

Reliance General Insurance Company Limited

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Subordinate Debt*	254.00	CARE A (RWD)	Placed on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

* CARE Ratings Limited (CARE Ratings) has rated the aforesaid subordinate debt considering the regulatory conditions and in view of their sensitiveness to the company's solvency ratio and profitability due to the regulatory covenants during the long tenure of the instrument. Interest payable on subordinate debt will be subject to the following:

- The solvency of the issuer remains as per regulatory stipulation
- Where the impact of such payment may result in net loss or increase the net loss, prior approval of the authority for such payment will be obtained.

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

Rationale and key rating drivers

The outlook is revised from 'Negative' and placed under 'Rating watch with developing implications' on account of recent developments regarding the execution of Resolution Plan (RP) of Reliance Capital Limited (RCL, rated CARE Provisional CARE BBB-; Stable) whereby the incoming promoter IndusInd International Holdings Ltd. (IIHL) has received Department for Promotion of Industry and Internal Trade (DPIIT) approval. DPIIT has recently given its approval to FDI proposal by IIHL thereby paving way for promoter infusion of ₹2,500 crore into RCL and execution of RP which would enable the incoming promoter, IIHL to assume stake in RCL and its subsidiaries.

On the consummation of the ongoing transaction, CARE Ratings will have a detailed discussion with the management and IIHL to understand their future strategy, extent of business and financial support and business plans to arrive at the possible impact of the same on the overall business and financial profile of RGIC.

The rating assigned to subordinated debt of Reliance General Insurance Company Limited (RGIC) continues to derive strength from RGIC's experienced management, diversified product profile, sound investment portfolio and geographical diversification of business. The rating is however constrained by RGIC's low solvency ratio and modest business growth in light of the limited capital support from the current parent.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Increasing market share and improving profitability on sustainable basis
- Sustained improvement in solvency position
- Demonstrated business/financial support from the incoming promoters

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Deterioration in underwriting performance and thereby overall profitability
- Deteriorating solvency below the current levels

Analytical approach:

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

Outlook: Not applicable

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

Detailed description of key rating drivers:

Key strengths

Experienced management and track record of operations

Established in 2000, RGIC has more than two decades of track record of operations in general insurance space. The board of the company is chaired by Mr. Arun Tiwari with up to four decades of experience. The board consists of three independent directors, one executive and one non-executive director.

The daily operations of the company are headed by Mr. Rakesh Jain (Executive Director & CEO). Mr. Jain has professional experience of two decades in corporate finance, risk management, underwriting, claims, broking, and reinsurance functions, among others. He is supported by an experienced team with expertise in their respective functions. Mr. Hemant Jain (Chief Financial Officer) has an overall experience of more than a 2 decades. The key managerial personnel of RGIC have vintage of over a decade with the company.

As on September 30, 2024, RGIC has pan India branch network of 128 with total employee strength of 7,997. Majority of the company's business is sourced through direct channel, which comprised 40% of the premium during FY24 [PY.: 41%] followed by brokers [FY24: 39%, FY23: 35%] with remaining coming from agents and others.

Diversified business and product profile

Traditionally, motor insurance and crop insurance, have been dominant business segments for the company. During H1FY25, Motor and crop contributed 48% of gross written premium (GWP) [FY24: 37%, FY20: 41%] and 19% [FY24: 17%, FY20: 24%] respectively. Over the years, the company has diversified its line of business (LOB) away from motor business to health & personal accident [H1FY25: 21%, FY24: 20%] and fire segment [H1FY25: 6%, FY24: 6%]. Within motor insurance, motor- OD and motor-TP consisted of 26% [FY24: 24%] and 74% [FY24: 76%] respectively during H1FY25, with overall share of private cars at ~45%, commercial vehicle at ~40% and two wheelers at ~20% during the same period.

The company has been maintaining its market share of 7.54% for FY24 [PY.: 7.84%] within the private general insurance space due to its growth being at par with the industry. In terms of geographical diversification, during FY24, top five states accounted for 60% [P.Y.: 60%] with the key states being Maharashtra [FY24: 28%, FY23: 25%], Karnataka [FY24: 9%, FY23: 7%], Rajasthan [FY24: 8%, FY23: 10%], Odisha [FY24: 7%, FY23: 5%] and Gujarat [FY24: 7%, FY23: 8%].

Moderate financial performance

During FY24, the company's gross written premium (GWP) grew by 13% to ₹11,830 crore against industry growth of 13%. The growth was led by motor (grew by 8%) and crop segment (grew by 10%). Despite capital raising constraints, the company was able to grow largely at par with the industry growth rate due to focus on crop insurance business. The company continues to have moderate financial performance with combined ratio of 115% in FY24 [P.Y.: 110%]. The increase in combined ratio was driven by increased loss ratio of 81% [PY.: 77%] due to rise in claims payout for health and crop segment. The reported expenses of management (EOM) to GDP ratio stood at 27.60% during FY24 [PY.: 27.50%]. Additionally, during FY24 company's reported investment income stood at ₹1,404 crore [PY.: ₹1,135 crore] with a reported investment yield of 7.53% [PY.: 7.16%]. Consequently, RONW² stood at 10.21% as on March 31, 2024 [PY.: 11.58%].

During H1FY25, Company's GWP continued to grow at 13% to ₹7,334 crore. The loss ratio increased to 84% [PY.: 79%] due to increased claims in health and motor segment. Consequently, combined ratio stood at 112% [PY.: 109%] due to increase in loss ratio. Company reported an investment income of ₹829 crore [PY.: ₹667 crore] with a reported investment yield of 7.74% [PY.: 7.36%]. Consequently, annualized RONW stood at 13.65% [PY.: 11.28%].

Key weaknesses

Impending execution of Resolution Plan (RP) of parent RCL & moderate solvency position

RGIC is a wholly owned subsidiary of RCL (rated CARE D; reaffirmed as of February 21, 2024). Given the deterioration in credit profile of the parent, RGIC has been unable to raise growth capital and expand its presence into other LoBs. While the company

² RONW = PAT / Average Tangible Net-worth adjusted to deferred tax assets and intangible assets

has been gradually increasing its health business, motor and crop continued to constitute majority proportion (69% of business underwritten during FY24). Within motor, a majority of portions are long tailed in nature which is capital light from solvency perspective.

While CARE Ratings takes cognisance of capital infusion of ₹200 crore during FY24 and company's modest business growth in light of the constrained capital support from the current parent, the company shall require equity infusion in the near term so as to bolster its solvency buffers and thereby drive business growth. Solvency margin stood at 1.56 times as on September 30, 2024 [Mar-24: 1.62 times] as against regulatory requirement of 1.5 times. The company's solvency position has remained range-bound between 1.56 times to 1.65 during the last couple of years.

CARE Ratings expects the resolution process of its parent RCL to be completed in the near term, which is one of the key monitorable for rating action going forward. DPIIT has recently given its approval to FDI proposal by IndusInd International Holdings Ltd. (IIHL) thereby paving way for promoter infusion of ₹2,500 crore into RCL and execution of RP which would enable the incoming promoter, IIHL to assume stake in RCL and its subsidiaries. CARE will have discussion with the management and IIHL to understand their future strategy, business plans and possible impact of the same on the overall business and financial profile of RGIC. CARE Ratings will continue to monitor the developments in this regard and will take a view on the ratings once the transaction is consummated and its implication on RGIC's credit profile is clear, including assessment of support to be extended by the incoming promoter.

Liquidity: Adequate

RGIC has an adequate liquidity profile where the company's liquidity coverage ratio (liquid investment + cash & cash equivalent / technical reserves³ including sub debt repayment) stood at 104% as of September 30, 2024 [Mar-24: 114%] with liquid investment (G-secs and AAA rated bonds) as on September 30, 2024, being ₹16,259 crore [Mar-24: ₹15,718 crore]. During FY24, the cash inflows (premiums received+ investment income) stood at ₹14,020 crore against claims payouts of ₹6,858 crore and total expense (opex + commission + re-insurance expenses) of ₹4,047 crore.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Insurance Sector](#)

[Insurance Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Insurance	General Insurance

Reliance General Insurance Company Limited (RGIC), incorporated on 17th August 2000, is a wholly owned subsidiary of Reliance Capital Limited (RCL) (rated Provisional CARE BBB-; Stable; as on July 09, 2024). RGIC offers complete bouquet of general insurance products like fire, marine, crop, health, personal accident, liability, motor etc. As on September 30, 2024, RGIC had branch network of 128 and employee strength of 7,997. The company sources business through direct channel, brokers and agents. Motor and crop have been major revenue contributing segments for RGIC. Reliance General Insurance Company sources

³ Technical Reserves = Reserves for unexpired risk + claims outstanding

majority of its business through direct channels, that is around 46%, followed by brokers (includes OEMs) with a share of around 38% as on September 30, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Gross written premium	10,489	11,830	7,334
Operating Profit	726	170	143
PAT	271	280	214
Tangible net-worth* (including fair value changes)	2,426	3,064	3,357
Total Assets*	13,943	12,417	16,963
Solvency margin (times)	1.57	1.62	1.56

A: Audited UA: Unaudited; Note: these are latest available financial results

*Adjusted to intangible assets and deferred tax assets

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: 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 and Rating Outlook
Subordinate Debt	INE124D08019	16-Aug-2016	9.10%	17-Aug-2026	230.00	CARE A (RWD)
Subordinate Debt – Proposed	Not applicable	-	-	-	24.00	CARE A (RWD)

Annexure-2: Rating history for 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 2024-2025	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
1	Debt-Subordinate Debt	LT	230.00	CARE A (RWD)	-	1)CARE A; Negative (28-Feb-24)	1)CARE A; Negative (01-Mar-23)	1)CARE A; Negative (04-Mar-22)
2	Debt-Subordinate Debt	LT	24.00	CARE A (RWD)	-	1)CARE A; Negative (28-Feb-24)	1)CARE A; Negative (01-Mar-23)	1)CARE A; Negative (04-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of 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](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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.

Disclaimer:

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