



RATING RATIONALE

23 Dec 2024

Reliance General Insurance Company Limited

Brickwork Ratings downgrades the ratings for the Non-Convertible Debentures of Rs. 254.00 crores of Reliance General Insurance Company Ltd.

Particulars

Instruments**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (29 Dec. 2023)	Present
NCDs (Subordinated Debt)	230.00	230.00	Long Term	BWR A+/ Negative Reaffirmed	BWR A / Negative Downgrade
NCDs # (Subordinated Debt)	24.00	24.00			
Total	254.00	254.00	Rupees Two Hundred Fifty-Four Crores Only		

*Please refer to the BWR website www.brickworkratings.com/ for the definition of the ratings.

** Details of Bank instruments are provided in Annexure - II.

RATING ACTION/OUTLOOK

Brickwork Ratings (BWR) downgrades the ratings for the NCDs of Rs 254.00 crores of Reliance General Insurance Company Limited (“RGICL” or “the Company”) from BWR A+/ Negative to BWR A/ Negative as tabulated above.

The rating downgrade necessarily factors in the decline in the solvency margin below 1.6x to 1.56x as of 30 Sep 2024, although above the minimum regulatory requirement of 1.5x lacks to provide a comfortable buffer. The rating action factors in the clause of negative sensitivity for solvency margin as stated in the BWR press release dated 29 Dec 2023. The solvency margin of the company had improved to 1.68x as of 30 Sep 2023 and was expected to maintain it over and above 1.6x on a forward-looking basis, however it was 1.6x as of 30 Sep 2024 which enabled the negative sensitivity clause. While taking note of the decline in solvency margin, BWR notes the growth in Goss Direct Premium to Rs.11,689 Crs for FY24 (FY23: Rs.10,339 Crs) and Investments to Rs.20,514 Crs in FY24 (FY23: Rs.16935 Crs) the Profit after tax at Rs.280 Crs for FY24 (FY23: Rs.271 Crs) but there was substantial decline in the income of the company by more than 40% to Rs.533 Crs for FY24 (FY23: Rs.967 Crs). BWR also notes the inability of the parent to provide adequate financial support as also the uncertain timelines of onboarding the strategic promoter/ investor to provide the requisite support remains monitorable, resulting in retaining the negative outlook for the company.



BWR believes that a solvency margin of 1.60x and above shall assist in providing a buffer support for withstanding any unforeseen circumstances and enabling business growth for a healthy earnings profile. The Company, however, believes to maintain the solvency margin above 1.55x.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

The servicing of interest is contingent upon the company's ability to maintain the solvency margin above the levels stipulated by the regulator (minimum of 1.50x) and the requirement of obtaining prior approval from the regulator for the servicing of debt, if interest payouts were to lead to a net loss or an increase in the net loss. The rated bond issue was raised on 16 August 2016 for a tenor of 10 years at a fixed coupon rate of 9.10% to be serviced on an annual basis.

KEY RATING DRIVERS

Credit Strengths:-

Improvement in Investments leading to steady profitability

The Gross Direct Premium (GDP) to Rs.11,689 crores for FY24 (FY23: Rs.10,339 crores) and Investments to Rs.20,514 Crs in FY24 (FY23: Rs.16935 Crs) the Profit after tax at Rs.280 crores for FY24 (FY23: Rs.271 crores) while there was substantial decline in the income of the company by more than 40% to Rs.533 Crs for FY24 (FY23: Rs.967 Crs). Of Rs. 533 Crs of total income for FY24, the investment income was Rs.241 crores (FY23: Rs. 202 crores), operating income (profits) was Rs. 170 crores (FY23: Rs.725 crores) and other income was Rs.121 crores (FY23: Rs.39 crores) The impact on operating income (profits) was on account of substantial decline in the miscellaneous income and a decline in the income from marine insurance segment. The improvement in other income was on account of write back of excess provisions.

For H1FY25, the Company's GDP was Rs. 7280 crores (H1FY24: Rs. 6449 crores), investments was Rs. 21,178 Crs (H1FY24: Rs. 18,177 crores), PAT was Rs.214 crores (H1FY24:Rs.149 Crs) and total income was Rs. 303 crores (H1FY24: Rs. 286 crores). The total income continues to be led by investment income. The company's profitability improved in H1FY25 wherein investment income increased to Rs. 151 crores from Rs. 120 crores in H1FY24, and increase in PAT to Rs. 214 crores from Rs. 149 crores in H1FY24.

In H1FY25, the company's GDP and Net Written Premium (NWP) increased to Rs. 7,280 crores and Rs. 3,958 crores, respectively (H1FY24: GDP - Rs. 6,449 crores and NWP - Rs. 3,551 crores). The investment income ratio also improved marginally, rising from 3.81% in H1FY24 to 3.87% in H1FY25. The net retention ratio had marginally declined below 55% during H1FY25, however the same was above 55% during FY23, H1FY24 and FY24. The net retention ratio was 53.97% in H1FY25 (H1FY24: 54.60%, FY24: 57%, FY23: 59.85%). The combined ratio too marginally declined to 111.93% in H1FY25(H1FY24: 109.05%, FY24: 115% and FY23:110.4%) and these ratios shall remain monitorable.

Diversified Portfolio & maintenance of market share

The company's product portfolio is well-diversified, with the Weather & Crop segment contributing ~38% of the total GDP in H1FY25. However, the contribution of this segment was reduced to 26% in



terms of Net Written Premium (NWP) due to a lower retention ratio of 37.67%. In H1FY25, the Motor segment contributed ~28% of the total GDP. In terms of NWP, the Motor segment's contribution increased to ~36% due to a higher retention ratio of 71.19%. However, the overall net retention ratio deteriorated in H1FY25 to 53.97%, compared to 54.60% in H1FY24. Furthermore, as per the company's Annual Report, the company has introduced 14 new products, including Health Global, Fire - Griha Kavach, Laghu & Sookshma Your Choice, Gig Workers, Pay As You Drive - Motor, Inbound Travel, CFAR (Cancel For Any Reason) Inland and Overseas, among others, resulting in the product portfolio crossing 100 mark. Amid stiff competition from existing major players and the entry of new-age insurance companies, the company managed to maintain its market share above 4% in terms of GDP. The company's market share in terms of GDP stood at 4.52% in Nov 2024, which was 4.37% in Nov 2022, although it declined from 4.73% in Sep 2024

Credit Risks:-

Moderate capitalization level

The company's capitalization level remains moderate, as the solvency margin slipped to 1.56x as of 30 Sep 2024, from 1.60x as of 30 Jun 2024. It was 1.62x as of 30 Mar 2024 and 1.68x as of 30 Sep 2023. Furthermore, the parent company's inability to infuse capital due to its weak credit profile has further worsened the capitalization profile of the company. However, the company's gearing remains comfortable, as the debt-equity ratio has consistently stayed below 0.25x from September 30, 2023, to September 30, 2024. Additionally, the company's net worth is exhibiting an upward trajectory in H1FY25, with net worth increasing to Rs. 3,327 crores as of September 30, 2024, from Rs. 2,960 crores as of September 30, 2023, marking an increase of ~12%. The increase in net worth is attributed to internal accruals in the form of retained earnings and employees exercising the ESOP. Another concern relating to the capitalization of the company is a substantial increase in the contingent liabilities H1FY25. The company's contingent liabilities rose by 44% in the half-year ended September 30, 2024, to Rs. 822.31 crores from Rs. 573.14 crores in the financial year ended March 31, 2024, mainly owing to the significant increase in the statutory demands and liabilities related to the cenvat credit under the GST Act. As of September 30, 2024, the company's contingent liabilities exceeded 24% of its net worth.

Weak credit profile of parent company

The credit risk profile of the parent entity Reliance Capital Ltd. (RCL) continues to remain weak. Reliance General Insurance Company Ltd. (RGICL) lacks adequate financial and operational support from its parent. While RCL has not infused capital into RGICL since July 2023, the prolonged delay in the acquisition of the parent company by the IIHL group has amplified the challenges. The NCLT approved IIHL's resolution plan to acquire RCL in Feb. 2024, but the acquisition has been delayed due to pending approvals from various authorities, including the Department for Promotion of Industry and Internal Trade (DPIIT). The delayed acquisition has led to constraints across RCL's operational subsidiaries, including RGICL. Consequently, RGICL is entirely reliant on internal accruals to meet its capital requirements.

As per the Annual Report of RGICL for FY24, Reliance Capital Limited (RCL), a promoter and holding company, was admitted to the Corporate Insolvency Resolution Process (CIRP) on December 6, 2021. On February 27, 2024, the National Company Law Tribunal, Mumbai, approved the



Resolution Plan submitted by IndusInd International Holdings Limited. On October 28, 2023, the Company filed an application with the Insurance Regulatory and Development Authority of India (IRDAI) under Section 6A of the Insurance Act, 1938, seeking approval for transfer of 6,60,89,400 (25.05%) shares of the Company from RCL to Aasia Enterprises LLP (Aasia) in accordance with the Resolution Plan. On May 10, 2024, IRDAI granted approval for the transfer of shares. Following the transfer, Aasia will become the Indian promoter of the Company.

As per the latest developments as of December 17, 2024, the NCLT has extended the deadline for the acquisition of RCL to January 31, 2025. IIHL has also received approval from the Department for Promotion of Industry and Internal Trade (DPIIT). The remaining processes, including approvals from the administrator and the Committee of Creditors (CoC), are expected to be completed by January 2025.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

To arrive at its ratings, BWR has considered the standalone performance of the Reliance General Insurance Company Limited, factoring linkages with parent company RCL, which holds 98.64% in RGICL as on 30 September 2024. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive

- Improvement in the solvency margin to above 1.60x on a sustained basis.
- Successful completion of the takeover by the Hinduja Group firm IIHL.

Negative

- A decline in the solvency margin below 1.53x.
- Further delay in the acquisition of Reliance Capital Ltd. by the strategic investor/promoter.
- Substantial weakening of the earnings profile and the key ratios, against the comparable peers in the industry.

LIQUIDITY INDICATORS - ADEQUATE

The liquidity position of RGICL remains comfortable as the company has predominantly invested in risk-free government securities wherein the amount of investment in such securities as of September 30, 2024, stood at Rs. 9,712 crores constituting the ~46% of total investment of Rs. 21,178 crores. The company has a substantial investment of 31% of total investment in AAA securities.

Further, the company's net written premium was Rs. 3,958 crores in H1FY25 and in the same period the company's net claims paid was Rs. 2,000 crores and Net Incurred Claims was Rs. 2,895 crores reflecting company's ability to meet the policyholder's claims.

However, the company does not have the leverage to obtain support from the parent company in order to secure need-based funds due to its poor credit profile.



COMPANY'S PROFILE

Headquartered in Mumbai, Reliance General Insurance Company Limited (RGICL or 'Insurer') is a private-sector insurer in India. Founded on August 17, 2000, the company operates as a wholly-owned subsidiary of Reliance Capital Ltd., which is part of the Reliance Anil Dhirubhai Ambani Group. The insurer offers a comprehensive range of general insurance products, including motor, health, travel, home, crop, and marine insurance, among others. The company received its license to conduct general insurance business from the Insurance Regulatory and Development Authority of India (IRDAI) in October 2000. Reliance Capital Ltd. solely promotes Reliance General Insurance and has no foreign partners.

KEY FINANCIAL INDICATORS

Indicators	Units	FY22	FY23	FY24	H1FY25
Result Type		Audited	Audited	Audited	Unaudited And Reported
Gross Direct Premium	Rs. Crs.	9505	10,339	11,689	7,280
Profit After Tax	Rs. Crs.	242	271	280	214
Net Worth	Rs. Crs.	2300	2575	3112	3327
Solvency Margin	Times	1.66	1.57	1.62	1.56
Combined Ratio	%	108	110	115	112
Net Retention Ratio	%	58	60	57	54

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY

No outstanding non-cooperation rating with other Credit Rating Agencies.

ANY OTHER INFORMATION - No

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

Sl No	Instrument	Current Rating (2024)			Rating History		
		Tenure	Amt.	Rating	2023 29 Dec. 2023	2022 24 Nov. 2022	2021 04 Nov. 2021
1	NCD Subordinated Debts	Long Term	230.00	BWR A/ Negative Downgrade	BWR A+/ Negative Reaffirmed	BWR A+/ Negative Reaffirmed	BWR A+(Negative) (Resolved Credit watch with Developing Implication and assigned Negative outlook)
2	NCD Subordinated Debts#		24.00				
	Total		254.00		Rupees Two Hundred Fifty-Four Crores Only		

#Unutilised portion



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Rating Criteria of General Insurance](#)
- [Complexity Levels of Instruments](#)

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Reliance General Insurance Company Limited

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Lender	Facility	Long Term	Short Term	Total	Complexity of the Instrument
Nil	Nil	Nil	Nil	Nil	Nil

ANNEXURE II

(NCD/Bonds/CP/FDs) DETAILS

Instrument	Issue Date	Amt. O/s (Rs. Crs.)	Coupon Rate p.a.	Frequency	Maturity Date	ISIN	Complexity of the Instrument\$
NCD (Subordinated Debt)	16-Aug-2016	230.00	9.10%	Annual	17-Aug-2026	INE124D08019	Simple
Proposed Subordinated Debt #	-	24.00	-	-	-	-	-
Total		254.00	Rupees Two Hundred Fifty-Four Crores only				

proposed and unutilized

\$ For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf



ANNEXURE III
List of Entities Consolidated

Name of the Entity	% of Ownership	Extent of Consolidation	Rationale for Consolidation
Nil	Nil	Nil	Nil

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