

March 28, 2014

**CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF
MEDSAVE HEALTHCARE TPA LIMITED**

Ratings

Bank Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	19.63 (enhanced from Rs.13.62 crore)	CARE BBB- (Triple B Minus)	Reaffirmed
Short-term Bank Facilities	12 (enhanced from Rs.10 crore)	CARE A3 (A Three)	Reaffirmed
Total	31.63		

Rating Rationale

The ratings assigned to the bank facilities of Medsave Healthcare TPA Limited (MHTL) continue to draw strength from the experienced promoters and management team, strong parental support of the Arcotech and Davidoff group, long track record and growing scale of operations, widespread network of branch offices, tie-up with the hospitals spread across the country, and established relationship with the leading insurance companies.

The ratings, however, continue to be constrained by the leveraged capital structure along with the elongated collection period resulting from delayed payments from insurance companies, susceptibility of revenue and profitability to prevailing mediclaim premium rates and incurred claim ratio, intense competition from other Third Party Administrators (TPAs) and regulatory risk regarding TPA services and periodic renewal of licenses. The rating also factors in the decline in profitability margins during FY13 (refers to the period April 1 to March 31)

Going forward, deleveraging its capital structure along with improving its operating cycle and enhancing its profitability will remain the key rating sensitivities.

Background

Medsave Healthcare TPA Ltd. (MHTL) was established in 1992 as SKS Finance Ltd. The name was changed to Medsave Healthcare Ltd in 2002 and to present one i e Medsave Healthcare TPA Ltd in 2008. MHTL is an Insurance Regulatory and Development Authority (IRDA) licensed TPA for claim settlements of mediclaim policies and Rashtriya Swasthya Bima Yojna (RSBY). MHTL is 74:26 joint venture between the Arcotech group and Medsave, USA, which is a subsidiary of the Davidoff group. The company is currently managed by Mr Arvind Kumar Saraf, Mr Vivek Tiwari, Mr Rony Davidoff and Dr Adish Labru. MHTL earns a TPA fees from the insurance companies on the policies serviced. MHTL currently has tie up with 12 insurance companies including 4 PSUs and 8 private insurance companies. During FY13, MHTL has settled 6,51,594 claims for these insurance companies (6,00,178 claims for FY12).

As per the audited results for FY13, MHTL reported a total operating income of Rs.81.92 crore and profit after tax of Rs.1.74 crore. In FY14 till December 2014, the company has achieved a turnover of Rs.45 crore.

¹Complete definition of the ratings reaffirmed are available at www.careratings.com and other CARE publications

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