June 20, 2025

IndiaFirst Life 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	125.00	125.00	[ICRA]AA (Stable); reaffirmed
Total	125.00	125.00	

**Instrument details are provided in Annexure-I*

Rationale

The rating factors in IndiaFirst Life Insurance Company Limited's (IFLI) strong promoter profile with Bank of Baroda {BoB; [ICRA]AAA (Stable)[1]} and Carmel Point Investments India Private Limited (an affiliate of Warburg Pincus LLC) holding stakes of 64.98% and 25.99%, respectively. The rating derives comfort from BoB's shareholding, representation on IFLI's board of directors and the exclusive bancassurance tie-up. Additionally, IFLI has a bancassurance tie-up with Union Bank of India {Union Bank; [ICRA]AAA (Stable)[1]}, which holds a 9% stake in the company. While IFLI does not have a shared brand name with BoB, the company has entered into an agreement granting the use of BoB's name and logos for marketing and communication purposes. IFLI's distribution is supported by access to the extensive branch networks of BoB and Union Bank, enabling the company to leverage large branch networks and customer base of bancassurance partners.

The rating is also supported by the comfortable solvency position with a solvency ratio of 2.00 times as of March 2025, and ICRA's expectations of adequate and timely capital support to IFLI from BoB. Over the last few years, the company has received growth capital from its promoters in proportion to their shareholdings, with the last capital infusion of Rs. 500 crore in FY2023. ICRA expects BoB to remain the majority shareholder of the company even after the planned listing in the medium term.

While the improvement in embedded value (EV) and the value of new business (VNB) had been strong in FY2022 and FY2023, it was impacted in FY2024 and FY2025 with the muted growth in APE. Further, VNB margins moderated in FY2024 due to increased commission expenses. VNB margins are expected to have further moderated in FY2025 with expansion of agency channel, coupled with impact of new surrender value guidelines and increase in share of the lower-margin ULIP segment. Growth in APE will be the key driver for future profitability.

The rating is, however, constrained by IFLI's moderate scale of operations, with a market share of 1.2% in terms of individual annual equivalent premium (APE) and 0.7% in overall new business premium (NBP) in FY2025 and high dependence on the parent Banca channel for sourcing retail business. Further, IFLI reported a decline in individual APE in FY2024 and a muted growth in FY2025, largely due to recalibration efforts across all the process involving structural changes in the products to standardise commission structure across all intermediaries, particularly at the promoter bank. The company's ability to grow its individual business and diversify its business sourcing while improving its persistency levels will be key drivers for enhancing its market position and improving the profitability.

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

[1] Basel III Tier II Bonds

Key rating drivers and their description

Credit strengths

Strong parentage provides capital, strategic, and operational support – As on March 31, 2025, BoB and Carmel Point Investments India Private Limited (an affiliate of Warburg Pincus) and Union Bank of India held 64.98%, 25.99% and 9.0% of IFLI, respectively, with BoB and Carmel being the promoters. The rating factors in IFLI's strategic importance to BoB, demonstrated by regular capital infusions by BoB along with Carmel. BoB, the second-largest public sector bank in India, has a network of 8,424 branches nationwide, enabling IFLI to leverage the bancassurance channel to source business. Further, BoB has an exclusive partnership with IFLI, selling only IFLI products, with BoB contributing 47% of the individual NBP[2]. The promoters have representation on IFLI's board, providing strategic support.

The company has plans for public listing, which includes fresh issue of equity shares worth up to Rs. 500 crore and an offer-for-sale (OFS) by existing shareholders. Although SEBI approved the IPO, its launch has been deferred. Even after the IPO, BoB is expected to remain the largest shareholder with majority shareholding of above 51%. ICRA expects IFLI to receive timely support from BoB, if required.

Comfortable solvency profile supported by capital infusions – IFLI's solvency ratio stood healthy at 2.00 times as of March 2025. While the company's internal accruals have been limited, capitalisation has been supported by regular capital infusions (~Rs. 678 crore infused in last six years, including Rs. 500 crore in FY2023). Solvency is also partially supported by the funds for future appropriation (FFA) on the par products. The profitability of the company was impacted in FY2024 with the decline in APE and the reduction in VNB margins (26.9% in FY2024 from 30.6% in FY2023) driven by the realignment of commission structures in FY2024. Consequently, the absolute VNB was lower in FY2024 compared to the previous year with EV of Rs. 3,835 crore as on March 31, 2024. VNB was further moderated in FY2025 with expansion of agency channel, coupled with impact of new surrender value guidelines and increased share of ULIP, which typically have lower margins. Going forward, improvement in the VNB will be driven by higher productivity, enhancement in operating efficiency and growth in the APE, as the VNB margins are unlikely to materially improve in the near term.

The company reported profit after tax (PAT) of Rs. 102.3 crore (RoE of 8.0%) in FY2025 and Rs. 112.3 crore (RoE of 9.5%) in FY2024. With the growth-led new business strain, the accounting profitability is likely to remain range-bound in the medium term.

The ability to maintain prudent asset-liability management to mitigate the interest rate risk arising from the deployment of future policy premiums at remunerative rates and achieving operating experience (such as persistency, mortality, operating costs, and interest rates) in line with the assumptions at the time of policy underwriting will remain key drivers for long-term profitability and capital position.

Diversification in product mix – IFLI has been shifting its focus to the granular individual retail business from the group funds business. The share of the individual business in the NBP increased to 61.1% in FY2024 from 45.1% in FY2021, while the share of the group funds business declined gradually to 4.0% of NBP in FY2024 from 29.4% in FY2021. While the share of individual business declined to 51.5% in FY2025, the same is expected to improve with the individual growth likely to revive. Within individual APE, non-par has the highest share at 52.7% of individual APE in FY2025. With buoyancy in the equity market in FY2025, the share of unit-linked insurance plans (ULIPs) increased to 34.0% in FY2025 from 21.7% in FY2024.

Further, within the group, the company has a higher share of group credit life (43% of group NBP in FY2025) and a large portion of the balance is accounted for by Government life insurance schemes and group fund business.

[2] *Individual NBP accounted for 51.5% of total NBP in FY2025*

Credit challenges

Moderate scale of operations; further impacted in FY2024 and FY2025 due to high dependence on parent's bancassurance– IFLI's operations remain modest with a market share of 1.2% in FY2025 in individual APE. The compound annual growth rate (CAGR) in individual APE of 10.1% during FY2020-FY2025 has been lower than the industry growth of 10.4%, primarily due to the company reporting muted growth in FY2024 and FY2025.

The growth was largely impacted by recalibration efforts, which include structural changes in the products in order to ensure standardisation of commission across the intermediaries. The major impact of this was seen in the bancassurance channel which drives the company's distribution strategy. Bancassurance had a share of 76% in the individual NBP in FY2025 (47% from BoB and 25% from Union Bank), thereby exposing the company to concentration risk. Further, within the group business which accounted for 48.5% of new business premium (NBP) in FY2025, around 52% of group NBP was sourced from BoB and Union Bank. IFLI's ability to diversify and develop proprietary channels will be instrumental in improving its market position.

Persistency levels improving with scope for further improvement - The company's persistency ratio improved over the last few years with a 13-month persistency of 81.2% in FY2025 (78.5% in FY2021). While the persistency ratios are satisfactory in the 13th month, it is lower in later cohorts at 47.6% in the 61st month compared to 62.3% among the industry leaders. The company's ability to improve its persistency across cohorts and product segments would remain crucial for incremental profitability in the individual business. The impact of the recent regulatory changes increasing the surrender values on life insurance policies on the persistency ratios and the profitability, will remain monitorable.

Liquidity position: Strong

The company's net premium (excluding ULIP) stood at Rs. 5,038 crore in FY2025 in relation to the maximum net claims and benefits (excluding ULIP) paid of Rs. 2,608 crore in the last few years. The company's operating cash flows were positive in FY2025, reflecting its ability to meet the expense and claims through premium inflows. In addition, investments in Central and state government securities stood at Rs. 14,631 crore, accounting for 71% of the total investments (excluding ULIP) as on March 31, 2025, which supports the liquidity to meet the claims of policyholders in an event of rise in policyholders' claims. The shareholders' investment of Rs. 1,037 crore also remains strong in relation to the sub-debt outstanding of Rs. 125 crore as on March 31, 2025.

Rating sensitivities

Positive factors – Substantial and sustained improvement in the company's market position and profitability, leading to an improvement in its financial risk profile.

Negative factors – Deterioration in the credit profile of BoB or a decline in the strategic importance of IFLI to BoB or in the expectation of support from the parent. Additionally, a decline in the company's solvency ratio to less than 1.60 times on a sustained basis would be a negative factor.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Life Insurance
Parent/Group support	Parent/Investor: Bank of Baroda (BoB) The rating factors in the high likelihood of financial support from the BoB to IFLI, driven by reputational and strategic considerations.
Consolidation/Standalone	Standalone

About the company

IndiaFirst Life Insurance Company Limited (IFLI) was incorporated in June 2008 and commenced operations in FY2010. IFLI was a joint venture among Bank of Baroda (44%), Andhra Bank (30%) and Legal & General Group PLC (26%). In February 2019, Legal and General Group PLC sold its entire shareholding to Carmel Point Investments India Private Limited. After the merger of Andhra Bank with Union Bank in April 2020, Union Bank became the shareholder of IFLI. In March 2022, Union Bank divested its 21% stake in IFLI to Bank of Baroda to comply with the IRDAI's directive to reduce its stake below 10.0%. Following the acquisition, IFLI became a subsidiary of the Bank of Baroda. The major shareholders of IFLI are Bank of Baroda (64.98%), Warburg Pincus (Carmel Point Investments India Private Limited, 25.99%) and Union Bank of India (9%) as on March 31, 2025. Carmel Point Investments India Private Limited is a special purpose vehicle incorporated in India by Carmel Point Investment Limited, owned by private equity funds managed by Warburg Pincus LLC. IFLI's product portfolio comprises retail and group products, which include participating, non-participating, unit-linked and protection. The company has a network of 29 offices across India, as on March 31, 2025.

Key financial indicators (audited)

IndiaFirst Life Insurance Company Limited	FY2024	FY2025
Gross direct premium	6,974	7,218
PAT	112	102
Net worth	1,181	1,285
Total investments*	26,745	30,529
13th month persistency	81.3%	81.2%
61st month persistency	46.0%	47.6%
Regulatory solvency ratio (times)	2.01	2.00

*Source: Company, ICRA Research; Amounts in Rs. crore, * Investments include linked investments.*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current (FY2026) Jun 20, 2025	Chronology of rating history for the past 3 years FY2025 Date	FY2025 Rating	FY2024 Date	FY2024 Rating	FY2023 Date	FY2023 Rating
Subordinated debt programme	Long-term	125.0	[ICRA]AA (Stable)	24-Jun-2024	[ICRA]AA (Stable)	16-Oct-2023	[ICRA]AA (Stable)	21-Oct-2022	[ICRA]AA (Stable)

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
INE381Y08029	Subordinated debt programme	Mar 24, 2022	8.40%	Mar 24, 2032*	125.0	[ICRA]AA (Stable)

*Source: Company, ICRA Research; Amount in Rs. crore, * The company has a first call option, which is exercisable five years from the date of allotment; after first call option, the call options fall due every year on coupon payment dates.*

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[3]
- If the interest payouts lead to a net loss or an increase in the net loss, the prior approval of the regulator would be required to service the debt

Annexure II: List of entities considered for consolidated analysis - Not applicable

[3] *As per IRDAI, insurers are required to maintain a minimum solvency ratio of 1.50 times*

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Anil Gupta
+91 124-4545314
anilg@icraindia.com

Neha Parikh
+91 22 6114 3426
neha.parikh@icraindia.com

Bharat Toplani
+91 22 6114 3428
bharat.toplani@icraindia.com

Abhilash Shrikant Rathi
+91 22 6114 3421
abhilash.rathi@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches