April 23, 2025

Cholamandalam MS General Insurance Company Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Subordinated debt programme	100.00	100.00	[ICRA]AA (Stable); reaffirmed
Total	**100.00**	**100.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating factors in Cholamandalam MS General Insurance Company Limited's (CMICL) parentage, with Cholamandalam Financial Holdings Limited (CFHL; part of Murugappa Group and holding company of Cholamandalam Investment and Finance Company Limited[1] – CIFCL) and Mitsui Sumitomo Insurance Company Limited[2] (MSI) holding equity stakes of 60% and 40%, respectively, and the demonstrated operational, managerial and financial support to the company. The rating considers the shared brand name, CMICL's strategic importance to its promoters and the representation on its board of directors, which strengthens ICRA's expectation of adequate and timely capital support, if required.

The rating also considers the company's established position in the motor segment with a market share of 5.5%[3] in terms of gross direct premium income (GDPI) in 11M FY2025 and the improving investment leverage[4] driven by increased growth, the high share of the long-tail business as well as multi-year policies. CMICL's solvency, which stood at 2.14 times as on December 31, 2024, was above the regulatory requirement. The company's return on equity[5] (RoE) improved to 17.0% in 9M FY2025 (5-year average of 10.1% during FY2020-FY2024). While CMICL has incurred significant underwriting losses, this was offset by the high investment float and income due to the high share of the long-tail motor business.

CMICL's product mix is concentrated in the motor segment with a share of 66% in 11M FY2025, though this declined from 71% in FY2023. The decline in the share of motor GDPI was due to the premium underwritten in the crop segment. Moreover, given the focus on reducing the expenses of management (EOM), the share of motor in the overall GDPI is expected to decline further. Despite this, it will continue to account for a major part of the GDPI in the medium term. Additionally, the company has a high share of the long-tail motor-third party (Motor-TP) business (38.0% of GDPI in 11M FY2025), which exposes its future profitability and solvency to reserving risks.

The Stable outlook factors in the expectation that the company will continue to receive support from the promoters, if required, and will maintain its solvency level above the negative rating trigger.

Key rating drivers and their description

Credit strengths

Strong parentage – CMICL is owned by CFHL and MSI, holding 60% and 40% equity stakes, respectively. CFHL is the holding company of the financial businesses of Murugappa Group. It is registered as a core investment company (CIC) under Reserve Bank of India (RBI) Regulations. CMICL has access to the large distribution network of Murugappa Group companies. MSI, a

[1] Rated [ICRA]AA+ (Positive) for its non-convertible debentures and [ICRA]A1+ for its commercial paper programme
[2] Rated A1 for Insurance Financial Strength Rating and A3 for (hyb) for subordinated debt by Moodys
[3] Market share calculation excludes ECGC Ltd. and Agriculture Insurance Company of India Limited
[4] Investment leverage = (Total investment - Sub-debt)/Net worth excluding fair value changes
[5] RoE = PAT/Net worth excluding fair value change account

subsidiary of Japan-based MS&AD Insurance Group Holdings Inc, has a strong global presence in the life and non-life insurance segments. CMICL derives support from the shareholders in the areas of sourcing, underwriting, reinsurance, product development, claims processing and internal controls. It also has adequate board representation with eight directors, including three from Murugappa Group companies and two from the foreign shareholder while the rest are independent directors.

CMICL's reported solvency stood at 2.14 times as on December 31, 2024 (1.79 times as on March 31, 2024), staying above the regulatory requirement of 1.50 times and ICRA's negative trigger of 1.60 times on a sustained basis. The company has headroom for raising additional sub-debt of ~Rs. 121 crore as of December 31, 2024, which provides financial flexibility to meet its growth plans. Further, ICRA expects support from Murugappa Group to be forthcoming if required.

Established market position in motor segment, aided by wide distribution reach – CMICL benefits from Murugappa Group's presence in the dealer location through the Group's captive distribution company, which has ~550 branches in India, mostly in Tier-2/3 cities. Further, the company sources ~11% of its premium from CIFCL. The corporate agency channel (including the captive distribution entity and CIFCL) contributed 30% to the GDPI in 9M FY2025. Other key distribution channels include brokers (41%) and bancassurance (11%). Aided by the recurring business sourced through these channels, the growth in the motor segment, which constituted 66% of CMICL's business in 11M FY2025, was higher than the industry average in the past few years with a market share of 5.5% (4.9% in FY2022). While the share of motor in the product mix is expected to decline on account of diversification of the product lines, it is likely to remain the dominant contributor in the medium term.

Capitalisation supported by improving internal accruals – CMICL's capitalisation remained comfortable with a solvency of 2.14 times as on December 31, 2024, which remained above the regulatory requirement of 1.50 times. The capitalisation profile has been comfortable without any capital infusion from the promoters; they had last infused equity in FY2014. ICRA does not expect any capital requirement as the solvency ratio is comfortable for supporting the growth in the medium term. Further, the headroom to raise sub-debt provides some financial flexibility.

CMICL's profitability remains healthy with an RoE of 17.0% in 9M FY2025 (5-year average RoE of 10.1% during FY2020-FY2024). While the underwriting performance has been moderate with a combined ratio of 110.5% in 9M FY2025, the profitability has been supported by investment income. The company has a strong investment leverage of 6.27 times, driven by the high share of the long-tail Motor-TP business.

Credit challenges

Product concentration towards motor segment – CMICL faces stiff competition from private as well as public sector general insurance companies in India. While its market share in the motor segment stood at 5.5% in 11M FY2025, its presence in other segments remained limited. CMICL is consciously looking to improve its presence in segments such as small and medium enterprises (through fire and property insurance products) and health and personal accident among others. Further, within motor, the company has diversified into private cars and two-wheelers (41% and 16%, respectively, of the motor segment GDPI in 9M FY2025). CMICL's ability to grow its market share in other segments and improve its profitability amid rising competition is to be seen.

High share of Motor-TP business exposes CMICL to reserving risks – A major risk faced by an insurance company is the underwriting of the business at adequate premium pricing in relation to the underwritten risk. The uncertainty regarding the extent of claims is relatively higher in the Motor-TP segment, which accounted for 40-47% of CMICL's total GDPI in the last few years (declined to 37.3% in 9M FY2025). The long-tail nature of the Motor-TP segment, given the legal process involved for claims settlement, could result in uncertainty regarding the level of future claims in relation to the past reserves made for this segment. The company's loss-reserving triangle, which involves actuarial estimates, indicates that it has maintained adequate reserves in the past and witnessed favourable claims experience in this segment vis-à-vis reserving during the last few years. However, the eventual outcome for the risk-in-force may be known with considerable lag, which could impact its future profitability and solvency. Further, the profitability of this segment could be affected as the pricing of Motor-TP rates is regulated.

Liquidity position: Strong

CMICL's net premium was Rs. 5,508 crore in FY2024 in relation to the maximum net claims paid of Rs. 2,610 crore in the last few years. The company's operating cash flow remained positive, reflecting its strong ability to meet expenses and claims payments through premium inflow. It had investments in Central/state government securities of Rs. 8,685 crore, accounting for 48.2% of the total investments as on December 31, 2024, further supporting its liquidity to meet any unexpected rise in the claims of policyholders. Shareholders' investment of Rs. 2,719 crore also remains strong in relation to the Rs. 100-crore sub-debt outstanding as on December 31, 2024.

Rating sensitivities

Positive factors – An improvement in Murugappa Group's credit profile and a consistent improvement in CMICL's profitability along with the diversification of the product mix and an improvement in its market share.

Negative factors – A deterioration in the promoters' credit profile or a decline in the strategic importance of CMICL to the promoters or in the expectation of support from the promoter will be a negative factor. A decline in the company's solvency ratio to less than 1.60 times on a sustained basis will also be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	General Insurance
Parent/Group support	Parents: Murugappa Group and MSI The rating factors in the high likelihood of financial support from Murugappa Group and MSI Group to CMICL, driven by reputational and strategic considerations
Consolidation/Standalone	Standalone

About the company

Cholamandalam MS General Insurance Company Limited (CMICL) is a joint venture between Cholamandalam Financial Holdings Limited (part of Murugappa Group) and Mitsui Sumitomo Insurance Group of Japan (rated A1 on the long-term and insurance financial strength by Moody's). CMICL offers a wide range of products including accident, engineering, health, liability, marine, motor, property and travel insurance for individuals and corporates. The Foreign Direct Investment Rules were amended in FY2016, whereby foreign holding in an insurance company was increased to 49% of the insurer's share capital. Following this, MSI increased its shareholding in the company to 40% from 26% of the share capital by purchasing equity from the Murugappa Group company.

Key financial indicators

Cholamandalam MS General Insurance Company Limited	FY2023	FY2024	9M FY2025
Gross direct premium	6,156	7,533	6,095
PAT	199	331	363
Net worth (excluding FVCA)	2,160	2,492	2,855
Total investments	14,715	16,811	18,002
Combined ratio	109.3%	109.9%	110.5%
Return on equity^ (annualised)	9.2%	13.3%	17.0%
Solvency ratio (times)	2.01	1.79	2.14

Source: Company, ICRA Research; Amount in Rs. crore; All calculations are as per ICRA Research
^ PAT/Net worth excluding FVCA

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Apr 23, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Subordinated debt programme	Long term	100.00	[ICRA]AA (Stable)	Apr 26, 2024	[ICRA]AA (Stable)	Apr 28, 2023	[ICRA]AA (Stable)	May 23, 2022	[ICRA]AA (Stable)

Source: CMICL, ICRA Research

Complexity level of the rated instruments

Instrument	Complexity indicator
Subordinated debt programme	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE439H08020	**Subordinated debt programme**	June 02, 2022	8.47%	June 02, 2032*	100.00	[ICRA]AA (Stable)

*Source: Company; *Call option exercisable at the end of five years from deemed date of allotment and every coupon payment thereafter*

Key features of rated debt instrument

The rating also factors in the key features of the instrument, in line with the applicable guidelines for subordinated debt:

» Servicing of interest is contingent on the company maintaining a solvency ratio above the levels stipulated by the regulator[6]

» If the interest payouts lead to a net loss or an increase in the net loss, prior approval of the regulator would be required to service the debt

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Not applicable	Not applicable	Not applicable

[6] *As per IRDAI regulations, insurers are required to maintain a minimum solvency ratio of 150%*

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