

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	STARHEAL IN
Equity Shares (m)	588
M.Cap.(INRb)/(USD\$)	263.2 / 3
52-Week Range (INR)	648 / 327
1, 6, 12 Rel. Per (%)	9/-4/-27
12M Avg Val (INR M)	616

## Financials & Valuations (INR b)

Y/E March	2025	2026E	2027E
NEP	148.2	171.9	198.0
U/W Profit	-3.8	-2.6	-0.5
PBT	8.6	10.5	14.0
PAT	6.5	7.9	10.5

## Ratios (%)

Claims	70.3	69.5	69.0
Commission	14.4	15.0	15.0
Expense	16.4	15.4	14.6
Combined	101.1	99.9	98.6
RoE	9.5	10.6	12.6
EPS (INR)	11.0	13.4	17.9
EPS Growth (%)	-23.9	21.6	33.9

## Valuations

P/E (x)	40.6	33.4	24.9
P/BV (x)	3.7	3.4	3.0

## Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	58.0	57.7	57.9
DII	21.1	15.4	15.1
FII	13.9	18.7	21.6
Others	7.0	8.2	5.4

FII Includes depository receipts

**CMP: INR448**

**TP: INR520 (+16%)**

**Buy**

## In-line underwriting performance

- Star Health's (STARHEAL) net earned premium rose 12% YoY to INR39.4b (in line) during 1QFY26.
- Claims ratio at 69.5% (in line) grew 190bp YoY, driven by a 15% YoY increase in net claims incurred to INR27.4b (in line). Commission ratio at 14.7% (est. 14.5%) rose 120bp YoY, while net commission grew 18% YoY to INR5.1b (in line). Expense ratio at 17.9% (est. 17%) declined 20bp YoY, with employee expenses growing 6% YoY and other expenses rising 13% YoY.
- Higher-than-expected expense and commission ratios led to a combined ratio of 102.2% (up 300bp YoY), which was 120bp above our estimates. Excluding 1/n impact, combined ratio was at 100.8%.
- While underwriting profit at INR0.7b was in line with our estimate, lower-than-expected investment income at INR3b (10% below est.) resulted in a 10% PAT beat at INR2.6b (-18% YoY).
- STARHEAL's pricing actions, underwriting strategy, and reducing pressure from claim frequency and severity will drive an improvement in the company's loss ratio trajectory in the coming quarters.
- Considering the in-line underwriting performance, we have kept our estimates unchanged. **We reiterate our BUY rating with a TP of INR520 (based on 29x FY27E EPS).**

## Lower investment yield impacts PAT

- Gross written premium at INR36.1b grew 4%YoY (in line) in 1QFY26, driven by 9% YoY growth in retail health premium, which was offset by 48% YoY decline in group health premium.
- The underwriting profit for 1QFY26 came in at INR0.7b (in line) vs. INR1.4b in 1QFY25.
- Total investment income was flat YoY at INR3b (10% below est.), with investment yield declining to 6.5% (7.5% in 1QFY25). AUM grew 15% YoY to INR182.5b.
- Renewal premium ratio was at 98% (vs. 93% in 1QFY25). Fresh business in the retail health segment grew 25% YoY (excluding 1/n impact).
- Solvency ratio was largely stable at 2.22x, while investment leverage improved to 2.5x (2.3x in 1QFY25).
- IFRS PAT was INR4.4b in 1QFY26, up from INR3b in 1QFY25. Management maintains its target of tripling FY24 IFRS PAT by FY28.
- Retail health market share was stable at 31% during 1QFY26, while the overall sum insured increased 10% YoY to INR1.2m. Sum insured of fresh business increased 11% YoY to INR1.6m.
- Agency dominates the channel mix, contributing 82%, followed by digital/banca/corporate at 9%/7%/2%. Agency productivity improved 13% YoY to INR130,000 during 1QFY26. Banca channel witnessed 20%+ growth in the preferred business, which contributed 92% to banca fresh GWP. Digital channel witnessed strong 73% YoY growth in fresh business during the quarter.

### Key takeaways from the management commentary

- The equity proportion in AUM increased from 10% to 15% in Mar'25 and currently stands at 17.5%. Management expects this to result in stronger investment yields over a rolling three-year horizon.
- While the earlier guidance of doubling IFRS revenue may be impacted by the strategic realignment of the corporate portfolio, the guidance of tripling the IFRS profitability remains unchanged.
- Over 65% of the book underwent price correction last year, and annual price increases are expected to continue, especially in low-profitability segments.

### Valuation and view

- STARHEAL continues to witness the impact of 1/n accounting framework on growth and profitability ratios. Price hikes, along with improving trends in claim frequency and severity, may provide some relief from rising medical inflation and hospitalization trends, bringing the claims ratio down gradually over the next few quarters. Scale benefits will help to reduce the expense ratio, while the commission ratio is expected to remain in the current range.
- Considering the in-line underwriting performance, we have kept our estimates unchanged. **We reiterate our BUY rating with a TP of INR520 (based on 29x FY27E EPS).**

## Quarterly Performance

(INR b)

Y/E March	FY25				FY26E				FY25	FY26E	1Q FY26E	Act v/s Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE						
Gross premium	34.8	43.7	38.0	51.4	36.1	46.3	45.0	61.1	167.8	188.5	36.3	-0.7	4%	-30%
Net written premium	31.7	39.8	35.6	48.2	34.6	44.5	43.2	58.7	155.3	180.9	34.9	-0.9	9%	-28%
Net earned premium	35.2	37.0	38.0	38.0	39.4	41.6	45.3	45.6	148.2	171.9	38.4	2.7	12%	-4%
Investment Income	1.7	2.1	2.0	1.9	1.8	2.0	2.0	2.4	7.7	8.2	2.0	-9.6	3%	6%
<b>Total Income</b>	<b>36.9</b>	<b>39.1</b>	<b>40.0</b>	<b>39.9</b>	<b>41.2</b>	<b>43.6</b>	<b>47.4</b>	<b>47.9</b>	<b>155.9</b>	<b>180.1</b>	<b>40.3</b>	<b>2.1</b>	<b>11%</b>	<b>-3%</b>
Change YoY (%)	15.7	16.6	15.8	11.5	11.5	11.4	18.4	20.3	14.8	15.5	9.2			
Incurred claims	23.8	27.0	27.1	26.3	27.4	29.5	31.7	30.8	104.2	119.5	26.7	2.7	15%	-4%
Net commission	4.3	5.5	5.0	7.6	5.1	6.7	6.5	8.9	22.4	27.1	5.1	0.4	18%	50%
Employee expense	3.7	4.5	4.1	4.6	3.9	4.4	4.5	5.2	16.9	18.1	3.8	2.9	6%	16%
Other expenses	2.0	2.0	2.2	2.3	2.3	2.2	2.6	2.7	8.5	9.8	2.1	7.6	13%	0%
Total Operating Expenses	33.8	39.0	38.5	40.7	38.7	42.9	45.3	47.6	152.0	174.5	37.6	2.7	14%	5%
Change YoY (%)	16.6	18.7	21.1	16.8	14.4	10.0	17.8	16.9	18.3	14.8	11.4			
<b>Underwriting profit</b>	<b>1.4</b>	<b>-1.9</b>	<b>-0.5</b>	<b>-2.8</b>	<b>0.7</b>	<b>-1.3</b>	<b>-</b>	<b>-2.0</b>	<b>-3.8</b>	<b>-2.6</b>	<b>0.7</b>	<b>0.3</b>	<b>-49%</b>	<b>-484%</b>
Operating profit	3.1	0.2	1.5	-0.9	2.5	0.7	2.0	0.3	3.9	5.6	2.7	-6.9	-20%	-135%

## Shareholder's P/L

Transfer from Policyholder's	3.1	0.2	1.5	-0.9	2.5	0.7	2.0	0.3	3.9	5.6	2.7	-6.9	-20%	-135%
Investment income	1.3	1.5	1.5	1.0	1.2	1.3	1.4	1.5	5.2	5.4	1.3	-9.7	-6%	-15%
<b>Total Income</b>	<b>4.4</b>	<b>1.6</b>	<b>3.0</b>	<b>0.1</b>	<b>3.7</b>	<b>2.1</b>	<b>3.4</b>	<b>1.9</b>	<b>9.1</b>	<b>11.0</b>	<b>4.0</b>		<b>-16%</b>	<b>-96%</b>
<b>Total Expenses</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.5</b>	<b>0.5</b>	<b>0.1</b>	<b>32.3</b>	<b>38%</b>	<b>-1%</b>
<b>PBT</b>	<b>4.3</b>	<b>1.5</b>	<b>2.9</b>	<b>-0.0</b>	<b>3.5</b>	<b>1.9</b>	<b>3.3</b>	<b>1.8</b>	<b>8.6</b>	<b>10.5</b>	<b>3.9</b>	<b>-9.0</b>	<b>-17%</b>	<b>-100%</b>
Change YoY (%)	10.9	-11.0	-26.0	.	-17.4	28.4	13.5	.	-23.7	21.7	-9.2			
Tax Provisions	1.1	0.4	0.7	-0.0	0.9	0.5	0.8	0.4	2.2	2.6	1.0	-7.5	-17%	-102%
<b>Net Profit</b>	<b>3.2</b>	<b>1.1</b>	<b>2.2</b>	<b>0.0</b>	<b>2.6</b>	<b>1.4</b>	<b>2.4</b>	<b>1.3</b>	<b>6.5</b>	<b>7.9</b>	<b>2.9</b>	<b>-9.6</b>	<b>-18%</b>	<b>-100%</b>
Change YoY (%)	10.8	-11.2	-25.7	-99.6	-17.7	28.8	13.6	na	-24%	22%	-9.0			

## Key Parameters (%)

Share in GWP														
Health-Retail	89.2	90.0	93.0	94.4	93.9	0.0	0.0	0.0	92.2	94.0	0.0		-1.9	5.2
Health-Group	9.5	8.0	5.7	4.0	4.8	0.0	0.0	0.0	6.6	4.8	0.0		1.4	-5.6
PA	1.3	2.0	1.3	1.6	1.0	0.0	0.0	0.0	1.1	1.2	0.0		0.5	0.4
Claims ratio	67.6	72.8	71.4	69.2	69.5	71.0	70.0	67.6	70.3	69.5	69.5	5bp	197bp	-31bp
Commission ratio	13.5	13.8	14.1	15.8	14.7	15.0	15.0	15.2	14.4	15.0	14.5	19bp	116bp	108bp
Expense ratio	18.1	16.4	17.7	14.2	17.9	15.0	16.5	13.4	16.4	15.4	17.0	92bp	-13bp	-374bp
Combined ratio	99.2	103.0	103.3	99.2	102.2	101.0	101.5	96.2	101.1	99.9	101.0	116bp	301bp	-297bp
Solvency	2.3	2.2	2.2	2.2	2.2	-	-	-	2.1	2.2	-			

## Key Performance Indicators

INRb	FY24	FY25	Change	1QFY25	1QFY26	Change
<b>Without 1/n</b>						
GWP	152.5	175.5	15.1	34.8	39.4	13.2
Retail health retention	98.4%	97.0%	-1.4%	92.8%	97.7%	4.9%
Expense ratio	30.2%	29.9%	-0.3%	31.6%	31.2%	-0.4%
Combined ratio	96.7%	100.2%	3.5%	99.2%	100.8%	1.6%
<b>IGAAP</b>						
GWP	152.5	167.8	10.0	34.8	36.1	3.7
Expense ratio	30.2%	30.8%	0.6%	31.6%	32.6%	1.0%
Combined ratio	96.7%	101.1%	4.4%	99.2%	102.2%	3.0%
<b>IFRS</b>						
Loss ratio	66.5%	70.7%	4.2%	68.1%	69.5%	1.4%
Expense ratio	30.7%	30.4%	-0.3%	31.1%	30.1%	-1.0%
Combined ratio	97.2%	101.1%	3.9%	99.2%	99.6%	0.4%
Underwriting P/L	3.5	-1.7		0.3	0.2	
Investment income	11.7	12.6	7.6	3.9	5.9	51.0
PAT	11.0	7.9	-28.6	3.0	4.4	44.1
RoE (non-annualised)	15.2%	9.5%	-5.7%	3.8%	4.9%	1.1%

Source: MOFSL, Company



## Key takeaways from the management commentary

### Financial Performance

- Excluding 1/n accounting, retail health premium grew 18% YoY, driven by a robust 25% YoY growth in fresh business.
- GWP persistency remained best-in-class at 98% on a value basis, while volume persistency stood at 84-85%, with an improving trend across all customer cohorts highlighting strong customer loyalty and brand equity.
- IFRS expense ratio declined to 30.1% from 31.1% in 1QFY25, while combined ratio rose marginally to 99.6% (from 99.2% in 1QFY25) due to an increase in loss ratio to 69.5% (from 68.1% in 1QFY25).
- Claim settlement ratio improved significantly to 90% from 85%, and management indicated that pricing actions, underwriting strategy, and recalibration measures undertaken earlier should start reflecting in lower loss ratios in the coming quarters. The company also highlighted an improving trend in both claim frequency and severity.
- The equity proportion in AUM increased from 10% to 15% in Mar'25 and currently stands at 17.5%. Management expects this to result in stronger investment yields over a rolling three-year horizon.
- While the earlier guidance of doubling its IFRS revenue may be impacted by the strategic realignment of the corporate portfolio, the IFRS profitability guidance remains unchanged.

### Product Strategy

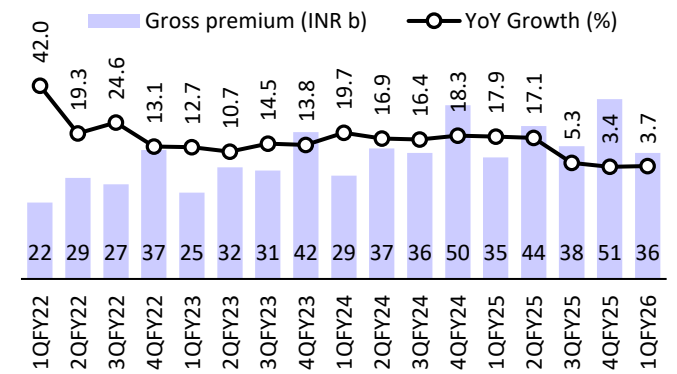
- The company continues to pursue disciplined pricing with multiple affordability levers for customers, including network-based discounts.
- Over 65% of the book underwent price correction last year, and annual price increases are expected to continue, especially in low-profitability segments.
- Group health loss ratio was at 85.1%, while retail health was at 65.5% for the quarter.
- SME business now contributes 65% of the corporate channel (vs. 40% in 1QFY25).
- Assure and Super Star together contributed 80% of new business, and multi-year policies, though just 8% of volumes, contributed 30% of fresh business. The flagship FHO product comprises 30% of the overall book.

### Distribution mix

- Agency network expanded to 781,000+ agents. Despite lower focus on portability (10% of business), agency fresh business still grew 16% YoY.
- Digital business saw a sharp rise contributing 20% of new business (vs 12% in 1QFY25), with 73% YoY growth in digital fresh premiums. Of the digital channel, 70% is direct and 30% is through partners. Multi-year policy uptake has also been strong in this channel.
- Bancassurance contributed 7% of total business, and the company expects better profitability from banca going forward due to a sharper focus on the preferred product mix. The share of preferred products in fresh banca business has improved to 92% from 74%, with over 20% growth in this segment.

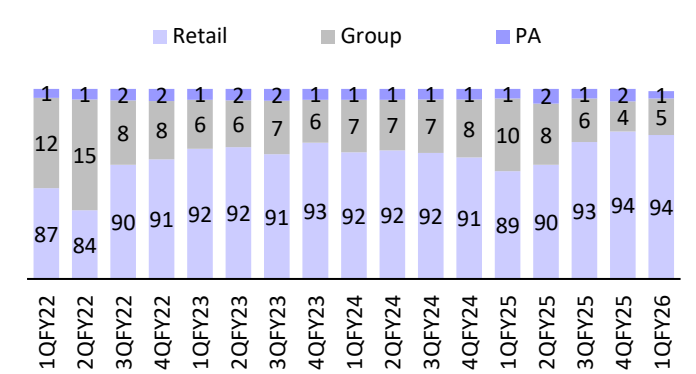
## Key exhibits

**Exhibit 1: Trends in gross premium**



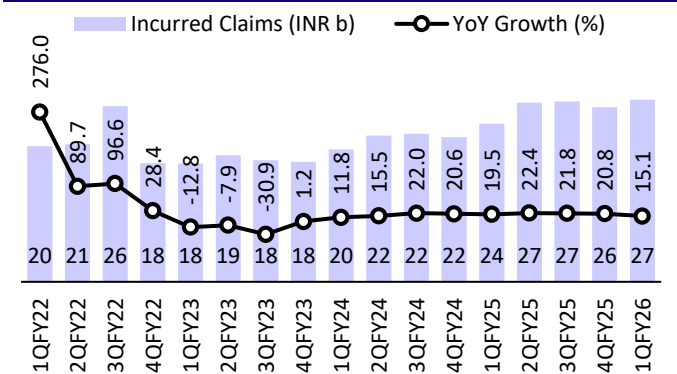
Source: MOFSL, Company

**Exhibit 2: Share of retail health stood at 94%**



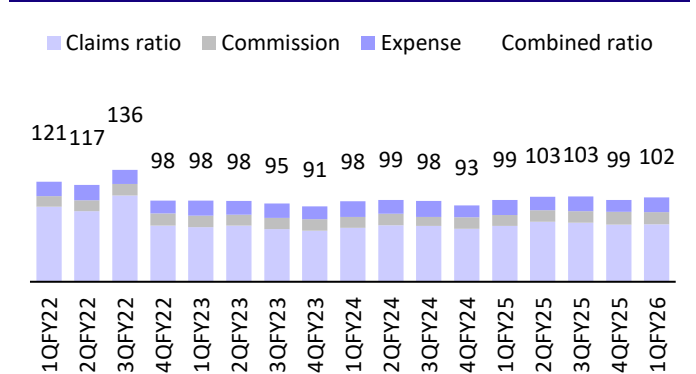
Source: MOFSL, Company

**Exhibit 3: Incurred claims of INR27b in 1QFY26**



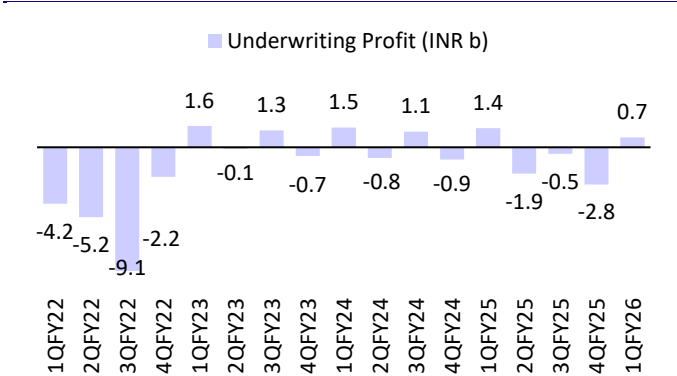
Source: MOFSL, Company

**Exhibit 4: Combined ratio on the rise YoY impacted by 1/n**



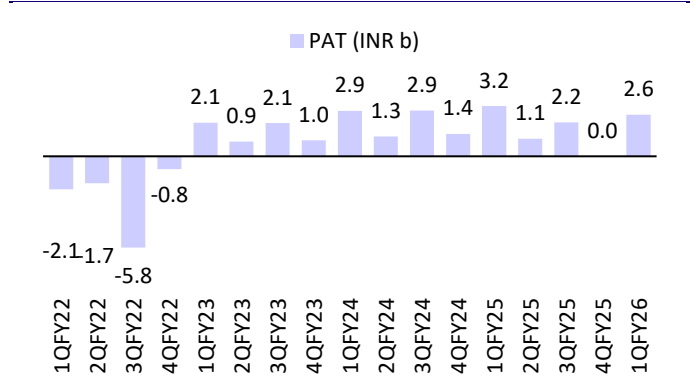
Source: MOFSL, Company

**Exhibit 5: Underwriting profit at INR0.7b in 1QFY26**



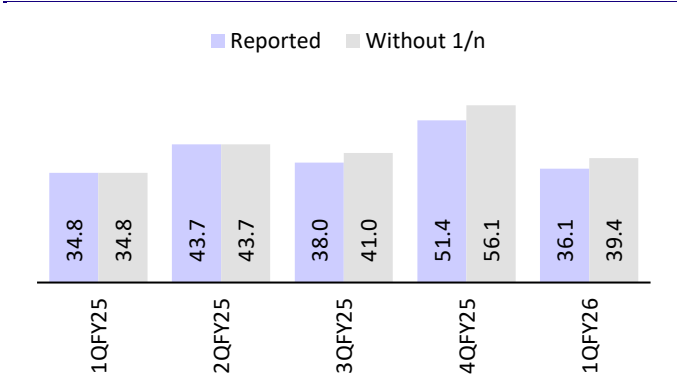
Source: MOFSL, Company

**Exhibit 6: Trend in PAT**



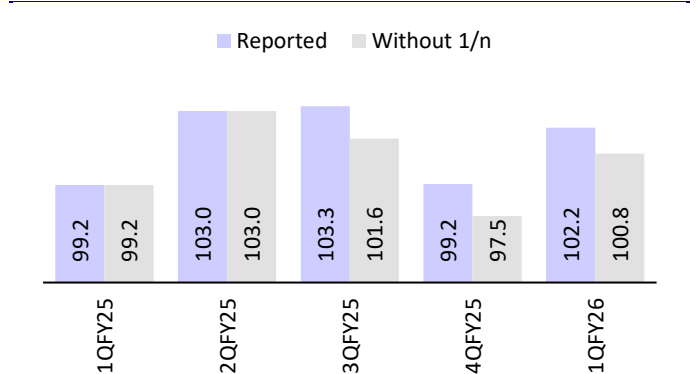
Source: MOFSL, Company

**Exhibit 7: GWP (INR b) impact due to 1/n implementation**



Source: MOFSL, Company

**Exhibit 8: CoR (%) impact due to 1/n implementation**



Source: MOFSL, Company

## Financials and valuations

### Income Statement

	(INR m)							
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Retail Health	58,252	82,075	1,00,870	1,19,475	1,39,512	1,54,130	1,77,250	2,05,609
Group Health	8,897	9,963	12,066	8,076	10,824	11,038	9,051	10,137
PA	1,337	1,489	1,685	1,939	2,117	1,897	2,182	2,509
<b>Total GDPI</b>	<b>68,651</b>	<b>93,885</b>	<b>1,14,635</b>	<b>1,29,525</b>	<b>1,52,545</b>	<b>1,67,814</b>	<b>1,88,482</b>	<b>2,18,256</b>
Change (%)	27.1	36.8	22.1	13.0	17.8	10.0	12.3	15.8
NWP	52,395	71,794	1,08,096	1,23,196	1,40,674	1,55,252	1,80,943	2,09,525
<b>NEP</b>	<b>46,841</b>	<b>46,266</b>	<b>98,092</b>	<b>1,12,616</b>	<b>1,29,383</b>	<b>1,48,222</b>	<b>1,71,896</b>	<b>1,98,002</b>
Change (%)	27.9	-1.2	112.0	14.8	14.9	14.6	16.0	15.2
Net claims	30,874	43,695	85,400	73,204	85,999	1,04,194	1,19,468	1,36,621
Net commission	3,404	14,922	16,828	16,828	18,537	22,407	27,141	31,429
Expenses	11,013	14,031	18,443	20,538	23,944	25,406	27,885	30,486
Employee expenses	8,526	11,765	13,436	14,537	16,122	16,929	18,114	19,382
Other expenses	2,487	2,266	5,007	6,001	7,823	8,477	9,771	11,105
<b>Underwriting Profit/(Loss)</b>	<b>1,550</b>	<b>-17,316</b>	<b>-20,673</b>	<b>2,046</b>	<b>903</b>	<b>-3,785</b>	<b>-2,598</b>	<b>-535</b>
Investment income (PH)	1,639	2,505	4,796	5,014	6,407	7,718	8,162	9,283
Operating profit	3,303	-14,811	-15,877	7,060	7,309	3,933	5,564	8,749
Investment income (SH)	1,212	1,718	3,214	3,287	4,089	5,135	5,418	5,785
<b>PBT</b>	<b>4,062</b>	<b>-14,458</b>	<b>-14,024</b>	<b>8,264</b>	<b>11,289</b>	<b>8,611</b>	<b>10,475</b>	<b>14,027</b>
Tax	1,389	-3,601	-3,559	2,078	2,838	2,152	2,619	3,507
Tax rate (%)	34.2	24.9	25.4	25.1	25.1	25.0	25.0	25.0
<b>PAT</b>	<b>2,633</b>	<b>-10,857</b>	<b>-10,464</b>	<b>6,186</b>	<b>8,450</b>	<b>6,459</b>	<b>7,856</b>	<b>10,520</b>

### Balance sheet

	- (INR m)							
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Equity Share Capital	4,906	5,481	5,755	5,817	5,853	5,878	5,878	5,878
Reserves & Surplus	14,132	29,516	40,285	59,839	60,429	64,359	72,215	82,735
<b>Net Worth</b>	<b>19,038</b>	<b>34,996</b>	<b>46,040</b>	<b>65,656</b>	<b>66,282</b>	<b>70,236</b>	<b>78,093</b>	<b>88,613</b>
FV change	31	-76	267	234	1,036	885	974	1,071
Borrowings	2,500	2,500	7,200	4,700	4,700	4,700	4,700	4,700
Other liabilities	38,361	67,589	81,629	92,988	1,08,525	1,32,025	1,33,788	1,46,306
<b>Total Liabilities</b>	<b>59,930</b>	<b>1,05,010</b>	<b>1,35,136</b>	<b>1,63,577</b>	<b>1,80,543</b>	<b>2,07,846</b>	<b>2,17,554</b>	<b>2,40,690</b>
Investments (SH)	18,110	27,941	44,939	53,459	63,361	71,857	75,256	80,354
Investments (PH)	24,789	40,426	68,796	80,462	91,548	1,07,126	1,13,358	1,28,937
Net Fixed Assets	1,019	990	1,171	1,113	1,751	1,849	1,899	1,949
Def Tax Assets	70	4,213	7,767	5,689	3,582	3,512	3,512	3,512
Current Assets	9,827	12,650	6,828	8,444	12,990	16,817	18,888	21,872
Cash & Bank	6,114	18,790	5,635	14,410	7,312	6,684	4,641	4,066
<b>Total Assets</b>	<b>59,930</b>	<b>1,05,010</b>	<b>1,35,136</b>	<b>1,63,577</b>	<b>1,80,543</b>	<b>2,07,846</b>	<b>2,17,554</b>	<b>2,40,690</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
GWP growth	27.1	36.8	22.1	13.0	17.8	10.0	12.3	15.8
NWP growth	26.9	37.0	50.6	14.0	14.2	10.4	16.5	15.8
<b>NEP growth</b>	<b>27.9</b>	<b>-1.2</b>	<b>112.0</b>	<b>14.8</b>	<b>14.9</b>	<b>14.6</b>	<b>16.0</b>	<b>15.2</b>
Claim ratio	65.9	94.4	87.1	65.0	66.5	70.3	69.5	69.0
Commission ratio	6.5	20.8	15.6	13.7	13.2	14.4	15.0	15.0
Expense ratio	21.0	19.5	17.1	16.7	17.0	16.4	15.4	14.6
<b>Combined ratio</b>	<b>93.4</b>	<b>134.8</b>	<b>119.7</b>	<b>95.3</b>	<b>96.7</b>	<b>101.1</b>	<b>99.9</b>	<b>98.6</b>
<b>Profitability Ratios (%)</b>								
RoE	16.8	-40.2	-25.8	11.1	12.8	9.5	10.6	12.6

Valuations	2020	2021	2022	2023	2024	2025	2026E	2027E
BVPS (INR)	38.8	63.9	80.0	112.9	113.2	119.5	132.9	150.8
Change (%)	43.9	64.6	25.3	41.1	0.3	5.5	11.2	13.5
<b>Price-BV (x)</b>	<b>11.5</b>	<b>7.0</b>	<b>5.6</b>	<b>4.0</b>	<b>3.9</b>	<b>3.7</b>	<b>3.4</b>	<b>3.0</b>
EPS (INR)	5.4	-19.8	-18.2	10.6	14.4	11.0	13.4	17.9
Change (%)	15.8	-469.1	-8.2	-158.5	35.8	-23.9	21.6	33.9
<b>Price-Earnings (x)</b>	<b>83.1</b>	<b>-22.5</b>	<b>-24.5</b>	<b>42.0</b>	<b>30.9</b>	<b>40.6</b>	<b>33.4</b>	<b>24.9</b>
<b>Market Cap/GDPI (x)</b>	<b>3.8</b>	<b>2.8</b>	<b>2.3</b>	<b>2.0</b>	<b>1.7</b>	<b>1.6</b>	<b>1.4</b>	<b>1.2</b>

E: MOFSL Estimates

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## NOTES



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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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