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BWR/NCD//ERC/RB/0526/2019-20

04 Nov 2019

Mr. Hemant Jain,
Chief Financial Officer
Reliance General Insurance Company Limited
Reliance Centre, South Wing, 4th Floor,
Off Western Express Highway,
Santacruz (East), Mumbai - 400055

Dear Sir,

Sub: Review of Rating of Subordinated NCD of Rs 254 Crs of Reliance General Insurance Company Limited (RGICL).

On review of Reliance General Insurance Company Limited's performance, based on the information and clarifications provided by your company and as available in public sources, we inform you that Brickwork Ratings revises the rating of Subordinated NCDs of Rs 254 Crs of Reliance General Insurance Company Limited and continues the rating on Credit Watch with Developing Implications.

Instruments#	Rated Amount (Rs in Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund Based					
Subordinated NCDs	230.00	230.00	Long Term	BWR AA Credit Watch with Developing Implications	BWR A+ Credit Watch with Developing Implications ‘Downgraded’
Subordinated NCDs	24.00	24.00			
Total	254.00	254.00	INR Two Hundred and Fifty Four Crores Only		

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

#ISIN-wise details of NCDs are available in Annexure

Brickwork Ratings India Pvt. Ltd.

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Reliance General Insurance Company Limited

Instruments with this rating are considered to have **adequate degree** of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

The Rating is valid for twelve months from the date of this letter and subject to terms and conditions that were agreed in your mandate and other correspondence, if any and Brickwork Ratings' standard disclaimer appended at the end of this letter.

Brickwork would conduct surveillance every year till maturity/ redemption of the instruments. You are required to submit information for the purpose of surveillance/review. You are also required to keep us informed of any information/development that may affect your firm's finances/performance without any delay. **You are also requested to submit No Default Statement on monthly basis.**

We are also enclosing the Rating Rationale. Kindly acknowledge.

Best Regards,



Rajat Bahl
Chief Analytical Officer & Head - Financial Institutions.

Note: In case of all accepted Ratings, respective Rating Rationale is published on Brickwork Ratings website. Interested persons are well advised to refer to our website www.brickworkratings.com, if they are unable to view the rationale, they are requested to inform us on brickworkhelp@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

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Reliance General Insurance Company Limited

Annexure - ISIN Details

Instrument	ISIN	Borrowing Date	Redemption Date	O/s as on 31.10.2019 (Rs in Crs)	Coupon Rate
Subordinated NCD	INE124Do8019	16-Aug-16	17-Aug-26	230.00	9.10%

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RATING RATIONALE

4 Nov 2019

Reliance General Insurance Company Limited

Brickwork Ratings Revises the ratings for the Subordinated Non-Convertible Debentures of ₹. 254 Crores of Reliance General Insurance Company Limited and continues the rating on Credit Watch with Developing Implications.

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (May 2019)	Present
Subordinated NCDs	230.00	230.00	Long Term	BWR AA Credit Watch with Developing Implications	BWR A+ Credit Watch with Developing Implications 'Downgraded'
Subordinated NCDs	24.00	24.00 #	Long Term	BWR AA Credit Watch with Developing Implications	BWR A+ Credit Watch with Developing Implications 'Downgraded'
Total	254.00	254.00	INR Two Hundred and Fifty Four Crores Only		

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

** Details of Subordinated NCDs is provided in Annexure-I

Unutilised.

RATING ACTION / OUTLOOK

The rating revision takes into account the weak financial profile of the parent company, Reliance Capital Limited (Rated BWR D), no progress on the stake sale by the parent company in Reliance General Insurance Company Limited (RGICL) or in bringing in a strategic partner, moderate solvency ratio and exposure to some weak entities through its investments.

The ratings continues to be on Credit Watch with Developing Implications, given the need for a stronger parent / shareholder to provide capital support to RGICL as and when required. RGICL had filed the draft red herring prospectus with SEBI for a stake sale up to 49% of the company through an IPO. However the same has been withdrawn. The management is assessing other options viz. bringing in a strategic partner. BWR will continue to monitor the developments in this regard.

KEY RATING DRIVERS

Credit Strengths

Experienced Management: The company is led by qualified and experienced management team having vast experience in the insurance sector. The company's board comprises of Mr. Rakesh Jain, who is the Executive Director and CEO and has an experience of over 20 years in corporate finance, risk management, underwriting, claims, broking and reinsurance functions. Prior to this, he was Director - Corporate Centre & CFO at ICICI Lombard GIC Ltd. Mr. Rajendra P. Chitale is the Chairman. He is the managing partner of M/s. M.P.Chitale & Co. and is on board of NSE and other reputed companies.

Steady increase in Gross Direct Premium Income: The company's Gross Direct Premium Income (GDPI) has increased from Rs 5069 Crs in FY18 to Rs 6191 Crs in FY19, an increase of ~22%. The company's market share has improved to 3.64% in March 2019 as compared to 3.36% in March 2018. RGICL has a pan India presence with 139 branch offices in across 25 states and a union territory of India.

Diversified Product Profile: The company has a diversified product profile with Motor TP accounting for 25% of Gross Direct Premium Income (GDPI), followed by Weather & Crop (24.6%), Motor OD (21.2%), Health & PA (18.2%), Fire & Engineering (8.35%) and others (2.65%) during FY19.

Multi Channel Distribution Model: The company has a Multi Channel Distribution Model where 39% of GDPI was through direct business followed by brokers (26.5%), Individual Agents (20.4%), Corporate Agents (9%) and other (5.1%) during FY19. Further the company has 14 Bancassurance Partners and 28 Corporate agents. Corporate agents include Private Banks, Small Payment Banks, Co-operative Banks, HFCs, NBFCs and OEMs.

Credit Risks:

Moderate Solvency Ratio: The company had a moderate solvency ratio which stood at 1.60 as of March 31, 2019, higher than IRDA recommended 1.50. The company had maintained solvency ratio of 1.68 during FY17 and FY18. The solvency ratio has decreased to 1.53 as on Sep 30, 2019. The solvency ratio could moderate further if the company incurs a loss on its investments in some weak entities.

Deterioration in credit profile of parent: The financial flexibility of the parent company, Reliance Capital Limited (Rcap) to support RGICL has come down due to deterioration in liquidity profile of the group and challenges faced by Rcap to raise funds through traditional bank lines and debt market instruments. Further there has been delay in stake sale by Rcap in RGICL or in bringing in a strategic investor. A stronger parent / shareholder is needed to provide capital support to RGICL as and when required and to maintain or improve solvency ratio going forward. RGICL has an exposure of ~ Rs 200 Crs to Reliance group entities which are in stress.

Intense Competition: RGICL faces stiff competition from private as well as public sector general insurance companies in India. Further, the announcement by the Government of India to merge three large public sector general insurance companies (National Insurance, United India Insurance and Oriental India Insurance) will give an edge to the merged entity in terms of better bargaining and higher pricing power.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has evaluated the risk profile of RGICL on a standalone basis and factoring linkages with the parent company, Rcap which currently holds 100% in RGICL. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

The rating of the Subordinated Debt of an insurance company takes into consideration the company's current solvency indicators and its policy to maintain adequate cushion in the solvency levels to take care of any exigencies.

RATING SENSITIVITIES

Positive: The rating may be upgraded if the company is able to bring in a stronger shareholder, improve solvency ratio, steadily increase market share, improve profitability and efficiently manage its investment portfolio.

Negative: The rating may be downgraded if there is further delay in bringing in a stronger shareholder or if the solvency ratio does not improve or if profitability deteriorates.

LIQUIDITY POSITION: ADEQUATE

The nearest debt repayment is the coupon payment of ~ Rs 21 Crs towards the subordinated debt programme, falling due on Aug 16, 2020. As on Sep 30, 2019, RGICL had cash & cash equivalent worth Rs 148.25 Crs. The subordinated debt repayment of Rs 230 Crs is due on Aug 17, 2026.

COMPANY PROFILE

Reliance General Insurance Company Limited (RGICL) is a wholly owned subsidiary of Reliance Capital Ltd (Rcap) which is part of Anil Ambani Group and which operates as a holding company for the Group's various entities in the financial services sector. RGICL was incorporated on 17 Aug 2000 & subsequently in Oct 2000, it received regulatory approval to undertake General Insurance business from the Insurance Regulatory and Development Authority of India ("IRDAI"). The company has a pan India presence with 139 branch offices across 25 states and a union territory of India.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Gross Direct Premium	(in ₹ Cr)	5069.08	6191.03
PAT	(in ₹ Cr)	165.00	212.02
Net Worth	(in ₹ Cr)	1405.11	1601.97
Total Investments	(in ₹ Cr)	7998.86	9401.73
Combined Ratio	%	111%	112%
Solvency Ratio	In times	1.68	1.60

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:

The servicing of interest is contingent on the company's ability to maintain a solvency ratio above the levels stipulated by the regulator, 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 net loss.

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY

Instrument / Facilities	Current Rating			Rating History			
	Tenure	Amount (₹ Cr)	Rating	16 May 19	21 May 18	16 March 17	27 June 16, 4 Aug 16
Subordinated NCDs	Long Term	230.00	BWR A+ Credit Watch with Developing Implications	BWR AA Credit Watch with Developing Implications	BWR AA (Outlook: Stable)	BWR AA (Outlook: Stable)	BWR AA (Outlook: Stable)
Subordinated NCDs	Long Term	24.00 #	BWR A+ Credit Watch with Developing Implications	BWR AA Credit Watch with Developing Implications	BWR AA (Outlook: Stable)	BWR AA (Outlook: Stable)	NA
Total		254.00	INR Two Hundred and Fifty Four Crores Only				

- Unutilised.

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Insurance Companies](#)

Analytical Contacts	Investor and Media Relations
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Reliance General Insurance Company Limited

ANNEXURE I

INSTRUMENT DETAILS

Instrument	Issue Date	Amount in Crs.	Coupon Rate	Maturity Date	ISIN Particulars
Subordinated NCDs	16 Aug 2016	230.00	9.10%	17 Aug 2026	INE124D08019



For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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