

GIC - Bhutan Re Limited

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer rating Issuer Rating*	0.00	CARE A (Is); Stable [Single A (Issuer Rating); Outlook: Stable]	Reaffirmed
Total Instrument	0.00 (₹ Only)		

Details of instruments/facilities in Annexure-1.

*The rating is subject to the company maintaining solvency ratio above regulatory requirement

Detailed rationale and key rating drivers

The rating factors in the strong promoters and demonstrated support in the form of capital and managerial support. General Insurance Corporation of India (GIC India- rated CARE AAA (Is)) holds 26% stake in GIC Bhutan Reinsurance Limited (GIC Bhutan) along with two strong local promoters holding 17% and 12% in the company and its sole reinsurer status in Bhutan. GIC Bhutan benefits from the shared GIC brand and also gets managerial support from GIC India. Company also has a healthy solvency ratio of 1.86x as against statutory requirements of 1.00x for reinsurance companies in Bhutan.

The ratings are however, constrained on account of smaller scale of operations, concentration in terms of business mix and geography and investments in unsecured/low yielding investments. The company's ability to consistently grow its business along with stable underwriting profits, and diversification in its business profile are positive sensitivities.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Increasing scale of business
- Consistent improvement in underwriting profits
- Business diversification in terms of mix and geography

Negative factors – Factors that could lead to negative rating action/downgrade:

- Dilution in shareholding/ support from promoters
- Reduction in the solvency ratio below 1.2 times on a sustained basis.

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, 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. The rest of the shareholding is held by public at large. GIC India is majority owned by GoI and it is the leading reinsurer in India. By virtue of parentage, GIC Bhutan benefits from shared brand equity with GIC India and demonstrated capital support. During FY20, the promoters via rights issue infused Rs.60 crore in the company. Moreover, the company enjoys management support from GIC India at both managerial and Board level. GIC Re has deputed two nominee directors on the board of GIC Re Bhutan, i.e., Mrs. Jayashree Ranade, General Manager and CFO at GIC Re, and Mrs. Girija Subramanian, General Manager-Claims Vertical and Information Technology. It has also deputed Mr. Arun Kumar, as Chief underwriting officer, as a part of its JV agreement.

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

Sole reinsurer in under penetrated Bhutan insurance market

GIC Bhutan continues to be the only reinsurance company in Bhutan. Bhutan insurance market is under penetrated with only two players in the general insurance 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. Company also has obligatory cession of 7% with RICBL (for treaty business) and BIL (for policy business).

Key rating weaknesses

Growth in premiums; albeit underwriting losses

Company has recorded a 21% growth in its underwriting premium on a Y-o-Y basis (~7% CAGR over past 3 years). Gross written premium (GWP) has increased from Nu/INR.119.58 crore for FY20 (from Jan to Dec) to Nu/INR.145.59 crore for FY21. Despite rise in the overall GWP, company has recorded underwriting losses of Nu/INR.1.00 crore for FY21, as against underwriting profits of Nu/INR.9.00 crore for FY20. Claims on outstanding loss reserves (OSLR) have increased from Nu/INR.14.00 crore for FY20 to Nu/INR.48.00 crore for FY21. The rise in OSLR, is a function of increase in premium income and basis the claim statements received from the ceding company. On an overall basis, PAT declined from Nu/INR.14.49 crore for FY20 to Nu/INR.12.87 crore for FY21, on account of increase in investment income from Nu/INR.10.46 crore for FY 20 to Nu/INR.17.78 crore for FY21 led by higher claims as well as decline in investments yield during FY21.

Small scale of operations and low vintage

Company was incorporated in year 2013 and till now completed nine full years of operations. Thus, it has relatively lower track record. Given the small scale and low vintage, the company has low diversification in terms of business mix and geography. In terms of business mix, fire continues to form majority share of gross written premium (68% for FY21) followed by engineering (12%), Marine (8%) and other misc. (12%). Further, in terms of geography, majority business is from India (~70%) as on December 31, 2020, followed by Bangladesh (8%), Nepal (8%) and Vietnam (5%).

Liquidity: Adequate

Cash and cash equivalents stood at Nu/INR.250.00 crore as on Dec 31, 2021, as against Nu/INR.157.00 crore as on Dec 31, 2020. Of the total cash and cash equivalents, fixed deposits comprised of Nu/INR.238.00 crore as on Dec 31, 2021, and Nu/INR.150.0 crore for corresponding period last year. As against the same, company had a claim payable of Nu/INR.117.78 crore for FY20 and Nu/INR.167.79 crore for FY21 (includes IBNR and outstanding loss reserve). Thus, company has sufficient liquidity to meet its present obligations.

Analytical approach: Standalone approach along with factoring in strength and support from its promoters

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios - Insurance Sector](#)

[Issuer Rating](#)

[Rating Outlook and Credit Watch](#)

[Policy on Withdrawal of Ratings](#)

About the company

GIC-Bhutan Re Ltd is a joint venture Reinsurance Company with total paid up capital of Nu/INR.50 crore, promoted by General Insurance Corporation of India (CARE AAA(Is); Stable) holding 26% share and two local promoters holding 12% and 17% in the company. The balance 45% has been offered to the public through Initial Public Offering in June 2014. GIC Bhutan is listed on Royal Securities Exchange of Bhutan. The company was established on September 5, 2013.

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 (69%), Bangladesh (8%), Nepal (8%) and Vietnam (5%).

Brief Financials (₹ crore) *	FY20 (A)	FY 21 (A)	H1FY22 (UA)
Net Premium Earned	105	129	68
PAT	14	13	1
Tangible Net Worth	120	133	134
Solvency Ratio (times)	1.54	1.86	NA

A: Audited; UA: Un audited; NA: Not available; *Fiscal year stands for period Jan 1 to Dec 31.

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

Covenants of the rated instruments/facilities: 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	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
Issuer Rating-Issuer Ratings	--	--	--	--	0.00	CARE A (Is); Stable

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE A (Is); Stable	-	1)CARE A (Is); Stable (29-Nov-21)	1)CARE A (Is); Stable (04-Sep-20)	-

*Long term/Short term.

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

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

Attribute ID	Sr. No.	Name of Instrument	Complexity Level
--------------	---------	--------------------	------------------

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

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