the issue is Simmi Singh Bisht.

PROFILE OF THE COMPANY

Medi Assist Healthcare Services provides third party administration services to insurance companies through its wholly owned Subsidiaries, Medi Assist TPA, Medvantage TPA (from February 13, 2023) and Raksha TPA (from August 25, 2023). 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. As a third party administrator, the company acts as a facilitator 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. The company also facilitates 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 its other Subsidiaries, IHMS, Mayfair India, Mayfair UK, Mayfair Group Holding, Mayfair Philippines and Mayfair Singapore. The company 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 September 30, 2023.





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 their operations, and are scalable, comprehensive, easy to use and secure. This enables it to offer a comprehensive healthcare solution to its 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. It also services individual insurance policyholders, and for the Financial Year 2023, it managed Rs 17.57 billion of premiums for the retail health insurance market, representing 5.06% of the overall retail health insurance market in India.

Over the years, the company 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, as on September 30, 2023. During the Financial Year 2023, it helped to settle 5.27 million claims, comprising 2.44 million in-patient claims and 2.83 million domiciliary or out-patient claims. During the six months ended September 30, 2023, it helped to settle 3.05 million claims, comprising 1.37 million in-patient claims and 1.68 million domiciliary or out-patient claims. Due to the size and scale of its operations and its contracting capabilities, it is able to negotiate discounted rates with hospitals for the benefit of insurance companies and insured members, thereby managing medical inflation better.

PROCEED IS BEING USED FOR:

The object of the offer is to achieve the benefits of listing the Equity Shares on the Stock Exchanges. The company expects that listing the Equity Shares will enhance its visibility and brand and provide liquidity to its existing Shareholders. The listing will also provide a public market for the Equity Shares in India. The company will not receive any proceeds from the Offer. All proceeds from the Offer will go to the Selling Shareholders, in proportion to the Equity Shares offered by them in the Offer for Sale.

INDUSTRY OVERVIEW

Third-Party Administrators (TPAs) manage and coordinate healthcare benefits and insurance plans for beneficiaries (e.g., policyholders and employees). TPAs engage with stakeholders through an integrated portfolio of health management tools, cutting-edge technology, analytical capabilities, and personalized customer service. It encompasses services ranging from enrolling individuals and groups in health insurance plans, managing eligibility and liaising with insurers, providing customer support (enhanced engagement & experience), developing a provider network, and educating beneficiaries about policy terms and conditions. Several corporations globally, especially in the US, have increasingly shifted to self-funded plans for providing healthcare benefits to their employees. These organizations have specialized ASOs (Administration Services Organizations) for managing their customized self-funded plans through their suite of comprehensive solutions. TPA also offers technology platforms to insurers to streamline and scale up their operations, enhance efficiency, and provide better client services; consulting services for IT risk and security, value-based care services, analytics & insights, and healthcare program design, to name a few.



The growth in health insurance premiums has been undeniable with the growing awareness of the importance of health coverage, growth in demand for healthcare services, and increased affordability to seek voluntary coverage. In the last five years, TPAs have become indispensable in the health insurance industry in India. They have also achieved the same pace of growth as the overall health insurance sector at a CAGR of 18.51%. However, the volume of enrollments is increasing faster than ever, and claim processing is becoming even more complex. Consequently, insurers are expected to lean more on TPAs to increase process efficiency and capitalize on their value-added services geared towards cost savings and client centricity. As a result, in the next five years, TPAs are expected to outpace the sector's growth and enjoy a CAGR of 24.81% based on the total premium serviced by them.

In recent years, TPAs have emerged as prominent players in the group segment, with over 60% of the premiums serviced by them. The TPA serviced group segment has witnessed rapid growth in terms of premiums processed, with a 22.19% increase between FY 2018 and FY 2022. As corporations expand their coverage for employees and dependents and offer more prevention, wellness, and health-tracking services, insurers will likely rely on TPAs for cost containment, customized programs, efficient claims processing, and overall management. It is expected to drive a significant growth of around 25% in the TPA segment over the next five years.



PROS AND STRENGTHS

- **WELL ESTABLISHED THIRD PARTY ADMINISTRATOR IN INDIA:**



The company's subsidiaries Medi Assist TPA, Medvantage TPA and Raksha TPA are well-established third party administrators in India. The company's market-leading position as a third party administrator in India enhances its ability to benefit from the prospects of the health insurance industry, enhances its profitability and strengthens its value proposition due to increasing economies of scale, ability to invest in cutting edge technology and better scale for negotiating with healthcare provider networks. In Financial Year 2023, its retail and group premium increased by 31.91% compared to the previous Financial Year, due in part to the heightened awareness of the need for adequate health insurance brought on by the pandemic. This trend is also expected to continue to support growth in the overall sector. With its leading market position, technology-enabled ecosystem, longstanding relationships with insurers, hospitals and corporates and Pan-India presence, it is well positioned to take advantage of this growth.

- **SCALABLE TECHNOLOGY-ENABLED INFRASTRUCTURE:**

Technology expertise has been, and will continue to be, vital to its success and continued growth. The company's ability to simultaneously deliver significant value to all constituents of the health insurance ecosystem is deeply rooted in its own purpose-built, modern, scalable technology platforms and applications that power all aspects of its operations, including engaging insured members, hospitals, insurance companies, insurance brokers and agents, group accounts, and advancing its business objectives efficiently and promptly. The company's technology infrastructure possesses the attributes of scalability, customisation, comprehensiveness, user-friendliness, and security. Furthermore, it has the ability to leverage data and drive transformative outcomes while incorporating new touch points, delivering an enhanced member experiences with increased efficiency, all while upholding stringent data quality standards



- **DIVERSIFIED BASE OF GROUP ACCOUNTS WITH LONGSTANDING RELATIONSHIPS:**

The company has developed a diversified base of corporates whose health insurance requirements it services and has established longstanding relationships with them. It serviced over 9,500 group accounts with premium under management of Rs 128,178.66 million for the Financial Year 2023. Premium managed for group accounts has grown at a CAGR of 37.08% between the Financial Years 2021 and 2023. The company has particularly maintained its market-leading position in premium under management in India's overall group health insurance segment from Financial Year 2020 to Financial Year 2022, with an increase in market share from 23.30% to 26.01%, while the market shares of group premiums serviced by benefits administrators during this period has increased from 35.04% to 41.71%.



- **ATTRACTIVE CONTRACTS WITH A PAN-INDIA HEALTHCARE PROVIDER NETWORK:**

The company has developed a Pan-India healthcare provider network, which, as of September 30, 2023, comprises 18,754 hospitals across 1,069 cities and towns and 31 states (including union territories) in India, as on September 30, 2023. During the Financial Years 2021, 2022 and 2023 and the six months ended September 30, 2023, it processed claims amounting to Rs 75,701.85 million, Rs 129,170.89 million, Rs 135,998.80 million and Rs 79,499.80 million, respectively, across all providers (including those not on its network), showing a steady growth in the number of claims processed by it. The company is a notable third party administrator partner for several top hospital chains in India and across group policies for private sector general insurers in India, and contributed 12.45%, 6.40%, 5.21%, 4.70%, and 4.57% of the total healthcare services revenue for five hospital chains in India, respectively, in Financial Year 2023.



RISKS AND CONCERNS

- **SIGNIFICANT PORTION OF REVENUE COMES FROM LIMITED CLIENTS:**

The company has developed a Pan-India healthcare provider network, which, as of September 30, 2023, comprises 18,754 hospitals across 1,069 cities and towns and 31 states (including union territories) in India, as on September 30, 2023. During the Financial Years 2021, 2022 and 2023 and the six months ended September 30, 2023, it processed claims amounting to Rs 75,701.85 million, Rs 129,170.89 million, Rs 135,998.80 million and Rs 79,499.80 million, respectively, across all providers (including those not on its network), showing a steady growth in the number of claims processed by it. The company is a notable third party administrator partner for several top hospital chains in India and across group policies for private sector general insurers in India, and contributed 12.45%, 6.40%, 5.21%, 4.70%, and 4.57% of the total healthcare services revenue for five hospital chains in India, respectively,

- **SIGNIFICANT DEPENDENCE ON GROUP ACCOUNTS IN CERTAIN INDUSTRIES:**

The company's business is significantly dependent on group accounts in certain industries, and for the Financial Years 2021, 2022, 2023, and the six months ended September 30, 2023, of the total premiums serviced attributable to its 50 largest group accounts, group accounts in the IT/ITES sector contributed 50.02%, 45.48%, 45.68% and 46.11% respectively, and group accounts in the BFSI sector contributed 21.37%, 21.01%, 20.57% and 22.53% respectively. Consequently, any adverse developments in such industries may affect the demand for its services and business and results of operations.





- **SUBSIDIARIES RECEIVED SHOW CAUSE NOTICES FROM IRDAI IN THE PAST:**

The company's business conducted through Medi Assist TPA and its subsidiaries is subject to periodic inspections by the Insurance Regulatory and Development Authority of India's (IRDAI). During the course of its inspection, the IRDAI advises on issues related to various procedural lapses, and during such inspections the IRDAI has, in the past, made certain observations regarding its business and operations, including with respect to the format of its claim settlement letters, nature of agreements with healthcare service providers and insurance companies and displaying the registered name and registration number with validity of registration on the website. Any non-compliance with the IRDAI's inspections which take place periodically or any adverse observations by the IRDAI may adversely affect its business, results of operation or financial condition.

- **DECREASE IN INSURANCE COMPANIES
OUTSOURCING CLAIMS PROCESSING TO TPAS**

The total claims settled by third party administrators (TPAs) in terms of volume between Financial Years 2018 and 2022 increased from 71.58% to 76.25%, respectively, and Medi Assist TPA settled 33.12% of the total claims settled by third party administrators during Financial Year 2022. Third party administrators manage patient communication and provider selection, process medical claims and handle administrative tasks, including verifying patient eligibility, submitting claims to insurance companies. The types of claims handled by TPAs in India include cashless claims, reimbursement claims, benefit-based schemes and domiciliary claims. Despite the increasing trend in the number of claims settled by third party administrators, there exists a potential risk of a future reduction in these numbers due to evolving market dynamics, shifts in consumer behavior, regulatory changes or other economic conditions.



OUTLOOK

Medi Assist Healthcare Services is a health-tech and insurance-tech company that manages health benefits for employers, retail members, and public health schemes, primarily serving insurance companies. It offers medical insurance and cashless hospitalization through a network of healthcare service providers. The company has a demonstrated history of integrating acquisitions with its business and consolidating its position in the health insurance industry. It follows a disciplined and opportunistic approach to acquisitions, and its track record of efficiently integrating acquired businesses, realizing cost synergies, and consolidating its position in the market is a testament to its expertise. On the concern side, for the FY 2021, 2022 and 2023, and the six months ended September 30, 2023, its five largest clients by revenue contributed majority to its total revenue from contracts with customers. The loss of one or more such clients could adversely affect its business and prospects.





The company is coming out with an IPO of 28,028,168 equity shares of face value of Rs 5 each. The issue has been offered in a price band of Rs 397-418 per equity share. The aggregate size of the offer is around Rs 1112.72 crore to Rs 1171.58 crore based on lower and upper price band respectively. On performance front, the company's total income increased by 25.95% to Rs 5,189.55 million for the Financial Year 2023 from Rs 4,120.23 million for the Financial Year 2022, primarily due to increase in revenue from contracts with customers. The company reported a restated profit for the year of Rs 740.42 million for the Financial Year 2023 as compared to a reported restated profit for the year of Rs 642.18 million for the Financial Year 2022.

The company 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. The company has a proven track record of making successful acquisitions. These acquisitions have allowed it to integrate businesses, achieve anticipated growth opportunities, and realize synergies. With the additions of Medvantage TPA, Mayfair UK and Raksha TPA, the company has bolstered its position in corporate schemes and extended its range of services beyond India, enabling its corporate clients to access medical benefits and health plan administration globally.



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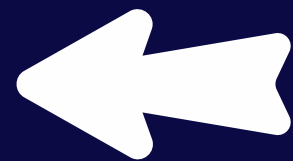


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