

Royal Sundaram General Insurance Co. Limited (Revised)

July 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Subordinate Debt*	176.00	CARE AA+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

* CARE Ratings Limited (CARE Ratings) has rated the aforesaid subordinate debt considering the regulatory conditions and in view of their sensitiveness to the company's solvency ratio and profitability due to the regulatory covenants during the long tenure of the instrument. Interest payable on subordinate debt will be subject to the following:

- The solvency of the issuer remains as per regulatory stipulation
- Where the impact of such payment may result in net loss or increase the net loss, prior approval of the authority for such payment will be obtained.

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

Rationale and key rating drivers

The rating assigned to the subordinated debt of Royal Sundaram General Insurance Co. Limited (RSGI) continues to derive strength from its strong parentage of Sundaram Finance Limited (SFL). The company benefits from business and operational linkages with SFL given the shared brand name, managerial support, and access to need-based capital support. The rating continues to factor in experienced management team, long and demonstrated track record in the general insurance industry, and comfortable solvency position. However, these rating strengths are partially offset by the relatively moderate size of operations along with the limited presence in product segments other than motor insurance, moderate return metrics, and intense competition in the general insurance industry.

Rating sensitivities: Factors likely to lead to rating actions

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

- Significant increase in the size of operations and market share
- Sustained improvement in the profitability metrics with a diversification in the product portfolio

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

- Moderation in credit profile of the promoter, SFL
- Material dilution in the ownership by, expected support from, and strategic importance to promoters
- Decline in the solvency margin below 1.70x on a sustained basis

Analytical approach:

Standalone; along with factoring in the linkage with the promoter SFL.

Outlook: Stable

The stable outlook reflects CareEdge Ratings' expectation that the company will continue to receive need-based capital support from the Sundaram group while adhering to prudent solvency levels.

Detailed description of key rating drivers:

Key strengths

Strong parentage of SFL and benefits derived from being part of Sundaram Finance group

RSGI is a joint venture (JV) company between Sundaram Finance (50%), Ageas Insurance International N.V. (40%), and other Indian shareholders (10%) which are part of the Sundaram Finance group. SFL has nearly seven decades of experience in the lending business and is a leading player in commercial vehicle financing in India, with assets under management (AUM) of ₹51,476 crore as of March 31, 2025 (PY: ₹43,987 crore).

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

By virtue of its shareholding, RSGI benefits from the established 'Sundaram' brand, apart from which the company also receives managerial, operational, and financial support from Sundaram Finance. Beyond insurance, the group has a presence in asset management, investment advisory, and portfolio management through Sundaram Asset Management Company Limited, and housing finance via Sundaram Home Finance Limited.

The company's foreign promoter, Ageas, is a multinational insurance company headquartered in Brussels, Belgium, and it currently operates in 14 countries worldwide through subsidiaries/JV partnerships with an employee base of ~50,000. Ageas is a leading life and non-life insurance company in Belgium. RSGI benefits from Ageas's extensive global insurance experience through synergies in areas such as risk-based pricing, fraud analytics, and distribution channel development.

Going forward, CareEdge Ratings expects Sundaram Finance to continue to provide need-based support to RSGI, which shall remain a key rating sensitivity.

Established track record of operations and experienced management

RSGI is one of the first private sector general insurance companies in India and has track record of over two decades in the insurance business. As on March 31, 2025, RSGI serves ~31 lakh customers through its branch network of 145, spread across all states and Union Territories (UTs) of India, supported by an employee base of 2,230.

Given the company's traditional reliance on the motor segment, brokers remained the predominant distribution channel, accounting for 57% of total premium sourced in FY25 (PY: 55%). Apart from brokers, the company is also focusing on the agency channel for motor policies, which accounted for 11% of total premium in FY25 (PY: 10%), due to its granularity and better loss ratio. With group health driving growth, the direct channel accounted for a significant 20% share of premiums in FY25.

The company's board consists of nine directors with experience in the financial services industry. The board includes three nominee directors from Sundaram Finance, two nominee directors from Ageas and three independent directors. Veda Narayanan Seshadri was appointed Managing Director of the company effective 28th May 2025. The board has also established six sub-committees with board representation to oversee audit, risk management, policyholder protection, nomination and remuneration, investments and corporate social responsibility (CSR). RSGI's key management team comprises professionals with extensive industry experience.

Comfortable solvency position

Supported by moderate internal accruals (average four-year return on net-worth (RONW; 8.47%), the company's solvency margin stood at 2.20x as on March 31, 2025 (PY: 2.42x), above regulatory requirement of 1.5x, translating into excess capital of ₹582 crore.

Considering the company's demonstrated growth and track record, CareEdge Ratings expects RSGI's solvency ratio to be upwards of 1.8x in the medium-to-long term.

Key weaknesses

Moderate size of operations along with a limited presence in product segments; barring motor insurance

RSGI has a track record of over two decades in general insurance space accompanied by pan-India presence with largest state contributing 24% to its gross direct premium (GDP). The company's size, however, continues to remain moderate with ₹5,718 crore of claims outstanding as on March 31, 2025 (PY: ₹5,215 crore) with market share of 2.31% among private insurers. The motor segment's market share stood at 3.54% in FY25 (FY20: 4.78%), while market share in the health and fire segments was 1.81% (PY: 1.56%) and 3.54% (PY: 3.90%), respectively. This decline was primarily driven by the motor segment, where the company strategically shifted its focus toward the agency channel while pausing growth in the original equipment manufacturer (OEM) channel.

As a result, the company's gross written premium (GWP) grew by 6.27% for FY25 against industry growth of ~8%.

The company's business operations remained concentrated in the motor segment, which accounted for 65% of total GWP in FY25 (PY: 67%), with the remainder coming from the health segment (20% in FY25) and the commercial segment. Within the motor portfolio, commercial vehicles made up 32%, while private vehicles and passenger-carrying vehicles accounted for 29% and 3%, respectively.

Given the parent group's strong presence in the auto industry and vehicle financing sector, CareEdge expects the motor segment to remain a key contributor to overall GWP, accounting for ~65-70%.

Moderate profitability metrics

RSGI's profitability continues to remain moderate, with its RONW being range-bound, averaging 8.47% in the last four financial years. However, RONW improved to 9.50% in FY25, up from 7.23% in the previous year, driven by a reduced expense of management (EOM) and increased investment income.

The company's combined ratio marginally improved to 114.07% in FY25, from 116.54% the previous year, mainly due to a decline in the EOM to GDP ratio, which fell to 32.50% in FY25 (PY: 33.00%). The company's loss ratio increased to 79.25% in FY25 (PY: 77.62%), driven by higher claims in both the motor and health segments. The motor insurance loss ratio increased to 75.86% for FY25 (PY: 74.91%). Although the company has implemented a claims minimisation strategy that limited growth in higher-risk cohorts within the motor segment, self-originated policies and inward motor business continue to experience relatively high claim levels. Loss ratio for the health segment continued to rise, reaching 97.19% in FY25 (PY: 94.96%), impacted by retail health policies and higher claims in group health insurance. The profitability was however supported by reported investment income of ₹679 crores for FY25 (PY.: ₹621 crores) with reported investment yield of 7.71% (PY.: 7.58%).

Going forward, the company's ability to improve its underwriting performance will remain our key rating monitorable.

Liquidity: Strong

RSGI has a strong liquidity profile, where the company's liquidity coverage ratio (liquid investment + cash & cash equivalent / technical reserves including sub debt repayment) stood at 96% as of March 31, 2025 (PY: 106%) with liquid investment (G-secs and AAA rated bonds) being ₹7,118 crore (PY: ₹7,143 crore). While CareEdge Ratings notes, some uptick in investments proportion rated below AA, the same comprised 3.60% of total investments book as on March 31, 2025 (PY: 2.10%). Per the cashflow statement for FY25, cash inflows (premiums received+ investment income) stood at ₹5,345 crore against claims payouts of ₹2,590 crore and total expense (opex + commission) of ₹1,266 crore.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Although RSGI's service-oriented business model limits its direct exposure to environmental risks, credit risk may arise if operations of any 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 RSGI's regulatory compliance and reputation and hence remain a key monitorable.

The company's board consists of nine directors with long experience in the financial services industry. The board includes three nominee directors from Sundaram Finance, two nominee directors from Ageas and three independent directors. The board has also established six sub-committees with board representation to oversee audit, risk management, policyholder protection, nomination and remuneration, investments and corporate social responsibility (CSR).

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating Outlook and Rating Watch](#)

[Non - Life Insurance Sector](#)

About the company and industry

Industry classification

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

RSGI was incorporated on August 22, 2000, as a JV between SFL (rated: ICRA AAA; Stable / A1+, CRISIL AAA; Stable/ A1+), Royal & Sun Alliance Insurance PLC, UK (Royal & Sun, rated S&P A; Stable & Moody A2) and other Indian shareholders. RSGI was the first private general insurance company in India to receive licence from IRDA in October 2000.

In FY16, Royal's & Sun sold its entire stake of 26% in RSGI as the company wanted to exit Asian Market. In February 2019, Ageas Insurance International N.V. (rated Fitch AA-; Stable and S&P A+; Stable) acquired 40% equity stake in RSGI. As on March 31, 2025, SFL and Ageas Insurance International hold 50% and 40% stake in the company respectively with Indian Motors Parts & Accessories Limited (7.30%), Sundharam Private Limited (2.67%) and other individual (0.03%) holding the remaining stake.

As on March 31, 2025, RSGI has 2.31% (PY: 2.35%) market share among the private general insurance players and it serves 27.40 lakhs policies (PY: 27.92 Lakhs). RSGI offers entire bouquet of general insurance products which includes motor, fire, health, personal accident, liability, and travel. However, Motor segment is the major contributor (March 2025.: 65% vs PY: 67%) in the total gross written premium mix. The company has pan-India presence with 145 branches and 2,230 employees as of March 2025. Tamil Nadu and Maharashtra contributed 18.24% and 23.71% respectively to the gross written premium in FY25.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (A)
Gross written premium	3,517	3,825	4,064
Net earned premium	2,440	2,822	3,303
PAT	121	114	160
Claims outstanding	4,687	5,215	5,718
Total assets*	8,713	9,508	10,058
Solvency (x)	2.27	2.42	2.20
NNPA (%)	0	0	0

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
Debt-Subordinate Debt	Proposed	-	-	-	50.00	CARE AA+; Stable
Debt-Subordinate Debt	INE499S08047	15-Mar-2022	8.05%	15-Mar-2032	50.00	CARE AA+; Stable
Debt-Subordinate Debt	INE499S08039	27-Sep-2021	7.85%	27-Sep-2031	76.00	CARE AA+; 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	Debt-Subordinate Debt	LT	176.00	CARE AA+; Stable	-	1)CARE AA+; Stable (13-Aug-24)	1)CARE AA+; Stable (16-Aug-23)	1)CARE AA+; Stable (17-Aug-22)

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	Subordinate Debt	Complex

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.

Contact us

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