



August 22, 2024

To,

Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051

Department of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Symbol: MEDIASSIST

Scrip Code: 544088

Subject: **Transcript of Investor Conference Call**

Dear Sir/ Madam,

Pursuant to Regulation 30 and Regulation 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Company's Conference Call held on August 14, 2024 at 4.00 p.m. to discuss the Company's financial results for the quarter ended June 30, 2024 is annexed herewith.

Request you to take the same on record.

Yours faithfully,

For Medi Assist Healthcare Services Limited

Simmi Singh Bisht
Chief Compliance Officer & Company Secretary

Encl: As above

Medi Assist Healthcare Services Limited

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“Medi Assist Healthcare Services Limited Q1 FY25
Earnings Call”

August 14, 2024



**MANAGEMENT: DR. VIKRAM CHHATWAL – CHAIRMAN & WHOLETIME
DIRECTOR, MEDI ASSIST HEALTHCARE SERVICES
LIMITED
MR. SATISH GIDUGU – CHIEF EXECUTIVE OFFICER,
MEDI ASSIST HEALTHCARE SERVICES LIMITED
MR. SANDEEP DAGA - CHIEF FINANCIAL OFFICER,
MEDI ASSIST HEALTHCARE SERVICES LIMITED
MR. NIRAJ DIDWANIA – HEAD, INVESTOR RELATIONS,
MEDI ASSIST HEALTHCARE SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Medi Assist Healthcare Services Limited Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Niraj Didwania from Medi Assist Healthcare. Thank you, and over to you, sir.

Niraj Didwania: Thank you. Good afternoon, and a very warm welcome to each one of you to Medi Assist Healthcare Services Limited's Earning Conference Call for Q1 FY'25.

The Results of the Company, the Press Release and the Investor Presentation have been uploaded to the Exchanges and also to our Website and distributed through our mailing list.

Please note that any forward-looking statements are to be relied upon based on your own judgment, and all financials and operating numbers discussed on the call are unaudited and or management estimates, and hence investors should refer only to annual audited numbers.

Without further ado, I would now like to hand over the call Dr. Vikram Chhatwal - Chairman and Whole-Time Director of Medi Assist.

Vikram Chhatwal: Thank you, Niraj, and a warm welcome to all our shareholders and other participants joining us from India and from other parts of the world.

With me, I have our CEO – Satish Gidugu; our CFO, who you are all meeting for the first time, Sandeep Daga. He joined us recently and comes with 25 years of experience across leading corporations in India. And of course, all of you know Niraj Didwania who just introduced himself to you and heads our Investor Relations.

As we present the Financial Results for the 1st Quarter FY'25 today, I take a moment to reflect on the health insurance sector in India. As you are aware, the health insurance segment remains the largest within the general health insurance or the general insurance industry pool and the group health business continues to lead the way.

As a Company, Medi Assist continues to see tailwinds with the regulator in carrying out the mandate to make health insurance and the health insurance experience a satisfactory one. As we think of all of the tailwinds of insurance penetration and adoption, it continues to have a positive impact on both the health insurance industry and the TPA industry or the third-party administrator industry to which we belong.

Our focus continues on customer centricity and improving the service proposition that delivers a smoother and enhanced experience for all stakeholders and with specific reference to the policyholder. Our efforts have been aligned with our commitment to fostering a customer first culture, which has always been the heart of our business operations.

As we move into the Company Performance, I will hand you all over to our Chief Executive Officer – Satish Gidugu who will take you through the Company performance over the 1st Quarter of FY'25.

Satish Gidugu:

Thank you, Dr. Vikram, and a warm welcome to all Medi Assist's shareholders and other participants. Thank you for joining this call.

We have delivered another quarter's strong performance in an environment that's under pressure due to reductions in corporate headcounts and an increase in medical inflation. We are excited about several initiatives we have ongoing to improve policyholder experience and to deliver more value to our principles.

The business highlights for the 1st Quarter of FY'25 are as follows:

The total premium under management administered is 5,969 crores as on 30th of June, a growth of 22.4% year-on-year. Of this, group premiums are 5,422 crores resulting in a growth of 19.6% year-on-year, and the retail premiums have grown at a 60.1% year-on-year to INR 547 crores.

The market share in terms of health insurance premiums administered, which is across group and retail, is 21.3% as on 30th of June 2024, demonstrating a growth of 40 basis points year-on-year. The group segment's market share is at 30.2% against the 30.4% last year and the retail segment's market share has moved up to 5.5% from 4.1% last year.

While we will discuss the financials a little later on this call, a couple of highlights that I want to bring to your notice:

- We have improved retention of our group accounts, which is now at 94%, compared to 92% last year, and this now includes the entire portfolio of Medi Assist, Medvantage and Raksha. 17 insurers today use our provider network exclusively, a testament to the value provided by Medi Assist to drive cashless utilization and control medical inflation.
- Mayfair, We Care, our International benefits business, onboarded policyholders from India with overseas health covers, thereby adding a new segment of retail beneficiaries to its portfolio.

With respect to some of the technology highlights for the Company, we facilitated over 19,000 expedited discharges through our Raksha Prime program, a program that used advanced AI and

ML and predictive models powering bill estimation, and allowing patients to walk away even before the bills are generated.

We have delivered nearly a 2x growth in fraud prevention and savings delivered to insurers, again driven by higher utilization of AI and ML models. We have completed our integration and process live claims through NHCX platform and have integrated with 17 insurance companies as of 30th of June. And our technology and operations significantly enhanced to enable and support our insurer partners to be fully in compliance with the latest IRDAI Circulars around policyholder experience.

I now hand over the call to Sandeep Daga – our CFO, to give you highlights on the Financial aspects of the business.

Sandeep Daga:

Thank you, Satish, and a warm welcome to all the participants and the shareholders.

To give the summary of the Financial Results for the 1st Quarter of Financial Year'25:

Our total income is INR 172.9 crore, which turns out to be an 18.3% Y-o-Y growth over the corresponding quarter of the previous year.

The revenue from the contracts with customers excluding other income, which we call as operating revenue, is 167.7 crore, which grew by almost 19.1% Y-o-Y over the corresponding quarter of the previous year. Revenue from the contracts with customers included 9.3% from the government business and 4.7% from our international benefits business.

The EBITDA during the quarter excluding other income, which we call as operating EBITDA, is 35.2 crore, which resulted into a growth of 57.0% Y-o-Y and a margin of 21.0% on the operating revenue.

Profit for the period is 19.1 crore, which is 7.1% growth year-on-year basis and a margin of 11% on the total income. Excluding the impact of the incremental amortization on some of the technology investments which the Company made, our PAT would have been 21.3 crore, which is equivalent to 12.3%.

Some of the key highlights on the balance sheet and the operating metrics as on 1st Quarter are as under:

Net cash balance on the books is 270.2 crore. Net worth as on 30th of June is 503.2 crore. Return on the net worth is 3.8% for Q1, which is equivalent to 15.2% on an annualized basis.

ROCE, return on capital employed, is 4.6% for Q1, which is equivalent to 18.4% on an annualized basis.

Our revenue per average head count excluding the government contracts is INR 0.32 million for the quarter, which is equivalent to INR 1.32 million annualized.

Thank you. and I now hand over the call back to Niraj.

Niraj Didwania: Thank you, Dr. Vikram, Satish, and Sandeep. We can now open the call for questions from the participants.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We take our first question from the line of Chintan Sheth from Girik Capital. Please go ahead.

Chintan Sheth: My first question is on the premium growth, seems to be pretty strong and I understand the revenue growth lagging behind premium growth as we have been guiding due to the timing issue, but if you can just highlight, if you can, on what is the contract liabilities on our books so that we can get some sense on how we should look at it because yields are not comparative when we compare with premium growth in the Q1?

Satish Gidugu: Thank you, Chintan. This is Satish. Thank you for your question. Thank you for being here. So, we had reported contract liability as of March 31st as 220 odd crores, which has gone up by a further 45 crores as of 30th of June. So, like you rightly pointed out, there is a significant timing impact also in the way we book our revenues and hence the lag between the premium growth and the revenue booking.

Chintan Sheth: Correct, and the margins despite lower bookings, we have delivered a decent margin trend. How do you see any guidance change, or do you see second half recovering because as you highlighted in the opening remark, there is a slowness in hiring? How do you see that environment changing as we stand today, if you can provide some light on it?

Satish Gidugu: I think we have always maintained even in the past that we have had multiple years of 23% to 24% as our steady-state margins in the past, and we have acquired multiple companies in the last 18 months and the synergies have started kicking in by Q4 of last year as you have seen from our financial numbers. Happy to report that the integration and sort of realizing the synergies is continuing to be on track and hence we have delivered a 21% in Q1 with all the integrations that are still ongoing. And of course, the focus is on getting back to steady-state margins at the earliest.

Chintan Sheth: And any outlook on premium growth? Have things started improving on the hiring front? And we see faster growth or anyway you are growing faster. It is heartening to see the retail portfolio growing at 60% this quarter. Anything you want to highlight how our strategy is playing out and what are we intend to do over next couple of years to scale our retail portfolio as well?

Satish Gidugu: So, I think we have clearly mentioned multiple times that retail is a focus, and we work with about 14 insurers now on the retail portfolio while we work with 28 insurers on the group

portfolio and with a fairly equal representation from both the public sectors and the private sector insurers. Of course, some of our retail growth is also attributed to the acquisition of Raksha with a significant retail exposure and gives us significant access to north and certain parts of India, right. So, we will continue to stay focused on retail and it continues to be a growth engine as we move forward.

Moderator: Thank you. The next question is from the line of Prakash Kapadia from Spark PMS. Please go ahead.

Prakash Kapadia: A couple of questions from my end. You know, broadly, if I were to take a slightly longer-term view on health insurance GDPI growth, all of us have seen post-COVID, the awareness has increased and it can continue to grow at 17%, 18% over the next few years. Just wanted to get your understanding what will it take for higher growth at our end, 20%, 25% kind of growth. Will it be market share gains, assuming industry grows at 17%, 18% in the group business? Is it going to be retail business contribution increasing from here on in our mix? That's the first question.

Secondly, of the employee cost if you could give us some sense of what is fixed and variable payout in terms of the breakup? And lastly, what are the technology costs which we have done last year and what kind of a capex we are estimating in technology this year? These are my three questions.

Vikram Chhatwal: Appreciate that. This is Vikram. Let me kick off the first part of the question and then I will hand it over to my colleagues to answer the other. I think if you look at the intrinsic tailwinds of growth, our business continues to benefit from the group business and we continue, while there has been some softening in hiring, we believe that will over a period of time come back to normal levels of hiring. And we continue to stay focused as that being the main pillar of our growth story.

In support of what our CEO just said to you, the retail remains an integral part of the growth story, and as you have seen in the Company's performance, we have increased the number of companies and insurers we work with in managing the retail portfolio, which is 14 insurers as Satish shared with you.

Given all of the tailwinds, our focus on the corporate book where, yes, a part of our growth story will always be accretion of logos or customers and market share as you pointed out clearly is an integral part of the growth story for us. The retail participation and partnerships that we have with various insurance companies and their various products that are sold continues to remain an integral part.

The third, as Satish in his opening remarks gave you, is our capability from a fraud, waste, and abuse prevention perspective and that has become an integral component of what is driving both

insurers and customers to continue to work with us as is seen in lower churn in the business from 92% to 94%.

So, the churn has gone from 8% to 6%, and greater allocations on the retail portfolio given our length and breadth and quality of network and as Satish pointed out to you, 17 insurers that use our hospital networks and our contracts, all supporting not only the length and breadth of our reach but our ability to prevent fraud, waste and abuse in the insurance ecosystem.

To the second half of your questions on employee cost and some of the key technology initiatives that the Company has taken over this period, as Satish introduced the idea of Raksha Prime and various other technologies related to fraud, waste, and abuse, I will hand over to Satish to answer these questions for you.

Satish Gidugu:

Thank you, Dr. Vikram. Just to get back to our employee benefits, historically for many years now, our employee benefits expense as a percentage of revenue have hovered between 40% and 41% despite our volumes more than doubling over the last 3 years.

That's back to on the technology investments that we make and the kind of integrations that we have been able to build with the rest of the industry, you would see a marginal increase in this quarter compared to the last year same quarter because it has all of the head count of all of the acquired entities and even then it's just about 100 bps increase on the basis of the revenue. And the reason we are able to maintain that is because of the investments in tech. So, that's on the employee benefits side of it.

And from a technology and investments perspective, we have a very strong tech first approach to solving problems. We have our platforms that we build today are run at an industry scale. Last year we processed over 8 million claims, of which almost 55% were outpatient claims and delivering almost 65% cashless in-patient, 45% cashless in outpatient at a scale for the entire industry.

So, some of our technology platforms today are also leased by insurance companies to run their operations. And apart from that, we have made a fair bit of investments in data sciences and in building AI and ML teams inside the organization with two real north star metrics that we look at now from an insurance industry perspective.

One is how do you improve the policyholder experience, which is also what the regulatory authority is sort of pushing the whole industry for. And second is how do you improve outcomes for our insurer partners by doing a far superior work of preventing fraud, waste, and abuse. And again, both of these are significantly determined by our digitization and AI & ML initiative. So, this is where our technology focus is right now.

Prakash Kapadia:

Satish, if you could quantify the capex on technology for this year versus last year? Because last year as you said, you had some of the acquisitions. So, will it be higher, lower? And on the

employee cost, yes, we have managed it very well. So, any sense or color you could give us on fixed and variable pay, that will be helpful.

Satish Gidugu: I think we're a fairly tightly managed operation today and I don't think we have any specific breakups that we provide on the employee benefits, and it includes all of our leadership costs today, right? And so, we have, I think typically, about 4% of our revenues that have gone into capex. It includes all of our data centers and investments and technology. There will be a marginal increase in capex as and when needed because we see this as an opportunity to build some disruptive technologies in the whole AI/ML space and to sort of deliver on the policyholder experience mandate that the regulatory authority has actually set for us.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from Nuvama Wealth Management. Please go ahead.

Madhukar Ladha: So, just a quick few questions from me. I wanted to just get that number right. So, 45 crores is the increase in deferred revenues in this quarter and the same number for last quarter was about 15 crores. Is that right?

Satish Gidugu: No, I think as a snapshot number on the balance sheet, last year closing number was about 220 crores is the deferred or the contract liability. 220 has gone to 265.

Madhukar Ladha: And so there is an increase of 45 in this quarter. What was the increase in the last quarter? Is that 15 crores number, right?

Satish Gidugu: Yes, that's correct.

Madhukar Ladha: Yes, because I had it in my notes. I wanted to just confirm.

Vikram Chhatwal: To be exact, the number was 12 crores as I understand.

Madhukar Ladha: And then the next question is, what is this tech cost amortization? And there is an impact of about 25 million on the PAT and why should that be excluded? Why is that an extra? I wanted to just get a sense of that. And the next question is what is driving our improvement in retail market share? I am sorry if I missed some bit of the call. So, maybe this is a repetition. It will be helpful if you can just answer these questions.

Satish Gidugu: Let me start from the business side of it. On retail, it continues to be a focus area and if you recollect some of our past conversations, we have the platforms, we have the network, and we have the digital integrations that are sort of giving us the ability to win more and more of the retail business.

That's how we now have retail business with about half the insurers already and part of the growth on retail, Madhukar, has already also come in from our Raksha acquisition. Raksha had

significant retail presence, and it was one of the reasons why we looked at Raksha specifically to plug some gaps in our geographic presence in the retail story. So, this is sort of both combined leading to retail growth.

On the tech side, I will let Sandeep to give you the numbers, but I think just to give you a color of what we have done, I think in the past, most of our tech for claims processing is something that we had actually built out as per some of the updates that we had shared with you. So, I think the incremental investments are actually going into significantly acquiring or improving our AI and ML capabilities.

So, while we have added a fairly capable data sciences team and we have delivered couple of very interesting capabilities as I talked about in the opening remarks, while the industry has a target to improve the speed with which discharges are processed, today using our technology we have let about 19,000 patients leave hospital on the day of discharge even before the bills were printed.

And this is the predictive technology that we have built which allows the hospitals and the members to estimate an out-of-pocket expense to a fair bit of accuracy and actually simplify the entire discharge process. So, that's our work that we are doing towards improving our policyholder's experience.

The second piece that has come out as a very positive outcome in the last three or four months is the amount, the rupee value that we are delivering back as savings to insurance on account of preventing fraud, waste and abuse has grown 2x over just the last 3 to 4 months on a monthly run rate.

So, these are the investments that we made on AI/ML, but we saw some significant gaps in the way the industry data is sort of coming into us to enable this or improve this AI/ML accuracy even further and then expand the scope to 100% of our business.

So, this is where we have acquired some tech assets to improve our digitization capabilities, convert all the unstructured data to structured data. So, that's the incremental investment we have made, Madhukar, because we believe that's the right thing to do to deliver on board these promises. I will let Sandeep talk about the specifics on the numbers.

Sandeep Daga:

Madhukar, as we have been making significant investments in the technology projects, which includes commitment of resources, procurement of licenses, and building an IP, which will help us to meet the regulator's intent in times to come.

As far as the quantification of these IT leg investments is concerned, this, the total spend during Q1 happens to be roughly around 2.3 crores and another leg of the transaction is sitting in the finance cost.

You would have noted that the total finance charges have gone up by roughly around 80 odd lakhs. It is finally on account of the unwinding of the interest component on the liability which has been created towards procurement of such software licenses. This has been done because some of the licenses we have procured are on deferred payment terms and hence the same got accounted in the book on compliance with IndAS 109 which talks about financial instruments.

Madhukar Ladha: And just one more thing. The revenue split you have between non-government business, government, and international business, can you give me the comparable split for last year Q1?

Satish Gidugu: We will get that to you, Madhukar, in a minute, but will be largely in line with this because there is no significant movements across group.

Moderator: We take the next question from the line of Rishi Jhunjhunwala from IIFL Institutional Equities. Please go ahead.

Rishi Jhunjhunwala: Just a couple of questions more on the industry side. Firstly, you have been highlighting in your presentation about integration with NHCX platform and you started processing live claims also there. Just wanted to understand how is that platform fixing in the entire ecosystem, in the sense, is it taking some work and effort away from us and as a result, could actually be deflationary to our addressable opportunity, or is it actually adding any other potentially untapped markets? How is it playing out? If you can explain a little bit on NHCX, that will be helpful.

Satish Gidugu: See, in some ways we have always had the equivalent at Medi Assist for many years now. NHCX today delivers on one promise, which is to create a standard exchange platform using which hospitals, which are the providers can actually send a payload of information to the payers that are the insurers and then again payers can send a response back to the providers in a common exchange platforms. So, think of it as a hub through which all of these messages are passing through.

Of course, right now NHCX is live, has some limited products from some of the insurers on it, but if you look at our own numbers that we have presented, over 82% of our cashless today is already received electronically by us through various equivalent exchange platforms that we already integrate with. There are industry exchange platforms that we already integrate with. 82% of our cashless is already electronic.

Our hope is that when NHCX comes in eventually across all the exchanges and NHCX will get to 100% electronic exchange of information between us and the hospitals, it will certainly lead to incremental improvements in our operational efficiencies and that will be a substantial move forward in the policyholder experience because this whole aspect of hospital sending you an email and emails having attachments, you having to read them hopefully will sort of go over the years to come.

So, I think that's the limited extent to which we see NHCX sort of playing, but if NHCX were to become successful, and if the whole industry were to sort of move to a standardized exchange, and that will sort of hopefully become the base for expansion of health insurance benefits and hopefully the insurance for all by 2047. We see this as one of the building blocks of how the country will move to digitize and use electronic workflow. So, I think we see this as an enabling thing for health insurance penetration.

Rishi Jhunjunwala: But do you think this could potentially pose a risk to the realization we get from the payers?

Niraj Didwania: So, Rishi, I think these are somewhat unrelated topics because it's much like a stock exchange because the decision making is with the party and not with the exchange. So, we all plug in as insurers, as TPAs, as hospitals, we perform our respective workloads and what we need to deliver. And it is a way to sort of common size and standardize the messaging across all of the actors in the industry.

Vikram Chhatwal: So, I think in summary, Rishi, I think we remain as a TPA neutral and will benefit from the accretion that a platform like this will have from and its impact on insurance penetration, but from a realization perspective, we see this as being neutral to our business.

Rishi Jhunjunwala: And just the second question on this health master circular that came out last quarter. Just in terms of implementation, do you think it could be followed to the T and some of the guidelines which are there which includes performance of TPAs to be monitored and all, I mean, how do you see that playing out in a practical world?

Satish Gidugu: So, Rishi, I think one should imminently this is our view. We should look at the intent behind the circular as creating a North Star Metric of policyholder experience in the entire health insurance industry to make sure that there is a lot more penetration and there is lot more population opting for health insurance.

So, we see, we take that as the intent behind the circular. Of course, there are operational questions on the implementation that are being debated today across the insurers and the TPAs, and there is work being done. I think the entire industry, including us, we have taken this in a very positive spirit to say that what is it that we can do to ensure that the policyholder experience becomes the North Star Metric for everybody. So, we have always held ourselves in turnaround times to fairly high degree of Standards.

In fact, we publish our real-time averages of cashless processing, pre-authorization processing, and claims processing on our website. So, you actually see the average today, average for the last 7 days, 30 days. So, we have since made operational changes to get nearly as close to 100% as possible on some of the operational parameters, the circular would like us to sort of get to on the processing inside of it, and we are working with insurers and some of the other process changes that are focused on policyholder experience.

Rishi Jhunjhunwala: So, just to wrap up, sorry, so, on the flip side, can it potentially lead to market share consolidation given that smaller players are potentially not capable of handling these kind of stringent guidelines on the TPA side as well?

Satish Gidugu: I think the ask is stringent and I think time will tell. I think we are well prepared, and we are forging full speed ahead from an intent perspective to be fully compliant and we are almost there.

Moderator: Thank you. The next question is from the line of Sarang Sanil from RW Investment Advisors. Please go ahead.

Sarang Sanil: So, FY'23 Raksha revenue I believe was around 65 crore, and this is about 16 crores a quarter. Considering that there was some customer churn in Raksha post-acquisition, even taking revenue of 7 to 8 crores would essentially push our revenue quarterly growth ex of Raksha to about 30%. Industry definitely would have grown much faster than this I believe. Am I missing something here?

Niraj Didwania: Sarang, we have consistently maintained that acquiring an entity and retaining its business are two different things. So, what happens is once we buy a Raksha or a Medvantage, immediately on next day basis, the responsibility of retaining that business for which we paid is on us.

So, we don't differentiate what is an organic or inorganic premium or a revenue contribution because all the efforts required to retain that business integrate that operation, shift them to our technology platform. That completely comes to us as a heavy lifting operational effort and so we do not differentiate this.

That's why we have consistently maintained that overall, we have a go-to market in terms of what kind of growth and what kind of market share we want to maintain in the industry, and that's where the premium growth and revenue growth for the quarter are quite healthy and satisfactory.

Sarang Sanil: So, my second question is, has the integration of Raksha been completed? And also, is there any particular quarter where you give a wage hike to the employees?

Satish Gidugu: So, Raksha integration typically we always maintained that given the annual renewal nature of the health insurance policies and given the way the revenues are deferred out over the 12-month period of each policy, typically we had about a four-quarter effort to fully integrate all of the business that we acquired.

So, Raksha came in our business in Q3 of last year. In another quarter or so, we expect to fully complete the integration. And of course, there is a merger process that is running, and it will take due course. In due course of time that will sort of get completed. The wage hikes historically have been in Q2 or Q3 depending on the year.

Moderator: Thank you. The next question is from the line of Varun Gajaria from Boring AMC. Please go ahead.

Varun Gajaria: I am sorry if this question has already been asked. So, what is the revenue split from our recent acquisition Medvantage, Raksha and Mayfair? I suppose Mayfair also has been consolidated, right, in this quarter?

Satish Gidugu: The question was not very clear, but are you asking us for the revenues from the acquisitions?

Varun Gajaria: Yes, in this quarter specifically.

Satish Gidugu: I think about little less than 5% is from Mayfair because it's a 60% owned entity. Like Niraj answered in the previous question, the acquired TPA businesses get consolidated into the main TPA business because even regulatorily we are responsible for every claim and every policy from the date of acquisition. So, the TPA business is a consolidated number across all acquisitions and the international business is about 4.7% on the revenues for the quarter.

Varun Gajaria: So, on margin front, these businesses, the margin would still be relatively lower to our business margin, right?

Satish Gidugu: I think we take about, and of course when we acquire, like we said, we acquire typically for acceleration of addition of contracts and these are typically low margin businesses that we acquire, it typically takes us about four odd quarters to complete the integration and recover back to our margin profiles. So, we are on our way in terms of integrations. So, you already see that Q1 is at a much higher margin than last year's Q1. So, obviously our efforts are to get back to our steady-state margins that we have executed in the past.

Varun Gajaria: I just wanted to understand on quarter-on-quarter basis the comparison, if you do comparison, things look a little stark. So, is there a seasonality factor that plays here?

Satish Gidugu: I think it's not necessarily seasonality from a volume perspective, but we have a timing on the revenue booking because what we do is unlike the insurance companies that report the premiums booked in a quarter, we earn a percentage of the premium as our revenue, and we distribute the revenue across all 365 days of the policy. And we do this for all the tens of thousands of policies that we serve.

So, while there is the acquired business or the business that we are running is much higher, the revenues that we actually recognize in a quarter could vary. And just refer you back to one of the earlier questions, we have an item called the contract liability, which is what we defer out to a future period. The net revenue that we had deferred out to a future period as of March was about 220 crores and that number has now moved up to 265 crores. So, it's a revenue that we have acquired, we are servicing, but we haven't recognized fully.

Moderator: Thank you. We take the next question from the line of Ashutosh Parashar from Mirabilis Investment Trust. Please go ahead.

Ashutosh Parashar: Good evening, Dr. Vikram, Niraj, and Satish. So, wanted to better understand the negotiation that we do with hospitals on the pricing front and whether it is an ongoing exercise that happens throughout the year, or does it happen annually during the 1st quarter? And if it has happened already, then what kind of annual inflation in the healthcare prices are we seeing in our network hospitals versus generally the healthcare inflation outside of it?

Satish Gidugu: Ashutosh, that's a lot of questions. So, I will just try and organize that in a fashion. One, see the regulation today allows insurance companies to directly contract with the hospitals or as Medi Assist like TPAs, we can contract with the hospitals and insurance companies can actually use the same contracts.

So, our contracting has always been a core focus and a core differentiator for us. That's why today, of the 28 insurers that work with us, 21 of them use our network and 17 of them exclusively use our network today.

And of course, the negotiation is, I think one can look at it in two ways, right? One, for each claim you bargain or two, you have a very structured data-led process with a core focus on managing medical inflation. So, we actually use the latter. These are typically multi-year contracts with the hospitals that we sign. They don't necessarily renew every single year or whenever there is a rate chart change, right?

And the second thing that we also do when we contract with the hospitals is also to have simplified building constructs and we have about 140 surgical procedures that are most frequently used which have an all-inclusive package kind of a structure with the hospitals which actually simplifies both billing and also acts as an inflation control mechanism.

Third, we also work very closely with hospitals to simplify their operational processes. About 82% of all interactions that we have with the hospitals when the patients are still in the hospital or through electronic exchange platforms, they don't need to call us, and they have real-time visibility into what's actually happening.

And the fourth that we work very hard towards is to make sure that the promise to pay at the time of discharge is held when the final settlements actually happen to hospitals. So, this is a very closely monitored metric at our end and we work very hard to make sure that the hospitals actually get to the second decimal point before patient leaves the hospital, exactly what they are likely to receive from the insurance company that we represent, and we work very hard to make sure that they actually receive that in full.

So, in summary, if you put all of these things together, we will continue to enjoy a favorable inflation rate in our average claim size. Historically, it's been about half of the medical inflation

that is reported in the industry, but then maybe will be around circa 5%, which is half of the medical inflation that's reported. I hope that answers your question.

Ashutosh Parashar: Yes, that helps a lot. And just a couple of data points if you could help with. What is the contribution of the top five insurers in our total revenue as of FY'24 and the share of non-PSU insurers in our total premium under management?

Satish Gidugu: So, are you asking us for the share of public and private sector insurance? Sorry, I just want to make sure I understood your question.

Ashutosh Parashar: Yes, one is that.

Satish Gidugu: So, the top five insurers contribute 71% today of the premiums and we have about I think 28% of our premiums are from the private sector insurers across the board.

Moderator: Thank you. We take the next question from the line of Franklin from Equentis Wealth Advisory. Please go ahead.

Franklin: Sir, what would be the retention rates on Mayfair and Medvantage?

Satish Gidugu: So, retention we measure on the group business because these are annual contracts. Medvantage and Raksha are already subsumed fully into Medi Assist. So, India TPA business has only one retention metric across acquired and organic portfolios which has moved up to 94% on premiums this quarter compared to 92% the same quarter last year.

Franklin: And sir, what would be your margin in Q1 of FY'23?

Satish Gidugu: We were I think far lower margins in Q1.

Niraj Didwania: We can just come back to you with the data points. Do you have any other questions?

Franklin: So, also, you had mentioned about it would take about four to six quarters, I believe, to restore the EBITDA margins that we had prior to the acquisitions. So, are we on track for achieving the same?

Satish Gidugu: I think we have always said that our steady-state margins historically were 23% to 24%. I think we believe that it's a stable-state margin and our objective is to get back to the stable-state margins at the earliest once we close out the integrations of these acquisitions.

Franklin: And so, lastly in terms of a tax rate, like this quarter we have seen some normalized sort of a tax rate. So, can we expect this kind of tax rate going forward as well or can there be some volatility?

- Sandeep Daga:** This is Sandeep here. Thanks for the question. Our effective tax rate going forward will be in the range of 20% to 22% for the year. We have gotten few benefits during the last year because of the acquisitions and the losses of the companies which we have acquired, which is a one-time benefit, but going forward it will be around 22% circa.
- Franklin:** If you could help me with that last, the question I asked earlier on the margin.
- Sandeep Daga:** Yes, I think the same reason for last year's margin. The margin of 16% would be the comparable EBITDA margin of FY'23 Q1.
- Niraj Didwania:** Sorry, you were asking '23 or '24?
- Franklin:** '23. Q1 FY'23.
- Niraj Didwania:** So, we will get back to you because actually '23 we were not in a quarterly reporting cycle. So, we will give you this information offline, if that's okay.
- Franklin:** Yes, that will be fine.
- Moderator:** The next question is from the line of Chinmay Nema from Prescient Capital. Please go ahead.
- Chinmay Nema:** A general question about in the industry and this business as well, the take rates if I compare FY'24 from FY'20, they have come down. I think the management has previously talked about, attributed this to the product mix between group and retail and the acquisitions we have done, but could you provide some color on this without taking the impact of acquisitions and the mix? So, on a like-to-like basis for similar policies what has the trend been on take rates over the last five or seven years for the industry?
- Satish Gidugu:** First, thanks for this question. We get remunerated as a percentage of the premiums that we serve. So, we just refer to that as a yield. So, our yields typically like you rightly said depending on the mix of the policies, if you see pre-COVID, it was predominantly just the base benefits, plain vanilla, IP benefits that are offered by the group customers.
- Post-COVID there was a significant spike in the outpatient and flexible benefits. Typically, the nature of these benefits and the outpatient products is that not 100% of the underlying employee base actually participates in it, number one. And second, they are not as fully priced in from a premium under yield perspective.
- So, from a mixed perspective, I think we have seen a few single-digit basis points net change, but we continue to, while we don't publish that metric outside, we continue to internally measure the net realization for life that we manage and that continues to remain healthy and growing on that perspective, but if I just removed all of the outpatient and the flexible benefits etc., and the base policies, there has not been too much of a compression on the yields.

- Moderator:** Thank you. We take the next question from line of Sonal from Prescient Capital. Please go ahead.
- Sonal:** Sir, if I just I think emphasize the data and you want to just correct, you mentioned that 28% of your revenues come from private insurance and 72% thereabouts comes from public insurance. Am I correct in understanding that when you were answering somebody in the call?
- Satish Gidugu:** Yes, that is excluding the government business. Yes, that's correct.
- Sonal:** So, my question is linked to this, that if we were to just understand the nature of what is it that, let's say, a private insurance is looking for from you compared to a public insurer or in absolute sense, what is it that is required for us to get a higher share of a public or private insurance business, what could it be, and just to understand the nature of your customer on the private side, just that's my question.
- Satish Gidugu:** I think these at our scale, we have a fairly common understanding of the insurer's requirement. They remain the same in respect of public or private, which is basically renewability, annual renewal, the customer experience, and efficient loss control through inflation management on the network side and fraud, waste, and abuse prevention. So, they continue to be a common set of metrics across all of the insurers.
- We have a fair bit of a group presence. So, some of the ultra large corporate houses in the country happen to be insured by the public sector insurers. So, that definitely skews the distribution of premiums in our book, but purely from account perspective, we work with 28 insurance companies across the country, and we work with almost half of them on the retail front. So, I would not necessarily attribute this to the requirements being different or some of these models being different.
- Vikram Chhatwal:** Just to add, this is Vikram. I think there is no in our service definition and in our contracting or partnership definition with insurers, we really don't see this as a public versus private. Our business in the numbers that you have just heard mimics the natural distribution of business between public and private insurers. While in some sectors, public insurers continue to dominate the space and in others, they do not. So, we reflect and mimic that, and it's not really an impact of the nature of contracting or a need that a private insurer versus a public insurer have. I think the needs remain exactly the same.
- Moderator:** Thank you. Ladies and gentlemen, we take that as the last question for today. I would now like to hand the conference over to Mr. Niraj Didwania for closing comments.
- Niraj Didwania:** We thank everybody for their active participation on this call. We are available offline to address any questions with respect to the business and financials. Thank you so much.
- Vikram Chhatwal:** Thank you.



*Medi Assist Healthcare Services Limited
August 14, 2024*

Moderator:

Thank you, members of the management. On behalf of Medi Assist Healthcare Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.