May 22, 2024

To,

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

Symbol: MEDIASSIST

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

Scrip Code: 544088

Subject: **<u>Transcript of Investor Conference Call</u>**

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 May 16, 2024 at 5.00 p.m. to discuss the Company's financial results for the quarter and year ended March 31, 2024 is annexed herewith.

Request you to take the same on record.

Yours faithfully,
For Medi Assist Healthcare Services Limited

SIMMI SINGH BISHT
Digitally signed by SIMMI SINGH BISHT
Date: 2024.05.22 16:59:25 +05'30'

Simmi Singh Bisht
Chief Compliance Officer & Company Secretary

"Medi Assist Healthcare Services Limited Q4 FY24 Earnings Conference Call"

May 16, 2024

MANAGEMENT: DR. VIKRAM CHHATWAL – CHAIRMAN & WHOLE-TIME DIRECTOR, MEDI ASSIST HEALTHCARE SERVICES LIMITED
MR. SATISH GIDUGU – CEO, MEDI ASSIST HEALTHCARE SERVICES LIMITED
MR. MATHEW GEORGE - CFO, MEDI ASSIST HEALTHCARE SERVICES LIMITED
MR. NIRAJ DIDWANIA – SENIOR VICE PRESIDENT, STRATEGY, MEDI ASSIST HEALTHCARE SERVICES LIMITED

Moderator: Ladies and gentlemen, good evening and welcome to Medi Assist Healthcare Services Limited's Q4 and FY2024 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 - Senior Vice President, Strategy at Medi Assist. Thank you and over to you, sir.

Niraj Didwania: Thank you. Good evening and a very warm welcome to each one of you to Medi Assist Healthcare Services Limited's Earnings Conference Call as we share Quarter 4 and Financial Year 2024 Financial Results with you. The results of the Company, the press release and the investor presentation have been uploaded to the exchanges, to our website and also 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 audited and are management estimates and hence investors should refer only to the uploaded financial statements of the Company.

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

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

My name is Dr. Vikram Chhatwal, and I am the Chairman of Medi Assist. With me on this call today, I have Mr. Satish Gidugu - our CEO. Mr. Mathew George – our CFO and Niraj who you have already heard speak, who heads our Investor Relations.

As I present the Financial Results for the Quarter and Full Year Ended March 31, 2024, today, I do want to take you back into a few lines on the Health Insurance sector in India which has and will continue to grow supported by tailwinds including the regulatory commitment to enable insurance for all by 2047. This push by the government and private enterprise will continue to have tremendous positives impact on the insurance industry and the TPA industry that we are a part of.

As a Company given these tailwinds, we continue to create newer value chains in the industry while we maximize our participation in the existing ones. Notably, the recent news about the composite license for life insurance and the possible downward revision in the applicable GST on health policies, if implemented, will be a win-win for all stakeholders and most importantly, the policyholder. As you all know, the health insurance segment for the general insurance industry continues to be the largest segment. Of course, we continue to see that the group health business leads the pack.

I now take you to the highlights of our Company's performance. The total premiums under management that we administered as a Company was at Rs. 19,050 crores as on 31st of March 2024, a growth of 30.7% over the corresponding period of the previous year. Further, if I break this down into its respective segments of group and retail, the group segment fund was Rs. 16,709 crores, a growth of 30.4% on a year-on-year basis. The retail segment was Rs. 2,341 crores which is a growth of 33.2% on a year-on-year basis.

As a share of total industry health insurance premium that we administered, this takes into account both group and retail policyholders. Our share was at 19.6% delivering our share growth of the total health insurance industry premium up by 186 basis points over the corresponding period of the previous year. This again, if you looked at the 19.6%, which is our share of the total health industry insurance premiums and we break that into group and retail, group accounted for 30.4%, which was 229 basis points growth on a year-on-year basis and the retail segment market share was at 5.5%, which is a growth of 50 basis points on a year-on-year basis.

I now hand over our call to our CEO – Satish Gidugu to walk you through the specifics of the Company's performance. Over to you, Satish.

Satish Gidugu: Thank you, Dr. Vikram and a warm welcome to all Medi Assist shareholders and other participants and thank you again for joining this Call.

Medi Assist has delivered another year of strong growth with three-year revenue CAGR of over 25%. And this is backed by the trust we continue to enjoy from our customers. Our organic growth was also topped with successful integration of acquisitions stand testament to our performance.

While we will discuss the financials a little later on this call, a couple of highlights that I want to bring to your notice is maintain retention of group accounts at 94.7% for Medi Assist, marginally higher than the previous year's numbers. And as we see health insurance plans, bring in outpatient benefits significantly, we processed 3.6 million outpatient claims last year and broadened significant cashless utilization even into the outpatient claims that we process.

And with respect to technology, Medi Assist emerged as a leader for the National Health Claims Exchange integration and successfully completed all these cases for multiple insurance companies. We also won Best use of AI in Healthcare award for proprietary Fraud Detection Engine, and we continue to invest in preventing fraud, waste and abuse and delivering savings back to the ecosystem. And we are also building capable and in-house team of data scientists towards better data security, analytics and use cases for all of our stakeholders. I would now like to hand over the call to Mathew George – our CFO.

Mathew George: Thank you, Satish and a warm welcome to all the participants. We have had a fantastic quarter and an awesome year.

So, I will take you through the Financial Highlights for the quarter ended 31st March of 2024:

Our total income was Rs. 171.1 crores, a growth of 22.9% over the corresponding quarter of the previous year. Revenue from contracts with customers, this is excluding other income of what we call as operating income is Rs. 166.8 crores, a growth of 22.6% over the corresponding quarter of the previous year. Revenue from contracts with customers included 11.4% from our government business and 5.2% from our international benefit business that is Mayfair We Care. EBITDA excluding other income, operating EBITDA is INR 37 crores for the quarter, a growth of 20.7% year-on-year over the corresponding quarter of the previous year, a margin of 22.2% on operating revenue. Profit after tax is Rs. 25.7 crores at 15% margin on total income, a growth of 50.6% year-on-year over the corresponding quarter of the previous year, a margin improvement of 277 bps year-on-year.

Now, I will take you through the full year numbers for the year ended March 2024:

The total income is Rs. 653.1 crores, a growth of 25.8% over the previous year. Revenue from contracts with customers, excluding other income which is operating income is Rs. 634.7 crores, a growth of 25.7% over the previous year. Revenue from contracts with customers included 10.1% from the government business and 5.8% from the international benefits business, which we call Mayfair We Care. EBITDA, excluding other income, operating EBITDA is Rs. 133.3 crores, a growth of. 11.7% over the previous year, a margin of 21% on the operating revenue. Profit for the period, adjusting for the exceptional item of Rs. 21 crores is Rs. 92.3 crores, a growth of 22.6% year-on-year over the previous year, a margin of 14.1% on total income.

I will now give you a few highlights of the balance sheet and key operating metrics for FY24 are as follows:

The net cash balance on our books is about Rs. 245 crores. This is what we compared Rs. 255 crores in the previous year post all the acquisitions of Rs. 135 crores which we got through the year. So, we have approved cash back on the balance sheet. Our net worth is Rs. 481 crores. Our return on net worth is about 19.2%. Return on capital employed is about 20.4%. Revenue per average head counts on non-government contracts is 1.38 million. We continue to be debt free and continue to have a very strong balance sheet.

Thank you all. I will now hand over the call to Niraj who will take it from me.

Niraj Didwania: Thanks, Dr. Vikram, Satish and Mathew, we can now open the call for questions from the participants. If you have any questions, please direct them to Dr. Chhatwal who in turn will ask the concerned team member to respond.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Gautam Gosar from Monarch AIF. Please go ahead.

Gautam Gosar: My first question is, what would be the revenue split for the retail group and government business for the quarter and the year?

Satish Gidugu: We have provided the premium splits of group and retail. From our revenue and operations perspective, we see it as one large revenue pool. So, I think we have the premium spaces that are already in the presentation.

Gautam Gosar: Let me ask it the other way. What would be your take-rate for the retail and group business, and we assume that this take rate has been declining, so if you could highlight the reason for that and what can be the sustainable take rate which you should look at?

Satish Gidugu: So, I think like we have mentioned even in the previous calls, our take rates are subject to a combination of insurer and the product and depending on the kind of workload that we have as per the product. We have also historically mentioned that in the group products, our take rates vary anywhere from 2.5% to 4.5% depending on the key product and the policy. And in retail and especially when the benefit policies, again, we see anywhere from our 2.5%-3% all the way up to 5.5%. So, the way that you see is a mix of two things, right, which is the mix of the business between group retail and the products. And secondly, for all of the business that we win, depending on the timing of when we win the business, there is a significant portion of the revenue that we also defer out into the next financial year, for example, the net deferral from last year to FY25 is Rs. 220 crores. So, that also sort of could potentially artificially show a decline in the take rates. But otherwise, I think we see no concerns on the take rates from a quality of revenue perspective.

Gautam Gosar: So, what we understand here is that our base rate would be 2.5% for both the businesses, not below that, right?

Satish Gidugu: Yes, but not usually. That is a reasonable 2.5 to 4.5 or 5.5 is the range that we operate in right now.

Gautam Gosar: And we can take the other sustainable take rate going forward as well or do we see any decline here?

Satish Gidugu: It is hard to comment on the future, but traditionally the base plans, which are the core benefit plans either in retail or core benefit plans that employees, spouse and child that typically are offered by the groups have been fairly stable. The add-on plans, of course come at a lower take rates, especially as the group customers continue to expand benefits and allow employees to opt in for host of benefit plans, which typically may not be at the fully priced premiums and fully priced take rates, but otherwise we see stability in the base plan rates.

Gautam Gosar: And lastly, I have a question on the industry perspective. So, how is the share of premium service by the TPA shaping up on an industry level? I think this number was around 55% last year. So, how do we see this in the next 3 to 5 years? What is your comment on this?

Niraj Didwania: We published data till 2022 where the share of the TPA industry out of the total health insurance premium was about 55% and there was a 3- or 4-year trend of increasing from lower number to 55%. We currently don't have the FY23 data because not all TPAs had reported, some TPAs had discontinued their operations, some licenses were not renewed, so the latest data that we have is only 2022, which is published data and that is what we can talk about. If there is any update that we are able to get which we can discuss to the public, we will keep that in mind and share that with the public.

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

Prakash Kapadia: Couple of questions from my end. In FY24, if you could help me understand the impact of acquisitions on the incremental depreciation and amortization, there is an increment of Rs. 17 crores and any other legal M&A or other cost which are up Rs. 6-Rs. 7 crores, I am just trying to look at the numbers ex of these numbers?

Mathew George: The impact for that division on depreciation and amortization is about Rs. 18 crores, Rs. 10 crores of that came on account of customer relationships that we created as intangible, Rs. 10 crores is on account of that and Rs. 8 crores is on account of the assets we acquired from the business so total is Rs. 18 crores.

Prakash Kapadia: So, the entire this thing could be attributed to the M&A transaction?

Mathew George: That is correct.

Dr. Vikram Chhatwal: Largely, yes.

Prakash Kapadia: And any one-off expenses in the other expenditure or the legal or some of these cost or that is the normal increase which we have seen on a year-on-year basis?

Mathew George: If you look at our legal and professional, there is, you see a large number out there and that is primary due to to the acquisition. On the ongoing basis, the legal and professional are not going to be at that level. There is no run rate in the transaction, it will be a much lower amount and I think there was a onetime catch up on the printing and stationary also because we acquired this businesses and we have to catch up on that so that some recent 3 crores to 4 crores of the cost there but other than that now there is not significant one-time cost.

Prakash Kapadia: So, it could be Rs. 3 to Rs. 4 crores. Is that a fair assessment if I were to quantify that?

Mathew George: It could be about Rs. 7-Rs. 8 crores including the printing, legal and services cost.

Prakash Kapadia: And secondly, we have obviously had unbilled revenues. So, could you help me understand the impact of these unbilled revenues to the next year growth based on our history? Is there a specific contribution which typically comes obviously to our total revenues on a going forward basis, is there some correlation which you can quantify or help us understand that will be helpful?

Mathew George: So, I think you are referring to two points here. One is on the unbilled which actually will get billed out to the current year. But to your point, the correlation of the next year revenue comes in from our contract liabilities, which is our prepaid revenue, and that number is about Rs. 220 crores. So, if you take the next year what about the revenues, Rs. 220 crores of that is already earned that will go to into the next year. That will flow into the next year, automatically of income that is booked.

Prakash Kapadia: So, on this additional base, the growth will be determined by the kind of premiums we are able to service, this obviously will get accounted 1 by 365 as we execute?

Mathew George: That is correct. We achieved 1 by 365 what we do, and we recognize it for the period of service.

Satish Gidugu: So, if I could just, nuance it, well, significant part of our growth comes from retention. Retention continues to be our focus on North Star metrics. For example, in the group, these are annual policies that renew. So, in Group we have 94.7% retention. So, every policy, when it renews even on the renewal, the revenue is booked on 1 by 365 plus all of the new policies that we onboard, even on group and retail, they are also going to the 1 by 365 and the timing difference of that vis-a-vis the financial year results in the contract liability or the deferred revenue going into the next financial year.

Prakash Kapadia: So, it is a combination of renewals, new policy additions given the base and our leadership,1` renewals would be equally important is what we are alluding to, right?

Dr. Vikram Chhatwal: Yes.

Moderator: Thank you. The next question is from the line of Senthil Kumar from Joindre Capital Services Limited. Please go ahead.

Senthil Kumar: I have two questions. My first question is on margin. I could find that now margin excluding other income is 21% against of 23.63% last year. So, what are the triggers, the management foresees to reach back this EBITDA margin to 23% in upcoming year, sir, key triggers?

Satish Gidugu: As we have discussed before, for the past two years, we have been consistently at 23% to 24% margin as a Company. As you are aware, we have acquired and integrated 3 companies in the last 12 to 15 months, including Mayfair We Care, which is a UK based Company and Medvantage for TPA in India and Raksha TPA in the month of August last year. So, these integrations will typically take us about four quarters to normalize into our operating processes and the margin profiles on an average. In fact, if you look that up, we were about 20.5% margin and end of 9 months despite the Raksha coming in for the first time, we held on to our margins and then we have marginally improved our overall EBITDA margin for all of FY24 by the end of March as all of the synergies continue to kick in. So, we expect to finish integrations as planned and get back on track at the earliest. So, that is where we are on the margins.

Senthil Kumar: The yield of FY25?

Satish Gidugu: I don't necessarily comment on the specific number, but like I said last 3 years consistently we were at around between 23 and 24 and we are back to 21 with some of these synergies from the acquisitions already kicking in.

Dr. Vikram Chhatwal: On a quarterly basis, we are at 22.2%.

Satish Gidugu: Yes, the last quarter was 22.2%.

Senthil Kumar: And secondly, so what is the debtors days for FY24, sir?

Dr. Vikram Chhatwal: Debtors?

Senthil Kumar: Debtors days because there are more than 100 days confirmed?

Mathew George: Let me just explain the debtors. We have very stringent debtors policy, and when we talk about debtors, first let me apprise you about VSS. When we came to the six-month numbers we are up to 135 days is our DSO. In the nine months we were down to 105, currently we were down to 102. That is what we had so for the Company. And we should be around 90 days. So, there is a 12 days addition in the debtors when we look at it. But as aging policy is concerned, as far as aging is concerned, we don't have any debtor greater than 365 days, which is not provided for. And we don't have any debtor which is greater than 6 months. It is either provided for at the break of 25% and we don't have any disputed debtors on our balance sheet. So, paid receivable, our collectability should be in the range of 34 days today. So, we don't have significant aging on our balance sheet. And we continue to keep it clean. And this is because of our unbilled revenue policy. What we do on the unbilled is, any unbilled greater than 6 months we reverse it. So, we don't even bill if it is not billable and collectable. So, that is what we do and we continue to keep our debtors free.

Senthil Kumar: And lastly, can you just quantify what is the yield for this quarter, sir?

Niraj Didwania: So, we have always maintained that yields are actually derived for us. So, we don't actually publish any formal yield numbers, because even if you look at Q4 the premium we have added, we may not have serviced the full premium for the entire period of Q4. We always report premiums as on date. So, that is why the yield calculation is always, could potentially be misleading. I think Satish had already answered the range that we have as a take rate for group and retail segment, so broadly it is always in that range as a portfolio revenue.

Moderator: Thank you. The next question is from the line of Aman Singh from Nuvama. Please go ahead.

Aman Singh: Two questions first, firstly on dividend, so the Company has declared around 40% dividend payout this time round, which is higher than the previous years. So, do we have a stated dividend policy and do we declare this kind of dividend going ahead?

Niraj Didwania: Yes, Aman, we have a stated dividend policy. On the maximum side, we can go up to 75% of the current year profits and 25% of the previous year's results. In the past 3 years, if you see we have disclosed that dividends have been in the range of 15% to 30% of the currently year PAT, so this year also it has been broadly in that range, 30% plus. So, we will evaluate every year based on how the year has been and what our plans are for the future and then announce the dividend. So, we don't have a fixed number that we can give. So, the dividend should be looked at on a profit after tax excluding exceptional item which is Rs. 92.3 crores which Mathew had announced. So, that is the real profit of the Company. The exceptional item is really a tax neutral part through. So, on that it is roughly around 30%.

Aman Singh: And the second data keeping question can you give me the ESOP impact for the year and how do we see the ESOP cost for next FY25-26 and going forward?

Niraj Didwania: The ESOP cost impact on the P&L is about Rs. 3.5 to Rs. 4 crores and that has been in the range. Here on we have seen that as a stable range. So, you can take that as a number.

Moderator: Thank you. The next question is from the line of Silky Jain from Canara Robeco. Please go ahead.

Silky Jain: Sir, just wanted to understand a little bit more in terms of the premiums and the revenue conversion. So, if we see the growth in premiums has been around 30%-31% for this particular year, whereas that conversion is slightly on the lower side and if we see similar run rate in the last few years also, this number is actually declining. so how should we look at this particular number going forward like if the premiums grow at a certain rate that the revenue growth would be lower, that is understandable, but can we try to interpret like what would be the proportion going forward like is this number only going to other gap, only going to widen from here on?

Niraj Didwania: As we have communicated in the past, the translation from the premium to the revenue, there are 2-3 factors. Number one is what is the period in which we book the premiums and so what kind of revenue get reported out of that premium for the current year? The balance moves to the following period as a deferred revenue, so that changes on when we book the premiums. The second is for this particular year and also for the last one or two years, it is not steady state because we had acquisitions in each of these years. So, even for the current year, the premium that we are reporting is let us say for Raksha is on a full year basis, but the revenue translation of that premium is not on a full year, it was consolidated only for 7 months, so that also has an impact. And the third is the premium growth when you say and you mentioned 30%, there is also a mix impact on the premium. The premium grew because of multiple factors. Some of those factors will have a like to like revenue conversion, some of them may have a differential revenue conversion. So, it is actually a problem that we also face, that is why we always see that on our annualized steady state basis, you will see a trend, but last one or two years are not comparable because of the acquisition, it will become very complicated quarterly, so very difficult to give a guidance on that.

Silky Jain: But can we get a break up like in terms of what was the revenue contribution from Raksha and what was the premium contribution? So, excluding that we can look at it and that could be the steady state assumption which we can take going forward as well?

Niraj Didwania: So, actually for the acquisitions, we are not giving any revenue breakup, because the nature of the business is such that we have to hold on to the business and renew the accounts after we acquire them also, so to like an equivalent to like an organic growth for us. So, we should look at the Company as a total premiums administered and then as a total revenue that we generated out of that plus the revenue that has moved on to the next period, which is pretty much like guaranteed revenue that we have in the back.

Silky Jain: And sir, if we look at it in terms of employee base, so can we get the total employees as on FY24 and also if possible to get like how much employees were added by the acquisition?

Niraj Didwania: The total employee base is about 6140. We have disclosed this in the investor presentations, 6140 last year was 5470. Raksha ballpark added about 750 to 800 employees that we can get back to you with the actual number. I can't give you the exact number on the call, but we are closing the year with 6140 headcount. It is on slide 12 of the investor presentation.

Silky Jain: So, incrementally, like at least in this year, we have not booked the revenues from Raksha or it has only been booked for 7 months, but the cost has been entirely apportioned right in this year?

Niraj Didwania: So, Raksha was lower margin than our business substantially. So, the cost of course was has hit us right from the first month and for full seven months the cost structure is different to what our cost structure was.

Silky Jain: In terms of break even, how long does it take for an acquisition to break even in terms of margins?

Niraj Didwania: Satish has answered this on the call itself that it generally takes about 3-4 quarters to bring the acquisitions to our margin. So, Raksha, we have now seen about two quarters and so maybe in the current financial year when we expect to, you said break even or are you asking for our margins?

Silky Jain: Breakeven.

Mathew George: Raksha as a standalone entity continues to be profitable. What we are talking about is bringing the margin profile to our margin profile, we are talking about the 21% or the 22% companies and acquiring a 10% or 20% Company and then bringing it to our margin profile. That will take 3-4 quarters, but on a standalone basis they are profitable. They continue to be profitable, and we have not had any significant acquisition or any cause for concern. So, we do expect that in the next 2-3 quarters we should have them back on track and then back into our margins.

Moderator: Thank you. The next question is from the line of Sahej Mittal from 3P Investment Managers. Please go ahead.

Sahej Mittal: Sir, just this one question on the margins. So, firstly, what is your normalized or targeted EBITDA margin for Medi Assist as a TPA business on a console basis, the EBITDA margins where we have reached 21% for FY24?

Niraj Didwania: So, for the last 3 years, we have been in the 22% to 23% EBITDA margin range. Now, the biggest challenge for us is to project what kind of teams, what we end up supporting costs because that is only our biggest cost driver and also the accounting challenge we have is what part of their revenues actually get booked in the books of accounts based on the premium getting booked. So, it is very difficult to tell you that this is the stable margin and especially after these acquisitions, but we have been in the 23%-24% range for the last two years and like Mathew had said, we have exited Q4 with a 22% margin and a 21% for the FY24 margin. So, you will have to project on that basis.

Sahej Mittal: No, these unbilled revenues come into our base as well right in Q1 as well. So, on a full year basis, it does not matter. So, which is why I am trying to understand, given that we did this acquisition, we would have like some targeted margins, right, even when we are sort of running the business that was only a point and so I was trying to understand from where will this margin improvement come from? Will it be from the staff cost remains at these levels and the topline continues to grow or will it come from laying off or optimizing the number of employees which we have in our base?

Satish Gidugu: We had actually almost answered the questions. It is like all of what you said. We have always enjoyed 23%-24% margin historically and most of the TPA industry operates in a high single digit margin profile. The predominant difference in our books actually comes from the significant use of technology and automation in the way we deliver. And of course, part of it is scale. But most importantly, we need significantly high retention number in an annual contract business as up close to 95% which also creates that predictability of revenue and our ability to sort of scale our operations without looking at from policy-to-policy perspective. So, when we acquire companies, obviously the target is to flip the operations into our operating model, move the claims in the back office to our technology platforms and those automatically sort of result in productivity and headcount efficiency. And which is why we sort of consistently maintain that about 3 to 4 quarters is what it takes us and the target is simply to sort of flip them into our operating model and then see it as adding all of that revenue incrementally to our revenue. Of course, we also have to work hard to make sure that all the contracts even we continue to maintain because that is the nature of the business.

Dr. Vikram Chhatwal: We also have some levers and others which we already planned for at the time of acquisitions and those have been under execution and some of them are started showing results. So, I think those that we will continue to benefit from those synergies that we are forecasted when we went out and made it.

Sahej Mittal: Can I slip in one last question? So, is it fair to assume that our staff cost on an absolute basis would sort of remain at similar levels into FY25? Is it a fair understanding? I am just trying to get some sense?

Satish Gidugu: I think we have been very consistently around the 40%-41% mark as a percentage of revenue, despite almost 3 years now, despite our volumes and the business more than doubling. So, we believe that our technology will continue to evolve at that pace that will handle those volumes.

Sahej Mittal: And on the depreciation front, obviously even Rs. 1 crore or Rs. 2 crores increase gives us 5% to 10% kicker on our PAT right on a quarterly basis. So, from here on will this depreciation, given that ours is not that heavy asset model. So, would the depreciation sort of go down from current levels?

Niraj Didwania: No so, if you see the March quarter because all the acquisitions and everything is now for the full period, the March quarter should be the base. We don't anticipate it could go up, but I don't think it will go down because everything tangible, intangible, all assets are fully priced in, in the March quarter. So, they would very normally jump from December to March. If you see previously, December, there was a decent jump, but from December to March, there is nominal jump and they should be the new basis what we do.

Mathew George: There will be slight reduction in depreciation, but that gets off-setted by the intangibles , so it may not significantly, so you can forecast for maybe if I can send you that.

Sahej Mittal: And any reason for the drop in tax rate in 4Q?

Niraj Didwania: So, this is the last question because we have a queue.

Mathew George: So, our ETR that we can say is about 16% and that is our normal tax rate should be for tax with range of 22%. This year we had a benefit of Rs. 4.8 crores which is from, there are two factors that contributed to it. One is the division from a domestic Company and the APN for which we got the benefit this year and then we did Rs. 14 crores, we paid them for capital gain to one of our subsidiary companies and that resulted in the back setting of our Rs. 3 crores. So, if you take out the Rs. 4.8 crores from the face of the P&L number on the tax items, you will see that it is 20%. So, you should forecast for the 21% to 22% on the matrix.

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

Sarang Sanil: My first question is I believe that Raksha's integration would go on for another one to two quarters, right? So, what is the quantum of expense that will eventually fade away post integration and what is our aspiration on the margin side? I understand you would want to go back to pre-acquisition margins, right, but in the past, you have gone as high as even 25.5%, so is there a target for FY25 and possibly for FY26 on the margin front?

Dr. Vikram Chhatwal: So, I think we will restrict ourselves to the periods that we are presented in the prospectus because which is a comparable business. For the 3 years, we were consistently at 23% to 24% and of course like you rightly said and we have repeated multiple times and that target, when we acquired a Company, which we have been into our operating model and ensure that the consolidated business goes back to our margins. And you are right. I think we have two more quarters of Raksha in the next year, but the Raksha already in here at about the 22% in Q4 as well EBITDA run rate. So, I think the synergies will be kicking in.

Sarang Sanil: Unbilled receivable for the year, I believe it was about Rs. 82 crores last year, Rs. 120 odd crore this first half and what would that number be for FY24 entire year?

Mathew George: The unbilled receivable was Rs. 117 crores and when you look at the unbilled receivables, also note that this is the nature of the industry. We do get our premium policy renewed on day one and the insurance Company takes anywhere between 30 to 60 days and 90 days in the days of private companies to give us the premium register to get a bill. So, out of this Rs. 117 crores, we have billed out about 25% of that in the previous period completed from April to now. And we do expect to fill out everything in the 60 to 90 days. And as a policy, you should always remember that we don't carry any unbilled greater than 6 months. So, if you have any unbilled greater than 6 months, we reverse it and we only recognize that revenue when we have the right to bill. So, I can say with absolute clarity that there is no risk on the unbilled and we are very conservative on that and unless we have a policy and the confirmation that it has been renewed and based on the estimate we will take a number and we have always been very conservative on that and never had a resource level in the past 2 years.

Sarang Sanil: So, any positives that you are hearing from the insurance companies while we have any repricing with the insurance Company?

Dr. Vikram Chhatwal: None.

Moderator: Thank you. The next question is from the line of Aditya Sharma from Aditya Birla AMC. Please go ahead.

Aditya Sharma: I just wanted to understand the organic growth, the revenue growth that we have delivered in this quarter, if we take out the acquisition part, what would that be?

Niraj Didwania: If I look it from the full year perspective, Aditya about 14% would be the same store growth and 12% is from the acquisitions of the total 26%.

Dr. Vikram Chhatwal: If I could just request that when you read the 14 and 12, the 12 are all pretty much same store growth templates because the acquisitions were done in a period and thereafter the renewal retention rate that we present to you is close to 95% from the base of the total business. So, the acquisitions only contribute to onetime add, but thereafter, the 14 and 12 merged into one singular growth story of renewals. So, I would request that those listening to us please keep in mind that these are annual policies that renew and that it is incorrect in our minds to look at same store or organic growth versus acquisitions as two different targets. They merged on the day of the acquisition into one target on a 12 month renewal cycle.

Aditya Sharma: Also wanted to understand, we are sitting on decent amount of cash, we do not require too much of CAPEX, so do we see any more acquisitions are there, any deal that you are currently evaluating?

Dr. Vikram Chhatwal: Aditya, I have no forward-looking statements to make. We will continue to evaluate, but have no plans at this point in time.

Aditya Sharma: Last question from my end. I just wanted to understand why have we been kind of a laggard in terms of market share in the retail segment, if you could help us understand while we are dominating clearly in the group segment and how are we trying to tackle that?

Satish Gidugu: Obviously, we have our core DNA originally was group and group is what led the growth of the health insurance in the seat for significant number of years now, growing faster than retail. So, we were able to capitalize on that. Of course, retail is a focus. Now, we work for the insurance companies on the retail portfolio as well and one of the reasons you don't see retail market share is because in many of the retail products, we don't necessarily work on a premium and the TPA fee basis. We provide multiple other services. We do not report the premiums to the extent that providing standard TPA service, but our retail segment has actually grown at 33% year-on-year. And it continues to be a focus area for us to both expand insurer relationship and also to improve on the amount of work that we took.

Moderator: Thank you. The next question is from the line of Naman Bhansali from Perpetuity Ventures LLP. Please go ahead.

Naman Bhansali: First question is on the cost cycle on the two DRHP data that we have that is from 2021 and 2023. There are two cost items that stand out. Firstly, which is the advertisement cost which used to be negligible historically has been around Rs. 19 crores in FY23 and second is the subcontracting cost which has almost doubled over last two years from Rs. 30 odd crores run rate to around Rs. 60 crores. So, can you talk a bit on this two cost line item and what has led to such increase and I think this has led to some sort of margin compression for our business. So, can you talk on this?

Niraj Didwania: So, the advertising promotion is the expense that we have at the parent level because it is towards the relationship we maintain at multiple segments of our business. So, this is not a new thing, but years we have had relationships where we do engage. It is an engagement model with multiple segments that we have. So, it is an area that we keep investing into and that also then contributes to the retention rate, the realizations that we have. So, it is in line with the percentage of revenue that we have is the range that it gets maintained in and so it is not the reason for any margin dilution in the last one or two years.

Naman Bhansali: And for subcontracting charges?

Niraj Didwania: So, subcontracting is a combination of some government teams who are not on full time basis with us. We do hire people who are not on full time and the second is support services. There are some support services which are on contracted basis. So, that is how you should look at subcontracting.

Dr.Vikram Chhatwal: Basically, I think for all of you listening into the call, it is important to understand that for non-core capabilities, we have taken the path of using third party manpower subcontracting services to enhance and support what is core to us as a TPA business. This is an intentional view that the organization has taken. In terms of making sure that any contract that is project based or timeline-based sticks to a subcontracting template.

Naman Bhansali: And second question is on the AUM side. So, in the last concall, you had reiterated that there are various different yields for various different products of yours, which ranges around 2% to almost 5%. So, could you just give a picture over last 5 years, 7 years that what are the top products which have changed and one of the top products which might have impacted the take rates or how is that moved?

Niraj Didwania: So, it is not products alone. So, it could also be the way the premiums have grown. So, the premium growth is a combination of new life, new members, the inflation which is the price increase by the insurer and the expansion of benefits. So, these are the three key factors that are contributing to the premium growth. The product level changes are at the back end of all of these three could be expansion of benefits categories for the product or it could be pricing related changes or it could be new member getting added for a specific product category.

Naman Bhansali: And lastly, out of the Rs. 19,000 crores premium which we reported, how much would be the combination of Raksha made advantage out of that?

Niraj Didwania: It is similar to what Satish said on the revenue side, largely the entire premium growth is the Medi Assist base growing at a high rate and then there is some addition to that from Medvantage and Raksha, but again like Doctor said, retaining that premium is completely our responsibility from the day the acquisition happens because renewals are happening the same day and following that. So, really it is the same business.

Moderator: Thank you. The next question is from the line of Nidhesh from Investec. Please go ahead.

Nidhesh: The first question is on the group business, how are the trends on the premium renewal rates on the group business FY24 vis-a-vis last two years?

Dr. Vikram Chhatwal: This is the question on renewal ratios or on the premium, sorry?

Nidhesh: Premium renewal ratio, so the renewal ratios that we have shown in the DRHP, how are the trending in FY24?

Satish Gidugu: Our proposition is very strong, and it has only gotten stronger with the addition of the group portfolio. We maintain about 94.7% retention higher than what we had presented earlier, in fact, almost by 50 bps. And so I think that continues to be as strong Nidhesh as ever.

Nidhesh: And secondly, there is talks of cashless everywhere, so how do you see your business changing with cashless being enabled at all hospitals in India?

Satish Gidugu: I think it is a great initiative for everybody's benefit from a policy holder perspective. So, we are already over 60% odd percent by account cashless, in the inpatient and almost 30% plus by cashless in outpatient. And of course, historically when policyholders went to a non-network hospital, there was simply no framework available for them to get help from the insurer because of the network requirement. Now we are beginning to see those emergencies in those cases where policy members are using the investments, are going to non-network hospital, but we are actually able to support some of those cases. And of course, we continue to evaluate utilization of every hospital and as long as there is a hospital and then sees utilization, we continue to bring back those hospitals into our network. That is how we have got into an 18,000 plus account on the network with the significant expansion in Tier 2, 3, 4. So, both will continue to happen Nidhesh and cashless everywhere will continue to fill the gaps where the network is not available.

Nidhesh: But do you think the business model strength that diluted with the cashless everywhere system or because as the largest TPA, we are the largest hospital network, but the value of that will get diluted for cashless available at all the hospitals, right?

Satish Gidugu: That is not necessarily our view, Nidhesh. I think one is the guarantee of service and the rates and the experience. That is why everybody invest in creating the network and creating that predictability. Cashless everywhere should be seen as an emergency access or a non-network access feature that is provided as an additional benefit and so far what we have seen sort of supports….

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

Varun Gajaria: So, as I understand, a lot of your business is also based on tech and you would have a platform to the same. So, what is the percentage of income that you are spending on tech every year and how do you expect that trending forward since we are already at the cusp of integrating another acquisition?

Niraj Didwania: Are you asking how are you using tech towards integration of acquisitions and trend of the platform?

Varun Gajaria: I just want to understand what is the expenditure that we are doing on this platform and how do we see that going forward? Essentially, you might you will have a team there, you have someone to take care of this, so just want to understand what is the expenditure that we are doing there in running the platform?

Satish Gidugu: So, when tech is the main stay on how we actually deliver our services and regain customers and one of the biggest reasons why our direct employee costs continue to be in the lowest as a percentage of revenue in the entire industry. So, clearly, we invest heavily in technology. We have in-house capabilities on building platforms, building products and in data science. And that is an area we continue to invest in and we build platforms, not just for us, but there are industry partners who directly use our platforms for their internal use as well. I think that continues to be focusing here for us.

Varun Gajaria: How much have we invested so far in setting up the platform?

Satish Gidugu: We are spending on an average working about 3% to 4% of our revenues every year on the tech side, etc.

Dr. Vikram Chhatwal: The total investment of the platform and capitalization as of 31st of March last year was Rs. 10 crores. In the current year we are investing into a platform for the UK which is around 8 crs. We invested the total cost would be around 9crs. That is for a completely different business, which is the entire service benefit.

Varun Gajaria: And there are these contract liabilities on balance sheet. Could you walk me through what are those exactly, what is the nature of this contract liabilities?

Niraj Didwania: Contract liabilities are same as the deferred revenue, unearned income that we spoke on the call which is for the period for which we don't book revenues those are deferred to the next period. So, as on March, we have Rs. 220 crores of revenue that have moved to the following year, which is FY25.

Varun Gajaria: Of which Rs. 117 crores will be over the next two months, right?

Dr. Vikram Chhatwal: The Rs. 117 crores relates to unbilled income.

Niraj Didwania: That is already booked as revenue that was sitting at receivables where the contract liabilities are not booked as revenues yet.

Dr. Vikram Chhatwal: Contract liabilities defined by the fact that when we do a 1 by 365 accounting, revenues from FY24 that are confirmed and received flowing into the revenue pool of FY25. The unbilled relates to a separate matter, which is Rs. 117 crores and relates to as our CFO explained the delay between the start of a delivery contract that we had at the TPA and the date we build the insurer for the fee that is due to us. I hope that is explained the difference between unbilled revenues and contract liabilities.

Niraj Didwania: Thanks to everybody for active participation. We are available offline to address any further queries you may have regarding our business and financials. We look forward to future interactions and staying connected. Please do write in to us at investor.relations@mediassist.in to be added to our mailing list. Thank you.

Moderator: Thank you so much. On behalf of Medi Assist that concludes this conference. Thank you for joining us. You may now disconnect your lines.