

PNB MetLife India Insurance Company Limited
Unit No. 101, 1st Floor,
Techniplex 1, Techniplex Complex,
Off Veer Savarkar Flyover,
S V Road, Goregaon West,
Mumbai - 400 062
Phone : 022-41790000
Website : www.pnbmetlife.com
Email : indiaservice@pnbmetlife.co.in



December 14, 2022

To
National Stock Exchange of India Ltd
Plot No. C/1 'G' Block
Bandra-Kurla Complex
Bandra East, Mumbai 400051

Dear Sir/Madam,

Sub: Submission under Regulation 55 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 55 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Please find below details of Credit rating of Non-Convertible Debentures of the Company bearing ISIN INE207O08019

Details of Credit Rating									
Current Rating Details									
Sr. No.	ISIN	Name of Credit rating agency	Credit rating assigned	Outlook (stable/ Positive/ Negative/ No outlook)	Rating action (New/ Upgrade/ Downgrade/ Re-Affirm/ other)	Specify other rating action	Date of Credit rating	Verification status of credit rating	Date of verification
1	INE207O08019	ICRA Limited	[ICRA]AA+	Stable	Re-affirmed	-	December 13, 2022	verified	December 13, 2022

Request you to kindly take above submission on record.

For PNB MetLife India Insurance Company Limited

YAGYA
TURKER

Digitally signed by
YAGYA TURKER
Date: 2022.12.14
15:06:28 +05'30'

Yagya Turker
Company Secretary
Place: Mumbai

Registered office address: Unit Nos. 701, 702 & 703, 7th Floor, West Wing, Raheja Towers, # 26/27, M. G. Road, Bengaluru - 560 001.
IRDAI Registration Number: 117, CI No.: U66010KA2001PLC028883, Phone: 080 - 6600 6969
Fax : 080 - 25585815, Website: www.pnbmetlife.com, Email: indiaservice@pnbmetlife.co.in

Write to us at: Office Unit No. 101, 1st Floor, Techniplex-1, Techniplex Complex, Off Veer Savarkar Flyover, SV Road, Goregaon (West), Mumbai - 400 062. Phone: 022 4179 0000, Fax : 022 - 41790203

Ref: ICRA/PNB MetLife India Insurance Company Limited/06122022/1

Date: December 06, 2022

Mr. Khalid Ahmad

CFO

PNB MetLife India Insurance Company Limited

1st Floor, Techniplex -1, Techniplex Complex,

Off Veer Savarkar Flyover,

Goregaon (West), Mumbai – 400062.

Dear Sir/ Madam,

Re: Review of ICRA Credit Rating for the Rs. 400.00-crore Subordinated Debt Programme of PNB MetLife India Insurance Company Limited

In terms of the Rating Agreement of Work dated October 04, 2021, executed between PNB MetLife India Insurance company Limited and ICRA Limited (ICRA), ICRA is required to review the rating, on an annual basis, or as and when the circumstances so warrant.

Please note that the Rating Committee of ICRA, after due consideration of the latest development in your company, has reaffirmed the rating of your Subordinated Debt programme at **[ICRA] AA+** (pronounced as [ICRA] double A plus). The outlook on the long-term rating is **Stable**. Instruments with **[ICRA] AA** rating indicate high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk. Within this category rating modifier {"+" (plus)} can be used with the rating symbols. The modifier reflects the comparative standing within the category.

In any of your publicity material or other document wherever you are using above rating, it should be stated as **[ICRA]AA+(Stable)**.

This rating is specific to the terms and conditions of the proposed issue as was indicated to us by you and any change in the terms or size of the issue would require the rating to be reviewed by us. If there is any change in the terms and conditions or size of the instrument rated, as above, the same must be brought to our notice before the issue of the instrument. If there is any such change after the rating is assigned by us and accepted by you, it would be subject to our review and may result in change in the rating assigned.

ICRA reserves the right to review and/ or, revise the above rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

The rating, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the instruments issued by you.



ICRA

ICRA Limited

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

Enclosed herewith is a copy of the rationale of the assigned rating for your reference. We request you to provide your comments on the rationale, if any, by December 12, 2022.

We thank you for your kind cooperation extended during the course of the rating exercise. Please let us know if you need any clarification.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,

For ICRA Limited

KARTHIK
SRINIVASAN

Digitally signed by KARTHIK
SRINIVASAN
Date: 2022.12.06 17:39:37 +05'30'

KARTHIK SRINIVASAN

Senior Vice President

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RATING • RESEARCH • INFORMATION

December 13, 2022

PNB MetLife India 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	400.00	400.00	[ICRA]AA+ (Stable); reaffirmed
Total	400.00	400.00	

*Instrument details are provided in Annexure I

Rationale

The rating takes into account the strong promoter profile with MetLife International Holdings LLC (MIHL; a part of MetLife Inc. (rated A3 by Moody's) with key operating subsidiary – Metropolitan Life Insurance Company rated Aa3 by Moody's) holding a 46.87% stake and Punjab National Bank {PNB; rated [ICRA]AA+ (Stable)} holding a 30.00% stake in PNB MetLife India Insurance Company Limited (PNB MetLife) as on September 30, 2022. The rating factors in the strategic importance of PNB MetLife to the MetLife Group, as demonstrated by the significant investment made by the Group since the company's inception (recent investment to acquire ~15 % stake in PNB MetLife from existing investors), the strong representation on the board and the shared brand name. These factors strengthen ICRA's expectation that the company will receive timely support from the Group when required.

ICRA also notes the strategic and operational support provided by MIHL, including product strategy. The company also benefits from the shareholding of PNB with a shared brand name and access to PNB's wide distribution network with the bank contributing 53% to the individual new business premium (NBP) in FY2022. PNB MetLife's solvency level is comfortable (1.98x as on September 30, 2022) and acts as a buffer to absorb the new business strains, considering the growth plans for the medium term. ICRA also takes comfort from PNB MetLife's diversified product offering and healthy profitability with a value of new business (VNB) margin of 24.5% in H1 FY2023, though the net profit was impacted in FY2022 due to the higher Covid-19 pandemic-related death claims.

The above-mentioned factors are partially offset by the company's moderate scale of operations with a market share of 0.79% in FY2022 in terms of NBP. The company's operating expenses remain higher than peers. The growth in the VNB margin and profitability would depend on PNB MetLife's ability to improve its operating efficiency. Further, the ability to grow the business profitably, in light of the intense competition and the ever-evolving regulatory framework, is to be seen.

Key rating drivers and their description

Credit strengths

Strong promoter profile – MIHL and PNB held stakes of 46.87% and 30.00%, respectively, in PNB MetLife as on September 30, 2022. MIHL recently increased its stake in PNB MetLife by acquiring ~15% stake from the existing investors. MIHL is a part of the MetLife Group and its ultimate parent company is MetLife Inc. ICRA notes the strong credit profile of the operating subsidiaries of the MetLife Group – Metropolitan Life Insurance Company, American Life Insurance Company (rated A1 by Moody's) and Metropolitan Tower Life Insurance Company (rated Aa3 by Moody's). The MetLife Group is a leading global provider of insurance and financial services products with PNB MetLife enabling it to establish its foothold in the Indian life insurance business. The rating factors in the strategic importance of PNB MetLife to the MetLife Group, which is demonstrated by the significant investment made by the Group since the company's inception and the shared brand name. This strengthens ICRA's expectation that the company will receive timely support from the Group, if required. Further, MetLife has a strong representation on PNB MetLife's board along with PNB with each having three representatives on the board.

PNB is the fourth largest public sector bank in terms of net advances with the second largest distribution network of 10,038 branches, as on September 30, 2022, spread across the country. This enables PNB MetLife to leverage the bancassurance channel to source business, with PNB contributing 53% to the individual NBP in FY2022.

Diversified product offering – PNB MetLife has a diversified product offering across the savings and protection businesses. The non-participating (non-par) business formed 29% of the NBP in FY2022, followed by the protection business at 24%, participating (par) business at 22%, unit-linked insurance plan (ULIP) business at 18%, and pension business at 7%. Within protection, the portfolio largely comprises group protection (both credit life and group term) with a sizeable portion of the credit life business being sourced from PNB (including PNB Housing Finance). While the product mix has historically been concentrated towards par products, the company has been growing its high-margin non-par and protection businesses. The product mix is likely to remain diversified with the company looking at growth across segments.

Comfortable capitalisation – PNB MetLife’s solvency remained comfortable between 190% and 203% during FY2017-FY2021 supported by healthy internal accruals. While the core solvency¹ declined as on March 31, 2022 primarily due to higher Covid-related claims, which led to net losses in FY2022, the reported solvency of 209% was supported by the sub-debt issuance of Rs. 400 crore in FY2022. With significant growth, the company’s solvency declined to 198% as on September 30, 2022. ICRA does not expect incremental capital requirement to support growth in the medium term and the solvency is likely to remain above 170%. The company’s solvency is also supported by the funds for future appropriation (FFA) on the par products. The FFA stood at 32% of the available solvency margin (ASM) as on September 30, 2022 and ~6% of the assets under management (AUM) of par products.

PNB MetLife has headroom for raising additional sub-debt of ~Rs. 100 crore², which could boost the solvency to ~205% on a proforma basis. However, the capitalisation profile is exposed to significantly higher growth in the non-par and protection businesses, which have higher initial reserving requirements. ICRA draws comfort from the commitment of the shareholders to infuse equity, if required.

Healthy VNB margins, though reported PAT impacted by higher Covid claims in FY2022 – The VNB margin improved to 24.5% in H1 FY2023 (17.1% in FY2018), driven by the changes in the product mix (increasing mix of protection and non-par businesses) and improving operating efficiency. The embedded value (EV) increased to Rs. 5,831 crore as on September 30, 2022 (compared to Rs. 3,329 crore as on March 31, 2018). The share of the protection business was 24% of the company’s NBP in FY2022, up from 15% in FY2018. The increasing share of protection has created significant value accretion as the VNB margins on protection products are typically the highest amongst the life insurance product suite. The increase in the share of the protection business was largely due to a surge in the group credit life business.

PNB MetLife reported a net loss of Rs. 71 crore in FY2022 compared to a net profit of Rs. 101 crore in FY2021. The net loss in FY2022 was largely on account of higher Covid-related claims. Further, the company has increased its share of non-par and protection to more than 50% of the NBP since FY2020, leading to high reserving requirement. Consequently, it reported a return on equity (RoE) of 7.3-7.4% in FY2020 and FY2021 compared to the range of 12-14% in prior periods. The company reported a net profit of Rs. 40 crore in H1 FY2023. While the continued significant growth and high reserving are likely to impact the PAT, the consistent improvement in PNB MetLife’s persistency across cohorts is likely to support the profitability to an extent. The 13th month persistency improved to 81.5% in H1 FY2023 (76.1% in FY2021), while the 61st persistency improved to 46.0% (36.2% in FY2021).

¹ Excluding sub-debt

² The company can raise ~Rs. 300 crore sub-debt as per the revised regulation whereby the threshold limits has been increased from 25% to 50% of paid up capital & share premium, subject to 50% of Net worth of company

Credit challenges

Operating expenses relatively higher than peers – The company’s operating expense ratio (including commissions) remained high at ~23-24% of the net premium written (NPW) in FY2021-FY2022 compared to peers. Given its growth plans, the operating expenses are likely to remain elevated in the near term. While the VNB margins have been growing over the years, supported by the change in the portfolio mix, PNB MetLife’s ability to improve its operating efficiency would be important to improve the margins.

Moderate scale of operations – PNB MetLife’s operations remain modest with a market share of 0.79% in FY2022 in terms of NBP (0.7-0.8% in FY2018-FY2022). Its NBP increased at a compound annual growth rate (CAGR) of 15% during FY2018-FY2022, higher than the industry growth of 13% though lower than the private sector growth of 18%. The company’s distribution is largely driven by PNB, which had a share of 53% in the individual NBP in FY2022. ICRA believes that PNB MetLife will require deeper penetration and widening of its distribution network, product development and continuous investments in technology and marketing expenses to keep its business growth above the industry level. Further, the company has been increasing the share of its protection business wherein the profitability is a function of the claims and persistency levels.

Liquidity position: Strong

The company’s net premium (excluding linked) stood at Rs. 5,589 crore in FY2022 in relation to the maximum net claims and benefits (excluding linked) paid of Rs. 1,733 crore (FY2022) in the last few years. PNB MetLife had investments in Central Government securities and state development loans (SDLs), which stood at 61% of the total investments (excluding linked investments) as on September 30, 2022. This further supports the liquidity to meet the claims of policyholders. The company’s shareholders’ investment of Rs. 1,760 crore remains strong in relation to sub-debt outstanding of Rs. 400 crore as on September 30, 2022. ICRA does not foresee any liquidity risk in the near term.

Rating sensitivities

Positive factors – The rating could be revised if there is a substantial and sustained improvement in the company’s market share and profitability, leading to an improvement in its financial risk profile.

Negative factors – The outlook or the rating could be revised in case of a deterioration in the credit profile of the MetLife Group, a significant change in the company’s shareholding or in its linkages with the Group. Pressure could also arise if the company’s solvency ratio deteriorates to less than 170% on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Life Insurance Rating Approach – Implicit Parent or Group Support
Parent/Group support	Parent/Investor: MetLife Group The rating considers the financial and management support received by PNB MetLife from its parent in the form of board representation, operational and financial support. ICRA notes the shared brand name and considerable shareholding from the promoter, indicating implicit support from the parent.
Consolidation/Standalone	Standalone

About the company

PNB MetLife India Insurance Company Limited (PNB MetLife) was incorporated in April 2001 with the promoters – MetLife International Holdings LLC and PNB – holds a stake of 46.87% and 30.00%, respectively, as on September 30, 2022. PNB MetLife’s product portfolio comprises retail and group products, which include participating, non-participating, unit linked, protection and annuity products. The company is present in 112 locations across the country with access to over 206 million customers in around 15,000 locations through strong bank partnerships with PNB, Jammu & Kashmir Bank, Karnataka Bank Limited and other bank partners.

Key financial indicators (audited)

PNB MetLife	FY2021	FY2022	H1 FY2022	H1 FY2023
Gross direct premium	6,033	7,348	2,855	3,583
Income from investments, fees and other income	3,744	3,175	2,122	980
Total operating expenses	1,362	1,640	671	905
PAT	101	-71	-101	40
Total net worth including fair value change account and revaluation reserve	1,422	1,354	1,321	1,394
Total policyholders’ + Shareholders’ investments (excluding assets held to cover linked liabilities)	21,288	26,298	23,291	28,359
Assets held to cover linked liabilities	6,962	8,081	7,920	7,985
Operating expense ratio (opex / NPW)*	23.5%	23.6%	25.1%	27.1%
Return on equity	7.4%	-5.1%	-15.2%	5.8%
13 th month persistency ratio	75.9%	79.5%	77.9%	81.5%
61 st month persistency ratio	38.7%	44.3%	40.0%	46.0%
Regulatory solvency ratio	190%	209%	180%	198%

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore; *RoE is on an annual basis

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History For the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					Dec 13, 2022	Dec 17, 2021	NA	NA
1	Subordinated debt programme	Long term	400.0	400.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	NA	NA

Complexity level of the rated instruments

Instrument	Complexity Indicator
Subordinated debt programme	Moderately 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 No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE207O08019	Subordinated debt programme	Jan-27-22	8.12%	Jan-27-32*	400.00	[ICRA]AA+ (Stable)

Source: Company

*Call option on Jan-27-2027; if not exercised, call options will be available every year on January 27 till maturity

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

- Servicing of interest is contingent on the company maintaining a solvency ratio above the levels stipulated by the regulator³
- In case 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

Company Name	Ownership	Consolidation
NA	NA	NA

³ As per IRDAI regulations, insurers are required to maintain a minimum solvency ratio of 150%

ANALYST CONTACTS

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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Branches



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