

Thursday, 9 October 2025

CM RATING 45 /100

Canara HSBC Life Insurance Company

Catering to an underpenetrated sector

Poised to capitalize on growth opportunities with diversified product suite and multi-channel distribution

Canara HSBC Life Insurance Company is a private life insurer promoted by Canara Bank and HSBC Insurance (Asia-Pacific) Holdings, a member of The Hongkong and Shanghai Banking Corporation (HSBC) group. Incorporated in 2007, the insurer has grown into a prominent bank led private player in the Indian life insurance sector.

The offerings primarily include saving and endowment plans, term (pure protection) plans, retirement solutions, group credit life and protection plans and the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). The product portfolio comprises 20 individual products, seven group products and two optional rider benefits, along with policies under the PMJJBY scheme. Insurance coverage was provided to 10.51 million lives at end June 2025, demonstrating extensive reach.

Between FY2023 to FY2025, participating products contributed 9.32% of APE, non-participating savings products 32.00%, non-participating protection products 4.23%, unit-linked products 42.53%, annuity plans 9.07% and group savings (fund based) plans 2.85%.

The company gain considerable advantage in fostering new business growth by harnessing bancassurance partnerships with promoters. Canara Bank as the fourth largest public sector bank by total assets, provides access to their 11.7 crore customers through 9,849 branches across India. HSBC ranked as the second largest foreign bank by total assets in India, manages 26 branches in India. Bancassurance, low-cost customer acquisition channel, accounted for 87.07% of new business premium in FY2025.

More than 99.70% of applications were processed digitally, demonstrating platform's effectiveness.

The company has exhibited the highest improvement in the 13th month persistency ratio in the last three years among bank- led life insurance players to 82.54% in FY2025. The 61st month persistency ratio was the fourth highest among bank led insurers at 57.74% in FY2025. The 13th month persistency ratio further improved to 84.25% and 61st month to 58.2% in Q1FY2026

The company is well capitalized with solvency ratio of 200.42% at end June 2025, above the regulatory requirement of 150%.

Total premium recorded a CAGR of 6%, from Rs 7197.38 crore in FY2023 to Rs 8027.46 crore in FY2025. Individual WPI registered a CAGR of 15% from FY2023 to FY2025. Sum assured recorded a CAGR of 19% from Rs 291295 crore end March 2023 to Rs 412491 crore end March 2025.

AUM recorded by a CAGR of 17% from Rs 30204 crore end March 2023 to Rs 41116 crore at end March 2025 and further increased to Rs 43639.5 crore at end June 2025.

Embedded value recorded at a strong CAGR of 20% from Rs 4272 crore end March 2023 to Rs 6111 crore end March 2025 and further increased to Rs 6353 crore at end June 2025.

The Offer and the Objects

The IPO comprises OFS of 23.75 crore equity shares, aggregating to Rs 2375 crore, at the lower price of Rs 100 and Rs 2518 crore at the upper price band of Rs 106.

OFS from the promoters comprised sale of 13.775 crore equity shares by Canara Bank and up to 0.475 crore equity shares by HSBC Insurance (Asia-Pacific) Holdings. The promoter shareholding will decline from the pre-IPO level of 77% to 62% post IPO. Canara Bank will be holding 36.5% stake in the company and HSBC at 25.5%

The company expects the listing of equity shares will enhance visibility and brand image and provide liquidity to the shareholders and will also provide a public market for the equity shares in India.

Strengths

A diversified product portfolio with a focus on customer centricity enabling growth across business cycles.

The company operates multi-channel distribution network with pan-India presence.

Maintains strong operational efficiency with a ratio of operating expenses to GWP ratio at 12.39%.

The company benefits significantly from the strong and established brand equity of the promoters Canara Bank and the HSBC group in amplifying customer attraction and helps to improve the persistency-ratios.

The infrastructure and operational expenses are also lower for the company as distribution partners branches are used as distribution centres for its products.

Bancassurance distribution agreements with Canara Bank, HSBC, seven regional rural banks and other bancassurance relationships provides access to an aggregate of over 15,700 geographically distributed network of branches across India.

HSBC India acts as a bancassurance partner for Canara HSBC Life Insurance Company only.

Canara Bank and HSBC Group Management have granted a royalty-free and non-exclusive license to use certain trademarks in Company's official name and in connection with the carrying on business in India for no monetary consideration.

The claims settlement ratio improved from 99.11% in FY2023 to 99.38% in FY2025.

Technology integrated business platform with strong focus on automation and digital analytics leading to prudent risk management framework

India's life insurance penetration was lower at 2.80% and insurance density also remains very low at US\$ 70 in 2023. The underinsurance in the Indian insurance market, provides substantial growth potential for life insurance providers.

GST reduction on life insurance policies to 0% effective from 22 September 2025 is important event for the industry and its expected to improve demand for life insurance.

Weaknesses

A significant portion of new business premium from individual products at 60.6% for FY2025 is concentrated in top 5 states, comprising Karnataka (22.48%), Maharashtra (11.97%), Kerala (9.56%), Uttar Pradesh (8.88) and Tamil Nadu (8.42%). Any materially adverse social, political or economic developments, natural calamities, civil disruptions, or changes in the policies of the states or local governments in these states may impact business.

The value of new business (VNB) margin is lower than that of peers and its improvement depends on growth in new business volumes, changes in product portfolio, the proportion of high-margin products within new business

and improved operational efficiency.

The life insurance sector in India is competitive.

The insurance sector operates in a complex regulatory environment, and any adverse changes to regulations could disrupt business.

Any regulatory changes affecting the bancassurance business and distribution of insurance products by banks can adversely affect arrangements with bancassurance partners.

Catastrophic events, such as natural or man-made disasters, which are often unpredictable, may materially and adversely affect claims experience and investment portfolio.

EV is based on various assumptions and estimates, and may vary if such assumptions or estimates are modified or if actual experience is different from such assumptions and estimates.

Valuation

Canara HSBC Life Insurance Company was one of the fastest life insurers to generate profit in the fifth year of operations. Canara HSBC has remained consistently profitable for the last 13 years. Operating RoEV was healthy at 19.53% in FY2025, highlighting better financial performance and efficiency. Profit after tax recorded a CAGR of 13% from Rs 91.19 crore in FY2023 to Rs 116.98 crore in FY2025. PAT increased 25% to Rs 23.41 crore in Q1FY2026.

Post-issue, EV per share will be Rs 66.9 at the upper price band. The scrip is being offered at price to EV multiple of 1.6 times at the upper price band.

Among life insurers, HDFC Life Insurance Company is trading at P/ EV multiple of 2.8 times, SBI Life Insurance Company at 2.4 times, Max Financial Services at 2.0 times and ICICI Prudential Life Insurance Company at 1.8 times.

SBI Life is the largest private life insurer int terms of new business premium collection for FY2025, followed by HDFC Life at second and ICICI Prudential Life at third position, while Max Financial Services is fifth largest life insurer. Canara HSBC Life is 11th largest private life insurer.

Canara HSBC Life has exhibited a healthy operating RoEV at 19.53% for FY2025 as compared with SBI Life at 20.2%, HDFC Life at 16.7% and ICICI Prudential Life at 13.1%. The total cost ratio was as similar as peers for Canara HSBC Life at 18.7% and the claims settlement ratio at 99.38% for FY2025.

However, the 13th month persistency ratio was low at 82.4% in FY2025 compared with peers at 85-87% and 61st months persistency was also lower at 57.7% as compared with peers at 62-64%.

The VNB margin of Canara HSBC Life was low at 19.07% for FY2025 as compared with SBI Life at 27.8%, HDFC Life at 25.6% and ICICI Prudential Life at 22.8%.

Canara HSBC Life Insurance Company: Issue highlights	
For Offer for Sale Offer size (in Rs crore)	
- On lower price band	2375.00
- On upper price band	2517.50
Offer size (in share crore)	23.75
Price band (Rs)*	100-106
Minimum Bid Lot (in no. of shares)	140
Post issue capital (Rs crore)	
- On lower price band	950.00

- On upper price band	950.00
Post-issue promoter & Group shareholding (%)	62.0
Issue open date	10-10-2025
Issue closed date	14-10-2025
Listing	BSE, NSE
Rating	45/100

Canara HSBC Life Insurance Company: Results Policyholders Account					
	2303 (12)	2403 (12)	2503 (12)	2406 (3)	2506 (3)
Premium earned (net)	7029.72	6932.64	7850.24	1312.17	1653.43
Income from Investments	1313.44	4812.42	2757.37	1750.10	1952.30
Other income	4.93	10.66	16.37	3.35	5.30
Contribution from the Shareholders' account	6.40	0.00	2.42	1.04	1.78
Total Income	8354.49	11755.72	10626.40	3066.66	3612.81
Commission	413.55	411.12	507.12	71.62	96.17
Op. expenses related to Insurance business	836.23	935.41	994.22	226.40	246.18
Others	0.36	0.40	-1.99	0.00	0.00
Benefits paid (Net)	3092.40	3166.36	5083.72	2617.95	1106.73
Change in valuation of policy liabilities	3930.98	7094.76	3871.52	126.78	2150.74
Provision for taxation	65.70	72.02	90.66	18.91	21.72
Total Expense	8339.22	11680.06	10545.25	3061.66	3621.53
PAT	15.28	75.65	81.15	5.00	-8.73
Transfer to Shareholders' account	169.59	144.40	132.05	23.00	16.47

Canara HSBC Life Insurance Company: Results Shareholders Account					
	2303 (12)	2403 (12)	2503 (12)	2406 (3)	2506 (3)
Amounts transferred from Policyholders' account	169.59	144.40	132.05	23.00	16.47
Income from investments	92.00	96.48	101.96	24.58	25.89
Total Income	261.59	240.88	234.01	47.58	42.35
Expenses (apart from Insurance)	8.54	6.22	5.75	1.30	1.18
Contribution to policyholders account	9.33	3.39	2.42	1.04	1.78
Others	143.91	107.39	97.70	23.34	13.33
Total Expenses	161.77	117.00	105.87	25.69	16.29
PBT	99.82	123.87	128.15	21.89	26.06
Tax	8.63	10.56	11.16	3.19	2.65
PAT	91.19	113.32	116.98	18.70	23.41
EPS (Rs)*	1.0	1.2	1.2	0.8	1.0
Equity	950.0	950.0	950.0	950.0	950.0
Embedded Value/Share (Rs)*	45.0	54.5	64.3	-	66.9

* EPS and EV are calculated on diluted equity as given for each year. face value Rs 10 per share

Source: Canara HSBC Life Insurance Company Issue Prospectus