



Company Overview

Canara HSBC Life Insurance is a private life insurance company incorporated in 2007, having strong backing of its promoters, Canara Bank, the fourth largest public sector bank by total assets, and HSBC Insurance (Asia-Pacific) Holdings Limited, part of the globally reputed HSBC Group. This strategic partnership provides the company with a solid distribution base, credibility, and brand strength in the competitive life insurance landscape. The company has delivered robust growth performance, recording the third highest individual weighted premium income (WPI) growth among bank-led insurers between FY22 and FY25, and the second-highest YoY growth in FY25 among its peer set. Furthermore, it is the third-largest AUM among public sector bank-promoted life insurers, highlighting its growing scale and prudent asset management. In terms of operations, the company ranks third among public sector bank-led life insurers in terms of the number of lives covered in FY25, demonstrating its expanding customer base and strong bancassurance penetration. Its Annualised Premium Equivalent (APE) has shown consistent improvement, supported by a diversified product mix and distribution efficiency. The company remains financially strong, with a solvency ratio of 200.4% (as of June 30, 2025), comfortably above the regulatory threshold of 150%, reflecting sound capital management and risk resilience. Having provided coverage to 10.5 million lives, Canara HSBC Life Insurance continues to strengthen its market positioning as a formidable bank-led private life insurer, underpinned by operational discipline, promoter synergy, and consistent financial performance.

Objects of the issue

The company will not receive any proceeds from the Offer.

Investment Rationale

Established parentage and trusted brand driving strong customer acquisition and retention

Canara HSBC Life Insurance has a strong and credible parentage, promoted by Canara Bank (holding 51%) and HSBC Insurance (Asia-Pacific) Holdings Limited (holding 26%). This dual backing from one of India's leading public sector banks and a globally reputed financial institution provides the company with a solid foundation of trust, brand strength, and distribution advantage. The insurer derives substantial business through its promoter networks, with Canara Bank and HSBC India contributing over 70% of new business premiums across recent years. While this highlights strong bancassurance integration, it also reflects deep customer trust in the promoters' brands. The company has simultaneously strengthened its independent brand identity, focusing on superior service delivery and customer engagement, evidenced by its Net Promoter Score (NPS) improving from 50 in FY23 to 70 in FY25, and further to 75 as of June 30, 2025. This enhanced customer satisfaction is translating into stronger business quality metrics. The company's 13th-month persistency ratio (by premium, excluding single premium) improved significantly from 75.3% in FY23 to 82.5% in FY25, reaching 84.3% in Q1FY26 the highest improvement among bank-led life insurers between FY23 and FY25. This, alongside an improvement in the claims settlement ratio from 99.1% in FY23 to 99.4% in FY25, underscores prudent underwriting, robust risk management, and superior policyholder servicing. Overall, the company's promoter credibility, brand strength, customer centric strategy, and operational consistency position it as a resilient and trusted player in the bank led private life insurance segment, with improving customer retention and service excellence driving sustainable growth.

Long term value creation backed by consistent and profitable financial performance

Canara HSBC Life Insurance is committed to long term value creation, driven by a consistent track record of financial performance. The company was one of the life insurers to report fastest three consecutive years of profit from the first year of operation amongst their peer set and was amongst one of the fastest life insurers to generate profits in fifth year of operations. The company has showcased sustained growth momentum and operational discipline, driven by its strategic initiatives and agility within India's evolving life insurance sector. Between FY23 and FY25, the company's individual weighted premium income (WPI) expanded at a CAGR of 14.7%, reflecting consistent business traction across its core segments. The company has also delivered robust investment performance, with AUM growing at a CAGR of 16.7% between March 31, 2023, and March 31, 2025, reaching Rs. 4,36,395 million as of June 30, 2025. Importantly, its investment portfolio demonstrates a high-quality asset mix, with 97.3% of the total fixed income portfolio invested in domestic AAA rated instruments,

Issue Details

Offer Period	10th Oct. 2025 - 14th Oct. 2025
Price Band	Rs. 100 to Rs. 106
Bid Lot	140
Listing	BSE & NSE
Issue Size (no. of shares in mn)	237.5
Issue Size (Rs. in bn)	25.2
Face Value	10

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	SBI Capital Markets Ltd., BNP Paribas, HSBC Securities & Capital Markets (India) Pvt. Ltd., JM Financial Ltd., Motilal Oswal Investment Advisors Ltd.
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Registrar	Kfin Technologies Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	77%	52%
Public	23%	48%
Total	100%	100%

(Assuming issue subscribed at higher band)

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Canara HSBC Life Insurance Co. Ltd.

including sovereign securities underscoring a conservative and risk averse investment strategy that supports long-term financial stability. Operationally, the company continues to exhibit strong cost discipline despite making strategic investments to sustain growth. Overall, Canara HSBC Life Insurance demonstrates a balanced growth approach combining consistent business expansion, superior asset quality, and operational prudence, positioning it well among India's leading bank led private life insurers.

Valuation

Canara HSBC Life Insurance aims to increase life insurance penetration by maximizing synergies with its bancassurance partners, focusing on seamless customer onboarding and tailored product offerings. The Indian life insurance industry is projected to register a premium CAGR of 8–10% between FY24 and FY28, with bank-led insurers expected to outperform, growing at 10–12% CAGR during the same period. This growth outlook is supported by strong macroeconomic fundamentals such as robust GDP expansion, a young and productive demographic base (64% of the population aged 15–59 in CY23), and rapid urbanization. A key element of this strategy involves leveraging Canara Bank's extensive distribution network, provides access to 117 million customers through 9,849 branches across India, thereby enabling deeper market penetration and scalable growth within the existing partnership ecosystem. On the financial front, the company has demonstrated steady value creation, as reflected in the consistent growth of its Embedded Value (EV) rising from Rs. 42,719.3 million in FY23 to Rs. 51,798.6 million in FY24, and further to Rs. 61,107.4 million in FY25, with an additional uptick to Rs. 63,526.4 million as of June 30, 2025. This sustained increase underscores the company's strong operational performance, profitable business growth, and disciplined capital management, reinforcing its long-term shareholder value creation potential. Additionally, with 10.5 million lives covered, the company demonstrates a broad customer base and deep market reach, underscoring the trust and confidence policyholders place in its life insurance offerings. **At the upper price band of Rs 106, the company is currently valued at a P/EV (Price to Embedded Value) multiple of 1.6x (FY25), which appears attractive in comparison to industry peers, indicating potential undervaluation as growth and profitability sustain. We, thus, recommend a "SUBSCRIBE" rating for this issue.**

Key Risks:

- ⇒ The company's growth is closely linked to its bancassurance partnerships with Canara Bank and HSBC India. Hence, any termination or adverse change in these arrangements, or a decline in partner performance, could negatively impact business growth and financial performance.
- ⇒ A decline in persistency ratios or high customer surrenders could adversely affect the company's revenue stability, profitability, and cash flows, given the reliance on sustained policy renewals for long-term earnings.
- ⇒ Operating in a highly regulated industry, the company remains exposed to regulatory changes or compliance lapses, which could disrupt operations or result in financial and reputational risks.

Canara HSBC Life Insurance Co. Ltd.

Income Statement (Rs. in millions)

Particulars	FY23	FY24	FY25	Q1 FY26
Amount transferred from Policyholders Account (Technical Account)	1,696	1,444	1,320	165
Income from investments				
(a) Interest, Dividends and Rent – Gross	854	884	918	233
(b) Profit on sale/redemption of investments	6	10	38	5
(c) (Loss on sale/ redemption of investments)	-2	-7	-12	-3
(d) Amortisation of Premium / Discount on investments	61	78	76	23
Other Income	1	0	0	0
TOTAL (A)	2,616	2,409	2,340	424
Expense other than those directly related to the insurance business	85	62	58	12
Contribution to Policyholders' A/c				
(a) Towards Excess Expenses of Management	64	0	0	0
(b) Towards remuneration of MD/ CEO/ WTD/ Other KMPs	29	34	24	18
(c) Others	0	0	0	0
Expenses towards CSR activities	18	15	16	8
Bad debts written off	1	0	0	0
Amount Transferred to Policyholders' Account	1,432	1,063	966	126
Provisions (Other than taxation)				
(a) Provision for doubtful debts	1	0	18	-1
(b) Others: Provision for non-standard assets / non-performing assets	-13	-3	-22	0
TOTAL (B)	1,618	1,170	1,059	163
PBT	998	1,239	1,281	261
Provision for Taxation	86	106	112	27
PAT	912	1,133	1,170	234
Diluted EPS	1	1	1	0

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY23	FY24	FY25	Q1 FY26
Cash Flow from operating activities	25,925	23,101	12,078	3,840
Cash flow from/(used in) investing activities	-25,761	-20,447	-7,145	-9,315
Net cash flows (used in) / from financing activities	-25,607	21,853	1,065	-302
Net increase/(decrease) in cash and cash equivalents	-121	2,179	4,743	-5,475
Cash and cash equivalents at the beginning of the period	11,914	11,793	13,972	18,715
Cash and cash equivalents at the end of the period*	11,793	13,972	18,715	13,241

Source: RHP, BP Equities Research

*NOTE : Cash and cash equivalents at the end of the period includes Money Market Instruments

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Balance Sheet (Rs. in millions)

Particulars	FY23	FY24	FY25	Q1 FY26
Shareholder's Fund				
Share capital	9,500	9,500	9,500	9,500
Reserves and surplus	4,031	5,689	5,669	5,903
Sub Total	13,531	15,189	15,169	15,403
Policyholder's Fund				
Credit/(Debit) Fair Value Change Account	422	1,110	1,321	1,664
Policy Liabilities	1,56,093	1,97,259	2,23,668	2,30,290
Funds for discontinued policy				
(i) Discontinued on account of non-payment of premiums	7,016	7,867	8,294	9,806
(ii) Others	97	91	160	158
Sub-Total (Funds for Discontinued Policies)	7,113	7,958	8,454	9,964
Provision for linked liabilities				
Linked liabilities	1,07,813	1,13,959	1,30,731	1,31,762
Add: Credit/(Debit) Fair Value Change Account	14,469	37,259	32,297	44,642
Sub-Total (Provision for Linked Liabilities)	1,22,282	1,51,218	1,63,028	1,76,404
Sub Total	2,85,909	3,57,545	3,96,471	4,18,322
Funds for future appropriation				
(i) Linked	0	0	74	87
(ii) Non linked (PAR)	6,049	6,424	6,807	6,669
Sub-Total (Funds for Future Appropriation)	6,049	6,424	6,881	6,755
TOTAL	3,05,489	3,79,158	4,18,521	4,40,480
Application fo Funds				
Investments				
(i) Shareholder's	13,654	15,703	13,747	15,602
(ii) Policyholder's	1,58,996	1,98,925	2,26,435	2,34,425
Assets held to cover linked liabilities	1,29,395	1,59,176	1,71,482	1,86,368
Loans	221	490	1,008	1,169
Fixed Assets	527	562	463	413
Current Assets				
(i) Cash and Bank balances	3,866	4,220	6,110	1,773
(ii) Advances and other assets	6,440	8,431	9,898	8,958
Sub Total (A)	10,307	12,651	16,008	10,731
Current Liabilities	7,436	9,089	10,303	7,940
Provisions	175	262	319	289
Sub Total (B)	7,611	9,350	10,622	8,229
Net current asset (C) = (A-B)	2,696	3,301	5,386	2,502
TOTAL	3,05,489	3,78,158	4,18,521	4,40,480

Source: RHP, BP Equities Research

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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