

Press Release

Apollo Munich Health Insurance Company Limited

June 22, 2019

Rating Update



Total Facilities Rated*	Rs.74.00 Cr.
Long Term Rating	ACUITE AA (Placed under rating watch with "Positive Implications")

* Refer Annexure for details

Rating Rationale

Acuité has placed the long term ratings of '**ACUITE AA**' (read as **ACUITE double A**) on the Rs. 74.00 Cr. Non-Convertible Debentures of Apollo Munich Health Insurance Company Limited on '**Rating watch with Positive implications**'.

Rationale for placing the rating on Watch:

AMHICL has announced that the Board of Directors of the company have approved the Share Purchase Agreement (SPA) proposed to be entered into by and amongst AMHICL, Apollo Hospitals Enterprise Limited (AHEL), Apollo Energy Company Limited (AECL), Munich Health Holding AG (MHH), HDFC ERGO General Insurance Company Limited (HDFC ERGO) and Housing Development Finance Corporation Limited (HDFC Limited) and the subscribers to the memorandum of association of the Company (being Ms. Suneeta Reddy, Ms. Sangita Reddy, Ms. Shobana Kamineni, Ms. Preetha Reddy and Ms. Sucharitha Reddy). The SPA is in connection with acquisition of up to 51.2% of the issued and paid-up share capital of AMHICL by HDFC Limited from AHEL, AECL and other shareholders. ("Proposed Acquisition").

Further, the Board of Directors of the Company have approved the in-principle draft Scheme of Arrangement and Amalgamation ("Scheme"), for the merger of the Company into and with the HDFC ERGO, subject to finalization of the swap ratio and other terms of the Scheme.

The rating action reflects Acuite's expectations of a likely improvement in credit profile of AMHICL post the acquisition of majority stake by HDFC Limited. Acuité is in discussions with the management of AMHICL to understand the contours of the deal and its implications on the operational and financial performance of the company till its merger with HDFC ERGO.

HDFC Limited, incorporated in 1977 is a leading housing finance Institution with a loan book of Rs. 4066.07 Billion and PAT of Rs. 96.33 billion in FY2019 on standalone basis. Besides the flagship company HDFC Limited, HDFC Group also has interests in banking, Asset Management, Life insurance and General insurance businesses through HDFC Bank, HDFC Mutual Fund, HDFC Life and HDFC ERGO respectively.

HDFC ERGO is the third largest private sector general insurance company with '51:49' joint venture between HDFC and ERGO International AG. The company has reported gross direct premium of Rs. 86 billion in FY2019, thereby having 9.3 % market share (private sector) in terms of gross direct premium. Source: HDFC Limited

About the Company:

AMHICL, a leading standalone private health insurance company in India, was incorporated in 2006 and is licensed from Insurance Regulatory and Development Authority (IRDA) for undertaking health insurance business. The company is a joint venture between Apollo Hospitals Group and Munich Health Holding AG, a division of Germany based reinsurance company Munich Re.

AMHICL was originally known as Apollo DKV Insurance Company Limited, a joint venture between Apollo Hospitals Group and Deutsche Krankenversicherung AG (DKV AG), Europe based private health insurer and a subsidiary of ERGO Group, with ultimate ownership of Munich Re. Apollo DKV was renamed Apollo Munich Health Insurance Company Limited in December 2009 as a part of the rebranding strategy.

The company had a network of 158 branches as on March 31, 2018 with additional 39 branches being planned to be opened in near term. AMHICL is controlled by Apollo Hospitals Group with 50.97% (as on

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March 31, 2018) shareholding of which 40.99% is held by Apollo Energy Company Limited and 9.98 % is held by Apollo Hospitals Enterprise Limited and Munich Health Holding AG holds 48.61%.

Analytical Approach

Acuite has taken a standalone view to evaluate the credit quality of AMHICL and subsequently factored in support from the Apollo Hospitals Group on account of the strong management, financial and operational linkages.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Gross Direct Premium Income	Rs. Cr.	2194.44	1,717.51	1,301.93
Profit after tax	Rs. Cr.	11.20	15.24	132.29
Combined ratio	(%)	100	99	97
Solvency Ratio	Times	1.6	1.7	1.9
Return on Net Worth (RoNW)	(%)	2.6	3.6	32.5

For further details, kindly refer to Acuite's release dated July 06, 2018:

<https://www.acuite.in/documents/ratings/revise/27053-RR-20181030.pdf>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
October 30, 2018	Subordinated debt	Long Term	74.00	ACUITE AA / Stable (Assigned)

*Annexure – Details of instruments rated

ISIN	Name Of The Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Rating/ Outlook
INE092V08028	Subordinated Debt	18-Sep-2018	10.25%	18-Sep-2028	74.00	ACUITE AA (Placed under Rating watch with Positive implication)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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