



Ref: IRDA/TPA/MISC/ORD/013/01/2016

**FINAL ORDER**

**In the matter of M/s. Sri Gokulam Health Services TPA Pvt. Ltd.**

Based on the reply to Show Cause Notice dated 27-07-2015 and submissions made during Personal Hearing Chaired by Mr. T.S. Vijayan, Chairman, IRDAI, on 17-11-2015 at 1500 hrs. at the office of Insurance Regulatory and Development Authority of India, 3<sup>rd</sup> Floor, Parishrama Bhavanam, Basheerbagh, Hyderabad,

Show Cause Notice dated 27<sup>th</sup> July, 2015, (SCN) on observed deficiencies in the functioning of licensed TPA namely; M/s. Sri Gokulam Health Services TPA Pvt. Ltd. (Sri Gokulam TPA / the TPA) was issued and in deference to the entity's request a personal hearing was accorded on 17<sup>th</sup> November, 2015.

The TPA Company was represented by Dr. K. Arthanari, CMD, Mr. S. Ranagarajan, Sr. GM, Mr.S.Devanath, Manager Operations of Sri Gokulam TPA and Dr. K.S. Ravichandran, PCS, KSR & Co. Company Secretaries LLP.

On behalf of the Authority Mrs. Yegna Priya Bharath, Joint Director (Health), Mr. DVS Ramesh, Deputy Director (Health) and Mr. Bhaskar Khadakbhavi, Assistant Director (Health – TPA), were present in the personal hearing.

The submissions made by the TPA in their written replies vide letter dated 03-08-2015 to the Show Cause Notice issued by the Authority and also those made during the course of personal hearing were taken into account.

The findings on explanation offered by Sri Gokulam TPA to the issues raised in the Show Cause Notice and the decisions are as follows;

**1. Charge no. 1:**

It was charged that the TPA Company right from financial year 2008-09 till third quarter of financial year 2013-14 had not maintained the required working capital. The Authority vide Order Ref. IRDA/TPA/MISC/ORD/072/04/2015 dated 13-04-2015 had taken regulatory action for violations during the financial year 2008-09 to third quarter of financial year 2013-14. The financial year wise details of available working capital with the TPA are as under;

Sr. No.	Financial Year	Available Working Capital (Amt. Rs. in Lakhs)
1	2008-09	11.02
2	2009-10	4.22
3	2010-11	10.38
4	2011-12	3.69
5	2012-13	8.14
6	2013-14	(87.08)
7	2014-15	10.83

However, even after initiating regulatory action, it was noticed that, for entire financial years 2013-14 and 2014-15 the TPA Company had not complied with specified working capital requirements and continued the violation of the Regulations referred herein.

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The above is in violation of Reg. 3 (4) of IRDA (TPA – Health Services) Regulation, 2001 and attracts provisions of Reg. 13 to be read with Reg. 14 (8) of IRDA (TPA – Health Services) Regulation, 2001.

**Reply of Sri Gokulam TPA:**

The Company has made deposits with the Lakshmi Vilas Bank Ltd. and earmarked them exclusively towards working capital. Since the amounts were deposited for a period 12 months it has been classified under the head long term borrowings.

**2. Charge no. 2:**

The TPA Company submitted that they have earmarked Rs. 1 Crore (Rs. One Crore only) in the form of fixed deposit account exclusively towards working capital funds.

However, it was observed from financial statements submitted for the financial year 2014-15 that the said fixed deposit was placed from the funds borrowed.

Thus, in view of explanation to Regulation (3) (4) of IRDA (TPA – Health Services) Regulation, 2001, it is evident that the TPA Company had given wrong and / or misleading statement in the matter of maintaining of working capital norms with the Authority. This is considered not a professional manner of dealing with regulatory compliance issues and in violation of Reg. 21 (1) of IRDA (TPA – Health Services) Regulation, 2001.

**Reply of Sri Gokulam TPA:**

Balance sheet as at 31-03-2015 would show a sum of Rs. 75.90 Lakhs as share application money and Rs. 267.98 Lakhs by way of loans from directors and relatives. During the FY 2014-15 alone Rs. 160 Lakhs (approx) has been brought in to the Company and Rs. 1 Crore has been deposited in fixed deposit with Scheduled Commercial bank. This meets the regulatory requirement w.r.t. working capital. The borrowings from directors and relatives and share application money cannot be treated as vitiating the requirement of regulations.

**3. Charge No. 3:**

**Financial condition of your TPA Company:** Your Company vide letter dated 24-04-2015 had submitted unaudited financial statements for the financial year 2014-15.

As per the said financials, accumulated losses for your Company were at Rs. 4 Crores and net worth of your Company is negative i.e. Rs. (-) 2.00 Crores. In view of the same and as noted in point nos. 1 & 2 of this SCN, it is considered that, financial condition of your TPA Company is deteriorated.

This attracts provisions of Reg. 13 read with Reg. 14 (2), 14 (7) & 14 (8) of IRDA (TPA – Health Services) Regulation, 2001.

**Reply of Sri Gokulam TPA:**

The Company with all its efforts was able to get empanelment during the month of June 2012 since after its incorporation in the year 2006. The Company was able to generate revenue only from the financial year 2012-13 and until the year 2011-12 from incorporation the company was not having any business.

**Decision for Charge Nos.: 1, 2 and 3:**

The TPA Company has been persistently failing in meeting with working capital requirements for last seven financial years. It is also noted that, as per the Audited Financial Statements, Working Capital of the TPA Company for the Financial Year 2013-14 was at Rs. (87.08) Lakhs and for FY 2014-15 it was Rs. 10.83 Lakhs, as against the following stipulation of extant Regulation,

*“As per Reg. 3 (4) of IRDA (TPA – Health Services) Regulation, 2001 – At no point of time of its functioning the TPA shall have a working capital of less than Rs. 1 Crore;  
Explanation – For the purpose of this sub-regulation “working capital” means the difference between the aggregate of the current assets and current liabilities as on the date of reckoning.”*

It is also observed that the TPA did not classify the Share application money pending allotment as the Other Current Liability in the Financial Statements for the period ending 31.03.2015 as the same was pending for allotment since FY 2013-14. Hence, it is further clarified that the share application money which is due for refund shall be also classified as ‘Other Current Liabilities’.

Thus, based on the above, Share Application Money pending allotment ought to have been considered as the Other Current Liabilities which would further bring down the position of Working Capital.

Therefore, it is observed that the Company did not maintain the minimum Working Capital as mentioned under Charge No. 1, in violation of the relevant provisions of the Regulation.

Thus, it is further observed that there is no material matter to consider the submissions of the TPA Company. In view of this, and as per provisions of Reg. 13 to be read with Reg. 14 (8) of IRDA (TPA – Health Services) Regulation, 2001, the Authority rejects the application for renewal of TPA license No. 31 filed by M/s. Sri Gokulam Health Services TPA Pvt. Ltd.

Following directions are to be complied with, in view of rejection of application for renewal of TPA License No. 31 of Sri Gokulam TPA;

- a. Sri Gokulam TPA is advised to remove word TPA from name of its Company.
- b. In terms of Reg. 17 of IRDA (TPA – Health Services) Regulations, 2001, all insurers who are having TPA agreement with Sri Gokulam TPA, shall immediately take such alternative steps including appointment of another TPA, if any, as may be necessary to continue to cater to the policy holders served by Sri Gokulam TPA.
- c. Sri Gokulam TPA shall immediately submit the data collection and the books, records or documents etc., relating to the TPA business carried on by it to respective insurers.
- d. Sri Gokulam TPA shall cooperate with insurance companies in making suitable alternate arrangements to service the policy holders in respect of whom the policies are in force.
- e. Sri Gokulam TPA shall, reconcile and close the accounts with concerned insurance companies and network providers, if any.

All the insurance companies that engaged the services of Sri Gokulam TPA shall submit an action taken report to Joint Director (Health), IRDAI in respect of the above directions within three months from the date of this order.

Place : Hyderabad  
Date : 15-01-2016



T.S. Vijayan  
Chairman