

December 18, 2025

Shriram Life Insurance Company Ltd: [ICRA]AA- (Stable) assigned to subordinated debt programme

Summary of rating action

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

*Instrument details are provided in Annexure I

Rationale

The rating factors in Shriram Life Insurance Company Ltd's (Shriram Life) strong promoter profile, with Shriram Capital Private Limited (Shriram Capital) holding 47% and Sanlam Emerging Markets (Mauritius) Limited (Sanlam Mauritius; part of Sanlam Group) holding 23% as key shareholders. Shriram Capital serves as the promoter and holds the largest stake in Shriram Finance Limited¹ (SFL), with a direct stake of ~18% and an overall stake of ~25% including indirect holdings through its subsidiaries. The rating considers Shriram Capital's stated intent to support Shriram Life's growth and capital requirements and maintain control and oversight on the company through board representation. The shared brand name also strengthens ICRA's expectation that Shriram Life will receive timely support from Shriram Capital when required.

The rating also considers Shriram Life's diversified product profile, with individual business contributing 60.2% to new business premium (NBP) in FY2025. Within individual annualised premium equivalent (APE), non-participating (non-par) products formed 46.7%, followed by participating (par) at 38.9%, unit linked insurance products (ULIPs) at 9.2%, and protection at 5.2%. The group business remains dominated by group protection (94.6%), a large share of which is from SFL.

Shriram Life's solvency ratio stood at 1.56 times as on September 30, 2025, above the regulatory minimum of 1.50 times, though lower than 1.79 times as on March 31, 2025 and 2.10 times as on March 31, 2023. The decline reflects significant investment in the distribution and information technology (IT) infrastructure, coupled with regulatory changes that impacted the profitability in FY2025 and H1 FY2026. Based on regulations, the company can raise subordinated debt of ~Rs. 94 crore, which could enhance the solvency ratio to 1.71 times on a pro forma basis. Additionally, a planned equity infusion by the promoters in the near term is expected to support capitalisation. The profitability and solvency may also remain susceptible to changes in the actuarial assumptions, leading to long-term changes in the reserving requirements.

The rating is constrained by Shriram Life's moderate scale of operations, with a market share of 1.1% in individual APE and 0.6% in overall NBP in FY2025², though the same has been improving with branch expansion and diversification beyond the group ecosystem. Profitability remains under pressure, with a net loss in H1 FY2026 and the return on equity (RoE) declining to 7.2% in FY2025. This was due to high operating expenses and additional reserving requirements, following regulatory changes related to higher surrender value for policyholders. Given the customer profile, the mortality payouts in the group credit life segment remain high and persistency ratios in the individual segment continued to be weak at 59.1% (13th month) and 31.5% (61st month) in FY2025, well below industry benchmarks, further constraining earnings. A sustained improvement in the operating efficiency and persistency will be critical to support the long-term profitability and credit profile.

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

¹ Rated [ICRA]AA+ (Stable) for its non-convertible debentures

² Within private players, the market share of Shriram Life was 1.5% and 1.3% basis individual APE and overall NBP, respectively, in FY2025

Key rating drivers and their description

Credit strengths

Strong parentage ensures strategic and operational support – Shriram Capital and Sanlam Mauritius held stakes of 47% and 23%, respectively, in Shriram Life as on September 30, 2025. Shriram Capital is an unregistered core investment company (CIC), serving as the holding entity of the Shriram Group's financial services businesses; SFL is the Group's flagship entity. With a stake of ~25% in SFL, Shriram Capital and its subsidiaries derive significant dividends and brand fee as income from SFL, which add to Shriram Capital's financial flexibility. The Group offers life and general insurance, asset and wealth management, healthcare, and retail credit solutions. Sanlam Group is Africa's largest non-banking financial services group with operations in 26 countries across Africa, Asia, and the UK. ICRA notes that Shriram Capital will remain the largest direct shareholder in Shriram Life and will maintain control despite the expected changes in the company's shareholding.

Shriram Capital has active involvement in Shriram Life's operations with three directors on the fifteen-member board. Sanlam Mauritius has board representation through two directors while the rest are independent directors. Shriram Life has access to the large distribution network of Shriram Group companies with 45% of the overall NBP and more than 60% of group NBP sourced through the group ecosystem. The strong parentage and shared brand name with Shriram Capital, along with board supervision, strengthen ICRA's expectation that the company will receive timely support if required.

Shriram Life's solvency ratio stood at 1.56 times as on September 30, 2025, moderating from 1.79 times as on March 31, 2025 and 2.10 times as on March 31, 2023, but remaining above the regulatory minimum of 1.50 times. Despite high dividend payouts, the solvency has historically been supported by internal accruals and low growth, with negligible capital infusions after the initial equity injection of Rs. 125 crore at inception. However, the solvency weakened in FY2025 and H1 FY2026 owing to lower internal accruals and strong business growth, especially in terms of the sum assured. Based on regulations, Shriram Life can raise subordinated debt of ~Rs. 94 crore, which could improve the solvency to 1.71 times on a pro forma basis as on September 30, 2025. Further, ICRA expects the company to raise equity capital from its promoters in the near term to support growth, given the expectation of limited internal accruals in the medium term. Solvency is also aided by funds for future appropriation (FFA) on par products, which accounted for 16.3% of the available solvency margin as on September 30, 2025.

Diversified product profile – Shriram Life has a diversified product offering in the individual segment, which accounted for 60.2% of overall NBP in FY2025, with a presence across the savings and protection categories. Within individual APE, the non-par segment remained dominant at 46.7% in FY2025, though its share moderated from 57.2% in FY2023, reflecting growth across other lines – par (38.9%), ULIP (9.2%), and protection (5.2%). The group business largely comprises group protection (94.6% in FY2025) with the group ecosystem accounting for a sizeable portion of the credit life business.

Credit challenges

Moderate scale of operations – Shriram Life's operating scale remains moderate, reflected in its market share of 1.1% in FY2025 on individual APE basis and 0.6% on overall NBP basis (1.0% and 0.5%, respectively, in H1 FY2026). This compares favourably with 0.6% and 0.3%, respectively, in FY2023, indicating a gradual improvement. Historically, the business was highly dependent on the group ecosystem, with ~80% of individual NBP and a large share of group NBP sourced through affiliated channels. However, diversification efforts over the past two years, through onboarding of new distribution partners and expansion of the branch network to 651 branches as on September 30, 2025 (from 423 as on March 31, 2023), have supported growth and reduced the concentration risk.

The regulatory landscape for the life insurance sector has been evolving and is likely to have a bearing on the overall growth and profitability. Industry growth was impacted in FY2024 (individual NBP growth of 3.7%) largely by headwinds due to the change in taxation, given the Budget announcement regarding taxation on returns from life policies with a premium of more than Rs. 5 lakh per annum, applicable after March 2023. Nevertheless, growth revived in FY2025 (11.2% YoY), driven by the sharp increase in ULIPs, supported by the buoyancy in the equity markets. Further, the removal of the goods and services tax (GST) on individual life insurance policies is expected to lead to higher sales volume, thereby enhancing market penetration and providing long-term benefits to insurers. However, high surrender value to policyholders and the absence of input tax

credit will adversely impact the profitability of life insurers in the near term. The ability of insurers to mitigate the impact by improving persistency, rationalising commission payouts and enhancing the operating efficiency is to be seen.

Profitability pressure due to high expenses and weak persistency – Shriram Life reported a net profit of Rs. 66 crore in FY2025 with an RoE of 7.2% (Rs. 138 crore and 16.3%, respectively, in FY2024). The company reported a net loss of Rs. 46 crore in H1 FY2026 (net profit of Rs. 25 crore in H1 FY2025). The profitability has moderated in recent periods, impacted by elevated operating expenses and regulatory changes related to higher surrender ratios. The operating expense ratio (including commissions) remained high at 36% of gross written premium in FY2025 (29% in FY2023) due to investments in IT infrastructure and distribution expansion to support growth. While these initiatives are expected to strengthen the franchise over the medium term, the ability to improve the operating efficiency while sustaining growth remains critical. Additional reserving requirements, following surrender value regulations applicable since October 01, 2024, also impacted profitability in FY2025 and H1 FY2026. With the growth-led new business strain, the accounting profitability is likely to remain subdued in the medium term.

Persistency levels remain below industry benchmarks and continue to weigh on profitability, including the value of new business (VNB) margins that remain in single digits. The 13th month persistency ratio in the individual segment, in terms of value of premium, stood at 59.1% in FY2025 (54.3% in FY2022) versus the industry average of ~86% while the 61st month ratio was 31.5%, significantly lower than ~62% for the industry. Weak persistency also reflects the demographic profile of the customers served by the group with variable income and rural backgrounds. This has also resulted in higher mortality payouts for the company.

Given the long tail nature of risk, high retention of mortality risk raises the exposure to deviations in actual claims vis-à-vis reserving, potentially impacting Shriram Life's profitability and solvency. The ability to maintain prudent asset-liability management, mitigate the interest rate risk arising from the deployment of future policy premiums at remunerative rates, and achieve operating experience (such as persistency, mortality, operating costs, and interest rates), in line with the assumptions at the time of policy underwriting, will remain a key driver of the long-term profitability and capitalisation.

Liquidity position: Strong

The company's net premium (excluding ULIP) stood at Rs. 3,934 crore in FY2025 in relation to the maximum net claims and benefits (excluding ULIP) paid of Rs. 1,246 crore in the last few years. The operating cash flow remained positive, leading to growth in the investment book. Additionally, investments in Central and state government securities stood at Rs. 7,831 crore, accounting for 58.1% of the total investments (excluding ULIP) as on September 30, 2025, further supporting the liquidity to meet the claims of policyholders. The shareholders' investment of Rs. 841 crore also remains strong in relation to the nil sub-debt outstanding as well as the proposed debt.

Rating sensitivities

Positive factors – An improvement in Shriram Capital's credit profile and a substantial and sustained improvement in Shriram Life's market position and profitability, leading to an improvement in its financial risk profile.

Negative factors – Deterioration in the credit profile of Shriram Capital or a decline in the strategic importance of Shriram Life to Shriram Capital or in the expectation of support from Shriram Capital could impact the rating. 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: Shriram Capital Private Limited The rating factors in the high likelihood of financial support from Shriram Capital to Shriram Life, driven by reputational risk as well as its importance to Shriram Capital
Consolidation/Standalone	Standalone

About the company

Shriram Life Insurance Company Ltd is an Indian life insurer established in 2005 as a joint venture between the Chennai-based Shriram Group and South Africa's Sanlam Group. Shriram Capital Private Limited (Shriram Capital) is an unregistered core investment company (CIC) that serves as the strategic holding entity of the Shriram Group's financial services businesses. Its primary role is to hold and manage investments across group lending, insurance, and allied financial services. Shriram Capital owns significant stakes in Shriram Life (47%) and Shriram General Insurance Company Limited (43%). Additionally, it holds a 17.85% stake in Shriram Finance Limited, the Group's flagship non-banking financial company (NBFC) and one of India's largest retail-focussed NBFCs.

Sanlam is a South Africa-based financial services group, founded in 1918, and listed on the Johannesburg, Namibian, and A2X stock exchanges. It is Africa's largest non-banking financial services group with operations in 26 countries across Africa, Asia, and the UK. It offers life and general insurance, asset and wealth management, healthcare, and retail credit solutions.

Key financial indicators

Shriram Life Insurance Company Ltd	FY2024	FY2025	H1 FY2026
Gross direct premium	3,508	4,216	1,954
PAT	138	66	(46)
Net worth	889	921	874
Total investments	11,282	13,207	14,187
13 th month persistency	59.8%	59.1%	58.6%
61 st month persistency	32.0%	31.5%	30.3%
Solvency ratio (times)	2.06	1.79	1.56

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Dec 18, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Subordinated debt programme	Long term	100.00	[ICRA]AA-(Stable)	-	-	-	-	-	-

Source: ICRA Research

Complexity level of the rated instruments

Instrument	Complexity indicator
Subordinated debt programme	Highly 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
Proposed to be listed	Subordinated debt programme	-	-	-	100.00	[ICRA]AA- (Stable)

Source: Company

The rating factors in the key features of the subordinated debt instrument:

- In case the solvency ratio is below the level stipulated³ by the regulator or the interest payouts lead to a decline in the solvency ratio below the regulatory requirement, prior approval of the regulator would be required to service the debt;
- 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

Not applicable

³ As per Insurance Regulatory and Development Authority of India (IRDAI) regulations, insurers are required to maintain a minimum solvency ratio of 150%

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