



Mmodal Global Services Private Limited

Instrument	Amount (Rs. Crore)	Rating Action
Short-term fund based limits	27.00	[ICRA]A2 reaffirmed

ICRA has reaffirmed the **[ICRA]A2** (pronounced ICRA A two) rating on the Rs. 27.0 crore short term fund based limits of Mmodal Global Services Private Limited (Mmodal India).

The rating reaffirmation reflects the established presence of the parent company among the top two large medical transcription providers in the US, large and diversified client base of parent company and the criticality of its operations to the parent company with the cost arbitrage enabling the parent to maintain profitability and also stay competitive. The business potential for Mmodal India remains strong with currently 55% of transcription outsourcing services (TOS) work off-shored to India and potential to further off-shore upcoming coding business and technology development with increasing cost pressures on the parent company. ICRA also notes the parent company's successful financial restructuring enabling significant debt improving company's financial flexibility allowing it to spend on research and development for its new line of products and remain competitive. Nevertheless, transcription revenues remain under pressure on account of continued product substitution and competitive pressures.

The rating, however, continues to be constrained by the captive nature of Mmodal India's operations with heavy dependence on the parent to source business and the limited pricing flexibility afforded to it in the midst of pricing pressures faced by the parent company from its US customers. Mmodal India's receivables and hence cash flows remain stretched with the US parent retaining cash on its books rather than holding it in its captive centre to negate exchange rate risk. Additionally, the profitability remains vulnerable to volatility in foreign exchange fluctuations which is partially mitigated by the use of forward contracts.

Recovery in TOS volumes and diversification and strengthening of new product lines of its parent company shall be critical for its turnaround and consequently volumes and profitability of Mmodal India.

Company Profile

Mmodal Global Services Private Limited (Mmodal India), formerly CBay Systems (India) Private Limited is the wholly owned subsidiary of Mmodal Inc., a leading provider of medical transcription (MT) to hospitals, healthcare networks and physician practices. Mmodal India is the off-shoring arm of the parent company and is the back end hub for transcription, training, quality assurance, software development and information management.

Mmodal Inc. was initially founded in 1998 in Annapolis, Maryland to provide medical transcription services to the US healthcare industry. Since inception, the parent company has undertaken several large inorganic investments in the US in order to grow its market presence. In August 2008, S.A.C. Private Capital Group invested \$124.0 million to acquire a majority interest in Mmodal Inc.; the proceeds of this investment were used to purchase a 69.5% interest in MedQuist Inc., which was at the time a leading player in the US medical transcription industry. At the time of the acquisition, MedQuist recorded revenues nearly six times that of Mmodal Inc.. In April 2010, the parent company, through its subsidiaries MedQuist Inc. and Mmodal CB Inc., completed the acquisition of substantially all of the assets of Spheris Inc. (Spheris) and certain of its affiliates including Spheris India Private Limited (SIPL). At the time of the acquisition, Spheris was a top three player in the MT market.

On January 27, 2011, the company's name was changed from CBay Systems Holdings Limited (CSHL) to MedQuist Holdings Inc. (MedH) and re-domiciled from a British Virgin Islands company to a Delaware corporation and subsequently delisted its shares from AIM London. In February 2011, MedH undertook a U.S. initial public offering of common stock and raised US\$ 24.0 million (5.7% dilution of shares). As a result, MedH was now listed on the NASDAQ under the symbol "MEDH". Post the IPO, MedH increased its stake in MedQuist Inc (a subsidiary company) from ~69.5% to ~97%.



On August 18, 2011, MedH completed the acquisition and merger of 100% of the shares of MultiModal Technologies, Inc. ("MultiModal"). The merger provided the group ownership of speech and natural language understanding technologies, and facilitated consolidation to a single back-end speech recognition platform, provide a broader product offering to local and regional transcription partners and leverage MultiModal's cloud-based services to enhance gross margins.

On January 24, 2012 MedQuist Holdings Inc. name was changed to Mmodal Inc. to reflect progression from a services-focused business to a provider of technology-enabled services and commercialized proprietary technology solutions.

Subsequently, on August 17, 2012, Legend Parent, Inc. (associate of One Equity Partners), the private investment arm of JP Morgan Chase & Co., purchased all outstanding shares of Mmodal Inc. for USD 1.1 billion in an all cash deal and the company was delisted from Nasdaq. The company filed for Chapter 11, bankruptcy protection on March 20, 2014 and subsequently emerged out of Bankruptcy proceedings as on July 31, 2014.

Recent results:

For the financial year 2015 (ending March), the company reported a profit after tax of Rs. 14.8 crore (previous fiscal, audited, a PAT of Rs. 5.0 crore) over an operating income of Rs. 300.3 crore (previous fiscal, audited, Rs. 269.9 crore). For the half year ending September 30, 2015 the company reported a profit before tax of Rs. 10.5 crore on an operating income of Rs. 162.3 crore on a provisional basis.

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