“Medi Assist Healthcare Services Limited

Q2 & H1 FY27 Earnings Conference Call”

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MODERATOR: **MR. SHASHANK GANESH– ERNST & YOUNG**

Moderator: Ladies and gentlemen, good day and welcome to Medi Assist Healthcare Services Limited Q2 and H1 FY27 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 star then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shashank Ganesh from Ernst & Young. Thank you, and over to you, Shashank.

Shashank Ganesh: Thank you very much. Good morning to all the participants on the call. Before we proceed to the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties, and other factors. Therefore, it must be viewed in conjunction with the business risk that could cause further result performance or achievements that differ from what is expressed or implied by such statements.

To take us through the results and answer your questions today, we have the senior management of Medi Assist Healthcare Services represented by Mr. Satish Gidugu, Chief Executive Officer, and Mr. Sandeep Daga, Chief Financial Officer. We'll start the call with a brief overview of the past quarter by the management, followed by a Q&A session.

We would appreciate your cooperation in restricting yourselves to 2 questions to allow participants an opportunity to interact. If you have any further questions, you may join the queue and we will be happy to respond to them if time permits. With that, I would like to hand over the call to the management. Over to you, Satish.

Satish Gidugu: Thank you, Shashank. Good morning, esteemed investors, analysts, and all participants joining us from India and around the world. Thank you for taking the time to join us today as we review Medi Assist's performance for Q2 and H1 FY27. Medi Assist enters the second half of the year with a stronger and more profitable platform. Q2 is our first like-to-like quarter since the Paramount acquisition, with integration now complete and all Paramount claims running on MAtrix. We continue to generate robust cash flows. Our tech platform is expanding rapidly and Mayfair is expanding its international footprint, and we're funding these growth initiatives internally while maintaining a strong debt-free balance sheet. Starting FY27, our capital allocation framework envisages returning about 50% of cumulative adjusted free cash flow to shareholders over rolling 5-year periods through dividends and buybacks.

In line with this framework, the board has approved a buyback of INR49.3 crores at INR425 per share, funded from internal accruals. Today I'm joined by our CFO, Mr. Sandeep Daga, but before I hand over the call to him for the financial results, I will quickly walk you through some of the operational highlights for Q2 and H1 FY27.

We spoke about how the India business is a stable platform and how our 2 growth engines, the tech business and the international business, are helping us accelerate both growth and margin accretion. And we introduced this over the last few quarters. We started disclosing some of these numbers very specifically since the last quarter.

So continuing on that trend today, most of the presentation that we have uploaded discusses our business along the 3 dimensions, which is our India TPA and platform, health benefit administrative and the international business. We run all 3 dimensions of our business in India; The platform in HBA, the payers and the customers run it on their own, but on our technology platform. And for the international business, we run it across the world.

Our consolidated income in H1 grew 13.8% to INR492.4 crores. Our EBITDA grew 19% to INR97.2 crores. And our reported PAT had a 60.2% growth and went up to INR49.2 crores. Our EBITDA margin for H1 is 20.3%, and the reported PAT margin has reached back to the double digits at 10% with a 289 basis points year-on-year growth.

The India TPA clocked INR437.5 crores of revenues in H1, 11.9% year-on-year growth and contributed about 91.5% of revenues in H1. And the premiums that we managed as a TPA were about INR15,104 crores with an 18.8% growth year-on-year. Our platform and HBA business clocked INR19.8 crores in revenues with a growth of nearly 70% year-on-year, and contributed over 4.2% of the consolidated revenues. On the platform model, we've managed premiums worth about INR9,648 crores, which is a growth of 24.8% year-on-year.

Lastly, on the international side, we clocked the revenue of INR20.7 crores, a modest 1.1% year-on-year growth. But with all of the initiatives that we have put in place, wherever the membership is already added and revenues have begun catching up, there it's already at 4.3% of our revenues. And to give you a sense of the size, beyond the premiums, we actually processed claims from 141 countries across 21,000 providers just within this half year.

Collectively, the consolidated operating revenue is INR478 crores in H1 with a growth of 13%. And if you combine the premiums that we have access to, both between the TPA market and the platform on the HBA market, nearly a third of India's health insurance premiums today are being served by the platform.

On the margin front, we've continued to improve our margins as Paramount integration has reached an end. All of the group customers have been fully migrated to the Medi Assist platform, and all of the claims are running on our MAtrix platform today. The Q2 FY27 clocked a 20.4% consolidated EBITDA margin.

And if you went back to Q1 FY26, that was just before the Paramount acquisition, we were INR190-odd crores revenue per quarter business. Today, we are at INR241.5 crores of revenue and got back to our 20.4% EBITDA margin. And with this, we conclude that the Paramount acquisition integration is fully complete, and we continue to generate robust cash flows that we are deploying back in growing our growth businesses.

In the interest of time, I'm not going to go into each of the business segments, and we can answer that in the Q&A section. But I would like to take a couple of minutes to talk about 3 key things. One is our group business. The group business revenues in H1 were INR334.7 crores, which is a 13.7% growth year-on-year. The premiums that we managed for the industry grew by 21.8% year-on-year.

Marginal increase in the lives from 4.54 crores to 4.75 crores. And we continue to deliver outcomes to insurer partners and corporates through our fraud savings, which again moved up by almost 53%. Group is still our mainstay at about 70% revenue share and our market share continued to improve to 34.1%. And of course, one of the questions that we answered last time and we continue to look at is our retention rates in group and the same-store growth and the organic growth in the group business.

Our retention held strong in H1, about 90.5%, marginally improving quarter-on-quarter. As we had discussed in the previous quarter's earnings call, the retention drop-down was partly due to the churn in the portfolio that we have integrated from Paramount. And the same-store growth, which used to be about 8% or 9% earlier, we're still seeing about a 7%, 8% same-store growth on the retained business.

Given the way we account for premiums, especially the installment premiums across multiple quarters, the depressed retention rate is likely to show up in the numbers for the next 2 to 3 quarters. In three to four quarters from now, we expect our retention rates to go back to what they were historically, to 93-94%. Today we serve about 11,000 plus corporates and across 25 plus sectors, and fairly secular presence across multiple sectors today, also allowing us to capture, you know, India's growth in sectors where the headcounts are improving.

In retail, we continue to see the shift to a hybrid model where part of the work is done in the TPM model and part of the work is done in the platform model. The premiums managed through the TPM model was about INR1,164 crores, while the platform premiums were almost INR9,648 crores. And we also have contracted from an H1 basis of the insurers that we contracted about INR758 crores of incremental premiums, with four of those insurers going live in this quarter.

Today, if you looked at both the TPA and the platform models, our retail market share is about 34.1% from a premium access perspective. Of course, the fundamental difference here is that in the TPA model, the fee is already fixed at a certain percentage. Whereas in the platform model, it is about deploying more and more services and delivering more and more value to the insurers and continuously improving our revenue outcomes within the premiums that we serve.

On the whole, and that leads us to the technology business, the tech business revenue share has substantially improved. As a platform, we processed over 7 million claims in the first half of this year. And for those of you who are keen on understanding what kind of issues insurers today are looking at us to solve and how we are solving them like at scale, page number 15 on the investor presentation talks about some of the core issues that the industry has today.

Our AI-powered platforms are today managing or helping insurers address some of these issues at scale. And this is no longer a platform that's in a pilot phase or an experimental phase. It's a platform that's touching over a million claims a month and delivering outcomes with a fairly fair sense of explainability, supervision, and grounded and fair and auditable AI outcomes.

Lastly, this brings us to the international business. We've been adding more books, we've been adding more membership, we've grown our group membership, we've added more travel premiums in India. The Indian insurer contribution in international business is substantially high,

with more and more of the insurers working with us both on the IPMI products, the group business outside India, and also retail, especially around the travel business outside India.

And we've tried to give you a sense of the kind of opportunities that are emerging in the international business. While group and marine were the largest contributors, you can now see that the retail and travel are taking a substantial portion, and the technology leasing outside India beginning to show up in the revenue numbers today. And the platform is today live in Southeast Asia.

Lastly, before I hand over the call to Sandeep for a quick review of the financials, we have a capital allocation policy in place. So, starting the current financial year, the company Medi Assist plans to return about 50% of its cumulative adjusted free cash flows to shareholders. Over rolling five years periods using dividends, could be ordinary or special, and share buybacks.

And the 50% ensures, and the way we look at the adjusted cash flows ensures that we first invest where we need to invest, we grow where we can compound the platform and ensure that our balance sheet remains strong and then return the surplus cash. So, the first step today, we've announced a share buyback of up to INR49.3 crores at INR425 per share. With that, I'll hand over the call to Sandeep for a quick review of the financials.

Sandeep Daga: Thank you, Satish. Good morning and a warm welcome to all the participants. I'm pleased to take you through the financial highlights for Q2 and H1 of FY27. Starting with the revenue profile, the total income for Q2 was INR245.4 crores with a y-o-y growth of 4.5%. The total income for H1 was INR492.4 crores, a growth of 13.8%.

The operating revenue, which we call it as revenue from contracts with customers, and excluding other income was INR241.5 crores during Q2, which was higher by 3.9% year-on-year, and INR478 crores in H1, higher by 13.0% year-on-year. Due to the split of line of business for the operating revenue, starting with the Indian TPA business -

The revenue for this cohort was INR219.6 crores in Q2, a growth of 1.2% year-on-year, and INR437.5 crores in H1, a growth of 11.9%. This contributed to 91% of our consolidated Q2 operating revenue and 91.5% for H1 operating revenue. Within the TPA revenue, the government business, the H1 revenue was INR57.3 crores, which was up 14% year-on-year.

As Satish mentioned, the group business generated H1 revenue of INR334.7 crores, which was up 13.7%, while retail revenue was INR45.5 crores, down 1.8% from previous year corresponding period. Coming to platform and the HBA revenue was INR11.2 crores during Q2, up 94.8% year-on-year, and INR19.8 crores in H1, up 69.8% year-on-year.

This cohort contributed roughly around 4.6% of the revenue during Q2 and 4.2% of the H1 operating revenue. The international revenue was INR10.7 crores during Q2, up 7.7% year-on-year, and INR20.7 crores in H1, up 1.1%. This contributed to 4.4% of the Q2 operating revenue and 4.3% of H1 operating revenue.

Moving on to the margin profile. EBITDA for Q2 was INR49.2 crores. In absolute value, it was a growth of 23.9% year-on-year. For H1, the corresponding number for EBITDA was INR97.2

crores, which was up 19% year-on-year. The margin percentage during Q2 was 20.4%, which expanded by 331 basis points year-on-year, whereas the H1 EBITDA profile margin profile was 20.3%, an improvement of 103 bps year on year. The improvement reflects the completion of the Paramount integration, lower people cost and the rationalization, and the deployment of the AI tools for the Paramount plan.

With the combination of the three aspects, we recovered almost 330 bps of the margin during the last four quarters. For context, EBITDA margin moved from 22.1% in Q1 last year before acquisition of Paramount. It moved to 17.1% in Q2 immediately after the acquisition, and since then recovered to 20.4% in Q2 this year on a much larger revenue base.

Reported PAT for Q2 was INR21.6 crores, a growth of 167.5% year-on-year. Reported PAT for H1 this year was INR49.2 crores, which was up 60.2%. The underlying PAT for H1 '27, excluding a one-time derivative gain on the call-put options, which was classified as exceptional last quarter, was INR46.1 crores. This compared to INR30.7 crores during H1 of last year.

Moving on to the key balance sheet and the operating metrics as at end of H1, the cash and the cash equivalent, as on September 26th was INR268.3 crores. Compared with INR260.5 crores at the end of FY26. Net worth was INR886.8 crores compared with INR852.4 crores at the end of FY26. The contract liability was INR321.7 crores versus INR280.2 crores at the end of FY26. The company continues to have a strong and zero debt balance sheet. The revenue per average headcount excluding government business headcount was 13.7 lakhs on an annualized basis compared to 13.1 lakhs in FY26, up 4.5 percentage.

With this, I hand over the call back to Satish. Thank you.

Satish Gidugu: Thank you, Sandeep. Moderator, we can open up for questions now.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now start with the question-and-answer session. The first question is from the line of Navid Virani from Bastion Research. Please go ahead.

Navid Virani: Yes. Hi team, good morning and thank you for the opportunity. My first question is regarding the organic growth or the like-to-like growth. So, I think, since the last few quarters we are seeing that this is something which has not been up to the mark or in line with our expectations. So, what I want to understand is, can you give us a sense of how in this particular period the industry has performed in terms of the premium growth? And how we as, Medi Assist, have performed like to like? That's one.

And an attached question to that is, now given this particular scenario right now, how are we positioning ourselves to grow at rates which are at least in the low double digits as far as the organic growth is concerned? So, these are my two questions. Thank you.

Satish Gidugu: Thank you, Navid. Just as a refresher, just to get some of the terminology aligned, our growth typically comes from one is - minus the churn, and what is retained, there is the same store growth. And I'm assuming that's what you're referring to. So, historically, we were a 93%-94% retention business and for reasons that I've explained in the previous quarter and now, there's

been a marginal drop in the retention percentage, which we expect to get back in the next three to four quarters as the Paramount integration is complete.

There is no standalone Paramount account that is left. All groups are now migrated to Medi Assist. So that's the new base on which we are operating. The second is for the retained accounts. Typically, because these are annual renewals, there is an inflation in premium. We've seen over the last three years from a steady-state same-store growth of about 13%-14%. We are currently running close to, say, 8% to 9% as an industry as well on the employer-employee segment.

When the industry reports group business, the group includes employer-employee, bank assurance, and multiple other product lines; we are at this point very fairly heavily predicated on the employer and employee segment when we report our TPA business. But the split is not available at the industry level. If you look at the overall GI Council numbers for H1, the group premiums in the industry grew at about 15.8%, and we grew over 21%, between the acquisitions and our own growth. So, we continue to grow ahead of the industry premium growth rates in the group business.

Now, coming back to same-store growth. Historically, about half of the same-store growth came from lives expansion, which is the underlying employee and the dependent headcount moving up, and the other half was equally split between the inflation adjustment for medical inflation and some kind of benefits expansion. Right now, we see a substantial amount of growth coming from benefit expansion and the inflation adjustments. Clearly, the IT-ITES industry is not a net contributor to employee headcount growth in the country today.

Having said that, in the last two years, we have substantially expanded our presence into multiple other sectors. We, today, serve over 11,000 corporates across 25 sectors. We continue to see addition of employees in manufacturing, in consumer goods, oil and gas and some other sectors. However, the IT-ITeS is a very large contributor of employee headcount in the country today. So there is going to be a timing lag for the other industries to catch up in terms of the contribution from a headcount perspective.

So we expect that same-store growth will probably continue in the 8% to 9% range. With our retention rates going back to 93%-94% in the next 3-4 quarters. Now, the last piece in the group business is where we don't currently do much, which is typically the product platforms like bank assurance or any other products that have historically been done in an in-house template.

With our tech platform deployments, like we spoke about the hybrid as a model in retail. And we expect to be able to capture that part of the group market through our platform and the hybrid approach. These are early days, but this should sort of summarize where we are on the group business. And at the same time, we're also growing other lines of business at a fairly rapid pace, both between the technology business and the international business, so that the overall growth rates continue to be healthy.

Navid Virani: Okay, okay. So, thank you for that detailed clarity because from the outside it looks like that, in the group business, which is the largest part of our business, we have kind of saturated, retail is something where, there is not enough happening. And technology and the international piece,

which are sort of growing really fast, are not large enough currently to create an impact. So can you, help me understand if this view is correct, or is there another way to look at it?

Satish Gidugu: No, group obviously is our mainstay. That's what brought us to where we are today. And clearly improving retention, ensuring that we improve our economics. And we don't have control on employment growth in the country. However, what we have control on are the retention. And the value-add that we are able to deliver. And how we capture the non-employer employee segment, within the group business.

Because we present our market share as a percentage of the overall group business in the country without excluding areas that we don't operate. And as you have noticed, we have always grown faster than the market for many years now in the group business. And we will continue to take you know, substantial market share in the group business.

And we also expect that there could be further expansion of benefits in the group business on account of the recent GST-related announcements where the corporates will get the input tax credit benefit even on the group business while the GST is not going away. At least they get an ITC on the GST expense. And with substantial amount of increase in benefits, we expect the same store growth to continue to 9-10%.

Moderator: The next question is from the line of Vikas Sharda from NT Asset Management.

Vikas Sharda: Satish, could you just talk about the Q2 revenue growth, let's say, for India TPA? Because that looks like to be in low single digits, 2%-3%. So how does the industry growth and your premium growth translates into revenue growth for this particular quarter? Because Q1 including had the Paramount acquisition benefits, so Q2 like-to-like comparison would be more useful.

Satish Gidugu: So you are aware that we book and report on a 1/365 basis. So all losses in Q1 and then their corresponding, say, instalment premiums, their corresponding revenues in the quarter continue to have an impact in the way we report like our numbers. But to give you some comfort, we were able to replace about 80% of the retention losses through new business additions.

The only issue is that we have a timing challenge in the way we recognize our revenues. So they will catch up and hence our guidance on the numbers sort of normalizing over the next 3 to 4 quarters, both from a retention perspective and revenue growth perspective. Regarding premium growth, for example, we still continue to grow faster than the market. The accounting revenue translation will typically lag by 2 to 3 quarters, and you should see that in the numbers going forward.

Vikas Sharda: Okay. And why have the retention rates gone down? Who have you lost the business to?

Satish Gidugu: So we spoke about this in detail in Q1. The reasons remain the same. One, an extremely large book of corporates from Paramount. There was a churn in the tail end, not in the core constituency that Medi Assist has always been strong in. Two, the cyber incident in the Paramount systems last year December also had an impact in some of the renewals in Jan through April in the erstwhile Paramount book. Of course, we're beginning to see the accounts

actually come back. And we're fairly confident that in the new base that we are sitting on, and we will get back to our retention rates, like I said, in the next 3 to 4 quarters.

Vikas Sharda: Okay. So then what would be your growth expectations of revenues, let's say, for the second half and next year, FY28?

Satish Gidugu: Vikas, we don't provide specific guidance, and I think on the TPA business we've always mentioned that we will grow at par or faster than the market from a premium share perspective. Depending on the timing, it will accrue into revenues, right? So if you look at Q1 of last year to Q2 of this year, our monthly revenues have gone up by nearly, you know, INR50 crores from a size perspective. And if you look at the contract liability, that I think has gone up which is the unknown revenue equivalent around the INR40-INR50 crores from just like March till September. So those are contracts that are already won, that is everything, and the revenue is just not in the P&L yet.

Moderator: The next question is from the line of Prithvish Uppal from Nuvama.

Prithvish Uppal: So just few questions from my side. So first is on Paramount integration. So though you've highlighted some parts on the retention dropping, you said that over next few quarters this will sort of normalize. So just if you can help us understand how that will sort of play through, what are the steps to help the retentions move back to around, say, the 93%-94% odd percent that we were running?

So that was the first question. The second is just a sort of follow-up on the PSU allocation. So have we lost some share there as well, which would probably have some explanation in terms of the overall retention dropping, or is it just a few clients that have sort of moved out for us? And third would be on the EOM of that IRDA has come out with the consultation paper for insurers. Any early discussions or signs where insurers probably face your EOM pressures and any signs in terms of the pricing discussions here? And just lastly, the margin is now about 20.4%. So any more levers left here, or this should be probably the kind of margin expectation that we should sort of expect going forward from here?

Satish Gidugu: All right, Prithvish, I'll do my best to answer but may not be necessarily in the same sequence. So I think we spoke about the reasons for redemption drops in the previous questions. What are we doing to get it back? It's always a challenge to run 2 extremely large systems and 2 extremely large processes in any integration. So, like I mentioned, the cyber incident in the Paramount system set us back by about a quarter in our integrations.

But as of early part of this quarter, 100% of the corporates are served by Medi Assist. And 100% of the claims are running in Matrix in our claim system. So the systems, processes, call centres, people, officers. All of them stand fully integrated and there is just one organization that's delivering in the same model.

And clearly, as we acquire some other companies, they have very different operating models, and that, was obvious from, say, the percentage of employee benefits costs on revenues, which were a lot more people-driven. So I think in terms of headcount from the time of Paramount acquisition, we are probably about 800 plus people lower in headcount today.

So clearly the whole integration and consolidation and presenting a united front and having a common tech platform are in place, and that is what gives us the absolute confidence that we will get back to our retention percentages.

Secondly, it's not just about consolidation, it's also about the continuous innovation that we are bringing to group customers. Group is under pressure for various reasons. Very complex benefits, expansion of benefits, significant changes in the network pricing, inflation, fraud. We are absolutely improving our right to win in the group business. Clearly, as the leaders in the group market with over 34% of India's group premiums, right, without even excluding bank assurance and other products are managed by us today. The second part of why we are very gung-ho about the group business is how we are continuously investing and improving our right to win. Whether it is letting employees and their dependents walk out of the hospitals even without a bill, or giving them absolute financial certainty before they walk in.

We're doing a lot of things just to improve the way the group is actually serviced. And the group business really is not dependent on any reallocation at an insurer level. Group is largely one based on the end employer having a view on whether our service levels are okay or not okay.

There's a substantial amount of group, the employer's influence in the choice of the TPA as per the regulation, they have a right to do so, and they actually exercise their right exceptionally well. And which leads us to say the margin question. So today, I know we're about 20.4% at a quarterly level. And as mentioned, we've also growing 2 lines of business.

We're growing the tech business, we're growing the international business. There are overlapping costs as we have moved our international business leadership and the operating structure, and then we are onboarding customers. We've onboarded new insurers onto our platform business.

The revenues are yet to kick in, but the implementations are in progress. So, we haven't presented any of those adjustments today. So today what you're seeing, the EBITDA margin for Q2 absorbs all of these initiatives and all of the investments, and then that's where we are at. But we still sort of stand by that our steady-state margins are 22%, 23% in the core business, and that continues to be a focus area to get, back there at the earliest.

And lastly, on the, EOM paper. I think in some ways the TPA industry has already gone through changes like this over the years. You've seen our yields decline, you've seen insurers and the regulator, especially through the previous master circular, hold us accountable for service delivery outcomes and reducing customer grievances.

And I think we are in a good place from a service perspective. In our view is that irrespective of how the rationalization happens and eventually the final results come out, the core issues that the insurers need to solve are going to remain the same. They will need better quality claims, they need better claims control, they need better customer experience.

And there is hope, possibly there is some inefficiency in their existing cost structures that are related to the servicing side of claims, which we strongly believe we're in a better place to support insurers and probably take on more of the work than we currently do. While the numbers

are not in the public domain, we are fairly confident that at our blended 2.7% TPA fee on group and retail is an exceptional value for money from an insurer perspective.

And we intend to be able to engage with each of the insurers, understand how we can help better in their journey to withdraw the expenses management issues. Then more detailed questions, which we can take. Yes, Prithvish go ahead.

Prithvish Uppal: Yes. So, sir, as I understand, you see that the EOM can also be an opportunity from, let's say, outsourcing from in-house for at least on the retail side, the cost benefit that probably you offer at about 2.7 or the said is better than what insurers are, sort of doing in terms of the entire claim processing function in-house. So that can be an opportunity for you, or if as another sort of way to look at the EOM.

Satish Gidugu: No, I think there are 2 parts to it, right? Unlike the, other costs. So today the policyholder knows the TPA fee. The TPA fee is transparent with the policyholders. In fact, the premiums are grossed up to collect the TPA fees today. So we are sort of very loosely we are part of premiums and not expenses because the policyholder is actually grossing up the premiums and then paying us the TPA fee.

So it's disclosed, it's transparent, there's a choice. And there are expectations and SLAs. So from that perspective, I'm not specifically concerned about what changes happen. All I'm stating is that there are 2 levers that insurers have. One is the operating cost, which potentially may or may not be as efficient in certain areas, especially just in the pure operations side, where we can step in either through our platform model or through the TPA model and hopefully we can deliver more value to our insurer partners in certain areas where we have not been working with them.

And second, I think the bigger challenge for insurers is what do you do with the claims control and while balancing the customer experience. And I think that's where a lot of work we've done in the last 4 to 6 quarters in building our AI to solve for the right things from a claims control perspective while improving customer satisfaction. We believe, I think these are the two levers that we've built that potentially of interest to insurers and the new regime.

Moderator: Thank you. We'll take the next question from the line of Dhiraj Kaswan from Incred. Please go ahead.

Dhiraj Kaswan: Hello sir, congratulations on the Q2 results. On the technology segment, we are giving more and more information every quarter about it. I think our main focus is just increasing our technology, revenue and gaining share with the retail segment there. Given we are increasing our revenues every quarter there and we have onboarded 3 clients already and 4 are going to be onboarded in the H2, can you like give the scope of how many claims do these 7 insurers control every year among the entire industry? Are the volumes going to be almost like 30%, 40% or any kind of thing like that?

Satish Gidugu: So without going into specific guidance, I'll take a step back and see where is this whole hybrid approach working for us, right? Less than 2 years ago, the only model that we could offer to our insurer partners was you hand over the customer to us and we manage everything end-to-end.

That was the TPA model, right? I think from there today, where we are, and for various reasons, right or wrong is debatable, but there are portfolios, there are cohorts where insurers said, no, we want to be the customer-facing entity, we want to own the customer, we want to own the customer experience. So I think we didn't have an answer on how to make that happen.

Today I think we have enough solutions that are available where the insurer can continue to front-end and differentiate from a customer experience perspective, and while not having to do everything on their own. And I think that's a solution we've been able to create, and these typically are those 4-5 segments that we actually detailed out on what are the areas that insurers, what are the typical challenges that exist in the health insurance business and how are we helping solve some of those issues today.

And it was on page number 15, whether it is intelligently adjudicating claims, understanding policy, understanding context, or handling the complexity of policy terms and benefits and maintaining our system of records and audit trail in a manner that it is explainable to the member and it meets all of the regulatory bars that exist today or how claims are adjudicated, or fighting fraud, waste, and abuse or simply just delivering far superior experience to members, especially at admissions and, discharges.

We today have solutions that work independent of our TPA offering. I think that was step one. Most of the revenues we are currently reporting are pure platform SaaS revenues, which is just a claim passing through the platform, which is just enforcing policies and tariffs. Much of the revenues related to our other value-adding bundles, whether it is intelligent claims adjudication or network as a service or fraud-based abuse, are still not in the revenue numbers right now.

While there are contracts that are kicking in and slowly sort of inching up, these contracts from a per-claim revenue perspective could be anywhere from potentially 5 to 10 times the current revenue per claim construct, which is the pure SaaS platform. And that's the opportunity we see. Of course, we focused on retail first and like I mentioned, even within the group business we see an opportunity to work on the hybrid model for the non-employer and employee models. And as we, I think, deliver value to more and more of these cohorts, and hopefully that will translate directly into our revenues and growth in the technology business.

Dhiraj Kaswan: Okay. Just a quick follow-up on that. In the technology segment, is 100% of the revenue from our claims, like from the Matrix software only, or are there other revenues included too?

Satish Gidugu: Other revenues are contracted Dhiraj but bulk of the revenues that we are reporting today are only from the pure SaaS platform. So the other revenues are add-ons on top of it, and hopefully in the coming quarters you will see them accruing.

Dhiraj Kaswan: Okay, sure. My second question would be that regarding the group segment. So, like Q1 we reported very high market share like almost 37% of, the group segment. But Q2 is of course, very the weakest quarter when it comes to the premiums. But still, we saw kind of a degrowth there, that industry has grown 16%, 17% and our premiums managed has increased by around 12%.

And we also noticed revenue has not increased on the same par at 12%, it has just been increased by 4%. So can you give some reason for this? Like, has there been take rate compression due to, the clients that have left from the Paramount book? And like what is the guidance going forward for the group, the group premium?

Satish Gidugu: I addressed some of these in the previous 3 questions, but I will quickly summarize it. Obviously we don't provide a revenue guidance at this point in time, but we have always said that we will go at par or faster than the market. And I think from an H1 to H2 perspective, leave the Q2 out because we have got our own seasonality in the business. And second, the industry reports including bank assurance and other areas, which is not currently a cohort that we process, we are purely employer employee, in our group reporting today. Right.

Having said that, we have talked about the reasons for the attrition or the losses, the higher churn rates, on migrating some of the tail end from Paramount and then the cyber incident of Paramount, leading to some issues in April renewals. And many of the large corporates, let's say, that have an installment premium, we also recognize that installment in Q2 as a loss in Q2. The revenues, of course, customers that are lost on 1st of April will continue to be in the reported numbers for the next 365 days because we report our revenues on a 1/365 basis.

We have replaced between 75% to 80% of the premiums that were lost this year through our new corporate addition. And again, it has its own timing of how the revenue accrues over 365 days. And hence our sort of overall guidance on 2 things, that we will get back to our historical retention rates in the next 3 to 4 quarters as reported in our numbers.

Moderator: The next question is from the line of Mihir Shah from Meritus Capital. Please go ahead.

Mihir Shah: Hi, Satish, am I audible?

Satish Gidugu: Yes, Mihir.

Mihir Shah: So, thanks for taking my question. One question that I had is, given all of the investments you all are making in technology, cashless, fraud-based and abuse, why does that not show up in a group retention rate higher than say 93%, 94%?

Satish Gidugu: That's a great question, Mihir, and I think in an ideal world it should be 100%, right? So today couple of disclaimers, right? One is we do not do any adjustments in the way we present our retention. For example, there are small companies that just fall away, right? They do not even exist the second year or there are companies that shut down their premiums or because of wage code, maybe some of the factories have moved more and more people to the ESIC covers and not the premium cover. Or some companies have like merged and then become new.

So today we just look at whether there was an entity and a certain name in the previous reporting period, and then whether that entity is traceable in this period. And it's a fairly stringent bar that we set for ourselves on how we report our premiums. So that's, one of the main reasons why so we could actually go into each account and then potentially just the explanation alone will move up by 100 to 200 bps.

But that's, one part of the retention, right? And second is, we also have a responsibility towards picking up accretive accounts and accounts that make sense. So some of our churn in April also included a small portion where we could say since this is commercially not viable. And then sometimes it is also important to take that stance. And again, we do not split that number, but there is a second big reason is the commercial viability.

The third is we are not perfect. And there will always be a small percentage of, clients where their expectations and our focus may or may not align. Often, we can resolve that and that results in higher retention rates. By the way, 93%, 94%, I think, is well, it's relatively low for what we do, but in absolute terms, I think it's fairly high from an industry perspective. Because most TPAs that we acquired, the highest was about 82%, 83%.

And, that's in fact how we have improved our market share. But if you go back to my answer 3, 4 questions ago, we are absolutely focused on improving our right to win and improving the desire for corporates to continue to stay with us from a service perspective.

And we have a good sense of what we need to focus on from a group business, especially in the way in the changing job market, changing priorities, changing globalization from a headcount perspective. I think we have a reasonable game plan, and hence the confidence in that in 3 to 4 quarters on such a large and consolidated basis that we will get back to our retention rates and then we will aim for something higher.

Mihir Shah: Thanks a lot, Satish. The other question I had was, obviously, retail is an underpenetrated opportunity and depending on how things play out could be a leg of growth. There if we look at your share of premium process it's obviously low but if we include the platform business your share is quite high or much higher.

So how should we think about your journey in the retail business, do you see it largely as a as a platform play on the retail side versus say the group side? And if so, how should we look at the monetization journey on the platform side, whether it is number of products, penetration, ultimately then pricing as a percent of the claims volume that you are processing is how we look at it on the group side, but how should we really look at it on the retail side?

Satish Gidugu: No, very fair question here. So like I said, we did not have an answer unless somebody hired us as a TPA. So now we have an answer, and we have layered the answers in a manner that we understand are the key areas of concern for an insurer, right? Which is just while we underestimate the value of it sometimes. Just a system of records, your ability to configure a policy and all of the nuances of the terms and conditions, enforce past history adjudication, right? Being able to explain why they did, what they did to a customer and to the regulator and all the other stakeholders itself is a big challenge, right?

And that's where our MAtrix platform comes in, which like I said in the previous, conversations think of it as 100, 120 rupees a claim, like a base, just for the claim to go through the system of records, right? Bulk of our revenues that we are reporting today point to the platform capabilities alone, right?

Now there are other things that the insurers need, which is the fraud waste & abuse or auto adjudication or intelligent adjudication, managing cashless and network, managing member exigences. We have those bundles. Different bundles are in different levels of activation and, contracting. We expect those, and we do have contracts, right? The contracts will actually cover these bundles. Hopefully, as insurers use more and more of those, will be incremental revenues from each of these existing customers who are on the platform.

The third thing we did was that we decoupled the bundles from MAtrix. So now we are enabling insurers to use the bundles on their own core systems without having to migrate to MAtrix, right? We have one such signup now where they continue to use their core system, but they are saying, okay, I will use your intelligence bundle on top of my core system. Then that sort of becomes like one more opportunity.

And going back to the EOM questions that came up, a few minutes ago. We also think that there will be a little bit of a rethink from the cost that insurers want to keep or want to optimize or want to change. And I think hopefully that will improve our ability to go engage with them deeper and then find better solutions. In summary, I think the way to look at it is, it's a, within each account, how much more can you do? We know within retail it's not about just how many more, how many more pieces of premiums you can add.

Moderator: Thank you, sir, for answering those questions. Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to the management for closing comments. Thank you, and over to you.

Management: With that, we would like to conclude the Q2 earnings call. Thank you to all the participants who joined. You may disconnect your lines. Thank you.

Satish Gidugu: Thank you.

Moderator: Thank you members of the management. Ladies and gentleman, on behalf of Medi Assist Healthcare Services Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines. Thank you.