Reliance General Insurance Company Limited

February 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term instruments **(Subordinate debt)#**	254.00	CARE A; Negative	Reaffirmed

Details of instruments/facilities in Annexure-1.

#The rating of the subordinate debt of an insurance company takes into consideration its increased sensitivity to the insurers' solvency position and profitability during the tenure of the instrument. The rating factors in the additional risk arising due to the following key features of the instrument:

- Servicing of interest is conditional on the company maintaining a solvency above the levels stipulated by the regulator.
- In case of the insurance company reporting a net loss or if the payment of coupon on the subordinate debt is expected to result in a net loss, the company is required to obtain a prior approval of the regulator for coupon payment on such sub debt.

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

Rationale and key rating drivers

Reaffirming of the rating assigned to subordinated debt of Reliance General Insurance Company Limited (RGICL) which continues to derive strength from RGICL's experienced management, diversified product profile, moderate financial performance, sound investment portfolio and geographical diversification of business. While the rating takes into account the recent equity infusion of ₹200 crore in Q2FY24, continued delay over stake sale of its parent, Reliance Capital Limited (RCL), is expected to hinder availability of timely and regular growth capital to RGIC. The rating is therefore constrained by its modest solvency ratio, weak credit profile of its parent RCL and delay in the resolution process thereby prolonging the incoming of a stronger and stable parent.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing market share and improving profitability on sustainable basis
- Improving solvency position
- Changing of ownership with strong shareholder/s with strategic intent

Negative factors

- Deteriorating quality of investment book
- Further delay in bringing in a strong shareholder with strategic intent
- Deteriorating solvency below the current levels

Analytical approach: Standalone

CARE Ratings has adopted standalone approach factoring linkages with weak parent, RCL.

Outlook: Negative

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

The outlook continues to remain 'Negative' on account of modest solvency of the company and impasse in onboarding new promoter. While CARE Ratings takes cognisance of the company's modest business growth in the light of lack of capital support from the current parent, the company shall require equity infusion in the near to medium term so as to bolster its solvency buffers and thereby drive business growth. There could be a rating action if the company's solvency ratio falls below minimum regulatory requirement and there is inordinate delay with regards to bringing in a strategic investor. The outlook will be revised to 'Stable' in the event of resolution of the current impasse in onboarding new promoter with strategic intent along with improving solvency position of the company.

Detailed description of the key rating drivers:

Key strengths

Experienced management and track record of operations

Established in 2000, RGICL has over two decades of track record of operations in general insurance. The daily operations of the company are headed by Rakesh Jain, Executive Director & CEO. Jain has work experience of over two decades in corporate finance, risk management, underwriting, claims, broking, and reinsurance functions, among others. Prior to his position in RGICL, he was Director - Corporate Centre & CFO at ICICI Lombard GIC Ltd. He is assisted by an experienced team across various functions. Hemant Jain, CFO, has an overall experience of over 23 years and previously worked at Bajaj Allianz General Insurance Company Limited, Satyam Computer Services Limited, and Rajasthan Fasteners Private Limited. He has been associated with RGICL since 2008. K Ramkumar, CIO, has previously worked at Sundaram BNP Paribas Asset Management Company Limited and has over 30 years of experience. The key managerial personnel of RGIC have been associated with the company since over a decade.

As on December 31, 2023, RGICL had branch network of 127 and employee strength of 7,401. Majority of the company's business is sourced through direct channel which comprised 41% as on December 31, 2023 [March 31, 2023.: 41%] while brokers comprised 39% [March 31, 2023.: 36%] with the remaining being individual/ corporate agents and others.

Diversified business and product profile

Traditionally, motor insurance and crop insurance, together remained dominant business contributor with 74% and 72% of the earned premiums in FY22 and FY23 respectively and further contributed 69% in 9MFY24. Over the last few quarters, the company has been focusing on increasing its business through health insurance which has risen from 15% in FY22 to 17% in FY23. Within motor insurance, around 73% of the business in FY23 was Motor TP [P.Y.: 64%] with remaining 27% being Motor OD [P.Y.: 36%]

The company has been able to maintain its market share in the general insurance space at 4.18% as on January 31, 2024 [P.Y.: 4.17%]. In terms of geographical diversification as on March 31, 2023, top five states accounted for 58.65% (P.Y.: 61.19%) with Maharashtra contributing 25.35% (P.Y.: 26.44%), followed by Rajasthan 10.01% (P.Y.: 10.82%), Madhya Pradesh 7.85% (P.Y.: 4.3%), Gujarat 774% (P.Y.: 10.17%) and Tamil Nadu 7.69% (P.Y.: 6.76%). In 9MFY23, top five states contributed 56.85% of gross premium with Maharashtra 27.24% followed by Karnataka 9.43%, Rajasthan 8.13%, Odisha 7.49%, and Gujarat 6.77%.

Moderate financial performance

In FY23, the company reported a 10% increase in its gross written premium (GWP) which increased from ₹ 9,504 crore for FY22 to ₹10,489 crore for FY23 against industry growth of 11%. RGIC recorded growth in its motor and crop businesses which are the core business areas of the company and together constituted 69% of GWP. The company continues to have moderate financial performance with combined ratio of 110.36% in FY23 [P.Y.: 108.23%] and 111.3% in 9MFY24. While the loss ratio of the company has broadly remained stable at 77.20% in FY23, it witnessed some uptick to 78.56% in 9MFY24 on account of higher claims from health and motor portfolio. Expenses ratio too witnessed rise in FY23 as the company has ramped up its employee's strength so as to diversify into health insurance. The underwriting losses of the company of ₹708.55 crore and ₹667.58 crore respectively in FY23 and 9MFY24 were offset by investments income of ₹941.77 crore and ₹854.74 crore respectively. Operating profits and lower provision costs led to RGIC reporting profits of ₹270.69 crore in FY23 [P.Y.: ₹242.28 crore]. In 9MFY24, the company reported a profit after tax (PAT) of ₹221.97 crore on net earned premium (NEP) of ₹4,946 crore [FY23: ₹6,022 crore].

Sound investment portfolio

RGICL's investment portfolio stood at ₹18,688 crore as on December 31, 2023 (March 31, 2023: ₹17,010 crore), out of which ₹17,494 crore was invested in debt securities, ₹652 crore in equity shares, ₹283 crore in mutual funds and other securities, and ₹259 crore in fixed deposits. Of the total debt securities, which formed 94% of the total investment portfolio, 51% comprised of G-secs and 49% comprised of AAA/AA rated securities which are readily marketable in nature and lend sufficient liquidity cushion to the company.

The company has no delinquencies as on December 31, 2023, against gross non-performing assets (GNPA) of 0.46% and net non-performing assets (NNPA) of 0.26% as on March 31, 2023. RGICL had investments of ₹129.94 crore in secured and unsecured debentures of RCL. In FY22, the company has written off the unsecured portion of ₹51.22 crore and for the secured portion of ₹78.72 crore, the company provided provisions of ₹33.75 crore. In 9MFY24, the company has reversed the provisioning and has fully written off the investments held in RCL.

Key weakness

Default credit profile of its parent company RCL and delay in stake sale

RGICL is a wholly owned subsidiary of RCL (rated CARE D; reaffirmed as of February 21, 2024). The credit profile of RGICL used to derive comfort from the capital and management support extended to it by RCL.

However, given the deterioration in credit profile of the parent, RGICL has been unable to raise growth capital. While CARE Ratings takes cognisance of the company's modest business growth in the light of lack of capital support from the current parent, the company shall require equity infusion in the near to medium term so as to bolster its solvency buffers and thereby drive business growth.

Given that the current stake sale of RCL is in final stages, CARE Ratings expects the resolution process to be completed in the near term which is one of the key monitorable for rating action going forward.

Moderate solvency position

Solvency ratio stood at 1.65x as on December 31, 2023, as against 1.59x as on December 31, 2022. The company's solvency position has remained range-bounded between 1.60x to 1.65x during last couple of years. While the rating takes into account the recent equity infusion of ₹200 crore in Q2FY24, continued delay over stake sale of its parent RCL, is expected to hinder availability of timely and regular growth capital to RGIC. Due to its inability to raise capital from secondary market as well as lack of fresh capital infusion from the promoter, the solvency position continues to be range bound.

Liquidity: Adequate

The investments portfolio for RGICL stood at ₹18,688 crore as on December 31, 2023, with ₹17,494 crore in debt securities. As on December 31, 2023, 51% of total debt investments were in G-Secs and 31% in AAA rated debt instruments, which are readily marketable in nature and lend sufficient liquidity cushion to the company. As against this, total claims outstanding stood at ₹11,477 crore as on December 31, 2023, and the company has sufficient investment in readily marketable securities, which provides comfort.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

Policy on default recognition
Factoring Linkages Parent Sub JV Group
Financial Ratios - Insurance Sector
Rating Outlook and Credit Watch
Insurance Sector

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Insurance	General insurance

RGICL, incorporated on August 17, 2000, is a wholly owned subsidiary of RCL (rated CARE D INC; as on February 21, 2024). RGICL offers complete bouquet of general insurance products like fire, marine, health, personal accident, liability, motor, among others. As on December 31, 2023, RGICL had branch network of 127 (March 31, 2023: 130) and employee strength of 7,401 (March 31, 2023: 7,285). The company sources business largely through website and through the network of agents who are associated with the sales managers. Motor, crop, health, and fire insurance are major revenue contributing segments for RGICL.

Brief Financials (Rs. crore)	FY2021 (A)	FY2022 (A)	FY2023 (A)	9MFY24 (UA)
Gross written premium (GWP)	8,405	9,505	10,489	9,300
Operating Profit	496	692	726	190
PAT	208	242	271	222
Tangible net-worth*	1,998	2,249	2,426	3,022
Total assets*	2,228	2,479	2,656	3,489
Solvency ratio (x)	1.65	1.66	1.57	1.65

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'
*Net of intangible assets and deferred taxes

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Please refer to Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Please refer to Annexure-4

Lender details: Please refer to 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 along with Rating Outlook
Debt-Subordinate Debt	INE124D08019	16-08-2016	9.10%	17-08- 2026	230.00	CARE A; Negative
Debt-Subordinate Debt - Proposed	--	--	--	--	24.00	CARE A; Negative

Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debt-Subordinate Debt	LT*	230.00	CARE A; Negative	-	1)CARE A; Negative (01-Mar-23)	1)CARE A; Negative (04-Mar-22)	1)CARE A; Negative (31-Mar-21) 2)CARE A; Negative (01-Apr-20)
2	Debt-Subordinate Debt	LT*	24.00	CARE A; Negative	-	1)CARE A; Negative (01-Mar-23)	1)CARE A; Negative (04-Mar-22)	1)CARE A; Negative (31-Mar-21) 2)CARE A; Negative (01-Apr-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various 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

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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