

**Annexure  
Press Release  
GIC Bhutan Reinsurance Limited**

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Issuer Rating*	-	<b>CARE A (Is); Stable [Single A (Issuer Rating); Outlook: Stable]</b>	<b>Reaffirmed</b>

*\*The rating is subject to the company maintaining solvency ratio above regulatory requirement  
Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The rating factors in the strong promoters with General Insurance Corporation of India (GIC India) holding 26% stake in GIC Bhutan Reinsurance Limited (GIC Bhutan) and two strong local promoters holding 17% and 12% in the company. GIC Bhutan benefits from the shared GIC brand and also gets managerial and business support from GIC India. During last year, GIC also participated in rights issue of the company, which helped augment capital base of the company. The rating also takes into account the fact that GIC Bhutan is the sole reinsurer in the under penetrated Bhutan insurance market. The rating is, however, constrained due to the small scale of operations, small capital base and low track record of operations. Promoter strength and continued support, business growth, liquidity, solvency position and profitability are key rating sensitivities.

**Key Rating Sensitivities**

Factors that could lead to positive rating action / upgrade

- Strong Business growth
- Improved Profitability
- Substantial improvement in Solvency Ratio

Factors that could lead to negative rating action / downgrade

- Dilution in support from promoters and GIC in particular
- Reduction in the solvency ratio below regulatory requirement

**Detailed description of the key rating drivers**

**Key Rating Strengths**

**Strong promoters; shared brand name and managerial support from GIC India:** GIC Bhutan is a joint venture Reinsurance Company promoted by General Insurance Corporation of India (GIC) (rated 'CARE AAA(Is) Stable') holding 26% share and two local promoters holding 17% and 12% in the company. GIC India is majority owned by GoI and it is the dominant reinsurer in India. GIC Bhutan enjoys the advantage of shared brand equity with GIC India which helps in recognition globally and securing additional business. It has managerial and business support from GIC India. GIC of India has appointed two nominee directors on board of GIC Bhutan. GIC has also stated that GIC Bhutan remains an important and strategic holding for them and they would support it. One of the local promoters, Mr. Dasho Sangay Wangchuk used to be Chairman of Druk PNB Bank Limited. Ms. Aum Damchoe Dem, another local promoter of GIC Bhutan, is the Chairman of Pelden Group of companies which is an industrial conglomerate of Bhutan. Both the local promoters had expressed their commitment in supporting GIC Bhutan in terms of its capital requirements. During last year, GIC Bhutan raised equity capital of Nu./INR 60 crs to augment its capital base, though a rights issue, in which GIC had participated.

**Sole reinsurer in under penetrated Bhutan insurance market:** GIC Bhutan continues to be the only reinsurance company in Bhutan. The Bhutan insurance market is under penetrated with only two players in the general insurance

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industry namely, Royal Insurance Corporation of Bhutan and Bhutan Insurance Limited. With increased growth in the market, there would be opportunities for growth for GIC Bhutan which is the sole reinsurer in Bhutan. The Royal Monetary Authority of Bhutan, the regulator for the financial sector in Bhutan, had stipulated that the domestic insurance companies have to cede a minimum of 5% of its total written business to the domestic Reinsurance Company i.e. GIC Bhutan. However, RICBL one of the two insurance companies approached and took permission from regulator that they will give 10% to GIC Bhutan Re only on Treaty cession and not on policy cession. Other company BIL continues to cede 10% on each policy.

### Key Rating Weaknesses

**Smaller scale of operations and low capital base:** GIC Bhutan has started with a small capital base of Nu 50.0 crore. There has been infusion of capital of Nu./INR 60 crore in November 2020 through a rights issue. Hence after this infusion, the capital has increased to Nu./INR 110 crore. The solvency position is adequate with GIC Bhutan reporting a solvency ratio of 1.54 times as on December 31, 2020, against the stipulated 1.00 times required by Insurance regulator of Bhutan, Royal Monetary Authority of Bhutan.

**Low track record of operations:** GIC Bhutan started operations in September 2013 and has till now completed eight full years of operations. So it has relatively lower track record of operations and is yet to go through the various business cycles in a new geography like Bhutan. However, the company has risk exposures comprising treaty cessions through obligatory route as well as non-obligatory cessions, facultative covers for domestic as well as overseas insurers and excess of loss cover. It also has retrocession agreements with other reinsurance companies. During FY20 (refers to the period from January to December 2020), Gross premium written stood at Nu.119.58 crore compared to Nu.117.93 crore in FY19. However lower claim ratio led to underwriting profit of Nu.8.85 crore in FY20 compared to underwriting loss of Nu.3.37 crore in FY19. The company earned investment income of Nu.10.46 crore in FY20 (Nu.9.99 crore in FY19) from its investments including deposits and Loans and advances. Overall, the company reported PAT of Nu.14.49 crore in FY20 compared to Nu.4.70 crore in FY19.

**Analytical approach:** Standalone analysis of the financials along with factoring in strength and support from its promoters

### Applicable Criteria

[Issuer Rating](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios - Insurance Sector](#)

[Insurance Sector](#)

[Factoring Linkages Parent Sub JV Group](#)

### About the Company

GIC Bhutan Re Ltd is a joint venture Reinsurance Company, established on September 5, 2013, with total paid up equity capital of Nu.50 crore, promoted by General Insurance Corporation of India holding 26% share and two local promoters holding 17% and 12% in the company. The balance 45% has been offered to the public through Initial Public Offering in June 2014 post which GIC Bhutan got listed on Royal Securities Exchange of Bhutan. The two local promoters are Mr. Dasho Sangay Wangchuk, used to be Chairman of Druk PNB Bank, Bhutan and Ms. Aum Damchae Dem, Chairperson of Pelden Group of Companies (an industrial conglomerate of Bhutan). The Royal Monetary Authority of Bhutan is the regulator for the entire financial sector in Bhutan. GIC – Bhutan Re has underwritten reinsurance for geographies like SAARC, ASEAN, MENA, Central Asia and Former Soviet Union countries. As on December 31, 2020, GIC Bhutan Re had major exposure in India, Bangladesh, Nepal, Oman and Vietnam. Operations of GIC-Bhutan Re are headed by Mr. Kesang Wangdi (CEO of the company). Mr. Kesang Wangdi has a past working experience of 24 years and his last

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organization served was Bhutan Chamber of Organization as Dy. Secretary-General. He joined GIC Bhutan Re in January 2020.

Brief Financials (Nu. crore)	FY19 (A)	FY20 (A)
Net Premium Earned	106.37	105.25
PAT	4.70	14.49
Tangible Net Worth	45.44	119.92
Solvency Ratio (times)	1.78	1.54

\*fiscal year stands for the period Jan 1 - Dec 31

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer 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 for this company:** Annexure 4

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Issuer Rating	-	-	-	-	CARE A (Is); Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Issuer Rating	LT	-	CARE A (Is); Stable	-	September 04, 2020	-	-

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

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Issuer Rating	Simple

**Annexure-5: Bank Lender Details**

[Click here to view Bank Lender Details](#)

**Note on complexity levels of the rated instrument:** CARE Ratings has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications

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### About CARE Ratings:

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