# Medi Assist Insurance TPA Private Limited

September 04, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term / Short-term bank facilities | 30.00 | CARE AA- / CARE A1+ (RWD) | Placed on Rating Watch with Developing Implications |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has placed ratings assigned to the bank facility of Medi Assist Insurance TPA Private Limited (MAITPA) on 'Rating watch with Developing Implications' (RWDI).

The rating action follows the announcement made on August 26, 2024, about MAITPA entering a share purchase agreement to buy 100% stake in Paramount Health Services & Insurance TPA Private Limited (Paramount TPA) for an enterprise value of ~₹311.8 crore subject to closing related adjustments. The transaction is expected to complete in 4-6 months subject to approvals. The management has indicated that the funding pattern is expected to be a mix of liquid surplus (amounting to ~₹270 crore at Medi Assist group level as on June 30, 2024) and debt, however specific details remain unclear. CARE Ratings will continue to monitor the progress in this regard and shall review the rating once clarity emerges on funding pattern and its overall impact on the company's credit risk profile.

Paramount TPA is the fourth largest TPA in India by total revenues and second largest TPA in group segment by premiums in India, on FY24 basis. In terms of market share, Paramount TPA had 6.2% in group segment and 4% of the total health insurance industry by premiums, on FY24 basis. With acquisition of Paramount TPA, Medi Assist TPA market share will grow to 36.6% for the group segment and 23.6% of the health insurance industry, by premiums managed. This acquisition will enable MAITPA deliver further efficiencies across teams, technology and inpatient/outpatient networks strengthening its proposition as a long-term strategic partner to insurers (General, Standalone Health Insurers [SAHI] and Life). Paramount TPA managed around ₹3,866 crore of total premiums for group & retail segment and reported revenue from operations of around ₹153 crore in FY24 with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of ~ 8.70%.

Ratings continue to factor in sustained improvement in operational performance with increased volume of business, strong liquidity and improving cash flow from operations. Ratings also positively factor the company's leadership position in the insurance third-party administrator (TPA) industry, experienced management, tie-ups with all major insurance companies and established relationships with large, reputed corporates, and company's strong financial risk profile. These rating strengths are partially offset by decline in PBILDT margin in FY24, intensely competitive and fragmented industry and threat from in-house TPAs of insurer companies.

## Rating sensitivities: Factors likely to lead to rating actions

**Positive factors**

- Consistently growing total operating income (TOI) by ~10-15% while maintaining PBILDT of ~20% on a sustained basis.
- Maintaining overall gearing of below 0.15x on a continuous basis.

**Negative factors**

- Declining PBILDT margins to less than 10% or declining total operating income (TOI) from current levels.
- Debt-funded acquisitions leading to increasing overall gearing beyond 0.50x.
- Increasing total debt/PBILDT levels above 0.50x on a sustained basis.

**Analytical approach:** Standalone

**Outlook:** Not applicable

## Detailed description of key rating drivers:

## Key strengths

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

**Experienced management**
Dr Vikram Jit Singh Chhatwal manages the company's day-to-day operations. He has more than two decades of experience in the health insurance sector (earlier worked with Reliance Health and Apollo Hospitals) and is assisted by a team of qualified professionals having experience in respective fields. Satish V N Gidugu has over 19 years of experience in information technology and is currently the CEO of MAHSL, holding company of MAITPA. MAHSL was listed on Indian stock exchanges in January 2024.

**Market leader with long-standing industry presence, major tie-ups and established relationships**
MAITPA is one of the earliest Insurance Regulatory and Development Authority of India (IRDAI)-licensed TPAs in India and commands leadership position in TPA business. The company is expanding its hospital network and enjoys pan-India presence, enabling it to provide cash-less hospitalisation and timely rendering of services to the insured across India. The company has a network of over 12,000 hospitals, services over 18,000 corporate clients across India and has been able to retain majority of corporates over the years based on its quality service.

In February 2023, MAITPA acquired 100% shares of Medvantage for a total purchase consideration of ₹19.50 crore. Moreover, MAITPA increased its stake in Medvantage by additionally investing ₹10.00 crore in FY23. In FY24, Medvantage merged into MAITPA. In August 2023, MAITPA acquired 100% shares of Raksha for ₹120.50 crore. Both acquisitions were done through internal accruals and no term debt was availed. These acquisitions are of significant strategic value for the company and will further strengthen its market leadership position in India.

**Sustained operational performance with healthy cash flow from operations despite moderate PBILDT margins**
MAITPA continues to show sustained growth in the income over the years. The company's income from operations improved by around 15% from ₹487 crore in FY23 to ₹559 crore in FY24 backed by increase in the total premium handled and total lives covered. Increase in total number of lives covered and total premium handled resulted in growth in the TPA income. Medi Assist group handled a total premium of ₹19,050 crore in FY24 as against ₹14,575 crore in FY23. MAITPA had a healthy cash flow from operations in FY24, amounting to ₹42.46 crore. In FY24, PBILDT declined to ₹77.39 crore (PY: ₹115.70 crore) and PBILDT declined to 13.85% (PY: 23.74%). This was majorly due to substantial increase in software subscription charges paid to parent, MAHSL, which was around ₹101.85 crore as against ₹57.52 crore in FY23 and due to increase in employee benefits expenses. However, with recent acquisitions, synergies are yet to be reaped and margins are expected normalise from FY25 onwards.

**Strong financial risk profile with healthy liquidity and debt-free status**
MAITPA continues to remain debt free (has only financial lease liabilities). Even after two recent acquisitions funded completely through internal accruals, MAITPA had cash and liquid investments of around ₹109 crore as on March 31, 2024. Overall gearing as on March 31, 2024, stood at 0.09x (PY: 0.14x) against tangible net worth of ₹236 crore (PY: ₹193 crore). Average utilisation of bank guarantees (BGs) stood at 60-65% for 12-months ended July 2024. In FY24, the operating cycle stood at 59 days (FY23: 43 days) with average collection period of 88 days (FY23: 83 days).

## Key weaknesses

**Intense competition in a highly fragmented industry and regulatory risk**
TPAs generally face wide array of problems such as lack of strong standardisation procedures in terms of billing, weak networking, and timely processing of claims, among others. Per IRDAI regulations, TPAs should have their own in-house medical doctor (registered with the medical council of India), hospital managers, legal experts, insurance consultants, information technology professionals, and management consultants. At present, there are around 20 licensed TPAs in India leading to intense competition and stress on margins. Retention of business is further impacted by lack of differentiation in services offered by TPAs, which are further susceptible to IRDAI's changing norms.

**Threat from in-house TPAs**
Four public sector insurers together command a major market share and had formed an in-house TPA agency named - Health Insurance TPA of India Limited (HITPA). The common in-house TPA serves a portion of premiums underwritten by the four public sector general insurance companies, and the business volume handled is expected to rise in coming years. This could pose a challenge for MAITPA, as it derives major portion of TPA fees from public sector undertaking (PSU) insurers. Apart from these, some top private insurers have also opted in-house TPA. However, the trend is limited to large insurers only, as the smaller ones do not have the manpower, expertise or capacity and technology to process faster claims. HITPA is relatively smaller in size in terms of revenue per year and operates majorly in retail segment, while MAITPA derives major source of revenue from corporates and its volume has been growing.

**Liquidity**: Strong
MAITPA maintains healthy liquidity with cash and liquid investments of ₹109 crore as on March 31, 2024. The company continues to remain fund-based debt free and only utilises non fund-based limits. Average utilisation of BGs for 12-months ended July 2024 is around 60-65%. With cash accruals generated in FY24 and those expected to be generated in FY25, MAITPA is expected to meet its lease liabilities comfortably.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

## Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Service Sector Companies
Short Term Instruments

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Services | Services | Commercial Services & Supplies | Consulting Services |

MAITPA (formerly known as Medi Assist India TPA Private Limited) is an ISO 9001:2008 and ISO 27001:2013 certified organisation incorporated in September 1999. Medi Assist Healthcare Services Ltd (MAHSL) holds 100% shares in the company. MAITPA is one of the earliest IRDAI-licensed TPAs in India, providing range of services in claim administration, cashless hospitalisation, and facilitating pre-policy check-ups. The company uses technology-based interface 'MediBuddy' for seamless pre-authorisation, data on network hospitals, track reimbursements, and digital records, among others.
In February 2023, MAITPA acquired 100% shares of Medvantage for a total purchase consideration of ₹19.50 crore. MAITPA increased its stake in Medvantage by additionally investing ₹10.00 crore in FY23. In FY24, Medvantage merged into MAITPA. In August 2023, MAITPA acquired 100% shares of Raksha for ₹120.50 crore. Both acquisitions were done through internal accruals. The parent company, MAHSL, was listed on Indian Stock Exchanges in January 2024.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) |
|---|---|---|
| Total operating income | 487.39 | 558.94 |
| PBILDT | 115.70 | 77.39 |
| PAT | 78.86 | 54.60 |
| Overall gearing (times) | 0.14 | 0.09 |
| Interest coverage (times) | 49.21 | 33.56 |

A: Audited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated**: Annexure-4

**Lender details**: Annexure-5

## Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Non-fund-based - LT/ ST-Bank Guarantee | - | - | - | - | 30.00 | CARE AA- / CARE A1+ (RWD) |

## Annexure-2: Rating history for last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Non-fund-based - LT/ ST-Bank Guarantee | LT/ST | 30.00 | CARE AA- / CARE A1+ (RWD) | - | 1)CARE AA-; Stable / CARE A1+ (29-Feb-24) | 1)CARE AA-; Stable / CARE A1+ (17-Feb-23) | 1)CARE A1+ (04-Feb-22) |

LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

## Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Non-fund-based - LT/ ST-Bank Guarantee | Simple |

## Annexure-5: Lender details

| |
|---|
| To view lender-wise details of bank facilities please click here |

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

**Contact us**



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**About us:**

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.



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