Manipal Cigna Health Insurance Company Limited (Revised)

January 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Subordinate Debt*	125.00	CARE D	Assigned

Details of instruments/facilities in Annexure-1.

CARE Ratings Limited (CARE Ratings) has rated the aforesaid subordinate debt considering the regulatory conditions and in view of their sensitiveness to the company's solvency ratio and profitability due to the regulatory covenants during the long tenure of the instrument. Interest payable on subordinate debt will be subject to the following:

- The solvency of the issuer remains as per regulatory stipulation
- Where the impact of such payment may result in net loss or increase the net loss, prior approval of the authority for such payment will be obtained.

Any delay in payment of interest / principal (as the case may be) following the invocation of covenants, would constitute an event of default as per CARE Ratings' definition of default and as such these instruments may exhibit sharper migration of the rating.

Rationale and key rating drivers

The ratings assigned to the proposed subordinate debt of ManipalCigna Health Insurance Company Limited (MCHI) factors in the delays in meeting the outstanding subordinated debt obligations.

As per IRDAI regulations, "The insurer shall require prior approval of the Competent Authority for accrual or payment of dividend for preference shares or interest on any Subordinated Debt for any financial year if:

- The solvency of the issuer remains as per regulatory stipulation
- Where the impact of such payment / accrual may result in net loss or increase the net loss, prior approval of the authority for such payment will be obtained.

While CARE Ratings notes that loss-making operations mandated MCHI to take prior approval for repayment of debt/ interest obligations, there have been delays in debt servicing post taking the approval, which tentamounts to an event of default as per CARE Ratings' default recognition policy.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Timely debt servicing track record

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Not applicable

Analytical approach:

Standalone with factoring linkages with the parent

Outlook:

Not applicable

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

Detailed description of key rating drivers:

Key weaknesses

Delays in debt servicing

There have been delays in payment of interest on subordinated debt vis-à-vis the scheduled interest payment dates. While as per the extant regulations, loss-making insurance company needs to service its subordinated debt obligations after taking the approval from IRDAI, there have been delays in payment even after taking the requisite approval.

Profitability constrained by scale and high operating expenses

MCHI started its operation in year 2014 having over a decade of track record, however, its scale of operations remains modest with claims outstanding of ₹170 crore as of September 30, 2024, and gross direct premium (GDP) of ₹1,691 crore for FY24. During FY24, MCHI's market share stood at 1.52% in entire health insurance sector [PY.: 1.47%] while the market share within the Standalone Health Insurance (SAHI) entities stood at 3.16% [PY.: 3.04%]. As on September 30, 2024, company ranks 15th in the entire health insurance sector among 31 companies.

Company's product mix is balanced with retail and group segment contributing 46% [PY.: 45%] and 54% [PY.: 55%] respectively during FY24.

Given the modest scale of operations and focus on retail intensive business, the company continues to report losses. During FY24, gross written premium (GWP) and Net Premium Earned (NPE) grew by 24% to ₹1,691 crore and by 31% to ₹1,459 crore respectively. The overall growth in GWP was led by both retail segment (grew by 29%) and group segment (grew by 22%). The loss ratio of the company was range bound during FY24 at 63.78% [PY.: 64.66%]. Driven by small scale of operations and expansion phase (the company has opened 27 branches in the last 3-years) the company reported an expense of management to NWP (EOM) of 47% [PY.: 51%]. During FY24, MCHI reported a total investment income of ₹107 crore [PY.: ₹75 crore] with a reported investment yield of 6.98% [PY.: 6.33%]. Consequently, the company reported lower losses of ₹132 crore during FY24 [PY.: ₹201 crore].

During H1FY25, company reported losses of ₹129 crore [PY.: ₹96 crore] on NPE of ₹756 crore [PY.: ₹642 crore].

Going forward the company's ability to bring down its EOM as per the regulatory glide path and improve profitability will be key monitorable.

Key strengths

Parent support and experienced management

The Company is a joint venture between Manipal Education and Medical Group India Private Limited (7.60%), MEMG Fund Advisors LLP (43.37%), and Cigna Holdings Overseas, Inc. (48.96%) and Others (0.07%) as on September 30, 2024.

Manipal Group has an established track record in the field of education and healthcare services. Manipal Global Education Services (MAGE) and Global Health Enterprises (MHE) are one of key operating companies for MEMG. MCHI is a strategically important entity for MEMG as it provides access to health insurance sector, which is evident by capital, managerial and operational support MCHI derived from Manipal Group apart from the shared brand name. The foreign partner, Cigna Holding Overseas is part of Cigna Group which is a USA based global health company with a global workforce network of more than 70,000 colleagues/agents and more than 178 million customer relationships spread across more than 30 countries and jurisdictions. MCHI benefits from global experience, business and sales initiatives taken by Cigna given its longstanding presence in healthcare sector.

Manipal and Cigna Group have demonstrated track record of infusing need-based equity capital of Rs 200 Crore in FY22, ₹317 Crore in FY23, ₹275 crore in FY24, with recent infusion being of ₹190 Crore during H1FY25.

On the managerial front, the company's board is governed by seven directors including three independent directors. The board consists of two representatives each from MEMG and Cigna respectively. While company is in process of hiring a CEO, it is led by experienced professional with expertise in their respective domain with an average experience of more than a decade.

Adequate solvency margins

MHCI reported a solvency margin of 1.75 times as on September 30, 2024 [Mar-24: 1.66 times], translating into an excess capital of ₹86 crores [Mar-24: 17 crore]. The solvency margin during FY24 and H1FY25 was supported by cumulative capital infusion of ₹465 crore by parent MEMG and Cigna. Going forward, its ability to maintain solvency levels as envisaged is critical considering company's plans to penetrate tier 2 and tier 3 regions and strengthen its distribution franchise.

Liquidity: Stretched

The liquidity is stretched as reflected by delays in servicing of subordinated debt. Basis liquidity position for FY24, the cash inflows (premiums received + income from investments) stood at ₹1,774 crore against outflows of ₹1,754 crore (claims payouts of ₹950 crore and total opex of ₹794 crore and interest repayment of ₹10 crore).While the company is making losses at the operating level, company's liquid investments (entire investment portfolio comprises of G-secs and AAA rated bonds) stood at ₹1,734 crore as of September 30, 2024 [Mar-24: 1,639 crore]. The company's liquidity coverage ratio (liquid investment / technical reserves[2] + sub debt payment over the next 1-year) stood at 174.96% as of September 30, 2024 [Mar-24: 178.62%].

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Policy On Curing Period
Financial Ratios - Insurance Sector
Insurance Sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Insurance	Other Insurance Companies

MCHI is a standalone health insurance company incorporated on March 12, 2012. The company is joint venture between Manipal Group and Cigna Corporation, a USA based global health services company.
The company offers health insurance products pertaining to both retail and group insurance, some of the major products for MCHI include ManipalCigna ProHealth Insurance, ManipalCigna ProHealth Prime and ManipalCigna Lifetime Health. Region wise company focus going forward will be tier 1 and tier 2 cities for retail health insurance product. Company operates via more than 250 brokers with broker channel contributing ~40% of total GWP.

Manipal Education and Medical Group (MEMG)

MEMG operates in the field of education and healthcare. Manipal Global Education Services (MAGE) an education service arm of the group is headquartered in Bengaluru with a track record of six decades in the education sector. MAGE has presence via 7 universities both in India and internationally. Global Health Enterprises (MHE) is a hospital network arm of Manipal group with Pan-India via 33 hospitals in 7 cities. Apart from education and healthcare companies MEMG has three other subsidiaries operating in the field of medical research, non-banking financial services and philanthropy.

The Cigna Group

The Cigna Group is a USA based global health company with 230+ years of experience in this sector.. The group aims to partner and innovate solutions for better health. Group's global workforce network is of more than 70,000 colleagues/agents working through Cigna Healthcare and Evernorth Health Services to fulfil group's mission to improve the health and vitality of the more than 178 million customer relationships spread across more than 30 countries and jurisdictions.

[2] [2] Liquid investment = G-secs and AAA rated bonds

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (A)
Gross direct premium	986	1,360	1,691	832
Net earned premium	825	1,118	1,459	756
PAT	-256	-201	-132	-129
Claims outstanding	106	138	141	170
Total Assets*	1,108	1,576	1,852	1,946
Tangible net-worth* (including fair value changes)	211	327	471	532
Net NPA (%)	0.00	0.00	0.00	0.00
Solvency margin (times)	1.68	1.56	1.66	1.75

A: Audited UA: Unaudited; Note: these are latest available financial results
*Adjusted to intangible assets and deferred tax assets

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
Debt-Subordinate Debt	Proposed	Not applicable	Not applicable	Not applicable	125.00	CARE D

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	Debt-Subordinate Debt	LT	125.00	CARE D				

LT: Long term; ST: Short term; 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	Debt-Subordinate Debt	Complex

Annexure-5: Lender details

To view the 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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