

Bandhan Life Insurance Limited

October 16, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Short Term Bank Facilities	57.00	CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the short-term bank facility of Bandhan Life Insurance Limited (Bandhan Life) derives strength from its parentage of Bandhan Financial Holding Limited (BFHL holds 96.06% stake; with Bandhan Financial Services Limited [BFSL] being ultimate holding company). In February 2024, BFHL acquired controlling stake from Aegon India Holding B.V. and Bennett, Coleman & Company Limited. The rating also factors in experienced management and adequate solvency position. However, these rating strengths are offset by the relatively small and concentrated scale of operations along with moderate profitability metrics. While CARE takes cognisance of company's plans to diversify its business and distribution mix to improve overall profitability and market share, the impact of the same on its credit profile is expected to materialise over medium term.

Rating sensitivities: Factors likely to lead to rating actions

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

- Sustained improvement in Bandhan Life's market share and or diversification in business mix
- Improvement in overall credit profile on sustained basis

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 Bandhan Financial Holdings Ltd. (BHFL)
- Deterioration in credit profile of BHFL and Bandhan Life
- Bandhan Life's solvency margins falling below 1.7x on sustained basis

Analytical approach:

Standalone along with factoring the strength of the promoters given its expected financial, operational and managerial linkages. The rating derives strength from expected benefit Bandhan Life's distribution franchise will derive via established branch network of Bandhan Bank along with expected capital infusion by the parent entity to support growth and product diversification.

Detailed description of key rating drivers:

Key strengths

Parent support and experienced management

During February 2024, Bandhan Life (erstwhile Aegon Life) was acquired by BFHL (100% held by BFSL) from Aegon India Holding B.V. and Bennett, Coleman & Company Limited; holds 96.06% stake in the company. Post acquisition BFHL infused ₹125 crore of capital in the company till June 2024. By virtue to its parentage, Bandhan Life is expected to benefit from its business, branding and operational synergies emanating from bancassurance tie-up with Bandhan Bank. On managerial front, Bandhan Life's board

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

of directors has one representative from BFHL. Mr. Karni Singh Arha (Managing Director, BFHL) with over two decades of experience in starting and growing financial service business is a non-executive director of the board. The company is governed by five board members constituting of three independent directors, one non-executive director and one executive director. The company is led by Mr. Satishwar B (MD & CEO) who has more than two decades of experience in life insurance industry. The management team is further supported by experienced professionals in strategic, finance, underwriting, actuaries, risk management, investment, and technology teams.

Given expected strategic importance to its promoter group, CARE Ratings expects the company to receive need based capital support and distribution support from promoter group enabling the company to strengthen its distribution franchise and scale up its operations in turn improving profitability metrics. However, CARE Ratings expects the business and distribution synergies to payout in the medium term.

Adequate solvency margin

Bandhan Life reported a solvency margin of 2.2 times as of June 30, 2024 [Mar-24: 2.48 times], translating into an excess capital of ₹125 crores [Mar-24: ₹168 crores]. The solvency margin during FY24 and Q1FY25 was supported by recent cumulative capital infusion of ₹125 crores by parent BFHL. Going forward, its ability to maintain solvency levels as envisaged is critical considering company's plans to diversify its product mix and strength its distribution franchise.

Key weaknesses

Small and concentrated scale of operations

Bandhan Life started operations in year 2008 having over a decade of track record, however, its scale continues to remain small with policy liabilities of ₹3,019 crores as of March 31, 2024 [PY.: ₹2,692 crores]. During FY24, company has a market share of 0.08% [PY.: 0.008%] within private life insurance players. Bandhan Life's new business premium (NBP) had a 4-year CAGR of 6% against the private industry CAGR of 18%. Further, the company has limited diversification within its product mix with protection business contributing 73% of total APE during FY24 [PY.: 51%]. While non-participation savings (7%), ULIP (0.15%), rider product (2%) and other group insurance (19%) constituted the remaining APE during FY24. Distribution mix currently is concentrated towards brokers and direct channel as company has been a digitally enabled company with no branch network. During FY24, broker channel contributed 77% [PY.: 65%], direct channel contributes 13% [PY.: 13%] and corporate agents contributes 10% [PY.: 21%].

However, with change in parentage company plans to diversify its distribution mix leading to diversification in product mix, for which company has set up new team for Bancassurance and has been launching new individual life insurance products suitable for banca channel.

While CARE takes cognisance of company's plans to diversify its business and distribution mix to improve overall profitability and market share, the impact of the same on its credit profile is expected to materialise over medium term.

Moderate profitability

Though Bandhan Life has a track record of more than a decade, the company continues to report losses. During FY24, company's GWP grew by 16% to ₹431 crore while the APE grew by 472% to ₹118 crores, the growth was led by credit life group protection business (group protection business APE grew by ~3 times during FY24). Led by growth in protection business, which is non-participation high margin generating business, the VNB margin of the company increased to 58.63% during FY24 [PY.: 28.83%]. The loss ratio (net benefits/NPE) was at 115% during FY24 [PY.: 120%], led by increase in claims from linked insurance business. The expense of management (EOM) to GDP ratio during FY24 stood high at 47% [PY.: 45%], the company however, has a glide path to bring the EOM down.

The investment income increased to ₹558 crores during FY24 [PY.: ₹279 crores] with an investment yield (without capital gain) of 7.34% [PY.: 3.23%]. Therefore, led by small scale of operations, concentrated business mix and elevated loss ratio the losses of the company during FY24 as reported in profit and loss account (P&L) stood at ₹130 crore [PY.: ₹111 crore] and loss for the year (reported losses excluding surplus in PAR segment and including deficit in non-PAR segment) stood at ₹183 crore [PY.: ₹316 crore]. During Q1FY25, company's losses as reported in P&L stood at ₹39 crore and loss for the year (reported losses excluding surplus in PAR segment and including deficit in non-PAR segment) stood at ₹47 crore

Going forward, with Bandhan group taking over the company and planned capital infusion of ~₹600 crores in next 2-years along with new products in pipeline, CARE Ratings profitability metrics of the company will be key rating monitorable.

Liquidity: Adequate

Bandhan Life has an adequate liquidity profile; company's liquidity coverage ratio (liquid investment / technical reserves including sub debt interest payment) stood at 84.02% as of March 30, 2024 [PY.: 90.16%].

During FY24 as per the cashflow statement, the cash inflows (premiums received + income from investments) stood at ₹653 crore against claims payouts of ₹450 crore, total expense (opex + commission) of ₹192 crore. While company is making losses at the operating level, company's liquid investments (G-secs and AAA rated bonds) stood at ₹3,323 crore as of March 31, 2024.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Insurance Sector](#)

[Short Term Instruments](#)

[Insurance Sector](#)

About the company and industry

Industry classification

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

Erstwhile Aegon Religare Life Insurance Company is a digital Life Insurance company established on March 23, 2007, as a joint venture between Aegon India Holding B.V (Aegon India), Religare Enterprise Limited (Religare Enterprises) and Bennett Coleman & Co. Ltd (Bennett) and received licence from IRDAI dated June 27, 2008. During FY15, Aegon India increased its shareholding from 26% to 49% and Bennett Coleman increased its shareholding to 48.45% with Religare Enterprises selling off its entire holdings. The company was, thereafter, renamed as Aegon Life Insurance Company Limited (Aegon Life).

During February 2024, Bandhan Financial Holdings Limited (BFHL- holding company of financial services businesses under the Bandhan group.) acquired shares of Aegon India (46.09%) & Bennett (49%). The company was renamed as Bandhan Life Insurance Limited (Bandhan Life) and BFHL infused ₹125 crore of capital. The company is 96.06% held by BFHL as of June 30, 2024.

The company offers banquet of life insurance products including ULIPs, savings and protections. The company caters to both individual and group insurance with new business premium mainly concentrated towards group. Traditionally, company has been a digitally driven company with zero branch model and has sold 25,766 policies during FY24.

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	FY24 (A)	Q1FY25 (UA)
Net Premium Earned	340	301	356	73
PAT (as reported in P&L)	-88	-111	-130	-39
Loss for the year^	-367	-316	-183	-47
Tangible Net worth* (Including Fair value change)	243	197	166	125
Policy Liabilities	2,248	2,692	3,019	3,093
Solvency Ratio (times)	3.33	2.75	2.48	2.20

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

^ Reported losses excluding surplus in PAR segment and including deficit in non-PAR segment

*Adjusted to tangible 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
Fund-based - ST-Daylight Overdraft Credit Facility		-	-	-	57.00	CARE A3

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - ST-Daylight Overdraft Credit Facility	ST	57.00	CARE A3		-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short 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	Fund-based - ST-Daylight Overdraft Credit Facility	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE 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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