

January 22, 2026

Aditya Birla Sun 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	900.00	900.00	[ICRA]AA+ (Stable); reaffirmed
Total	900.00	900.00	

*Instrument details are provided in Annexure I

Rationale

The rating considers Aditya Birla Sun Life Insurance Company Limited's (ABSLI) strong promoter profile with Aditya Birla Capital Limited¹ (ABCL) holding a 51.0% and Sun Life Financial Inc. holding 49.0% as on September 30, 2025 through its Indian subsidiary – Sun Life Financial (India) Insurance Investments Inc. (Sun Life India). The rating factors in ABSLI's strategic importance to ABCL, as demonstrated by regular equity infusions, the representation on ABSLI's board of directors and the shared brand name. This strengthens ICRA's belief that ABCL will provide capital support to the company as and when required. ABSLI's reported solvency stood at 1.87 times as on September 30, 2025, supported by regular capital infusions from the shareholders and the issuance of subordinated debt.

ABSLI has demonstrated healthy profitability, with the embedded value (EV) rising to Rs. 14,586 crore as on September 30, 2025 from Rs. 5,188 crore in March 2020, supported by an average return on embedded value (RoEV) of 17.9% over FY2021-FY2025. The value of new business (VNB) improved to Rs. 818 crore in FY2025 (Rs. 126 crore in FY2020), aided by annualised premium equivalent (APE) growth and margin expansion, though margins moderated to 18.0% in FY2025 from 23.0% in FY2023 due to product mix changes. The accounting profitability, however, remained moderate with modest RoE² of 4.7% in the last five years because of high business growth and consequent new business strain, thereby necessitating capital raising for growth. ICRA expects that ABSLI will continue to need growth capital in the medium term, till it scales up meaningfully and new business strain reduces, leading to an improvement in internal capital generation. The profitability and solvency may also remain susceptible to changes in the actuarial assumptions, leading to long-term changes in the reserving requirements.

The company's market share strengthened to 3.4% in 8M FY2026 (2.3% in FY2020) on an individual APE basis and 2.4% (1.5% in FY2020) on overall new business premium (NBP), reflecting growth above the industry levels. However, its scale remains small compared to larger peers, necessitating continued investment in distribution to sustain its competitive positioning. While historically the company's product mix was skewed towards non participating (non-par) guaranteed (~75% of individual NBP in FY2023), the share of the same has reduced in the last two-three years (~52% in H1 FY2026). ABSLI's ability to sustain growth and further diversify its product portfolio while improving its profitability will remain key monitorable.

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

¹ Rated [ICRA]AAA (Stable) for its non-convertible debentures and [ICRA]A1+ for its commercial paper programme

² Return on equity (RoE) – Profit after tax/Average net worth excluding fair value change account

Key rating drivers and their description

Credit strengths

Strong promoter profile supports capitalisation – ABSLI is a subsidiary of ABCL, which had a 51.0% stake in the company, as on September 30, 2025, while Sun Life India held 49.0%. ABCL is the holding company of all financial services entities of the Aditya Birla Group and is a prominent growth driver for the Group. The ABCL Group enjoys strong financial flexibility by virtue of being a part of the Aditya Birla Group. The shared brand name, board representation and track record of consistent capital infusions strengthens ICRA's belief that ABSLI will receive capital support from its majority shareholder (ABCL) as and when required.

The company has demonstrated strong growth, leading to a rise in capital consumption. Its solvency position has, however, been supported by timely capital infusions from shareholders and the issuance of subordinated debt. The reported solvency ratio stood at 1.87 times as on September 30, 2025 (1.88 times as on March 31, 2025 as well as March 31, 2022), aided by the equity infusion of Rs. 921 crore during FY2023–FY2025. The solvency was further strengthened by subordinated debt issuances, of which Rs. 1,500 crore was outstanding as on September 30, 2025 (52 basis points (bps) in reported solvency). The company received an equity infusion of Rs. 750 crore in October 2025 from both shareholders, which is expected to improve the solvency. Given its growth plans, ABSLI is likely to require incremental capital over the medium term. Following the equity infusion in October 2025, the company has adequate headroom to raise Rs. 380-400 crore of additional subordinated debt. Moreover, ICRA expects support from ABCL to remain forthcoming, if required.

Profitability supported by high share of higher-margin products – ABSLI's EV rose to Rs. 14,586 crore as on September 30, 2025 from Rs. 5,187 crore as on March 31, 2020, supported by the average operating RoEV of 17.9% over the last five years. The VNB improved to Rs. 818 crore in FY2025 (Rs. 125 crore in FY2020), aided by APE growth and margin expansion to 18.0% (6.9% in FY2020). VNB margin expansion was driven by the company's strategy of increasing the share of the high-margin non-par business. It, however, moderated to 18.0% in FY2025 from 23.0% in FY2023 due to a shift in the product mix towards unit-linked investment plans (ULIPs) and the lower share of the higher-margin non-par business. Going forward, absolute VNB growth will be driven by growth, productivity and operating efficiency, with margins expected to remain range-bound.

ABSLI's internal accruals have been limited due to the low accounting profitability with new business strain exceeding the back-book surplus. Further, continued investment in distribution channels to support growth has led to subdued profitability. The company reported an average RoE of 4.7% in the last five years. While the scale of operations remains lower compared to larger peers, operating expense (including commissions) of 21.7% of net premium written (NPW) in FY2025 was partly supported by the high share of the group fund business (45.4% of NBP in FY2025), which typically has lower costs. ABSLI's ability to increase scale and improve its operating efficiency would be important for incremental profitability. Additionally, its 13th and 61st month persistency ratios remained healthy at 85.8% and 61.2%, respectively, in FY2025. Further improvement in the same will support the profitability as well as liquidity.

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 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.

Deeper penetration in existing distribution network to support growth – As on September 30, 2025, ABSLI operated through a distribution network comprising over 461 proprietary branches, tie-ups with 12 bancassurance (banca) partners, and ~65,000 agents across India. Banca remains the dominant channel, contributing 52% to individual NBP in FY2025, although the company has been steadily expanding its proprietary channels to diversify its business mix. While it has multiple tie-ups with various banks, ICRA notes that the top banca partner, HDFC Bank, accounted for 35-38% of the individual NBP in FY2025. In addition

to banca, ABSLI benefits from the extensive network of its Group companies, which further enhances its reach and distribution capabilities.

With the expansion of its distribution network, ABSLI has achieved growth above the industry average in recent years. Consequently, its market share improved to 3.4% in 8M FY2026 (3.4% in FY2025 and 2.3% in FY2020) on individual APE basis and 2.4% on overall NBP basis (2.6% in FY2025 and 1.5% in FY2020). While the scale of operations has strengthened, it remains modest compared to larger peers. Continued investments in distribution will be critical to further enhance its competitive position.

The mortality risk retention in the individual business has increased over the years. Given the long tail nature, a rise in the retention of mortality risk heightens the exposure to deviations in actual claims vis-à-vis reserving, potentially impacting the company's profitability and solvency. ICRA, however, notes the favourable mortality experiences in the embedded value walk (barring impact of covid).

Credit challenges

Ability to diversify portfolio in the individual segment – The non-par segment had the largest share of 61.5% in ABSLI's individual NBP in FY2025 (72.9% in FY2024), which has also partly supported its margins. While the company has expanded its presence in other product segments, its ability to penetrate and widen its distribution network further and develop newer products will be instrumental for building a diversified portfolio. Additionally, the group business has a high share of fund management business (unlike the high-margin credit life and group term businesses of other large players). Given the high share of group premium in the overall NBP mix as well as better retention rates from the past group fund management business, the share of group fund assets under management (AUM) remains sizeable in the overall AUM. The ability to retain business from this segment will also remain critical for profitability and liquidity.

The regulatory landscape for the life insurance sector has been evolving and is likely to have a bearing on its overall growth and profitability. Industry growth was impacted in FY2024 (individual NBP growth of 3.7% in FY2024) 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. Growth, however, revived in FY2025 (11.2% YoY), driven by the sharp increase in ULIP, supported by the buoyancy in the equity markets. Further, recent regulatory changes, leading to an increase in the surrender values of life insurance policies, had a slightly adverse impact on profitability. The impact of the same on persistency ratios will remain monitorable. 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, the profitability of life insurers could be impacted in the near term due to the strain in the absence of input tax credit. The ability of insurers to mitigate the impact by rationalising commission payouts and improving operating efficiency is to be seen.

Liquidity position: Adequate

The company's net premium (excluding ULIPs) stood at Rs. 14,661 crore in FY2025 in relation to the maximum net claims and benefits (excluding ULIPs) paid of Rs. 4,602 crore in the last few years. The operating cash flow remained positive, reflecting ABSLI's ability to meet operating expenses and claims through premium inflows. Investments in Central and state government securities stood at Rs. 39,316 crore, accounting for 60.7% of the total investments (excluding ULIPs) as on September 30, 2025, further supporting the liquidity to meet the claims of policyholders. The shareholders' investment of Rs. 5,396 crore also remains adequate in relation to the sub-debt outstanding of Rs. 1,500 crore as on September 30, 2025.

Rating sensitivities

Positive factors – A substantial and sustained improvement in ABSLI's market share and internal accruals, leading to an improvement in its financial risk profile.

Negative factors – A deterioration in credit profile of ABCL or a decline in the strategic importance of ABSLI to ABCL or dilution in the expectation of support from ABCL. Additionally, a sustained decline in the company's solvency ratio to less than 1.70 times will be negative factor.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Life Insurance
Parent/Group support	Parent/Investor: Aditya Birla Capital Limited The rating factors in the high likelihood of financial support from ABCL to ABSLI, driven by reputational and strategic considerations.
Consolidation/Standalone	For arriving at the rating, ICRA has used the standalone financials of ABSLI. However, in line with ICRA's consolidation approach, ICRA has factored in the capital requirement of ABSLI's subsidiaries, which are listed in Annexure II.

About the company

Aditya Birla Sun Life Insurance Company Limited (ABSLI) is the life insurance subsidiary of Aditya Birla Capital Limited (ABCL). ABSLI was incorporated on August 4, 2000 and commenced operations on January 17, 2001. It is a 51:49 joint venture between the Aditya Birla Group and Sun Life Financial Inc., a leading international financial services organisation in Canada.

Formerly known as Birla Sun Life Insurance Company Limited, ABSLI is one of India's leading life insurance companies offering a range of products across the customer's life cycle.

Aditya Birla Capital Limited

Aditya Birla Capital Limited (ABCL) is a non-deposit taking systemically important core investment company (CIC-ND-SI) registered with the Reserve Bank of India (RBI). It is the holding company of the financial services businesses of the Aditya Birla Group. Pursuant to the merger of Aditya Birla Nuvo Limited (ABNL) and Grasim Industries Limited, ABCL got listed on the Bombay Stock Exchange and the National Stock Exchange in September 2017. As on September 30, 2025, the promoter group held a stake of 68.70% (of which Grasim Industries Limited holds 52.43%) in ABCL.

Key financial indicators (audited; standalone)

Aditya Birla Sun Life Insurance Company Limited	FY2024	FY2025	H1 FY2026
Gross direct premium income	17,260	20,639	8,941
PAT	185	100	79
Net worth	3,475	4,000	4,149
Total investments	86,161	99,496	1,04,492
13th month persistency ratio	87.7%	85.8%	85.1%
61st month persistency ratio	65.8%	61.2%	59.4%
Regulatory solvency ratio (times)	1.78	1.88	1.87

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)	Jan 22, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Subordinated debt programme	Long term	350	[ICRA]AA+ (Stable)	Jan-24-25	[ICRA]AA+ (Stable)	Jan-25-24	[ICRA]AA+ (Stable)	Feb-3-23	[ICRA]AA+ (Stable)
				-	-	Feb-2-24	[ICRA]AA+ (Stable)		
Subordinated debt programme	Long term	550	[ICRA]AA+ (Stable)	Jan-24-25	[ICRA]AA+ (Stable)	Feb-2-24	[ICRA]AA+ (Stable)		

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
INE951F08036^	Subordinated debt programme	Nov-30-2021	7.63%	Nov-30-2031*	155.00	[ICRA]AA+ (Stable)
INE951F08028^	Subordinated debt programme	Jul-26-2021	7.45%	Jul-25-2031*	195.00	[ICRA]AA+ (Stable)
INE951F08051^^	Subordinated debt programme	Jul-10-2024	8.20%	Jul-10-2034*	300.00	[ICRA]AA+ (Stable)
INE951F08069^^	Subordinated debt programme	Aug-12-2024	8.49%	Aug-12-2034*	250.00	[ICRA]AA+ (Stable)

Source: Company

* The company has a call option, which is exercisable five years from the date of allotment and at the end of every year thereafter before the redemption date

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 level stipulated by the regulator³
- » ^^In case the solvency ratio is below the level stipulated 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 for combined analysis with consolidated analysis

Company name	Ownership	Consolidation
Aditya Birla Sun Life Pension Management Company Limited	100.0%	Full consolidation

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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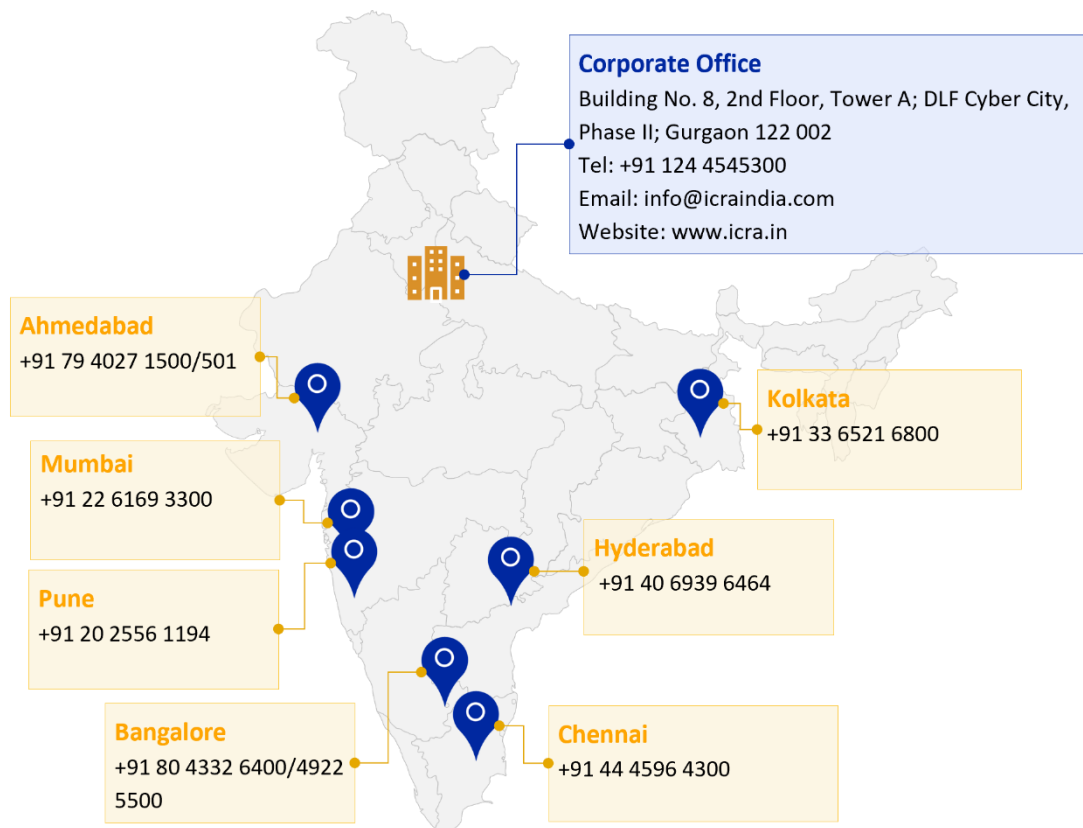


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