

**Rating: Subscribe**

**Issue Offer**

**Offer for sale of 28,028,168 equity shares up to INR 11,716 Mn**

**Issue Summary**

Price Band (INR)	397-418
Face Value (INR)	5
Implied Market Cap (INR Mn)	28,783
Market Lot	35
Issue Opens on	Jan, 15, 2024
Issue Close on	Jan, 17, 2024
No. of share pre-issue	68,859,212
No. of share post issue	68,859,212
Listing	NSE / BSE

**Issue Break-up (%)**

QIB Portion	≥50
NII (HNI) Portion	≤15
Retail Portion	≤35

**Book Running Lead Managers**

Axis Bank Limited, IIFL Securities Ltd,  
SBI Capital Markets Limited,  
Nuvama Wealth Management Limited

**Registrar**

Link Intime India Pvt Ltd

**Shareholding Pattern**

	Pre-Issue	Post-Issue
Promoters	67.55%	45.75%
Public & Others	32.45%	54.25%

**Objects of the issue**

- Achieve the benefits of listing the Equity Shares on the Stock Exchanges.
- Enhance visibility and brand,
- Provide liquidity to its existing Shareholders
- Provide a public market for the Equity Shares

**Abhishek Jain**

abhishek.jain@arihantcapital.com  
022-422548871

Medi Assist is a health and insurance tech company and manages health benefits for employers, individual members and public systems that primarily serve insurance companies. Founded in 2002, they act as an intermediary between insurers, healthcare providers, providing health insurance and cash insurance across more than 14,000 hospitals in India. The company service 78% of the Nifty 50 companies and 35% of the BSE 500 companies. Through its subsidiaries it additionally provides services like call center operations, customer relations, contract management as well as billing and claims processing services.

**Investment Rationale**

**Growing Retail Presence and Diverse Offerings**

In FY23 Group segment contributes 74% of revenues, retail at 12%, and government at 10-11%. In the group segment, the company manages over 9,500 group covering 30% of India's group health insurance premiums. In retail, business is primarily obtained through insurers handing over specific products or portfolios to the company and through agency channels. In both retail and group business company collaborates with 27 out of 28 insurers, out of the 27 insurers, the company's network is utilized by 21 insurers and 14 exclusively rely on it. A significant amount of retail growth comes from private insurers.

**Technological Advancements in Healthcare Operations**

With a vast network of 18,000 hospitals, the company is focused on expanding cashless transactions for both inpatient and outpatient services. The company successfully converted 40% of outpatient volumes to be cashless for the first time in FY23. The successful reduction of customer calls by 36% per claim was due to the implementation of real-time data access technology. The company has employed a multi-layered approach to handle unstructured hospital data emphasizing on technological integration and improved customer experience.

**Balancing Organic Expansion and Strategic Acquisitions**

Historically driven by organic growth, the company expanded through four TPAs acquisitions, including Mayfair, Medvantage, and Raksha, over the past seven years. With a focus on both domestic and international markets, the company maintains a commitment to organic expansion while remaining open to opportunistic acquisitions.

**Revenue-Centric Service Model**

The company relies on a business model that focuses on administrative services without taking any risk associated with claims, generating revenue through fixed fees or a percentage of premiums. With a focus on meeting service level agreements, it avoids tying obligations to variable components linked to specific metrics. The company emphasizes on consistent service delivery and predetermined fixed fees.

**Valuation and View:**

The company's focus is on retaining insurer partnerships, minimizing churn and continued to grow both organically and through M&A activities whenever there is any opportunity available. Actively addressing customer concerns, the company seeks to reduce service calls related to claims, admissions and discharges and increasing coverage within its current client base rather than relying solely on acquiring new clients. At the upper band of INR 418, the issue is valued at a P/E of 38.2x based on FY23 EPS of INR 10.9, which is premium valuation against Peers, but looking at their growth achieved over years we recommend **Subscribe**.

## Financial Statements

## Income statement summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23
<b>Revenue</b>	<b>3,227</b>	<b>3,938</b>	<b>5,049</b>
Employee Cost	1,433	1,557	1,977
Other Expenses	1,039	1,469	1,879
<b>EBITDA</b>	<b>756</b>	<b>912</b>	<b>1,193</b>
<b>EBITDA Margin (%)</b>	<b>23.4%</b>	<b>23.2%</b>	<b>23.6%</b>
Depreciation	-317	-284	-268
Interest expense	-57	-30	-30
Other income	228	182	140
Exceptional item	0	26.11	0
<b>Profit before tax</b>	<b>610</b>	<b>807</b>	<b>1,036</b>
Taxes	230	172	283
<b>PAT</b>	<b>380</b>	<b>635</b>	<b>753</b>
<b>PAT Margin (%)</b>	<b>11.8%</b>	<b>16.1%</b>	<b>14.9%</b>
<b>EPS (INR)</b>	<b>5.67</b>	<b>9.22</b>	<b>10.94</b>

Source: Company Reports, Arihant Capital Research

## Balance sheet summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23
Equity Capital	0.37	344	344
Reserves	2,925	3,049	3,492
<b>Net worth</b>	<b>2,925</b>	<b>3,393</b>	<b>3,837</b>
Minority Interest	-	-	-
Provisions	86	112	142
Lease liabilities	257	175	187
Other non-current liabilities	0	0	32
<b>Total Liabilities &amp; equities</b>	<b>5,453</b>	<b>6,022</b>	<b>7,057</b>
Fixed assets	560	413	543
Other Intangible assets	230	228	418
Goodwill	410	410	754
Investments	75	69	13
Other non-current assets	481	653	908
<b>Net working capital</b>	<b>1,755</b>	<b>1,774</b>	<b>2,636</b>
Investments	1,031	1,945	427
Sundry debtors	1,163	1,188	1,272
Lease Liabilities	96	100	120
Other current assets	122	266	325
Sundry creditors	340	290	364
Other current liabilities & Prov	1,749	1,952	2,301
Cash	1,147	625	2,115
Other Financial Assets	223	224	282
<b>Total Assets</b>	<b>5,453</b>	<b>6,022</b>	<b>7,057</b>

Source: Company Reports, Arihant Capital Research

## Cashflow summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23
Profit before tax	610	807	1,036
Depreciation	317	284	268
Tax paid	230	172	283
Working capital Change	786	1,014	1,253
Change in Goodwill	0	0	-276
<b>Operating cashflow</b>	<b>1,352</b>	<b>645</b>	<b>787</b>
Capital expenditure	-120	-60	-277
<b>Free cash flow</b>	<b>1,472</b>	<b>705</b>	<b>1,064</b>
Investment	-547	-830	433
Others	-13	33	-276
Debt financing / disposal	0	0	-43
Dividend paid	0	-172	-130
Other item	-108	-132	-141
<b>Net Change in Cash</b>	<b>688</b>	<b>-488</b>	<b>391</b>
<b>Opening Cash Flow</b>	<b>-55</b>	<b>634</b>	<b>146</b>
<b>Closing Cash Flow</b>	<b>634</b>	<b>146</b>	<b>539</b>

Source: Company Reports, Arihant Capital Research

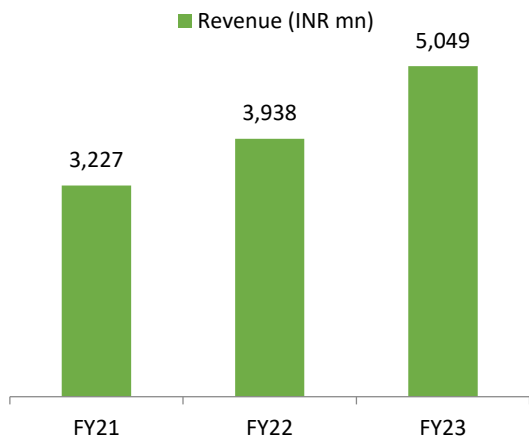
## Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23
<b>Growth matrix (%)</b>			
Revenue growth	-	22.0%	28.2%
EBITDA growth	-	20.7%	30.8%
PAT growth	-	67.0%	18.7%
<b>Profitability ratio (%)</b>			
OPM			
Net Profit Margin	11.8%	16.1%	14.9%
ROCE	13.4%	17.1%	21.7%
ROE	13.0%	18.7%	19.6%
ROA	7.0%	10.5%	10.7%
<b>Per share ratio (INR)</b>			
EPS	5.7	9.2	10.9
Cash EPS	20.2	9.4	11.4
Book value per share	43.7	49.3	55.7
<b>Valuation ratio (x)</b>			
P/E	73.7	45.3	38.2
P/CEPS	20.7	44.6	36.6
P/B	9.6	8.5	7.5
EV/EBITDA	37.0	37.2	22.6
<b>Payout (%)</b>			
Dividend Payout	0.0%	27.1%	17.3%
Tax Payout	37.7%	21.3%	27.3%
<b>Liquidity ratio</b>			
Debtor days	132	111	92
WC days	6844	13	674

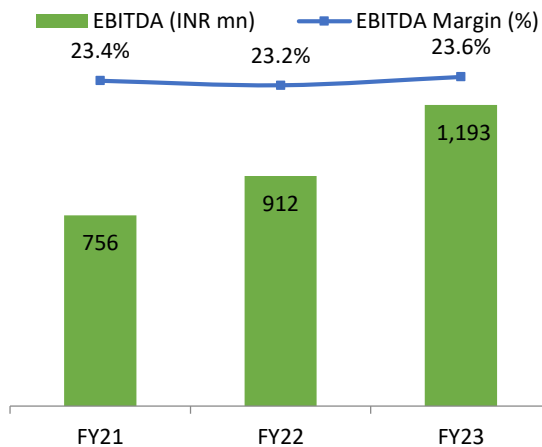
Source: Company Reports, Arihant Capital Research

Story in Charts

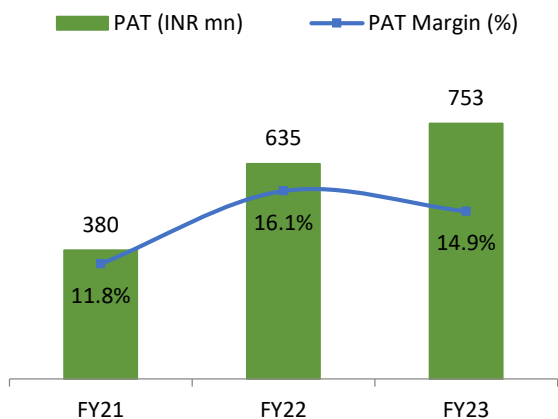
**Exhibit 1: Revenue from Operations has grown at a CAGR of 16.1% from FY21 to FY23**



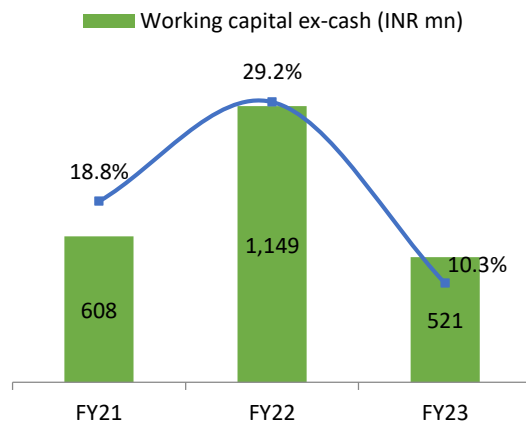
**Exhibit 2: Over the past three years, the company kept EBITDA margin above 23%.**



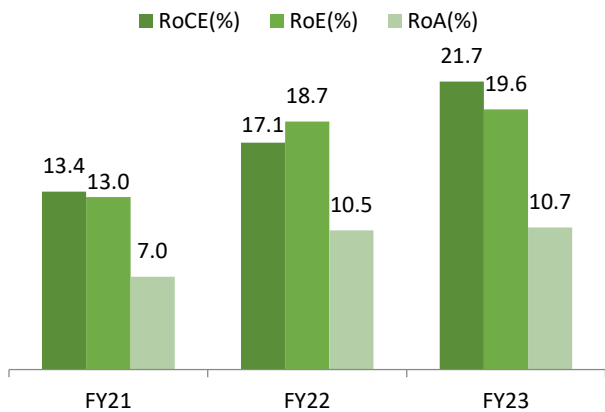
**Exhibit 3: The PAT has shown consistent increase from last 3 financial years**



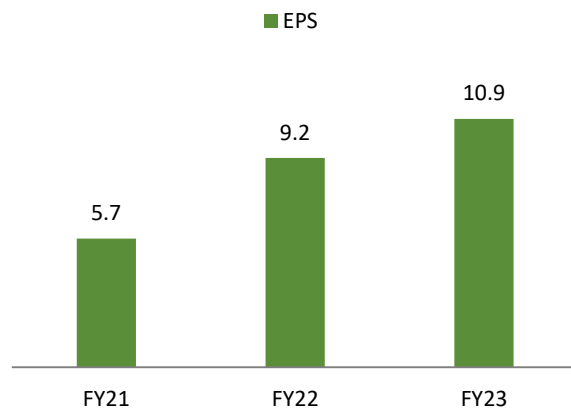
**Exhibit 4: Working capital has reduced in terms of sales.**



**Exhibit 5: Consistent Improvement in ROCE, ROE, and RoA Trends Over Three Financial Years**



**Exhibit 6: Steady Increase in EPS over last 3 Financial Years**



Source: RHP, Company Reports, Arianth Capital Research

Story in Charts

Exhibit 7: The growth of corporate and retail accounts premiums under management over the years.

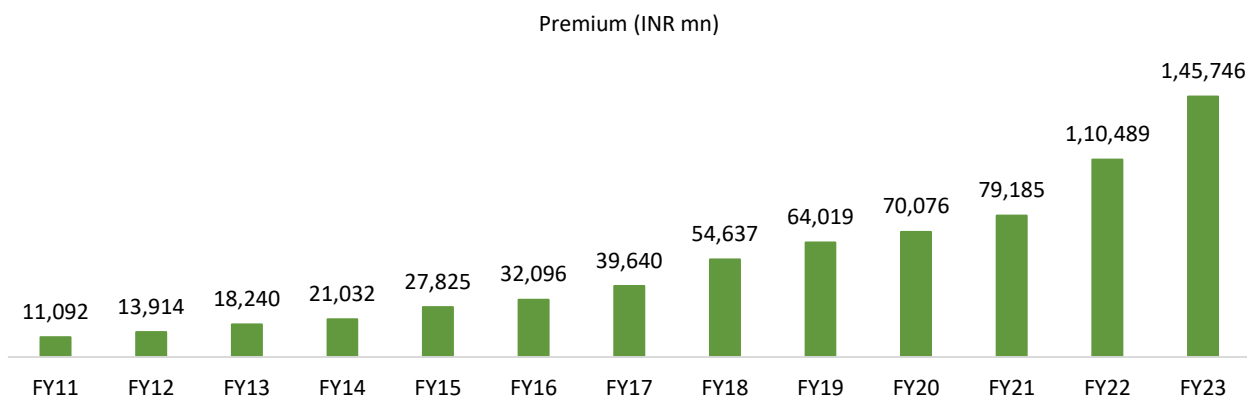


Exhibit 8: Top 5 clients are accounted ~78% of revenue and ~ 88% of claims settled in last three financial years.

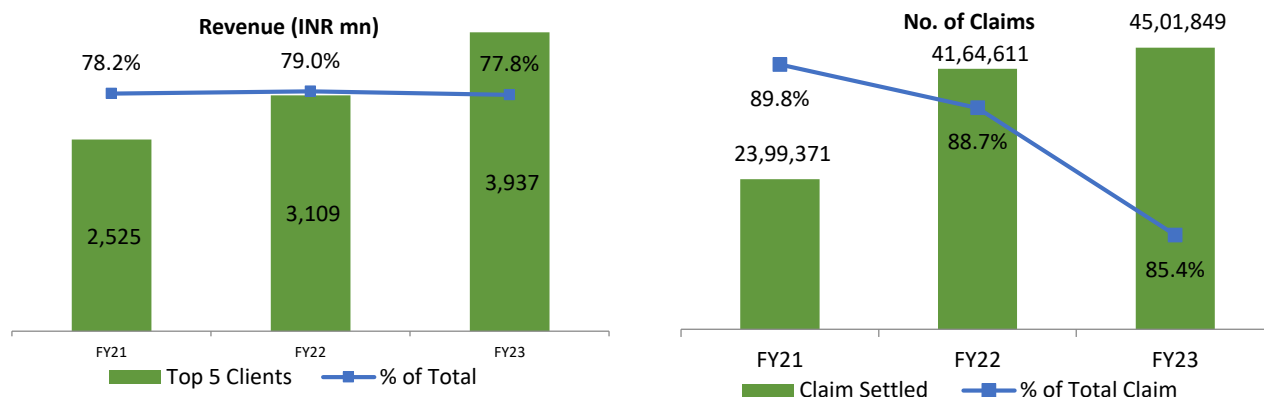


Exhibit 9: Details of claims submitted electronically for the last three financial years.

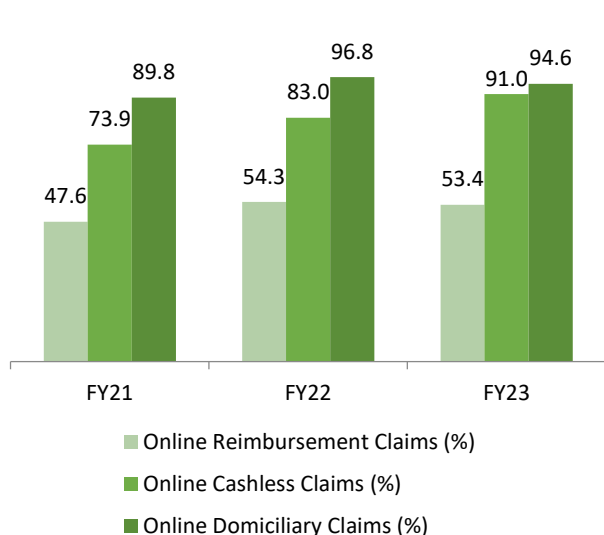
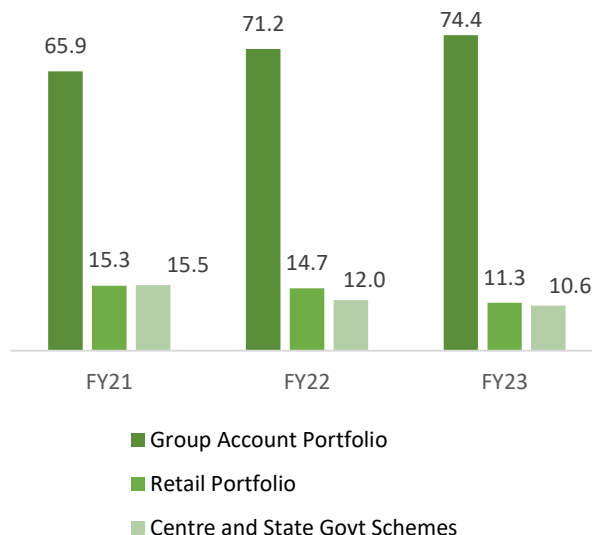


Exhibit 10: Group Accounts, Retail, and Government Schemes: Revenue Breakdown



Source: RHP, Company Reports, Aриhant Capital Research

**Arihant Research Desk**

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

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

Research Analyst Registration No.	Contact	Website	Email Id
<b>INH000002764</b>	<b>SMS: 'Arihant' to 56677</b>	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:instresearch@arihantcapital.com">instresearch@arihantcapital.com</a>

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Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880