# STAR HEALTH AND ALLIED INSURANCE

nuvama institutional equities

RESULT UPDATE

## KEY DATA

| Rating | BUY |
|---|---|
| Sector relative | Neutral |
| Price (INR) | 399 |
| 12 month price target (INR) | 450 |
| 52 Week High/Low | 648/327 |
| Market cap (INR bn/USD bn) | 235/2.8 |
| Free float (%) | 36.6 |
| Avg. daily value traded (INR mn) | 457.1 |

## SHAREHOLDING PATTERN

| | Mar-25 | Dec-24 | Sep-24 |
|---|---|---|---|
| Promoter | 57.67% | 57.68% | 57.70% |
| FII | 18.69% | 17.51% | 17.65% |
| DII | 15.44% | 16.49% | 17.05% |
| Pledge | 0% | 0% | 0% |

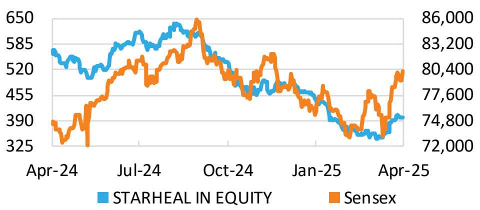
## FINANCIALS (INR mn)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| GDPI | 167,162 | 188,128 | 214,145 | 243,410 |
| NEP | 148,222 | 168,101 | 190,232 | 213,948 |
| U/W profit /(loss) | (3,785) | (1,108) | 1,302 | 2,413 |
| PAT | 6,459 | 8,971 | 11,985 | 14,323 |
| EPS Growth (%) | (23.9) | 38.9 | 33.6 | 19.5 |
| Combined ratio (%) | 101.1 | 99.2 | 97.7 | 96.9 |
| RoAE (%) | 9.7 | 12.4 | 14.5 | 15.0 |
| Adj. P/E (x) | 35.8 | 25.8 | 19.3 | 16.1 |
| P/ABV (x) | 3.3 | 2.9 | 2.5 | 2.2 |

## CHANGE IN ESTIMATES

| | Revised estimates | | % Revision | |
|---|---|---|---|---|
| Year to March | FY26E | FY27E | FY26E | FY27E |
| NEP | 176,276 | 200,868 | (0.1) | (1.3) |
| CoR | 99.2 | 97.7 | 0bp | 0bp |
| U/W profit | (1,108) | 1,302 | 39128.8 | (56.7) |
| APAT | 8,971 | 11,985 | (7.8) | (5.1) |

## PRICE PERFORMANCE




# Loss ratios disappoint

Adjusted for 1/n accounting, Q4FY25 GWP grew 12.9% YoY (reported growth of just 3.4% YoY). Loss ratios stayed elevated at 69.2% (+512/-220bp YoY/QoQ); commission and expenses ratio also rose 131bp YoY. This resulted in an overall 642bp YoY jump in CoR to 99.2%, resulting in an underwriting loss of INR2.8bn (+202.2% YoY). Moderation in investment income (-2.7% YoY) further dragged APAT to INR5mn.

We expect corrective actions in the form of selective underwriting and repricing along with scale benefits to reduce CoRs. We are tweaking estimates, pushing down our FY26E/27E APAT by 7.8%/5.1%, yielding a TP of INR450 (earlier INR440). The stock is trading cheap at FY26E/27E PE of 25.8x/19.3x, and P/Inv. book of 1.2/1x; retain 'BUY'.

## Fresh business growth returns

Q4FY25 GWP grew 3.4% YoY/35.3% QoQ to INR51.4bn. Adj. for 1/n accounting, Q4 GWP growth came in at 12.9% YoY versus reported growth of just 3.4% YoY. NEP improved 11.9% YoY to INR38bn. We estimate fresh business in GWP mix improved to 23.3% in Q4FY25 (+400bp YoY). Management stated that less than 15% of the fresh business is port-in business—indicating lower loss ratios in the waiting period. Management also stated that long-term business as a proportion of fresh business is high at 35%, which we believe should result in improved renewal rates over FY26–28E. For FY25, the agency business has delivered new business growth of 16% YoY (9MFY25: 14%). For FY25, the share of agency channel in fresh GWP declined to 61% (-335bp YoY), while the share of digital channel surged to 17% (+473bp YoY).

## Underwriting losses surge, investment income down; profit plunges

For Q4, loss ratios continued to stay elevated at 69.2% (512bp YoY/-220bp QoQ) as management clarified that loss ratios have remained elevated as elective surgeries had increased. Additionally, management stated retail/group claim ratio for FY25 increased 300bp/1,250bp YoY to 68.8%/89.8% YoY. Management raised the prices by 8–12% in ~65% of the retail portfolio, and is now more selective in underwriting the group business. The impact of these measures will take time to flow in net earned premium and reduce loss ratios. Management refrained from giving out a guidance on loss ratios, but continued to indicate that QoQ loss ratios continued to improve. We believe loss ratios will improve, but may take a few quarters. The commission ratio increased 151bp YoY/163bp QoQ to 15.8%, mainly due to change to 1/n accounting. For Q4, CoR jumped 642bp YoY to 99.2%. Weak markets dragged investment income by 2.7% YoY to INR2.85bn at a yield of 6.4% (-120bp YoY). This coupled with a 4x underwriting loss led to a 99.6% QoQ dip in APAT to INR5mn.

## Financials

| Year to March | Q4FY25 | Q4FY24 | % Change | Q3FY25 | % Change |
|---|---|---|---|---|---|
| NEP | 37,983 | 33,953 | 11.9 | 37,997 | 0 |
| Combined ratio(%) | 69.2 | 64.51 | 512bp | 71.4 | (220)bp |
| Underwriting profit/(loss) | ( 2,752) | ( 910) | 202.2 | ( 490) | 461.8 |
| APAT | 5 | 1,423 | (99.6) | 2,151 | (99.8) |

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# Financial Statements

### Income Statement (INR mn)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| **GDPI** | **167,162** | **188,128** | **214,145** | **243,410** |
| GWP | 167,814 | 188,128 | 214,145 | 228,805 |
| **Net earned premium (NEP)** | **148,222** | **168,101** | **190,232** | **213,948** |
| Total claims incurred | 104,194 | 116,326 | 130,880 | 146,554 |
| Total commission | 22,407 | 25,560 | 29,126 | 33,406 |
| Operating expenses | 25,406 | 27,323 | 28,925 | 31,575 |
| **Underwriting profit/(loss)** | **(3,785)** | **(1,108)** | **1,302** | **2,413** |
| Investment income | 12,853 | 14,052 | 15,734 | 17,815 |
| Provisions (Other than taxation) | 5 | 14 | 16 | 18 |
| Expenses of management | 508 | 563 | 624 | 692 |
| **Operating profit** | **8,556** | **12,368** | **16,395** | **19,518** |
| Interest expense | 0 | 400 | 400 | 400 |
| Other income | 55 | 20 | 21 | 22 |
| Profit before tax | 8,611 | 11,988 | 16,017 | 19,140 |
| Taxes | 2,152 | 3,017 | 4,031 | 4,818 |
| **APAT** | **6,459** | **8,971** | **11,985** | **14,323** |
| Extraordinary | 0 | 0 | 0 | 0 |
| **RPAT** | **6,459** | **8,971** | **11,985** | **14,323** |

### Balance Sheet (INR mn)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Share capital | 5,878 | 5,878 | 5,878 | 5,878 |
| Reserve and surplus | 64,359 | 72,969 | 84,954 | 99,277 |
| **Total shareholders fund** | **75,821** | **84,574** | **96,718** | **111,221** |
| Fair value change account | 885 | 1,027 | 1,186 | 1,366 |
| Borrowings | 4,700 | 4,700 | 4,700 | 4,700 |
| **Total source of funds** | **207,846** | **226,743** | **254,886** | **290,147** |
| Investments | 178,984 | 199,530 | 224,273 | 255,592 |
| Net block | 1,849 | 2,318 | 2,430 | 2,642 |
| Goodwill | 0 | 0 | 0 | 0 |
| Deferred tax asset | 3,512 | 800 | 800 | 800 |
| Cash & bank balance | 6,684 | 5,547 | 6,278 | 7,060 |
| Advances & other assets | 16,817 | 18,548 | 21,105 | 24,053 |
| **Total current assets** | **23,501** | **24,095** | **27,383** | **31,113** |
| Current liabilities | 29,749 | 31,541 | 35,303 | 39,480 |
| Provisions | 90,814 | 97,833 | 108,469 | 123,326 |
| **Total current liabilities** | **132,025** | **142,170** | **158,168** | **178,926** |
| **Net current assets** | **23,501** | **24,095** | **27,383** | **31,113** |
| **Total assets** | **207,846** | **226,743** | **254,886** | **290,147** |

### Key Ratios (%)

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| **Growth** | | | | |
| GDPI growth | 9.6 | 12.5 | 13.8 | 13.7 |
| GWP growth | 10.0 | 12.1 | 13.8 | 6.8 |
| NEP growth | 14.6 | 13.4 | 13.2 | 12.5 |
| Operating profit growth | (23.9) | 39.9 | 33.7 | 19.5 |
| APAT growth | (23.6) | 38.9 | 33.6 | 19.5 |
| FDEPS growth | (23.9) | 38.9 | 33.6 | 19.5 |
| **Effeciency** | | | | |
| Claims ratio | 70.3 | 69.2 | 68.8 | 68.5 |
| Commission ratio | 14.4 | 14.5 | 14.5 | 14.6 |
| Expenses ratio | 16.7 | 15.8 | 14.7 | 14.1 |
| Combined ratio | 101.1 | 99.2 | 97.7 | 96.9 |
| Underwriting profit margin (%) | (2.6) | (0.7) | 0.7 | 1.1 |
| Investment yield | 7.6 | 7.5 | 7.5 | 7.5 |
| Investment Income/NEP (%) | 8.7 | 8.4 | 8.3 | 8.3 |
| EBIT margin | 5.8 | 7.4 | 8.6 | 9.1 |
| PAT margin | 4.4 | 5.3 | 6.3 | 6.7 |
| ROE | 9.5 | 11.9 | 13.9 | 14.4 |
| Adjusted ROE | 9.7 | 12.4 | 14.5 | 15.0 |
| Claims os/ NEP (x) | 0.1 | 0.1 | 0.1 | 0.1 |
| Technical reserves/NEP (x) | 0.7 | 0.7 | 0.6 | 0.7 |
| Investment leverage (x) | 2.5 | 2.5 | 2.4 | 2.4 |

*Source: Company and Nuvama estimates*

### Per Share Data

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| FDEPS (INR/sh) | 10.9 | 15.1 | 20.2 | 24.1 |
| DPS (INR/sh) | 0 | 0 | 0 | 0 |
| BV (INR/sh) | 120.6 | 135.4 | 156.0 | 180.6 |

### Valuation at CMP

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| P/GWP | 1.4 | 1.2 | 1.1 | 0.9 |
| Adj. P/E | 35.8 | 25.8 | 19.3 | 16.1 |
| Adj. P/E (Adj for FV change) | 35.2 | 24.8 | 18.6 | 15.6 |
| P/ABV | 3.3 | 2.9 | 2.5 | 2.2 |
| Dividend Yield (%) | 0 | 0 | 0 | 0 |

### Valuation at TP

| Year to March | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| P/GWP | 1.6 | 1.4 | 1.2 | 1.1 |
| Adj. P/E | 41.4 | 29.8 | 22.3 | 18.7 |
| Adj. P/E (Adj for FV change) | 40.7 | 28.7 | 21.6 | 18.1 |
| P/ABV | 3.8 | 3.4 | 2.9 | 2.5 |
| Dividend Yield (%) | 0 | 0 | 0 | 0 |

### Exhibit 1: NEP grew 11.9% YoY; loss ratio up 512bp YoY to 71.4% dragging profit down 99.6% YoY

| (INR mn) | Q4FY25 | Q4FY24 | YoY(%/bp) | Q3FY25 | QoQ(%/ bp) | FY25 | FY24 | YoY(%/ bp) | FY26E | FY27E |
|---|---|---|---|---|---|---|---|---|---|---|
| **NWP** | **48,196** | **45,700** | **5.5** | **35,604** | **35.4** | **155,252** | **140,674** | **10.4** | **176,276** | **200,868** |
| **NEP** | **37,983** | **33,953** | **11.9** | **37,997** | **(0.0)** | **148,222** | **129,383** | **14.6** | **168,101** | **190,232** |
| Claims Incurred (net) | 26,301 | 21,774 | 20.8 | 27,145 | (3.1) | 104,194 | 85,999 | 21.2 | (116,326) | (130,880) |
| Commission (net) | 7,598 | 6,516 | 16.6 | 5,032 | 51.0 | 22,407 | 18,537 | 20.9 | (25,560) | (29,126) |
| Operating expenses | 6,836 | 6,574 | 4.0 | 6,309 | 8.4 | 25,406 | 23,357 | 8.8 | (27,323) | (28,925) |
| Premium deficiency | - | - | NM | - | NM | - | - | NM | - | - |
| **Underwriting profit/(loss)** | **(2,752)** | **(910)** | **202.2** | **(490)** | **461.8** | **(3,785)** | **1,489** | **(354.1)** | **(1,108)** | **1,302** |
| Investment Income | 2,853 | 2,932 | (2.7) | 3,478 | (18.0) | 12,853 | 10,841 | 18.6 | 14,052 | 15,734 |
| Provisions (Other than taxation) | 4 | 21 | (79.5) | - | NM | 5 | 7 | (29.0) | (14) | (16) |
| Shareholders' expenses | 146 | 128 | 14.6 | 120 | 22.3 | 508 | 489 | 3.8 | (563) | (624) |
| **Operating profits** | **(49)** | **1,873** | **(102.6)** | **2,869** | **(101.7)** | **8,556** | **11,835** | **(27.7)** | **12,368** | **16,395** |
| Interest Expense | - | - | NM | - | NM | - | - | NM | (400) | (400) |
| Other income | 41 | 24 | 68.9 | 1 | 3,970.0 | 55 | 41 | 34.7 | 20 | 21 |
| **PBT** | **(9)** | **1,897** | **(100.5)** | **2,870** | **(100.3)** | **8,611** | **11,876** | **(27.5)** | **11,988** | **16,017** |
| Tax | (14) | 474 | (102.9) | 718 | (101.9) | 2,152 | 2,838 | (24.2) | (3,017) | (4,031) |
| **APAT** | **5** | **1,423** | **(99.6)** | **2,151** | **(99.8)** | **6,459** | **9,037** | **(28.5)** | **8,971** | **11,985** |
| Extraordinary | - | - | NM | - | NM | - | - | NM | - | - |
| **RPAT** | **5** | **1,423** | **(99.6)** | **2,151** | **(99.8)** | **6,459** | **9,037** | **(28.5)** | **8,971** | **11,985** |
| | | | | | | | | | | |
| **Ratios (%)** | | | | | | | | | | |
| Claims Ratio | 69.2 | 64.1 | 512bp | 71.4 | (220)bp | 70.3 | 66.5 | 383bp | 69.2 | 68.8 |
| Commission Ratio | 15.8 | 14.3 | 151bp | 14.1 | 163bp | 14.4 | 13.2 | 126bp | 14.5 | 14.5 |
| Expense Ratio | 14.2 | 14.4 | (20)bp | 17.7 | (354)bp | 16.4 | 16.6 | (24)bp | 15.5 | 14.4 |
| **Combined Ratio** | **99.2** | **92.8** | 642bp | **103.3** | (410)bp | **101.1** | **96.2** | 484bp | **99.2** | **97.7** |

*Source: Company, Nuvama Research*

### Exhibit 2: Retail health GWP decreases -0.5% YoY to INR47.8bn as 1/n recognition hurt growth

| | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | YoY (% / bp) | QoQ (% / bp) |
|---|---|---|---|---|---|---|---|
| **GWP (INR bn):** | | | | | | | |
| Retail | 48.0 | 31.9 | 39.1 | 36.0 | 47.8 | (0.5) | 32.7 |
| Group | 4.0 | 3.1 | 3.9 | 2.0 | 3.6 | (10.1) | 79.8 |
| PA | - | - | - | - | - | NM | NM |
| Travel | - | - | - | - | - | NM | NM |
| Re-insurance inward | - | - | - | 0.4 | - | - | - |
| **Total GWP** | **52.0** | **35.0** | **43.0** | **38.4** | **51.4** | **(1.2)** | **33.8** |
| | | | | | | | |
| **GWP Mix (%)** | | | | | | | |
| Retail | 92.3 | 91.1 | 90.9 | 93.8 | 93.0 | 69bp | (75)bp |
| Group | 7.7 | 8.9 | 9.1 | 5.2 | 7.0 | (69)bp | 179bp |
| PA | - | - | - | - | - | - | - |
| Travel | - | - | - | - | - | - | - |
| Re-insurance inward | - | - | - | 1.0 | - | - | (104)bp |
| **Total** | **100** | **100** | **100** | **100** | **100** | | |

*Source: Company, Nuvama Research*

### Exhibit 3: Individual agents' channel contributes 82% (0/-325bp YoY/QoQ) to GWP

| | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | YoY(%/bp) | QoQ(%/bp) |
|---|---|---|---|---|---|---|---|
| **Channel mix (%)** | | | | | | | |
| Individual Agents | 82.0 | 80.0 | 81.0 | 85.3 | 82.0 | (0)bp | (325)bp |
| Banca | NA | 8 | 8 | 5.2 | 7.0 | 700bp | 183bp |
| Corporate | NA | 5 | 9 | (3.0) | 4.0 | 400bp | 691bp |
| Digital | NA | 7 | 2 | 12.5 | 7.0 | 700bp | (548)bp |
| **Total** | **NA** | **100** | **100** | **100** | **100** | | |
| | | | | | | | |
| **Channel mix (INR bn)** | | | | | | | |
| Individual Agents | 41.0 | 28.0 | 34.7 | 32.4 | 42.1 | 2.8 | 28.7 |
| Banca | NA | 2.8 | 3.4 | 2.0 | 3.6 | NM | 81.1 |
| Corporate | NA | 1.8 | 4.0 | (1.1) | 2.1 | NM | NM |
| Digital | NA | 2.5 | 0.9 | 4.8 | 3.6 | NM | (25.0) |
| **Total** | **52.0** | **35.0** | **43.0** | **38.0** | **51.4** | **(1.2)** | **33.8** |

*Source: Company, Nuvama Research*

### Exhibit 4: Analytical ratios

| Analytical ratios | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | YoY(%/bp) | QoQ(%/bp) |
|---|---|---|---|---|---|---|---|
| Net Retention Ratio (%) | 92.0 | 91.2 | 90.9 | 93.8 | 93.8 | 182bp | 1bp |
| Net Commission Ratio (%) | 14.3 | 13.5 | 13.8 | 14.1 | 15.8 | 150bp | 163bp |
| EOM to GDPI Ratio (%) | 29.8 | 32.2 | 30.9 | 31.8 | 30.0 | 16bp | (184)bp |
| EOM to NWP Ratio (%) | 28.6 | 31.6 | 30.2 | 31.8 | 30.0 | 131bp | (189)bp |
| Net Incurred Claims to NEP (%) | 64.1 | 67.6 | 72.8 | 71.4 | 69.2 | 511bp | (220)bp |
| Combined Ratio (%) | 92.8 | 99.1 | 103.0 | 103.3 | 99.2 | 642bp | (409)bp |
| Technical Reserves to net premium ratio (%) | 203.0 | 286.0 | 242.0 | 268.0 | 219.0 | 1,600bp | (4,900)bp |
| Underwriting balance ratio (%) | (2.7) | 4.0 | (5.2) | (1.3) | (7.2) | (456)bp | (597)bp |
| Operating Profit Ratio (%) | 2.7 | 8.9 | 0.4 | 4.0 | (2.3) | (494)bp | (630)bp |
| Liquid Assets to liabilities ratio (%) | 0.4 | 0.2 | 0.4 | 0.4 | 0.4 | 9bp | 5bp |
| Net earning ratio (%) | 3.1 | 10.1 | 2.8 | 6.0 | 0.0 | (310)bp | (603)bp |
| Return on net worth ratio (%) | 2.3 | 4.8 | 1.6 | 3.1 | 0.0 | (224)bp | (305)bp |

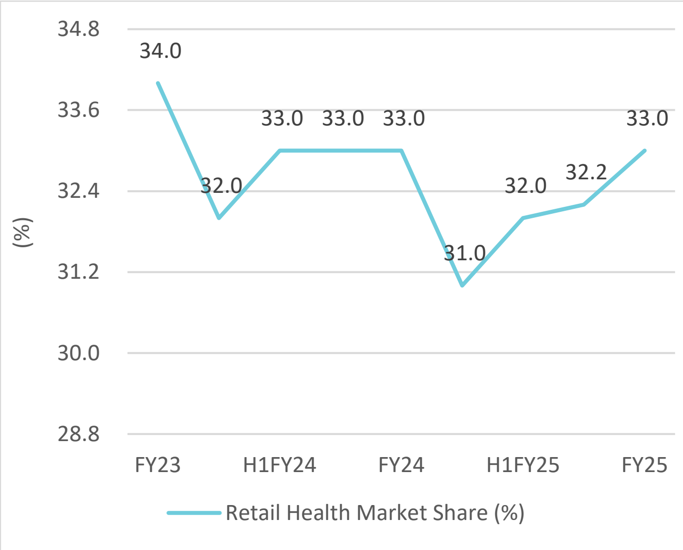
*Source: Company, Nuvama Research*

### Exhibit 5: Operational metrics

| Operational information | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | YoY (%/bp) | QoQ (%/bp) |
|---|---|---|---|---|---|---|---|
| Number of agents (in mn) | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 | 10.6 | 1.8 |
| Sponsored Health Agency Force | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 11.7 | 5.1 |
| Number of hospitals in network (in actual number) | 14.3 | 14.3 | 14.4 | 14.3 | NA | | |
| Branch Network | 881.0 | 887.0 | 902.0 | 910.0 | 913.0 | 3.6 | 0.3 |

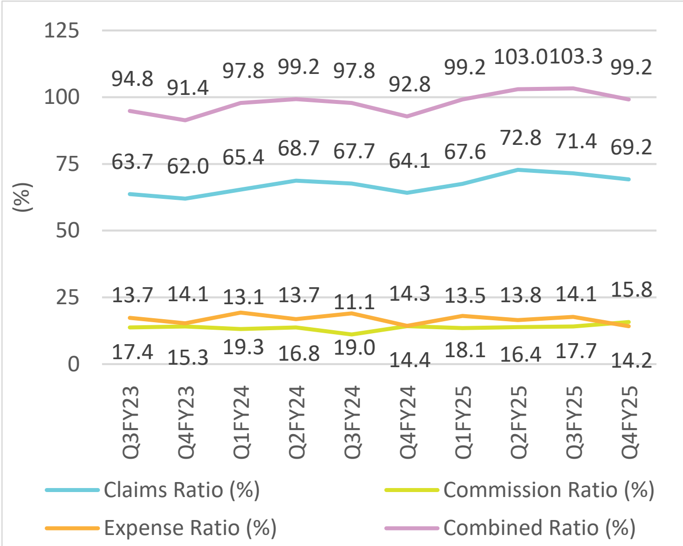
*Source: Company, Nuvama Research*

**Exhibit 6: Retail health market share improves QoQ to 33%**



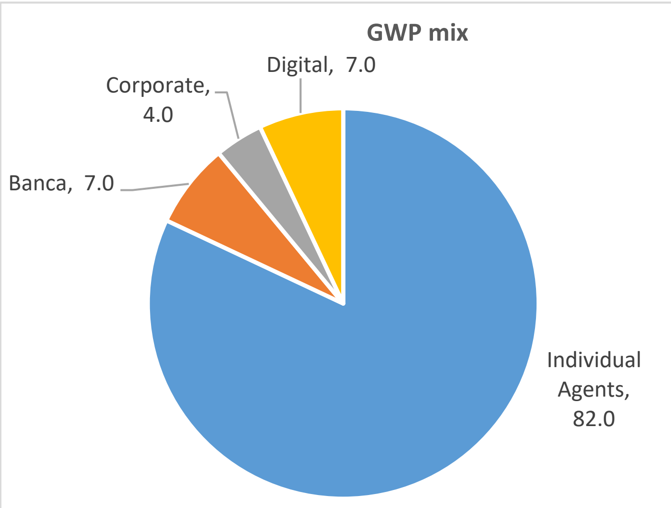

*Source: Company, Nuvama Research*

**Exhibit 7: Combined ratio increases 642bp YoY to 99.2%**



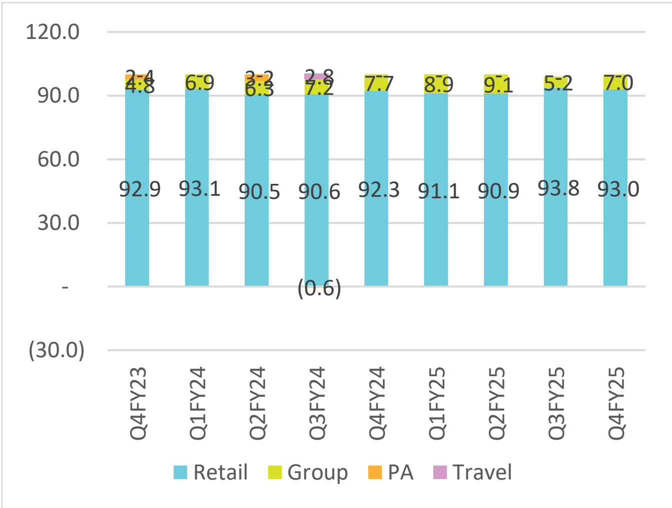

*Source: Company, Nuvama Research*

**Exhibit 8: Distribution mix dominated by agency channel**



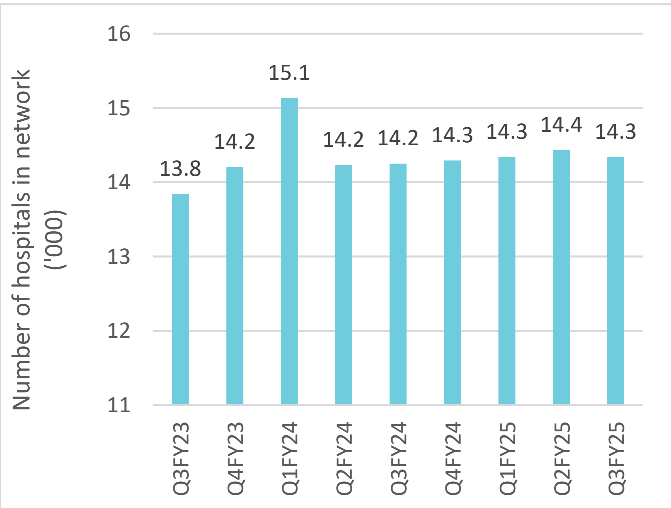

*Source: Company, Nuvama Research*

**Exhibit 9: Share of Retail increases 69bp YoY to 93%**



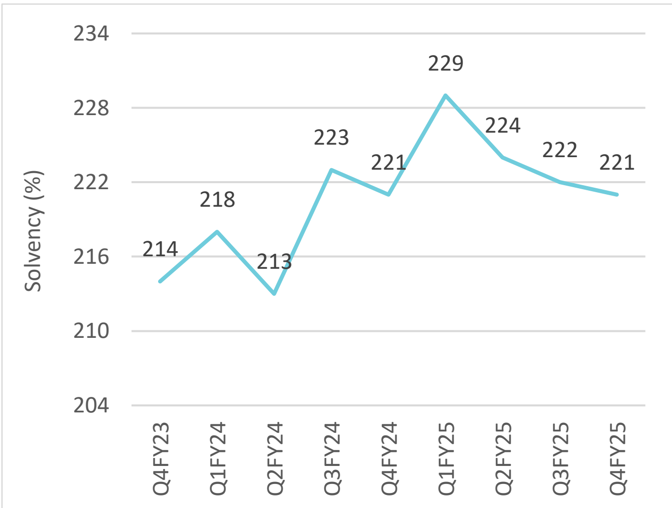

*Source: Company, Nuvama Research*

**Exhibit 10: Hospital network at 14.4K**




*Source: Company, Nuvama Research*

**Exhibit 11: Solvency ratio declines 100bp YoY to 221%**




*Source: Company, Nuvama Research*

**Exhibit 12: Estimates revisions**

| | Earlier | | Revised | | Change (%/bps) | |
|---|---|---|---|---|---|---|
| **(INR mn)** | **FY26E** | **FY27E** | **FY26E** | **FY27E** | **FY26E** | **FY27E** |
| Net written premium | 176,503 | 203,500 | 176,276 | 200,868 | (0.1) | (1.3) |
| Net earned premium | 171,939 | 198,214 | 168,101 | 190,232 | (2.2) | (4.0) |
| COR (%) | 99.2 | 97.7 | 99.2 | 97.7 | 0bps | 0bps |
| Underwriting profits | (3) | 3,005 | (1,108) | 1,302 | 39,192.8 | (56.7) |
| Investment book | 186,370 | 204,489 | 199,530 | 224,273 | 7.1 | 9.7 |
| APAT | 9,726 | 12,624 | 8,971 | 11,985 | (7.8) | (5.1) |
| EPS | 16.4 | 21.3 | 15.1 | 20.2 | (8.2) | (5.5) |
| ROE (%) | 12.6 | 14.3 | 11.9 | 13.9 | (76)bp | (36)bp |
| **Target Price (INR)** | **440** | | **450** | | **2.3** | |
| **Rating** | **BUY** | | **BUY** | | | |

*Source: Nuvama Research*

## Q4FY25 earnings call highlights

**Market leadership and growth**: STARHEAL continued to assert its dominance as India's largest standalone health insurer, commanding a 33% share in the retail health insurance market — almost three times that of its closest competitor. In FY25, India's health insurance segment grew by 9% overall, with retail health leading the growth at 12%. Star Health's fresh retail GWP grew 25% (without 1/n), supported by higher agent productivity, digital acceleration. Key product innovation in FY25 was launch of a Superstar policy, which alone garnered over INR5.5bn in premium.

**Customer focus**: Enhancements in service quality led to improved NPS—rising from 42 to 54 overall, and from 47 to 55 in claims. Key metrics such as cashless claims under 3 hours (96%) and a reduction in claim rejections (from 13% in FY24 to 10% in FY25) reflect ongoing operational improvements. Preventive healthcare efforts, including a 48% increase in health check-ups and expanded home healthcare to 156 cities helped lower hospitalization rates and treatment costs.

**Claims pressure**: Despite growth, profitability faced pressure. The overall claim ratio rose to 70.3%, largely due to increased hospitalisation frequency and severity, especially in surgical, gynecological, and cancer cases. The group business, with a high loss ratio of 89.8%, was recalibrated in FY25, reducing its contribution to total GWP from 9% in Q2FY25 to 7% in Q4FY25. Management attributed increased loss ratios to rising medical costs and early detection leading to higher claims, though measures like digitization of hospital bills and new core claim systems (due in Q2FY26) are expected to improve efficiency and fraud control. Management explicitly avoided giving any numeric guidance on future loss ratios, they preferred not to quantify the expected impact at this stage.

**Channel Performance:**

**Agency**: Contributed 82% of GWP, with 16% growth in fresh business in FY25. The agent base expanded to 775k, with plans to reach 1 million in 3 years. In Q4FY25 fresh growth from this channel stood at 19%.

**Banca**: Accounted for 7% of GWP, with 13% fresh growth in FY25, though slowed due to banks refining on core operations.

**Corporate**: Contributed 3% to GWP, focusing on SMEs and MSMEs. New business grew 21% YoY.

**Digital**: Accounted for 8% of GWP, with fresh business growing 71% in FY25.

**Yield**: Investment income increased to INR 2.9bn, yielding 6.4% (-120/-197bp YoY/QoQ). Yield moderation in Q4 was attributable to reduced equity profit booking after portfolio reshuffling.

**DAC**: The adoption of 1/n accounting for long-term policies meant that only the current year portion of premiums is recognized each year. This transition led to a visible decline in DAC and impacted IFRS RoE, making it appear lower than under IGAAP. Management clarified this is an accounting shift, not a deterioration in business fundamentals.

**Price correction strategy**: STARHEAL took multiple pricing actions — including a 25% hike in the FHO product earlier and newer, more nuanced pricing adjustments with discounts for low-claim customers. Persistency remained stable with 5–6% drop-off. Management acknowledged that past hikes caused some adverse selection but expressed optimism due to better-targeted pricing now. Fresh business performance is encouraging, and the renewal-to-fresh ratio improved from 78:22 in FY24 to 77:23 in FY25.

Product mix: In Q4 management highlighted that retail contributed to 95% vs group contributed to 5% of GWP.

**Strategic Outlook**: FY26 is positioned as the "Year of the Customer", with a focus on: *Profitable growth: Better underwriting, smarter pricing using actuarial insights, and cohort-based risk segmentation*.

Customer-centric innovation: Tailored products for Gen Z, seniors and underserved geographies.

Digital-first execution: Enhanced app services, real-time AI-driven claims pre-authorization, and improved self-service options.

The medium-term target remains to double top line and triple profits by FY28 under IFRS.

**Regulatory Environment & Sector Reforms**: FY25 witnessed significant regulatory changes aimed at increasing insurance penetration. The master circular introduced by the IRDAI emphasized customer-centric reforms to simplify and standardize products and claims. The Union Budget 2025 enhanced this direction by raising the FDI cap in insurance to 100% and encouraging a GST reduction on premiums — particularly for micro insurance — to promote affordability. STARHEAL aligned its strategy to benefit from these shifts, leveraging digital infrastructure and widening its outreach to semi-urban and rural areas.

## Company Description

STARHEAL has one of the largest pan-India distribution networks—913 health insurance branches spread across 26 states and four union territories as on March 31, 2025. Its product suite consists of a range of flexible and comprehensive coverage options, primarily for retail health, group health, personal accident and overseas travel segments.

Star Health & Allied Insurance Co Ltd. is the largest private standalone health insurance company in India headquartered in Chennai. It has been providing innovative services and products in health, personal accident and overseas & domestic travel insurance aligned with the needs of the Indian market. The company also enjoys the largest retail health insurance share based on GWP in the country. In FY25, STARHEAL's retail health market share stood at 32.6%.

## Key Risks

- Any significant slowdown in growth.
- Intensifying competition resulting in loss of market share or increased loss/combined ratios
- Exit of key management personnel.
- Any regulation flux that may further stifle easy pricing change.
- Several financial investors and pre-IPO investors, who may look to exit from time to time, hold STARHEALTH's shares. This may result in a constant supply of shares—thereby keeping its price depressed.

# Additional Data

## Management

| | |
|---|---|
| MD & CEO | Anand Roy |
| CFO | Nilesh Kambli |
| COO | Amitabh Jain |
| | |
| Auditor | T R Chadha & Co LLP and MSKA & Associates |

## Holdings – Top 10*

| | % Holding | | % Holding |
|---|---|---|---|
| ICICI Prudentai | 4.79 | Vanguard group | 1.53 |
| ICICI Prudentai | 4.60 | Government pens | 1.28 |
| HDFC AMC | 3.97 | Norges Bank | 1.28 |
| WF Asian smalle | 2.48 | MIO Star | 1.15 |
| Massachusetts I | 1.66 | WF Asian Reconn | 1.00 |

*Latest public data*

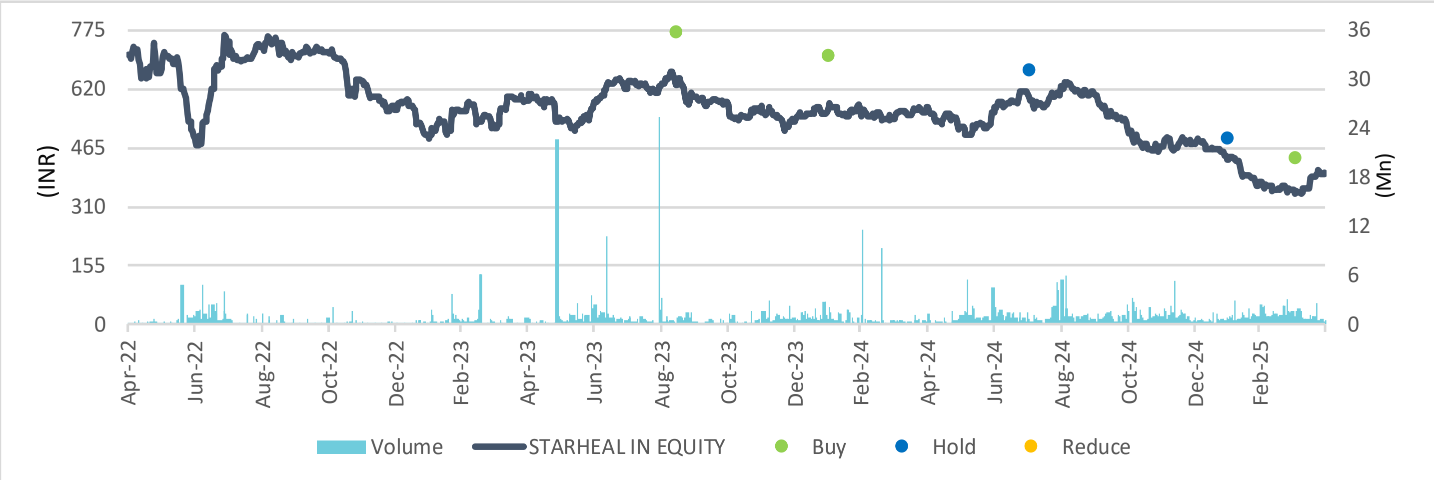
## Recent Company Research

| Date | Title | Price | Reco |
|---|---|---|---|
| 01-Apr-25 | Recalibration to improve CoRs; *Company Update* | 345 | Buy |
| 29-Jan-25 | Loss ratios improve mildly; *Result Update* | 463 | Hold |
| 30-Oct-24 | Loss ratios shoot up; *Result Update* | 536 | Hold |

## Recent Sector Research

| Date | Name of Co./Sector | Title |
|---|---|---|
| 21-Apr-25 | General Insurance | Mar-25: Key segments' growth improves; *Sector Update* |
| 15-Apr-25 | ICICI Lombard GI | Soft investment income leads to miss; *Result Update* |
| 09-Apr-25 | General Insurance | Mar 25: Industry at a standstill; *Sector Update* |

## Rating and Daily Volume Interpretation




*Source: Bloomberg, Nuvama research*

## Rating Rationale & Distribution: Nuvama Research

| Rating | Expected absolute returns over 12 months | Rating Distribution |
|---|---|---|
| Buy | 15% | 209 |
| Hold | <15% and >-5% | 59 |
| Reduce | <-5% | 34 |

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