

HDFC Life Insurance Company Limited

November 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Subordinated Debt*	750.00	CARE AAA; Stable	Assigned
Subordinated Debt*	2,000.00	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

*The rated subordinate debt issuance exhibits the following key features:

- The company can pay interest only if its solvency ratio is above the regulatory minimum.
- If the solvency ratio falls below the regulatory threshold, or if paying interest causes the solvency ratio to drop below the regulatory minimum, then the company must get approval from the regulator before making interest payments.
- If payment of interest results in a net loss or increases an existing net loss, regulatory approval is needed for the same.

Delay in payment of interest / principal (as the case may be) following the invocation of covenants, would constitute an event of default per CARE Ratings Limited's (CareEdge Ratings) definition of default and as such these instruments may exhibit sharper migration of the rating.

Rationale and key rating drivers

The rating reaffirmation to HDFC Life Insurance Company Limited's (HDFC Life) debt instruments derives strength from its healthy profitability, adequate solvency levels and strong liquidity buffers. The rating continues to draw comfort from its strong parentage (HDFC Life is 50.25% held by HDFC Bank Limited [HBL] rated CARE AAA, Stable) and the strategic importance of HDFC Life to the HDFC group with a demonstrated track record of timely financial support, shared brand name and presence of HBL executives on HDFC Life's Board, ensuring effective managerial oversight. The rating further factors in HDFC Life's position as one of leading life insurers supported by strong distribution franchise, business growth & underwriting capabilities. CARE Ratings Limited (CareEdge Ratings) expects HBL to maintain majority shareholding in HDFC Life and to provide need-based capital support to drive its business growth.

However, the rating also considers HDFC Life's presence in an intensely competitive insurance industry, and its exposure to evolving regulatory landscape and its impact on the company's business growth and profitability.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Not applicable

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Material dilution in the ownership by, expected support from, and strategic importance to HDFC Bank Ltd
- Deterioration in credit profile of HBL
- Solvency margins remaining below 1.7x on a sustained basis
- Significant decline in market position or profitability on a sustained basis

Analytical approach:

Standalone, while factoring in the strength of the promoter HBL, including operational and financial linkages of HDFC Life with HBL.

Outlook: Stable

The Stable outlook reflects CareEdge Ratings' expectation that the company will continue to receive need-based support from HBL while maintaining its strong market position and profitability.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Strong parentage and support

HDFC Life is a strategically important entity for its parent, HDFC Bank, which holds 50.25% stake in the company as on September 30, 2025. As a domestic systemically important bank and the largest private sector bank in India, HBL had an advance base of ₹2,710,500 crore as on September 30, 2025. The bank's subsidiaries operate across a wide range of financial services, including non-banking financial services, insurance, asset management, broking, and others. The strategic importance of HDFC Life to the HDFC group is reflected in the significant capital, managerial, and business support it receives from its parent, and the advantage of a shared brand name.

HDFC Life benefits from HBL's strong distribution network, comprising 9,545 branches across India as on September 30, 2025. HBL contributed over 45% to banca channel of HDFC Life in terms of individual annual premium equivalent (APE) in FY25. HBL's counter share in HDFC Life's individual APE further increased to 65% in FY25 (PY: ~63%).

HDFC Life's Board includes Keki Mistry (non-executive director of HDFC Bank) and Kaizad Bharucha (Deputy Managing Director, HDFC Bank); both bringing strategic oversight, industry expertise, strong corporate governance, and efficient risk management practices on Board. The Board has six Independent Directors and three Executive Directors. HDFC Life is led by Vibha Padalkar (Managing Director and Chief Executive Officer), who has nearly two decades of experience in the insurance sector.

Going forward, CareEdge Ratings expects HBL to continue to maintain majority shareholding and provide need-based support to HDFC Life.

Adequate solvency levels

HDFC Life has an adequate solvency position supported by strong internal accruals (three-year average return on net worth [RONW²] of 10.92%). The company reported a solvency ratio of 1.75x September 30, 2025 [March 2025: 1.94x], against regulatory requirement of 1.5x, translating into excess liquidity surplus of ₹2,661 crore (March 2025: ₹4,413 crore). The company's solvency is supported by subordinated debt raise of ₹2,000 crore in FY25. The company has capacity to raise a additional subordinated debt of ~₹760 crore. The company is in the process of raising ₹750 crore of sub-debt almost exhausting its sub debt raising limits, which is expected to support company's solvency position and growth plans.

Going forward, CareEdge Ratings expects the company's solvency position to be in the range of 1.7-2.0x.

Strong market position as one of leading life insurers supported by robust distribution franchise

HDFC Life is the second-largest private life insurance company in India, with an overall market share of 11.1% (PY: 10.4%) basis individual weighted received premium (WRP³) and 8.5% (PY: 7.9%) in new business premium in FY25. In FY25, individual and group businesses contributed to 88% and 12%, respectively, of total APE. HDFC Life's product mix is well-diversified, with ULIP contributing 34% (PY: 31%), non-participating (non-PAR) savings 28% (PY: 26%), PAR 17% (PY: 20%), protection 11% (PY: 13%), annuity 5% (PY: 6%), and group retirement 4% (PY: 3%) to total APE in FY25. While unit-linked investment plans (ULIPs) continue to hold a major share of the product mix, supported by strong demand despite market volatility, traditional products are expected to gain traction in the medium term, with CareEdge Ratings expecting the product mix to remain diversified with growth momentum sustained across segments.

HDFC Life's market position is supported by a strong distribution franchise comprising 675 branches, 500 distribution partners, and ~2.6 lakh agents, enabling it to source a higher share of value-accretive individual business. As on March 31, 2025, the banca channel accounted for 50% of individual new business premium (NBP; PY: 50%), agency 17% (PY: 17%), brokers and others 10% (PY: 10%), and the direct channel (including online) 22% (PY: 23%). The dominant banca share is driven by HBL, where HDFC Life's counter share stood at ~65% (PY: ~63%). Within total NBP, HBL contributed over 25% in FY25. Apart from HBL, the company has tie-ups with other private and regional banks apart from tie-ups with NBFCs, micro-finance institutions, small finance banks and new age partners, including ecommerce, telecom, auto, mutual funds and fintech companies.

Going forward, CareEdge Ratings expects HDFC Life to continue upholding its strong market position, supported by its robust distribution network and strong brand identity.

² RONW = Profits after tax/ average tangible net-worth of current year and previous year

³ WRP - The sum of first year premium received during the year and 10% of single premiums including top-up premiums

Business growth and persistency supporting healthy profitability

HDFC Life clocked a higher-than-industry NBP four-year compound annual growth rate (CAGR) of 13% against overall sector growth of 9% to ₹33,365 crore in FY25 (PY: ₹29,631 crore). In line with growth in NBP, the APE grew at four-year CAGR of 17% to ₹15,479 crore for FY25 (PY: ₹13,291 crore) driven by continued focus on individual business.

Individual APE clocked four-year CAGR of 18% to ₹13,619 crore for FY25 driven by growth in ULIP. Value to new business (VNB) margins remained range bound at 25.6% for FY25 (PY: 26.3%). This was led by continued traction in non-PAR savings products (share stood at 28% of APE for FY25 against 26% for FY24) and product innovations in all products segments.

Embedded value operating profit (EVOP) grew 14% in FY25 to ₹7,922 crore, supported by strong VNB growth and stable persistency across cohorts, while embedded value (EV) rose 17% to ₹55,423 crore. Backed by healthy margins, robust underwriting practices and strong persistency, RONW stood at 11.8% in FY25 (PY: 11.4%).

In H1FY26, VNB margins remained stable at 24.5% (PY: 24.6%), though there was shift in product mix as non-PAR share in APE mix fell to 16% from 33%. Operating ROEV and annualised RONW stood at 15.8% (PY: 17.4%) and at 12.3% (PY: 12.0%), respectively. Going forward, CareEdge Ratings expects VNB margins to continue to be range bound in the near term with some uptick expected in the medium term driven by improvement of product mix and economies of scale.

HDFC Life's profitability is supported by robust underwriting practices and strong persistency levels across all cohorts as of March 31 2025, with 13th month persistency of 86.9% (PY: 87.1%), 25th month persistency of 78.1% (PY: 79.2%), 37th month persistency of 73.6% (PY: 73.2%), 49th month persistency of 70.2% (PY: 60.7%), and 61st month persistency of 63.5% (PY: 53.5%).

Key weakness

Changing regulatory dynamics and competitive industry landscape

Long-term growth prospects for Indian life insurance sector remains robust with low penetration of life insurance as a percentage of GDP in India supported by strong socio-economic growth drivers. As Indian life insurance sector continues to evolve, the sector has been witnessing slew of regulatory changes. Some key regulatory changes include increase in surrender values of life insurance policies, expected introduction of composite licence migration to IFRS and risk-based capital framework in the medium term. While these measures are expected to improve product proposition and propel the Indian insurance industry towards greater efficiency and effectiveness leading towards the vision of Insurance for All by 2047, it is also expected to increase competition in the industry and lead to changes in operating models/technology adoption in the medium term.

Liquidity: Strong

The HDFC Life's liquidity remains strong supported by healthy operating cashflows apart from majority investments in fixed income securities (largely central government bonds), listed equity shares and money market instruments, which are readily marketable. Of the total fixed income non-linked investments of ₹2,00,369 crore as on September 30, 2025, ~78% were invested in central/state securities and ~20% in AAA rated debt securities. the unencumbered cash and bank balances stood at ₹515 crore.

Per the cashflow statement for FY25, cash inflows (premiums received+ investment income) stood at ₹85,180 crore against claims payouts of ₹40,793 crore, total expense (opex + commission) of ₹11,603 crore. The company liquidity profile is further supported by strong brand name and financial flexibility, which enables it to raise funds against subordinated debt at competitive rates.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Although HDFC Life's service-oriented business model limits its direct exposure to environmental risks, credit risk may arise if operations of investment entity in its portfolio are adversely impacted by environmental factors. Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect HDFC Life's regulatory compliance and reputation and hence remain a key monitorable.

The company has an ESG governing body and environment and climate change policy in place. The company identifies, assesses, and manages current and emerging risks, ensuring preparedness against disruptions while unlocking potential opportunities. The company prioritises ethical business practices, with safeguards against fraud, corruption, and other misconduct.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Insurance Sector](#)

[Life Insurance Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Insurance	Life Insurance

HDFC Life is a leading private life insurer in India since 2000 and was initially a joint venture between HDFC Limited and Abrdn (Mauritius Holdings) 2006 Limited [formerly Standard Life (Mauritius Holdings) 2006 Limited], with Abrdn exiting fully by 2023. Post the HDFC Limited and HBL merger, HBL holds a 50.25% stake in HDFC Life as on September 30, 2025. The company offers a wide range of products across protection, savings, investment, annuity, and health, with a well-balanced product mix. Leveraging access to 9,545 HBL branches, HDFC Life has a diversified distribution network, including over 300 partners and 675 of its own branches, with bancassurance contributing 59% to individual APE in FY25.

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)	H1FY26 (UA)
Gross Direct Premium	63,076	71,045	34,162
Profit after tax (PAT)	1,569	1,802	994
Tangible net-worth (TNW)*	14,577	16,072	16,856
Solvency (x)	1.87	1.94	1.75
Persistency ratio (13th month) (%)	87.1	86.9	85.6
Persistency ratio (60th month) (%)	53.5	63.5	62.4

A: Audited UA: Unaudited; Note: these are latest available financial results

*Adjusted to intangible assets and deferred tax assets

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Subordinated Debt	INE795G08035	09-10-2024	8.05	09-10-2034	1000.00	CARE AAA; Stable
Subordinated Debt	INE795G08043	14-02-2025	8.10	14-02-2035	1000.00	CARE AAA; Stable
Subordinated Debt	Proposed	-	-	-	750.00	CARE AAA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Subordinated Debt	LT	2000.00	CARE AAA; Stable	1)CARE AAA; Stable (08-Sep-25)	1)CARE AAA; Stable (10-Sep-24)	-	-
2	Subordinated Debt	LT	750.00	CARE AAA; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Subordinated Debt	Complex

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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