

Canara HSBC Life Insurance Co IPO

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- It posted inconsistency in its top lines for the reported periods, but marked growth in bottom lines.
- The company enjoys niche place in bancassurance segment and have strategic plans to gain business and maintain profitability.
- Based on its recent set of financials, the issue appears aggressively priced.
- The management is confident of maintaining the trends going forward.
- Being a pure long term story, only well-informed/cash surplus investors may park moderate funds.

About the Company

Canara HSBC Life Insurance Co. Ltd. (CHLICL) is a private life insurer in India and promoted by Canara Bank (which ranks as the fourth largest public sector bank by total assets in India as at March 31, 2025), according to the CRISIL Report, and HSBC Insurance (Asia-Pacific) Holdings Limited, a member of The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) group, whose global reputation as a financial institution adds credibility and brand value to it. According to the CRISIL Report, its individual weighted premium income (“WPI”) collected by the Company grew third highest amongst bank led insurers between Fiscal 2022 and 2025 and was the second highest year-on-year growth amongst its Peer Set for Fiscal 2025. According to the CRISIL Report, it had the third highest assets under management (“AUM”) amongst public sector bank promoted led life insurers, as at March 31, 2025.

Incorporated in 2007, the company has grown into a prominent bank led private player in the Indian life insurance sector as it ranks third amongst public sector bank led life insurers in India according to the CRISIL Report, based on the number of lives covered for Fiscal 2025. Its Annualized Premium Equivalent (“APE”) has consistently grown, reflecting its efforts to expand products and services and increase market presence. Its profit after tax has increased at a CAGR of 13.26% from Rs. 911.94 million in Fiscal 2023 to Rs. 1,169.81 million in Fiscal 2025 and was Rs. 234.13 million in the three months period ended June 30, 2025. Furthermore, its Embedded Value increased from Rs. 42,719.35 million as at March 31, 2023, to Rs. 51,798.61 million as at March 31, 2024, to Rs. 61,107.40 million as at March 31, 2025 and further increasing to Rs. 63,526.41 million as at June 30, 2025. (Source: Embedded Value Report).

Financially, it is well capitalized, with solvency ratio of 200.42% as at June 30, 2025 that surpasses the regulatory requirement of 150.00% thus indicating its sound fiscal management and ability to meet obligations. Furthermore, it has provided coverage to 10.51 million lives as at June 30, 2025, demonstrating extensive reach and the reliance customers place on it for their life insurance solutions. The company gains considerable advantage in fostering new business growth by harnessing bancassurance partnerships with promoters. Canara Bank, as its largest shareholder, according to the CRISIL Report, ranks as the fourth largest public sector bank in India by total assets, as at March 31, 2025. Its distribution agreement with HSBC India, one of its group companies, offers significant advantages as HSBC, and according to the CRISIL Report, ranked as the second largest foreign bank by total assets in India as at March 31, 2025, managing 26 branches in India, as at January 17, 2025 and has also received approval for 20 new branches in January 2025.

Bancassurance accounted for 92.33%, 91.71%, 87.07%, 78.71% and 57.20%, of new business premium during the three months period ended June 30, 2025, June 30, 2024, and Fiscals 2025, 2024 and 2023, respectively. According to the CRISIL Report, as at March 31, 2025, Canara Bank managed 9,849 branches across India. It also has access to the branch network of seven regional rural banks, through distribution agreements. According to the CRISIL Report, life insurance companies' bancassurance partners' extensive geographical reach across Tier 1, Tier 2 and Tier 3 cities in India, vast customer bases, well-regulated operations, industry knowledge and established brand reputation all contribute to the growth of the Company. Furthermore, according to the CRISIL Report, through its distribution agreements with these partners, it has access to an aggregate of over 15,700 geographically distributed network of branches across India, as at March 31, 2025.

The company also actively engages with customers through digital channels, such as website and mobile app, complemented by strategic alliances with brokers and corporate agents that enhance customer choices and extend its reach across India. Additionally, it has established a direct sales model, supported by a dedicated field force, ensuring personalized service and customer engagement. Furthermore, through defense channel, it focuses on armed forces personnel and their families, offering tailored insurance products designed to meet their unique needs. This segment is crucial for providing financial security to those serving in the armed forces. Its strategic approach ensures that it reaches a wide audience, enhance financial inclusion and remain responsive to dynamic market needs.

It offers a comprehensive range of life insurance products tailored for both individual and group (i.e., companies, businesses or organizations) customers. Its offerings primarily include saving and endowment plans, term (pure protection) plans, retirement solutions, group credit life and protection plan and the Pradhan Mantri Jeevan Jyoti Bima Yojana ("PMJJBY"). As on the date of this Red Herring Prospectus, its product portfolio comprises 20 individual products, seven group products and two optional rider benefits, along with policies under the PMJJBY scheme. Its products have comprehensive protection, guaranteed income and market-linked growth features. The company also delivers options like multiple payout choices, investment management flexibility and the ability to

customize through a breadth of plan and fund offerings, including limited pay annuity plans and over ten fund choices in unit-linked products.

CHLICL's extensive suite of products is designed to meet the specific needs of customers at every stage of their lives. This demonstrates commitment to customer centricity, enabling it to operate efficiently across varying business cycles, collaborate with a broad spectrum of distribution partners, and serve a diverse customer base, from the mass market to high-net-worth individuals. Furthermore, its product offerings also enable it to adapt to changes in regulatory environment and minimize concentration risk in particular product categories. Thus, it focuses on a balanced product mix, ensuring continuous improvement in value proposition for customers and margins. Between Fiscal 2023 to Fiscal 2025, its participating products, non-participating savings products, non-participating protection products, unit-linked products, annuity plans and group savings (fund based) plans in aggregated contributed 9.32%, 32.00%, 4.23%, 42.53%, 9.07% and 2.85%, respectively to APE.

It has embraced digital transformation by integrating predictive and prescriptive analytics models developed in-house to forecast and recommend optimal outcomes for policy renewals, early claim detection, new business opportunities, underwriting risk management and customer retention. Recognised for its technological innovation, it has received industry accolades such as Best Use of Technology to Enhance Customer Experience' at the Customer Fest Leadership Awards in 2023 and Best Use of Data Analytics in Predictive Modeling at the MarTech Leadership Award 2022. According to the CRISIL Report, it is one of the life insurers to report fastest three consecutive years of profit from the first year of operation amongst Peer Set and were amongst one of the fastest life insurers to generate profits in fifth year of operations. Additionally, its Operating RoEV was 19.53% in Fiscal 2025, highlighting its consistent profitability, financial performance and efficiency. As of June 30, 2025, it had 7898 employees (including part time employees) on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route secondary IPO of 237500000 equity shares worth Rs. 2517.50 cr. at the upper cap. The company has announced a price band of Rs. 100 – Rs. 106 per equity shares of Rs. 10 each. The issue opens for subscription on October 10, 2025, and will close on October 14, 2025. The minimum application to be made is for 140 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 25% of the post-IPO paid-up equity capital. This being a pure secondary issue, no funds are going to the company. This issue is being made to avail listing benefits and provide exit to some of its stakeholders.

The company has reserved 1550000 equity shares (worth Rs. 16.43 cr. at the upper cap) for its eligible employees, and offering them a discount of Rs. 10 per share. From the rest, it has allocated not more than 50% for QIBs, not less than 15% for HNIs and not less than 35% for Retail investors.

The five Book Running Lead Managers (BRLMs) to this issue are SBI Capital Markets Ltd., BNP Paribas, HSBC Securities and Capital Markets (India) Pvt. Ltd., JM Financial Ltd., and Motilal Oswal Investment Advisors Ltd., while KFin Technologies Ltd., is the registrar to the issue.

After having issued initial equity shares at par, the company has issued further equity shares at a fixed price of Rs. 34.04 per share in February 2008. The average cost of acquisition of shares by the promoters/selling stakeholders Rs. 10.00, and Rs. 15.06 per share.

Post-IPO, its current paid-up equity capital of Rs. 950 cr. will remain same as this is a pure Offer for Sale. Based on the upper cap of the IPO price band, the company is looking for a market cap of Rs. 10070 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted a total income/net profit/ - (loss), of Rs. 8354.49 cr. / Rs. 15.28 cr. (FY23), Rs. 11755.72 cr. / Rs. 75.65 cr. (FY24), and Rs. 10626.40 cr. / Rs. 81.16cr. (FY25). For Q1 of FY26 ended on June 30, 2025, it marked a loss of Rs. - (8.73) cr. on a total income of Rs. 3612.81 cr. against net profit Rs. 5.00 cr. on a total income of Rs. 3612.81 cr. for corresponding previous period. While it posted inconsistency in the top line following general trends of the markets, it marked growth in bottom lines for the three fiscals reported. Loss for Q1 it apparent as it is the slowest growth quarter for any insurance company. Since it has a niche play in bancassurance, and continuation of cost-effective marketing strategy, the management is confident of maintaining the trends posted for FY23 to FY25.

For the last three fiscals, the company has posted an average EPS of Rs. 1.17 and an average RoNW of 7.86%. The issue is priced at a P/BV of 6.54 based on its NAV of Rs. 16.21 as of June 30, 2025, as well as on post-IPO basis (at the upper cap). The IPO ad has a misleading info on its pre and post IPO NAV data per share. It is indicating lower and upper price band figures which is wrong.

If we attribute FY26 annualized earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a negative P/E, but considering the historical data, this can be ignored as it will generate surplus for the entire year for the remaining periods. Based on FY25 earnings, the P/E stands at 124.71. Thus, the issue appears aggressively priced.

Dividend Policy

The company has paid dividend at 3% for FY23, at 4% for FY24, and 4% for FY25, it has already adopted a dividend policy in April 2025, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown SBI Life Insurance, HDFC Life Insurance, ICICI Prudential Life Insurance, as its listed peers. They are currently trading at a P/E of 71.4, 85.6, and 68.0 (As of October 08, 2025). However, they are truly not comparable on an apple-to-apple basis.

Merchant Banker's Track Record

The five BRLMs associated with the offer have handled 98 public issues in the past three fiscals, out of which 32 issues closed below the offer price on the listing date.

Conclusion / Investment Strategy

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About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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