

# STAR HEALTH & ALLIED INSURANCE COMPANY LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.633.90 (As on 16<sup>th</sup> Aug 2023)

TARGET PRICE : Rs.793.00

FACE VALUE : Rs.10

BSE CODE : 543412

NSE CODE : STARHEALTH







## ABOUT THE COMPANY

Star Health & Allied Insurance Company Ltd. is India's leading private Health Insurance company headquartered in Chennai. The Company has gross written premium of around 13.0k crores (as of FY'23), 6.3L Agency Force, 142000+ hospital Network and 830+ Branches.

The Company provides innovative services and products in health, personal accident and overseas & domestic travel insurance aligned with the needs of the Indian Market.



# Key pillars of our Strategy

<b>1</b>	<b>Leadership in Retail Health</b>	32% Retail Health Insurance Market Share	33% Retail Health Accretion Market Share
<b>2</b>	<b>Well Spread Distribution Network</b>	16% CAGR in no. of agents since FY21 to 0.64 million	856 Branches
<b>3</b>	<b>Investment in Technology</b>	66% premium value issued digitally	INR 2.1bn GWP acquired from online channels
<b>4</b>	<b>Diversified and Specialized Product Suite</b>	Specialized Products contribute 15.8% of Star Health's total retail health GWP	
<b>5</b>	<b>Focus on Risk Management</b>	15.1k Network Hospitals	61% claims processed through ANH
<b>6</b>	<b>Superior Operating Performance</b>	Solvency Ratio at 2.18x (premium based)	Best-in-class Opex/GWP Ratio of 18.3%



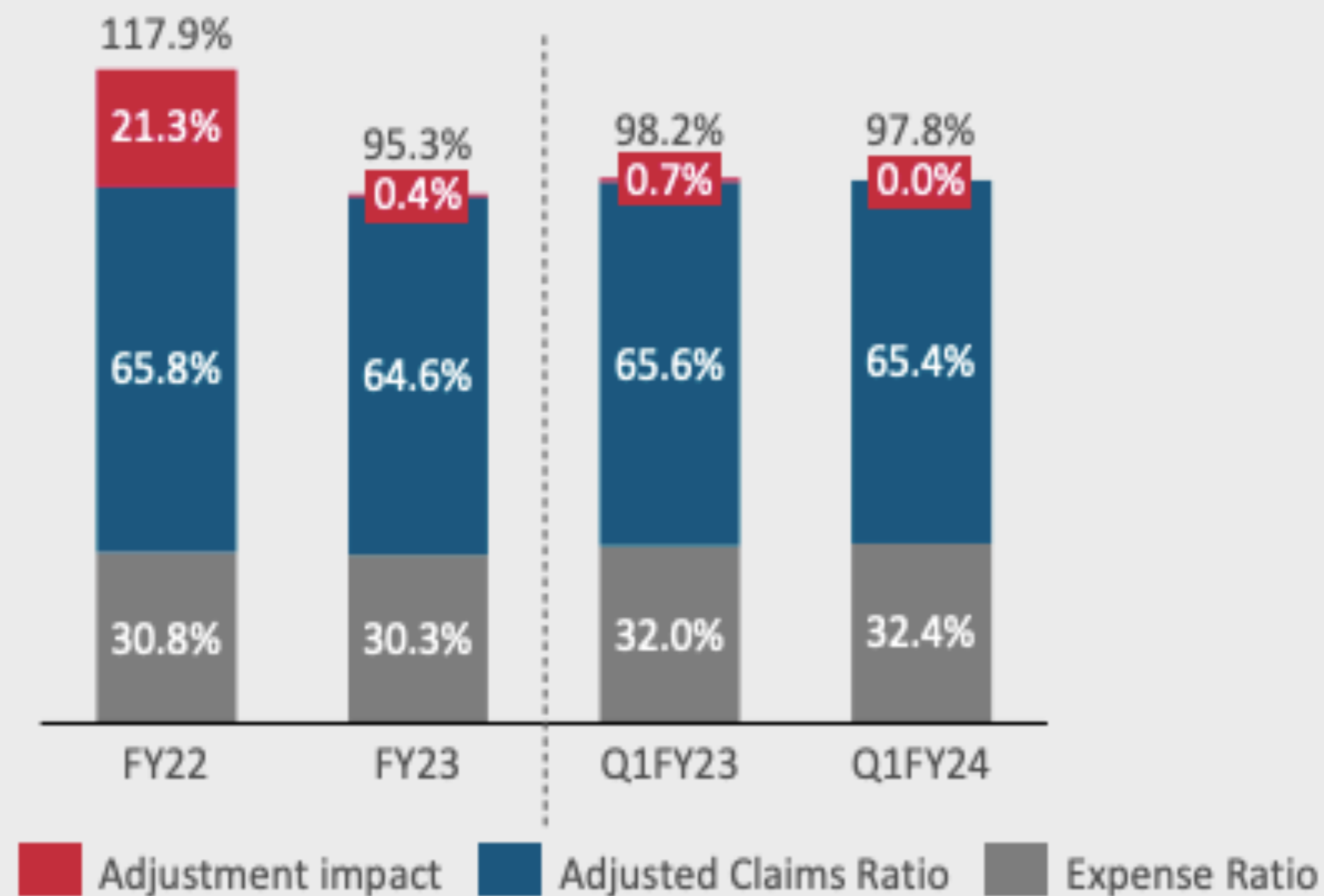
# Key Performance Indicators (1/2)

Particulars	Fiscal Year Ended March 31,		Three Months Ended June 30,	
(INR millions, unless otherwise stated)	2022	2023	2022	2023
GWP	1,14,634.7	1,29,524.7	24,636.6	29,486.3
Period-on-period growth of GWP	22.1%	13.0%	12.7%	19.7%
Retail Health Renewal Premium Ratio	94.0%	95.0%	94.0%	96.0%
Number of agents (in '000s)	549.5	625.9	566.5	642.6
Number of hospitals in network (in actual number)	12,820	14,203	13,426	15,133
Combined Ratio	117.9%	95.3%	98.2%	97.8%
Underwriting Profit/(Loss)	(20,615.3)	2,046.2	1,570.0	1,454.3
Investment Income	7,928.2	8,345.6	2,040.2	2,499.8
Investment Yield	8.2%	6.9%	7.1%	7.4%
Profit/(Loss) after tax	(10,406.7)	6,185.9	2,132.4	2,878.5
Net worth	45,133.8	54,301.3	47,348.5	57,239.2
Return on equity*	-26.0%	12.4%	4.6%	5.2%

Return on Equity = Profit After Tax/Average Net Worth. Note: Numbers are basis 1/365 URR method. ROE is non-annualised

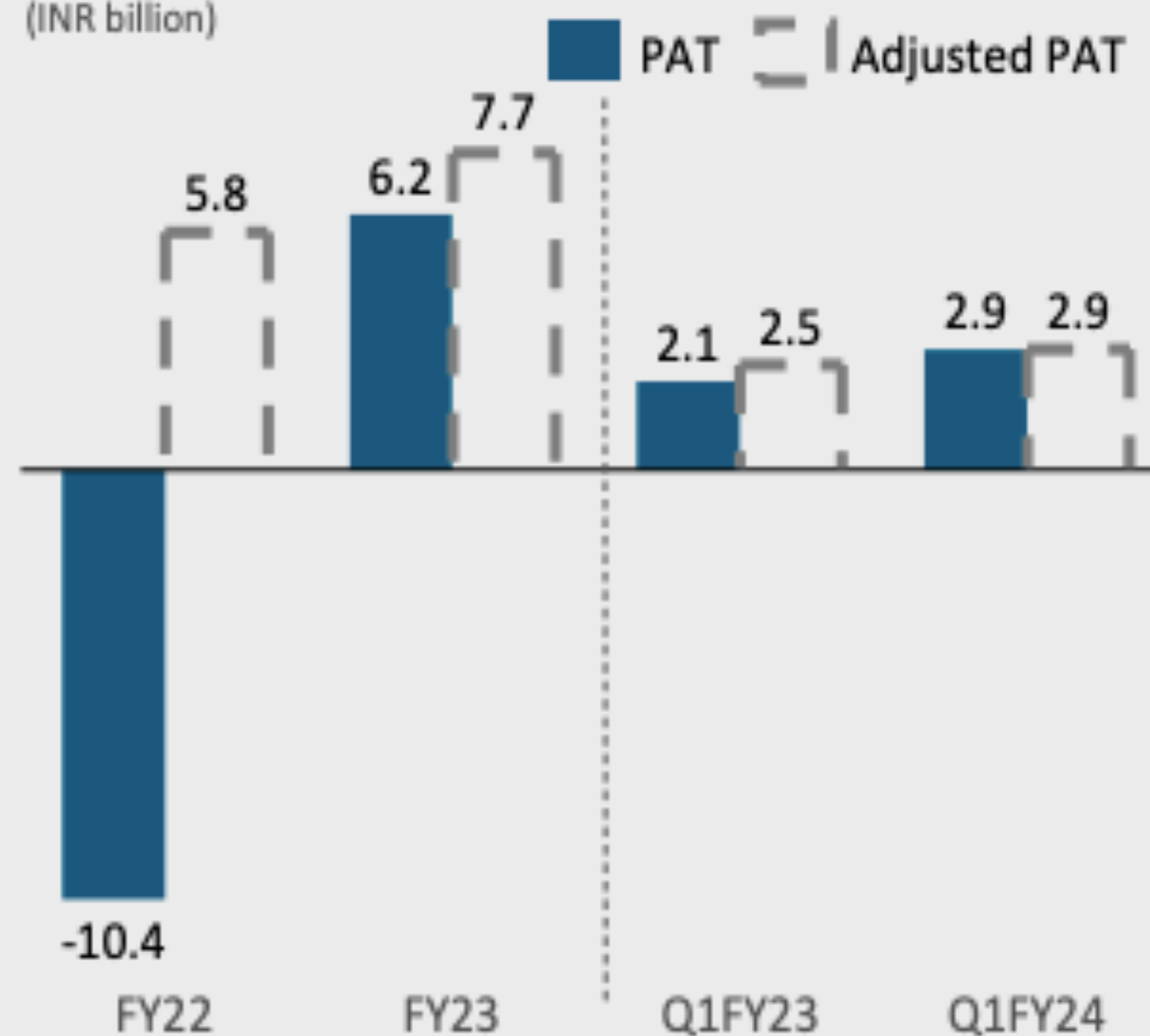
# Key Performance Indicators (2/2)

## Claims, Expense and Combined Ratio



## Profit After Tax (PAT)

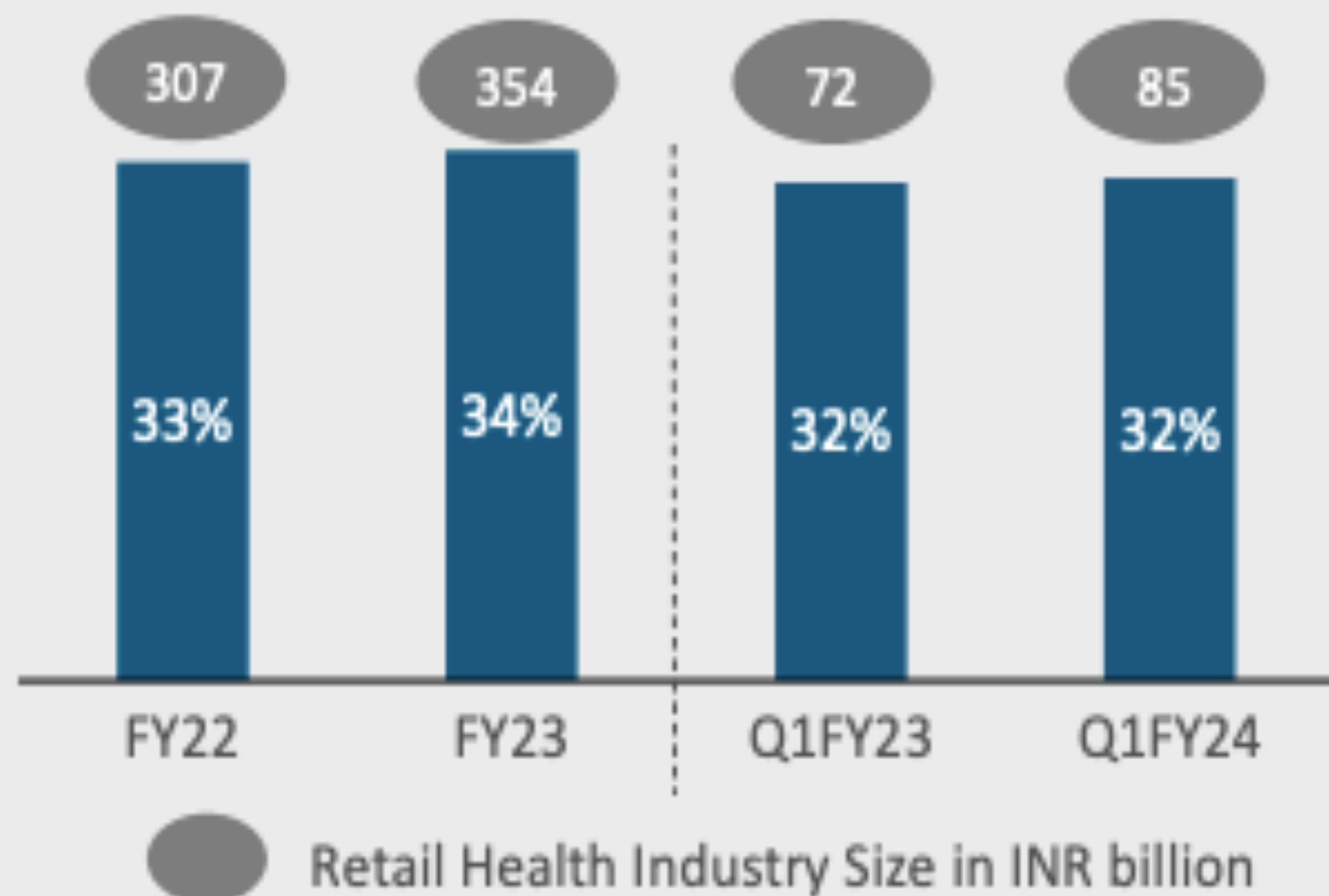
(INR billion)





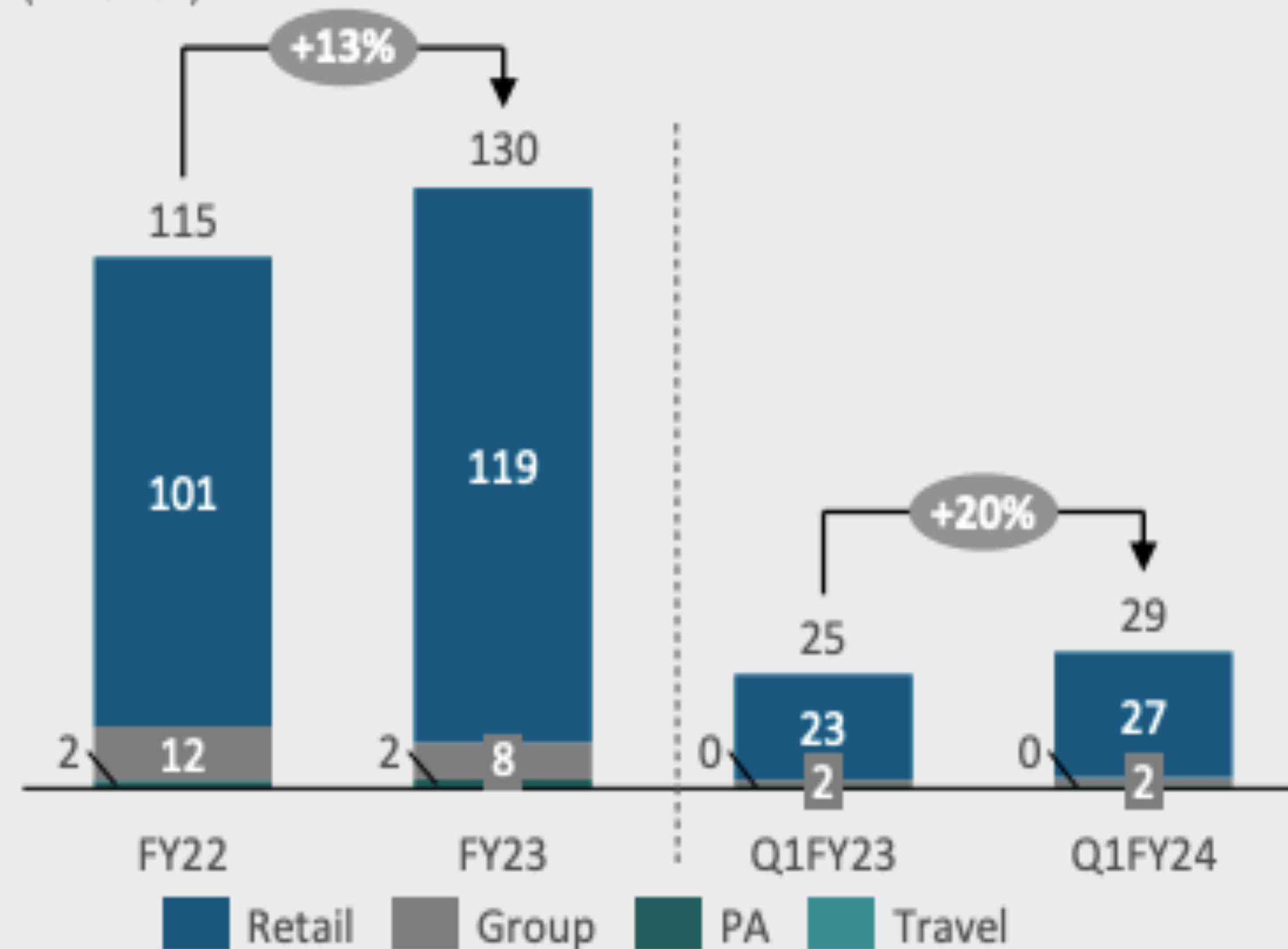
# 1 Leadership in Attractive Retail Segment

## Retail Health Market Share



## Gross Written Premium

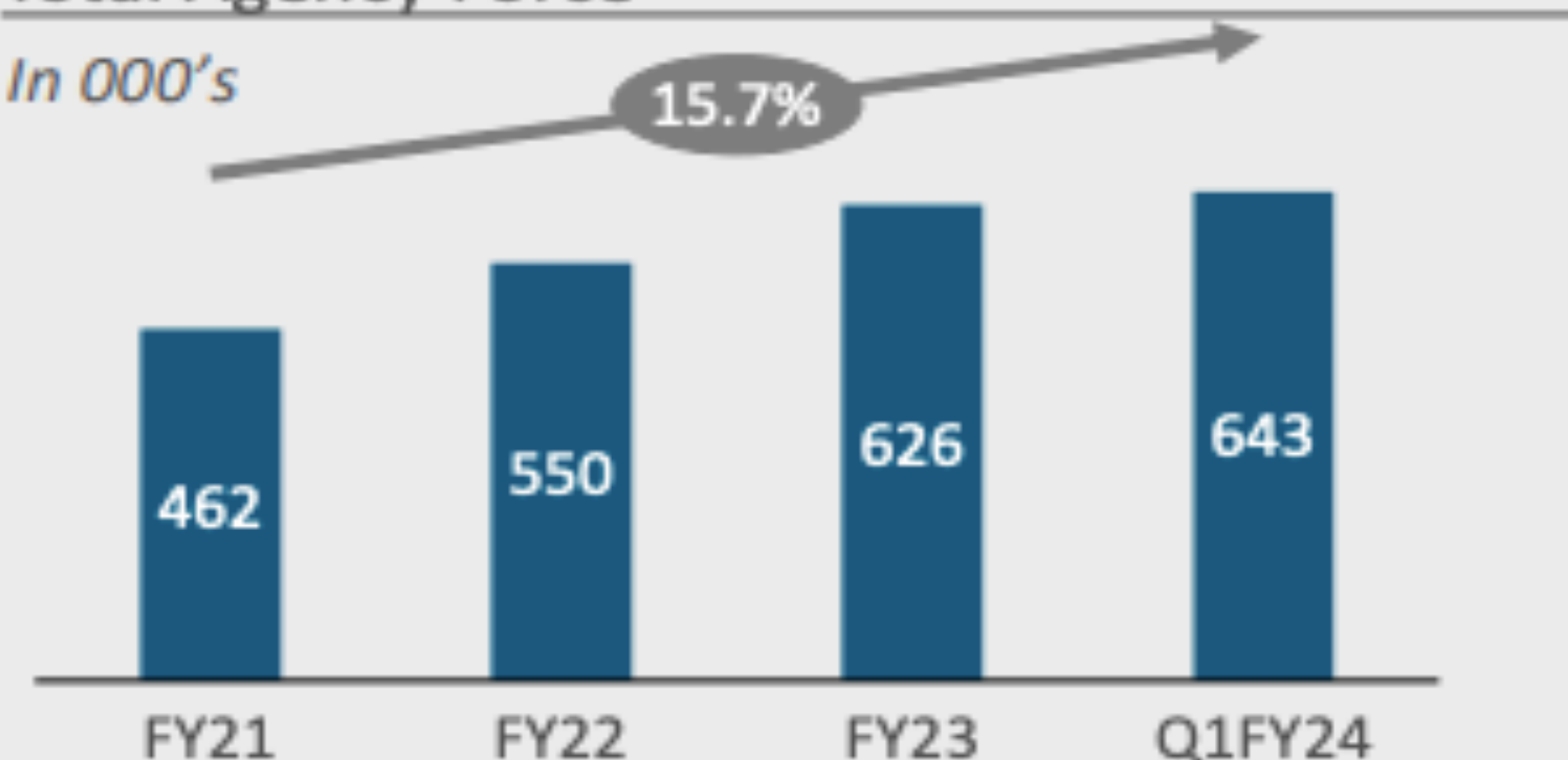
(INR billion)



## 2 Largest and Well Spread Distribution Network

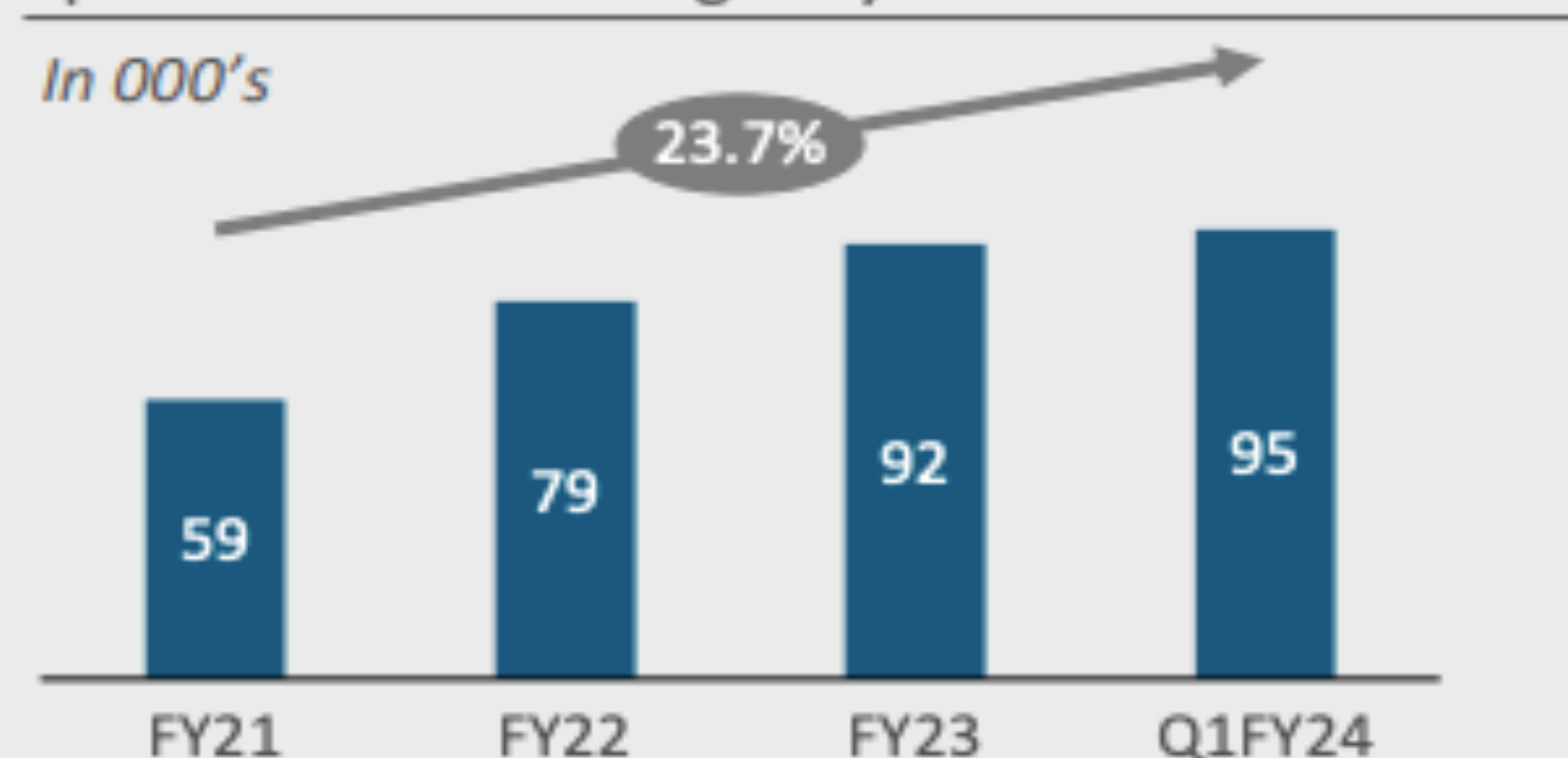
Total Agency Force

In 000's



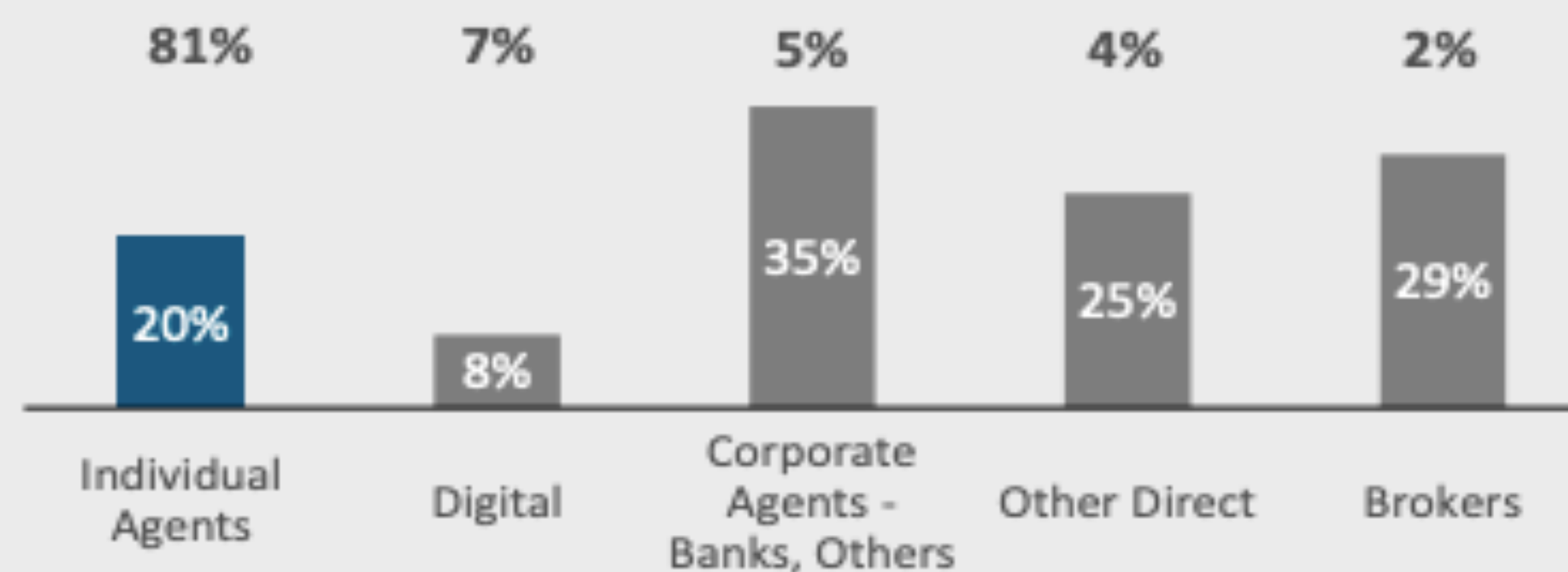
Sponsored Health Agency Force

In 000's



Channel wise mix and growth, Q1FY24

Q1FY24  
Channel Mix

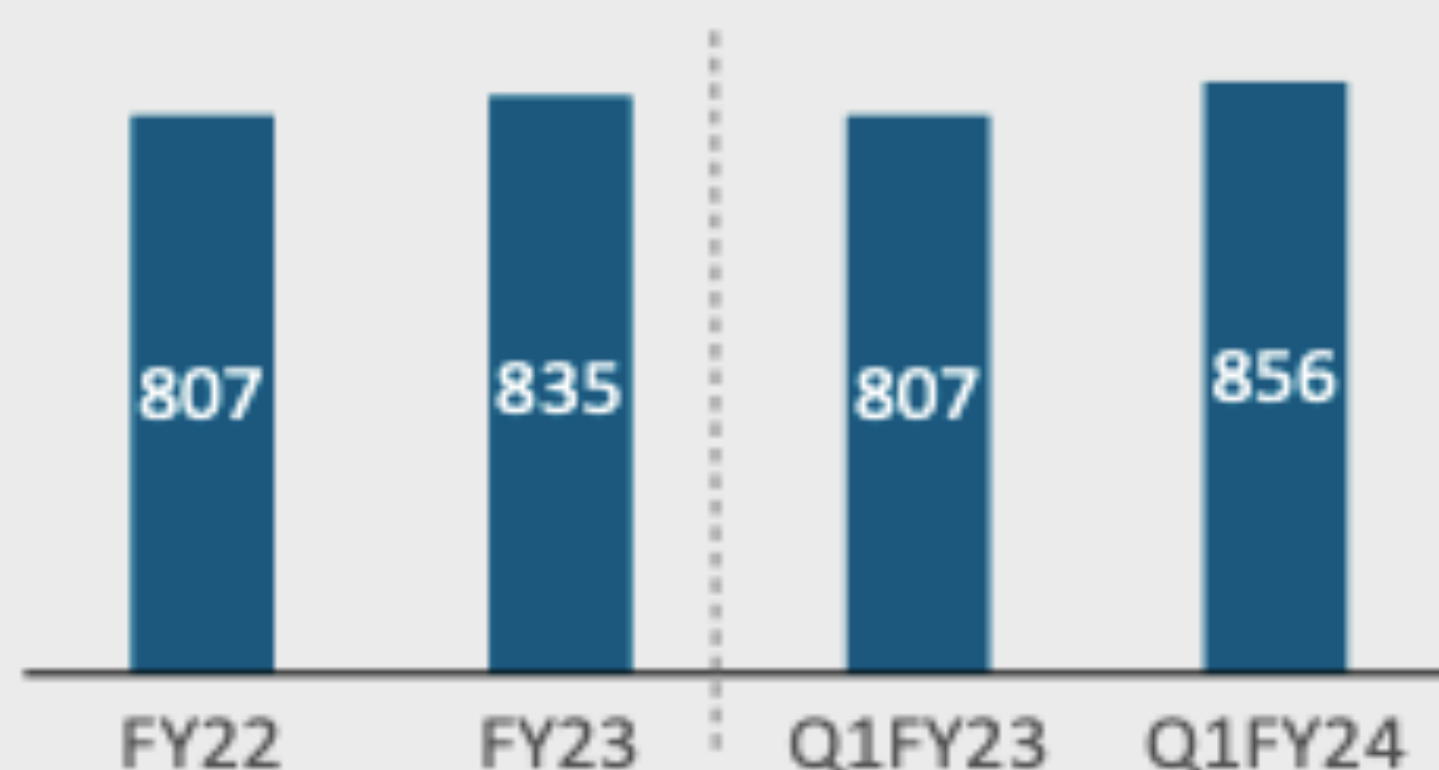


Note: Brokers excludes online brokers such as Policybazaar



## 2 Extensive Footprint and Alternate Distribution Channels

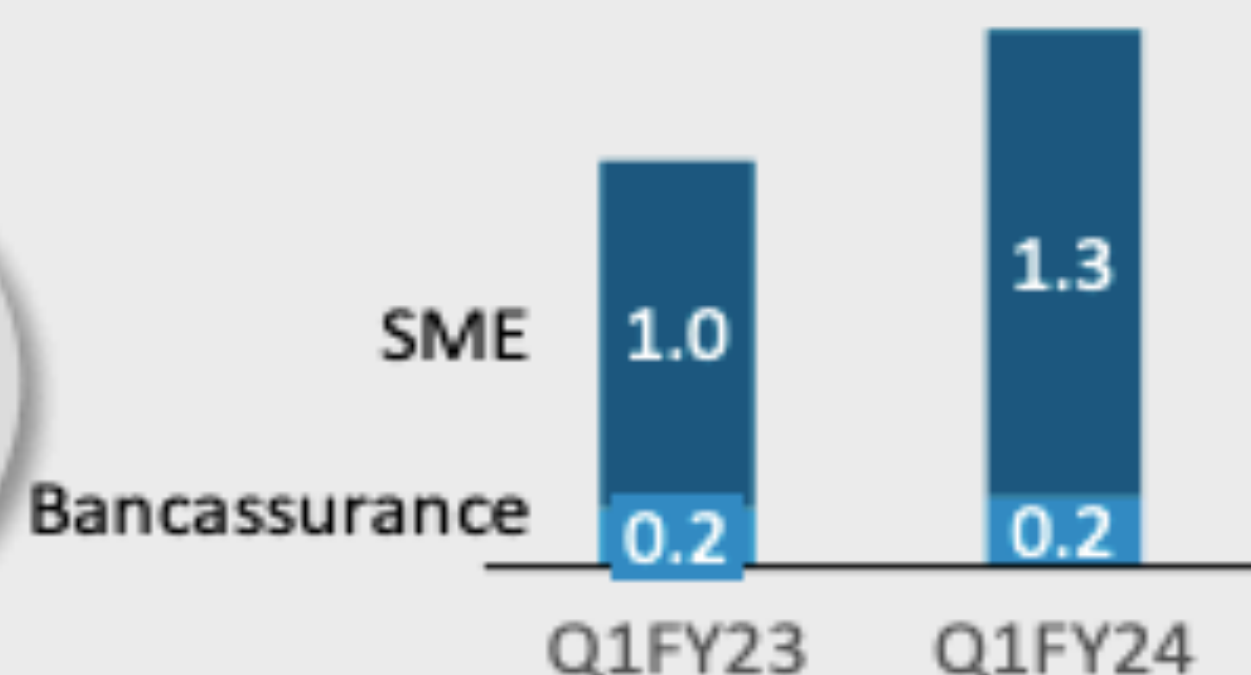
### Extensive Branch Network



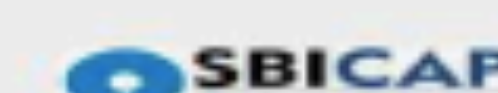
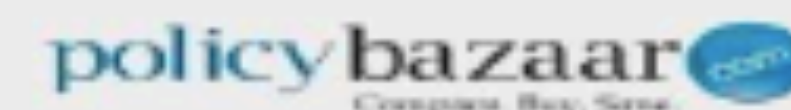
### Focus on SME & Banca Group Health Sales

INR billion

**76%**  
SME + Banca  
contribution



### Partner Integration

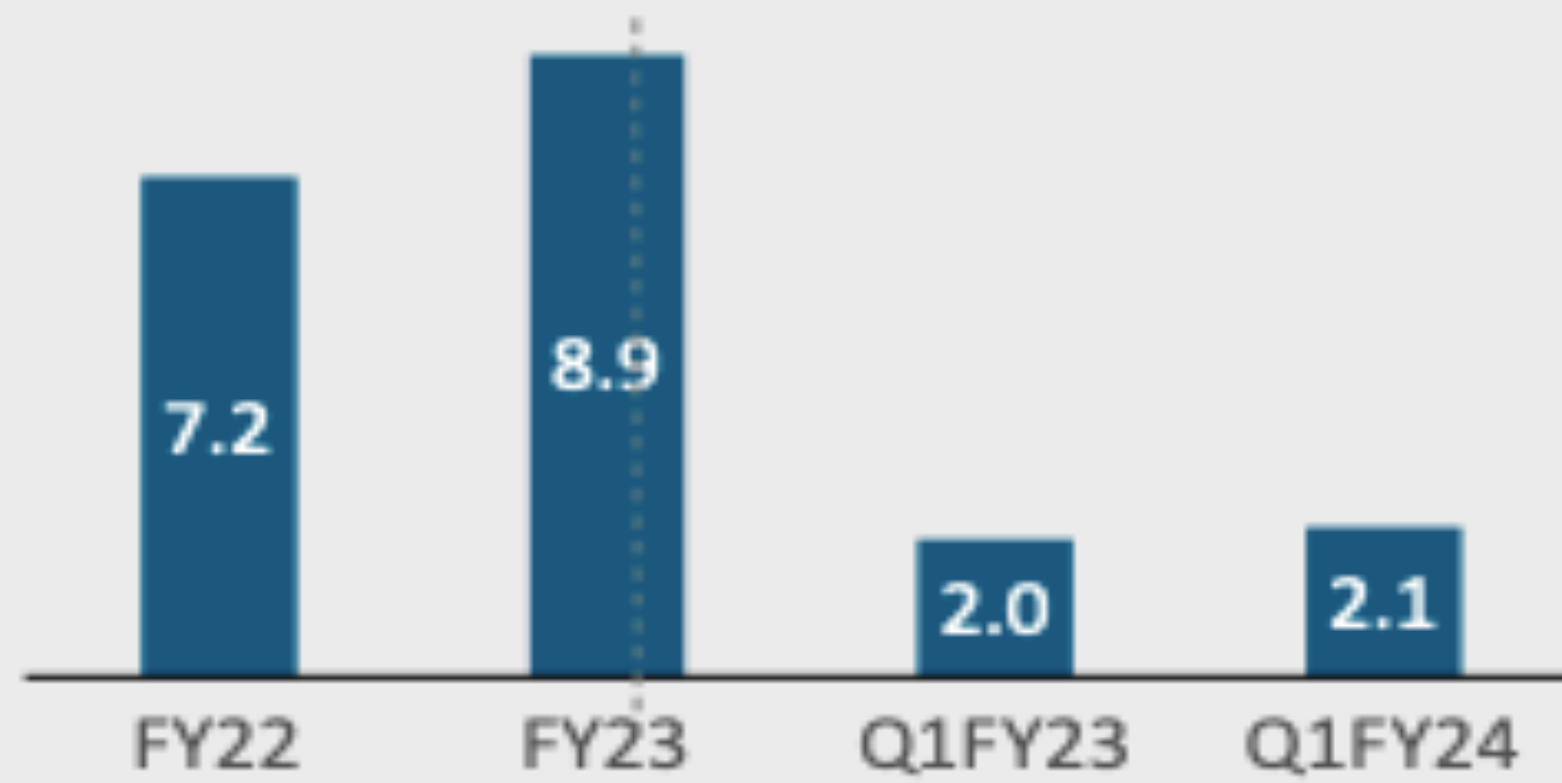




### 3 Continued focus on Digital Growth

#### Digital Acquisition

GWP acquired through online channels, INR 'billion

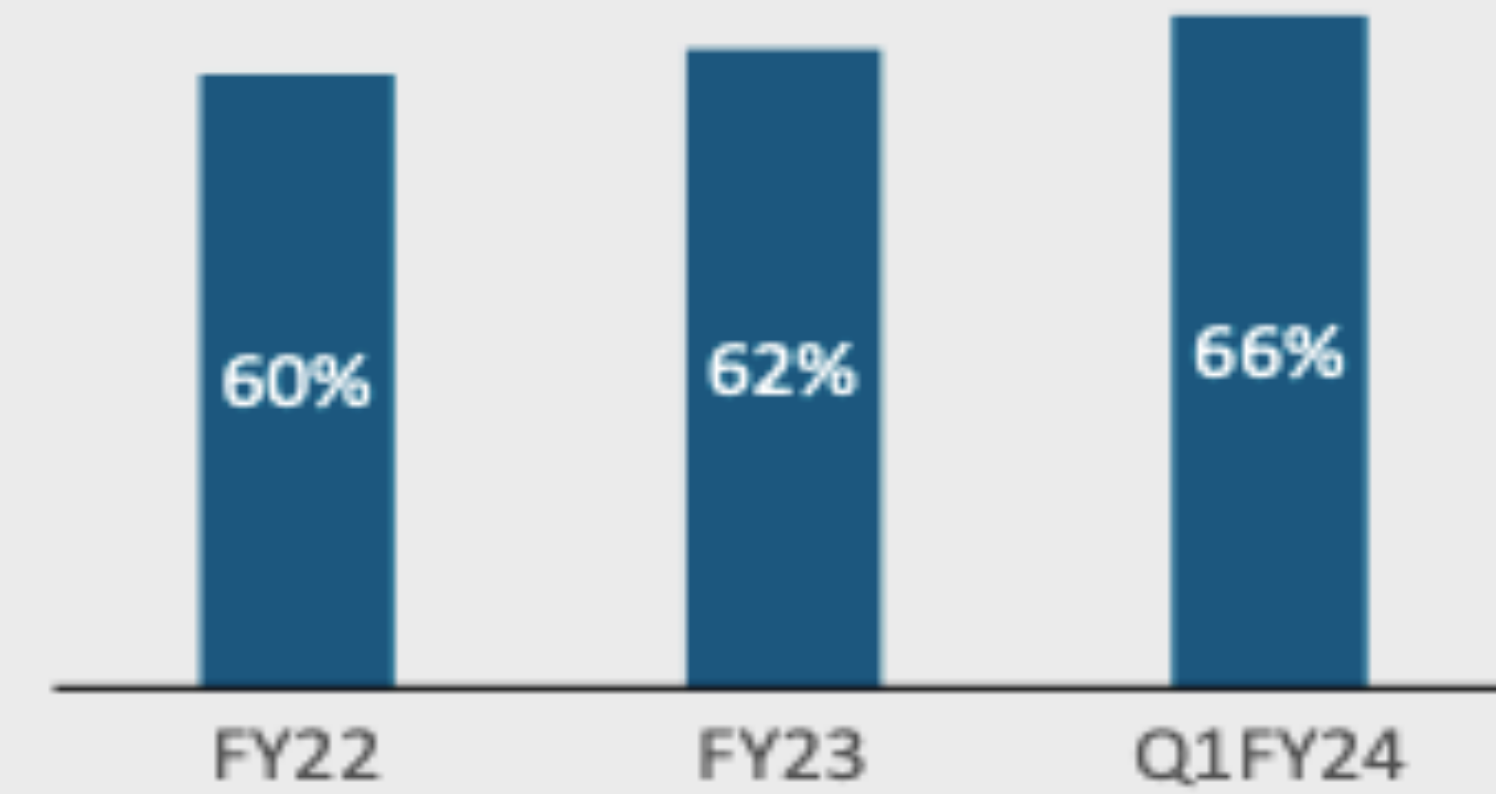


**26%**

Growth – Fresh Digital (Q1FY24)

#### Digital Issuance

% of premium collection



#### Digitizing Customer Acquisition

More than 80% of agents have downloaded the STAR ATOM app

## 4 Diversified and Specialized Product Suite

### Specialized Products



Star Cancer Care Policy



Star Cardiac Care Policy



Star Diabetes Safe Policy



Star Senior Citizens Red Carpet Health Insurance Policy

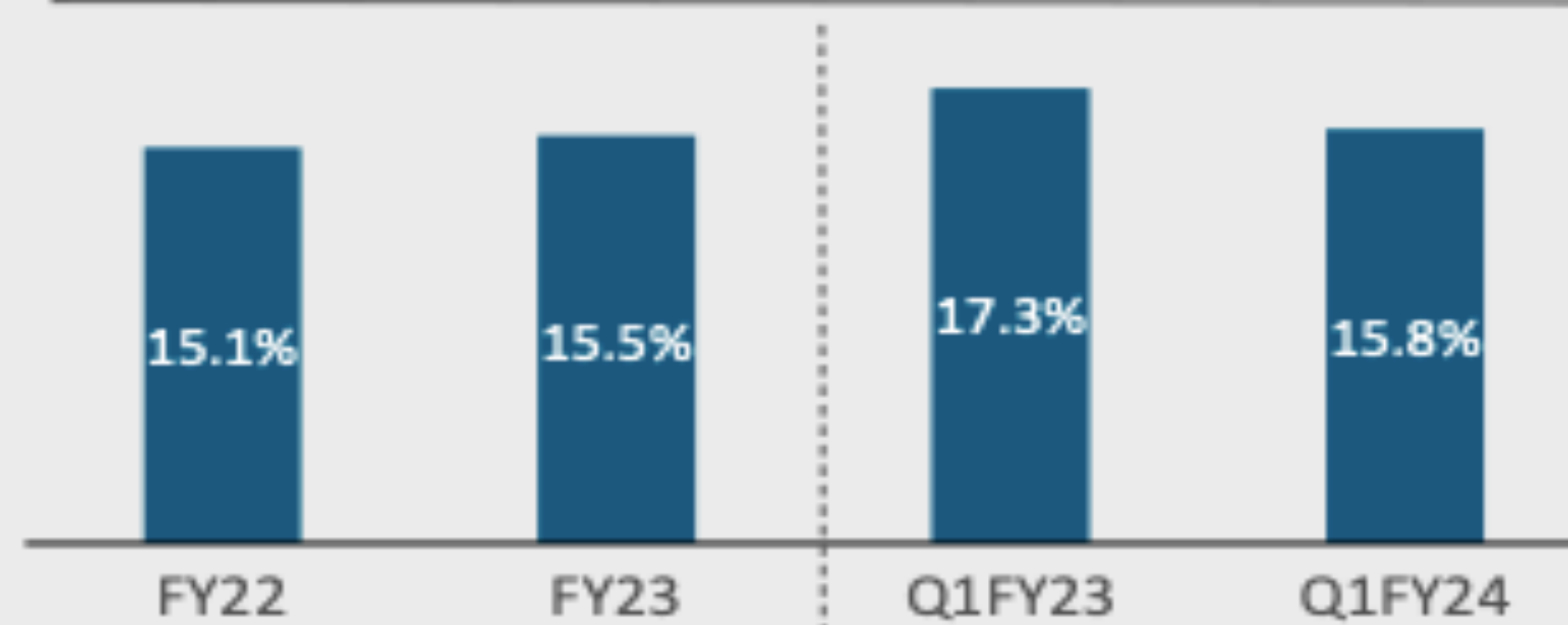


Young Star Policy



Women Care Policy

Retail Premium Mix for Specialized Products (%)

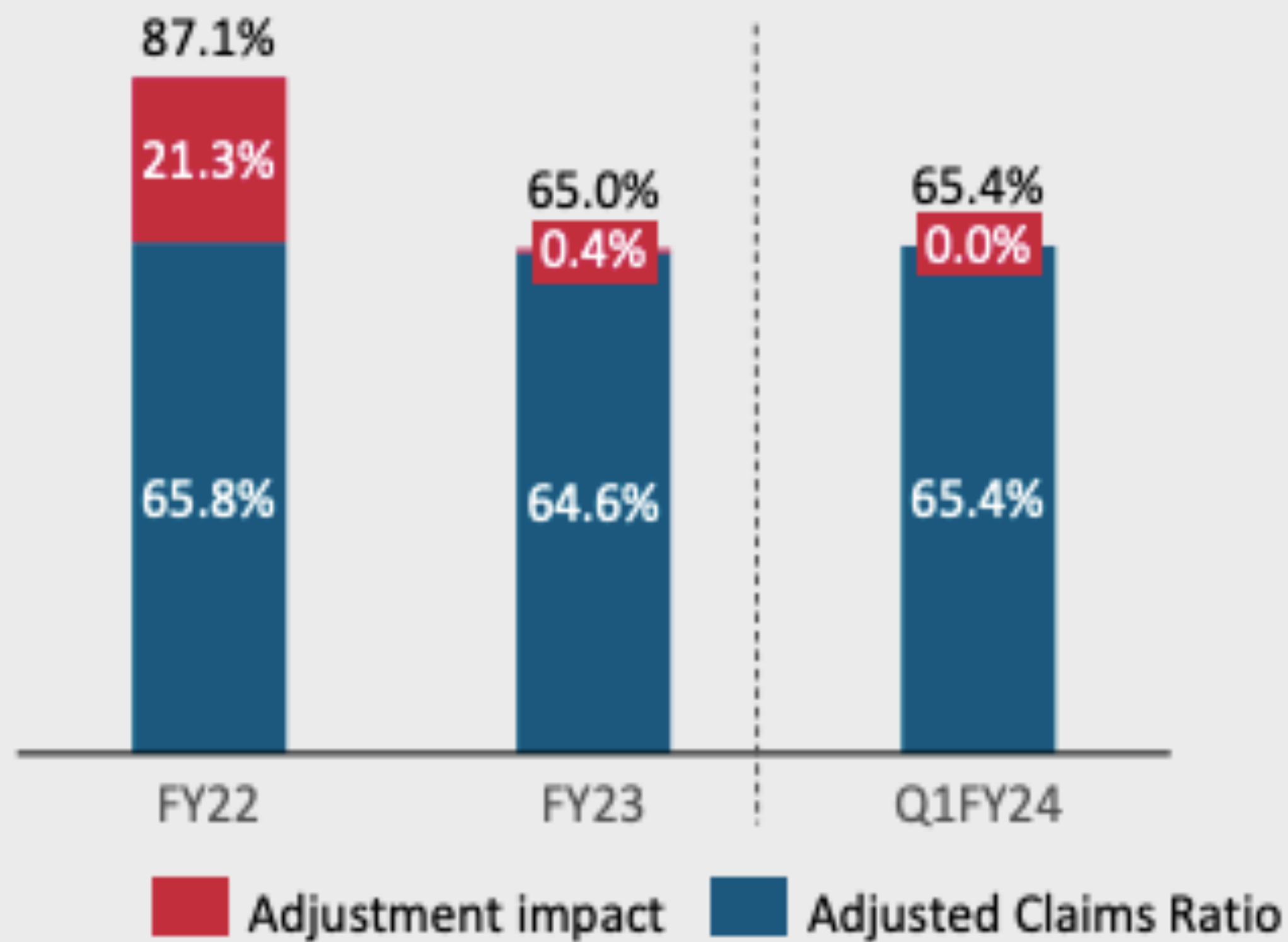


Note: Specialized products include disease and age specific products like Cancer care, Cardiac Care, Diabetes Safe, Senior Citizen Red Carpet, Women's Care and Young Star



## 5 Strong Domain Expertise Driving Superior Claims Ratio

### Net Incurred Claims Ratio<sup>(1)</sup>



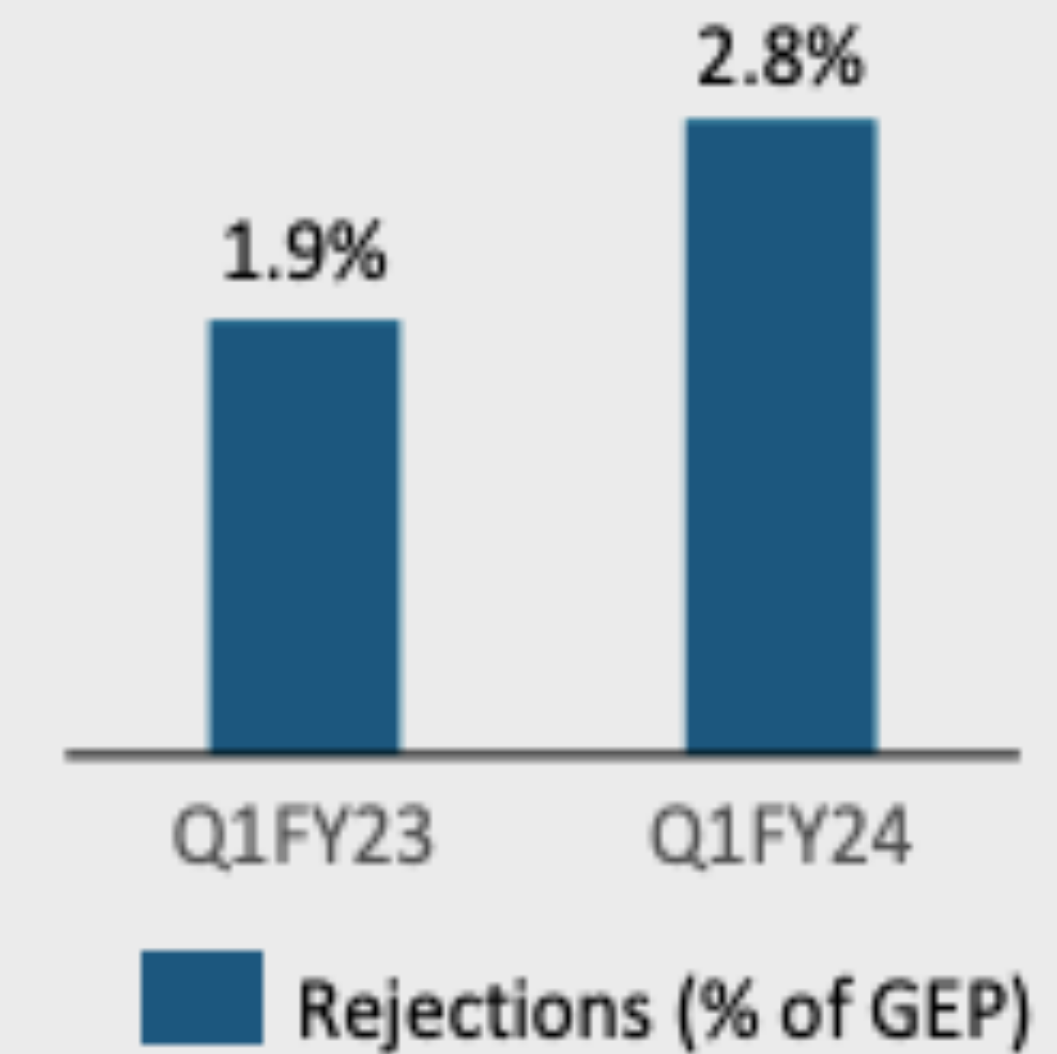
### Increasing Sum Assured

Growth of Average Sum Assured in Retail Health policies



### Fraud Analytics

Impact on Claims outgo



## 5 Extensive Claims Processing and Network Negotiation

9.3m

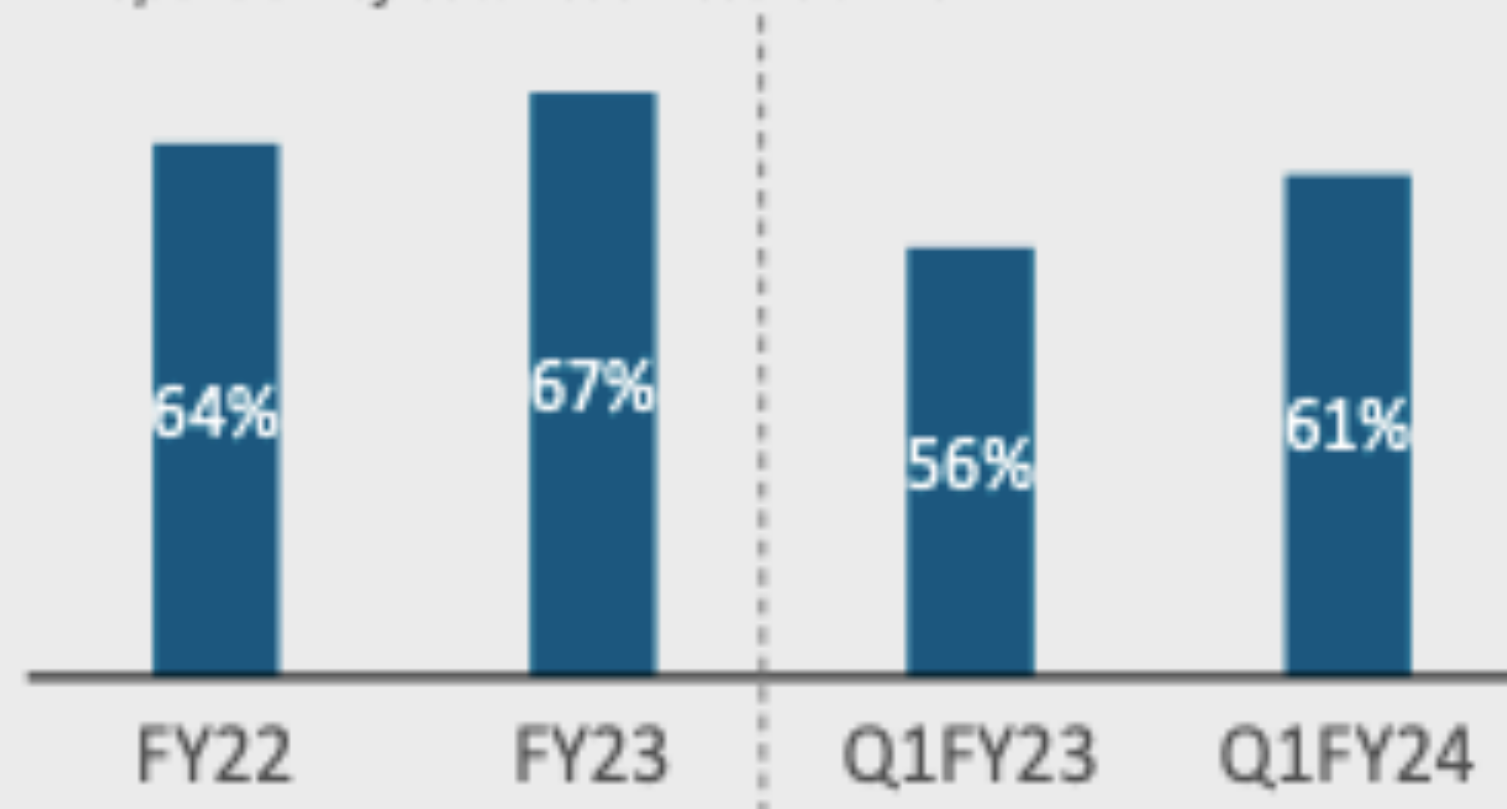
Claims Settled  
Since Inception<sup>(1)</sup>

94%

Cashless  
authorization < 2 hr

### ANH<sup>(2)</sup> Share...

Proportion of total cashless claims



15.1k

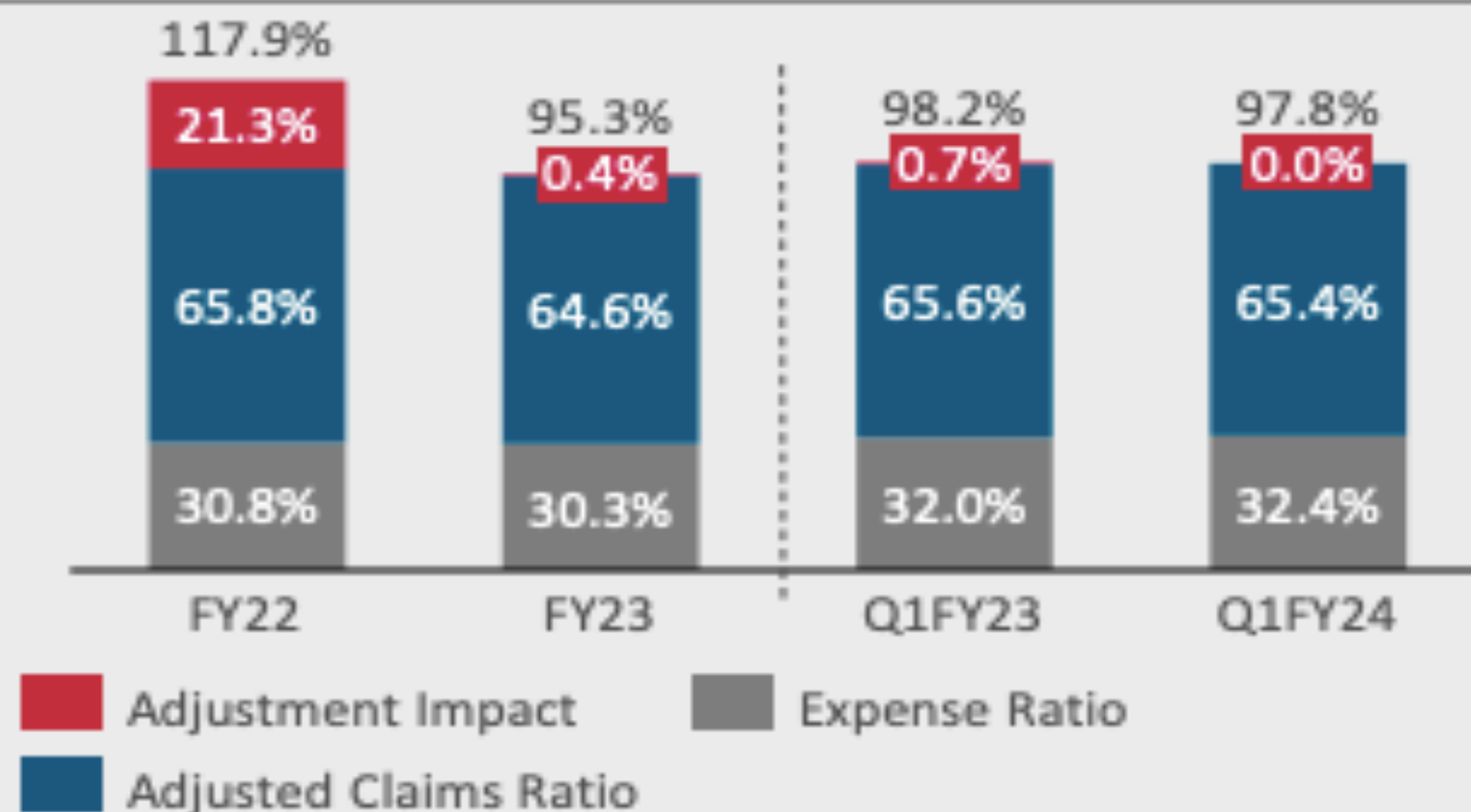
Network  
Hospitals

- Largest Hospital network
- Valuable service provider (VSP) introduced to improve TAT's, Best pricing, transparency etc.

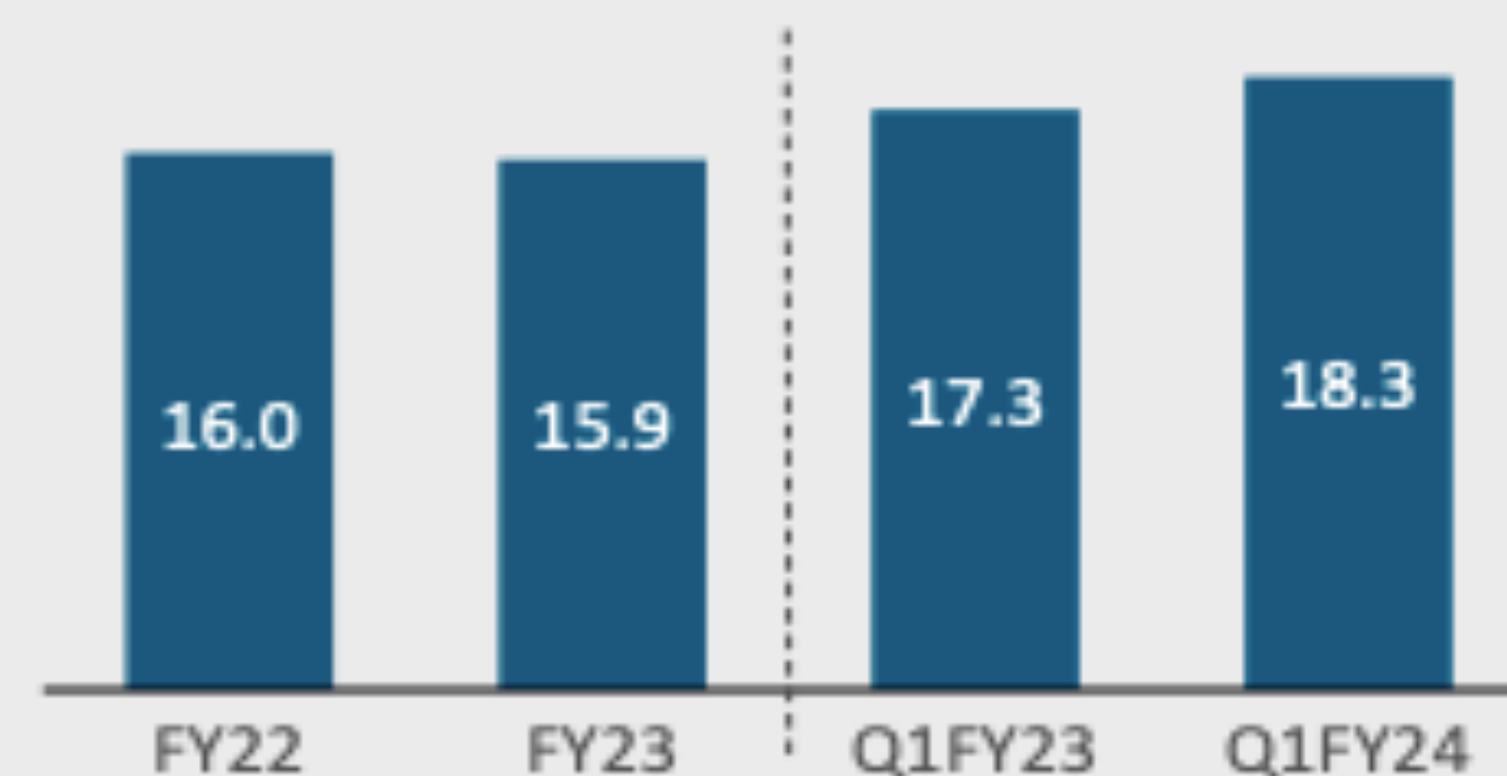


## 6 Financial Performance

### Combined Ratio

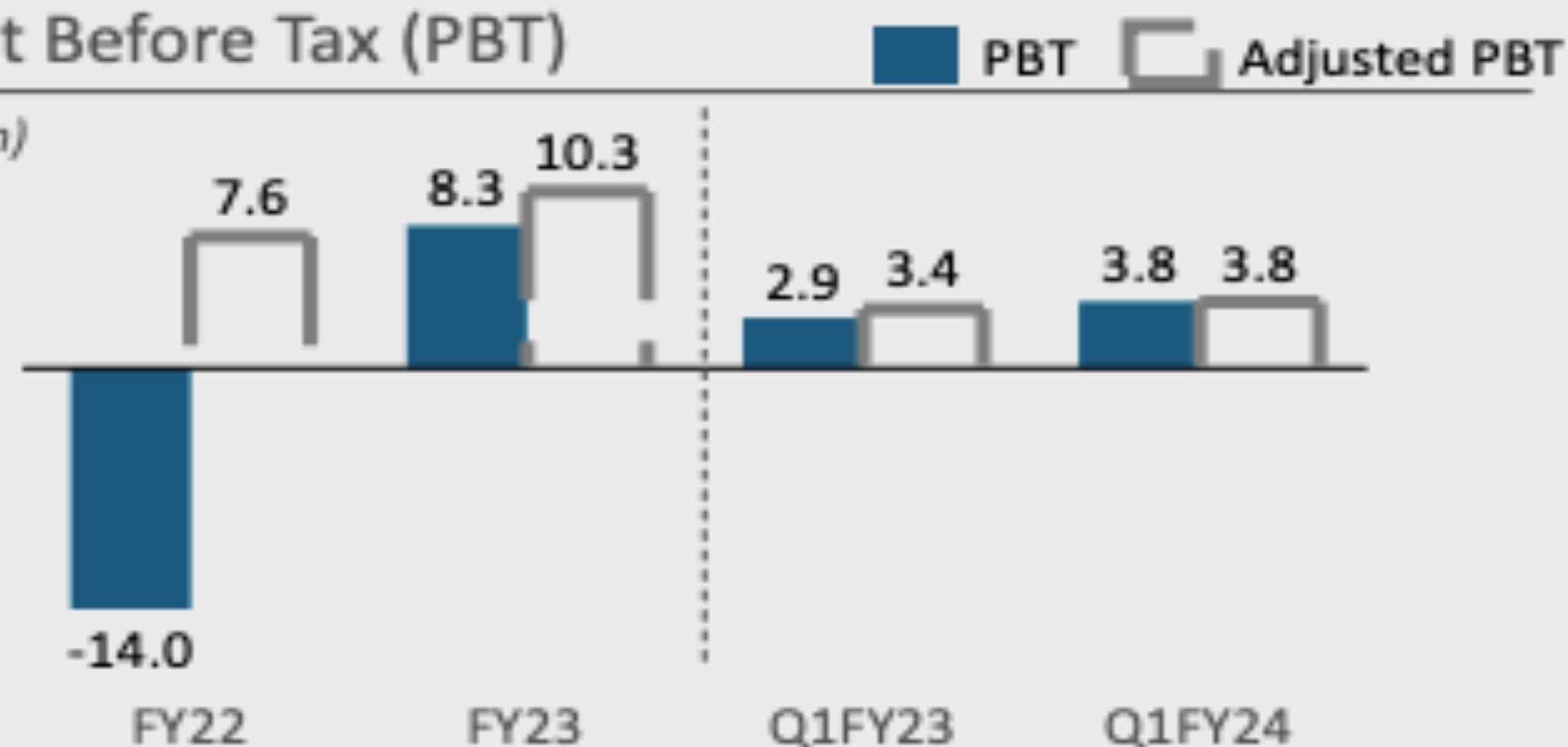


### Opex/GWP Ratio



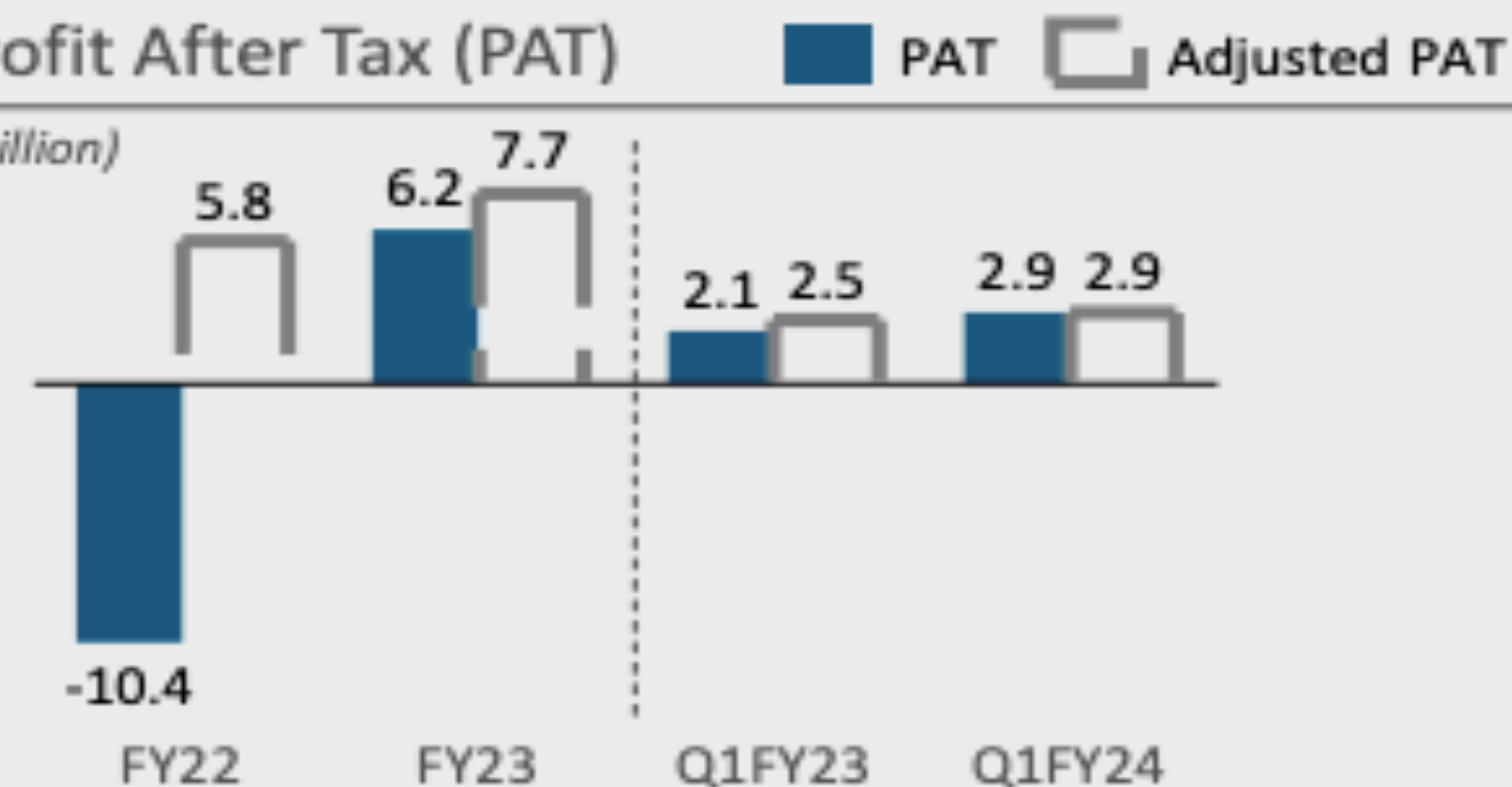
### Profit Before Tax (PBT)

(INR billion)



### Profit After Tax (PAT)

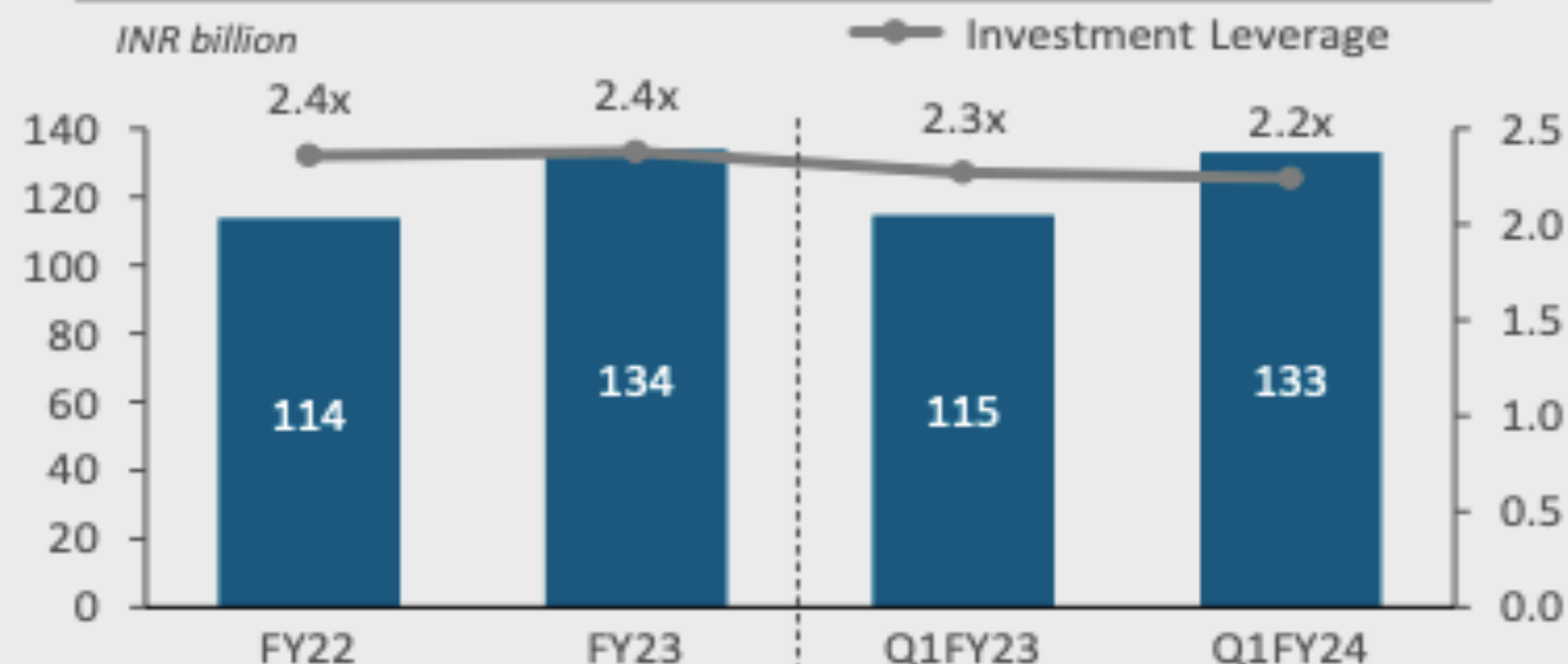
(INR billion)



Note: Adjustments for FY22 and FY23 exclude COVID-19 claims impact, Non business ESOP cost. Note: All numbers are basis 1/365 URR method

## 6 Robust Investment Performance

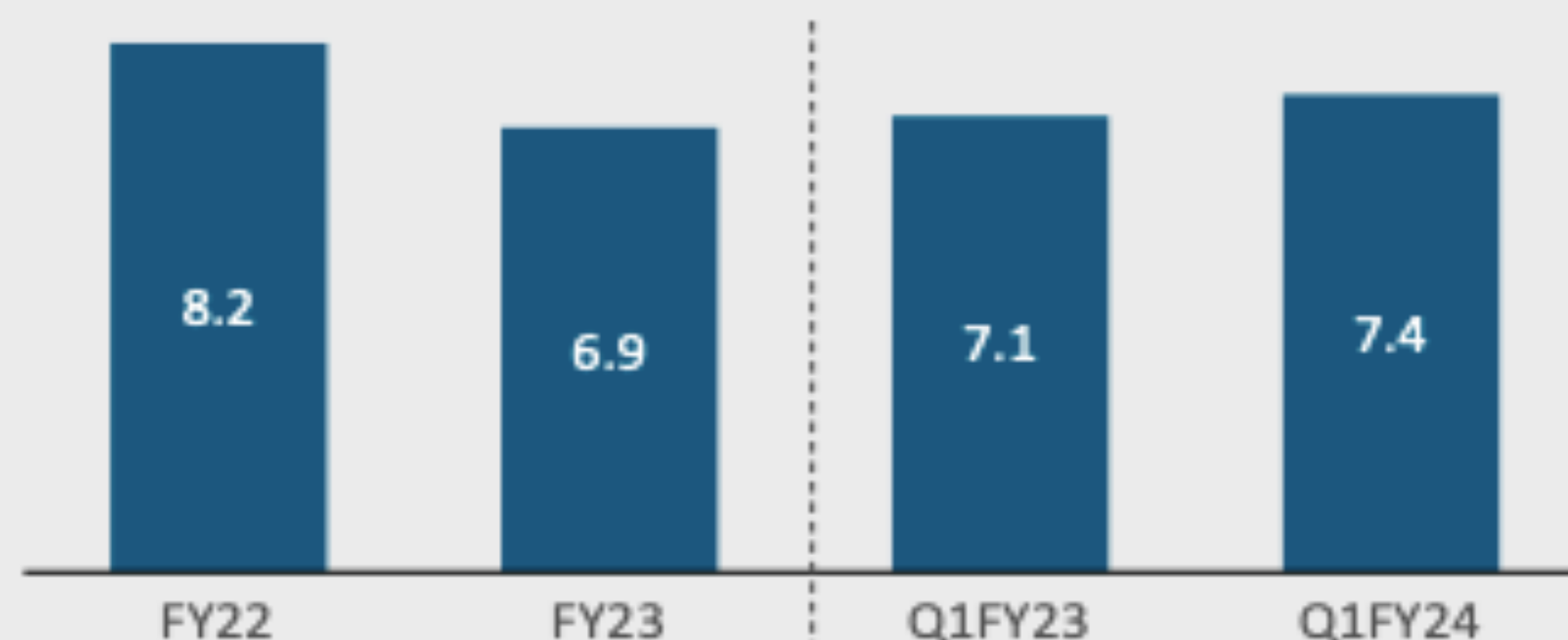
### Total Investments Assets



### Investment Income



### Steady Returns...



### ...with fixed income portfolio

**75%**  
AAA, Govt.  
Portfolio & FD

#### Long-Term Funds

Government Securities, State Development Loans, Corporate Bonds, Fixed Deposits, REITs, InvITs and ETFs

#### Short-Term Funds

Bank FDs, Overnight Mutual Funds, CPs, CDs, T-Bills, CMBs, Short Maturity Bonds and Tri-Party REPOs (TREP)s



# Yearly Results

YEARLY RESULTS OF STAR HEALTH & ALLIED INSURANCE COMPANY (in Rs. Cr.)	MAR '23	MAR '22	MAR '21	MAR '20	MAR '19
Net Sales/Income from operations	11,261.59	9,809.16	4,626.63	4,986.52	3,774.95
Other Operating Income	834.64	792.82	423.69	--	--
Total Income From Operations	12,096.23	10,601.98	5,050.32	4,986.52	3,774.95
EXPENDITURE					
Employees Cost	1,453.66	1,343.60	1,176.50	856.72	726.08
Admin. And Selling Expenses	146.55	--	--	--	--
Provisions And Contingencies	1.10	2.62	34.55	10.78	10.31
Other Expenses	9,674.23	10,660.49	5,285.39	3,677.24	2,828.44
P/L Before Other Inc. , Int., Excpt. Items & Tax	820.69	-1,404.73	-1,446.12	441.79	210.12
Other Income	5.71	8.10	0.32	0.03	0.11
P/L Before Int., Excpt. Items & Tax	826.40	-1,396.63	-1,445.80	441.82	210.22
Interest	--	--	--	28.40	27.98
P/L Before Exceptional Items & Tax	826.40	-1,396.63	-1,445.80	413.43	182.25
P/L Before Tax	826.40	-1,396.63	-1,445.80	413.43	182.25
Tax	207.81	-355.96	-360.09	49.35	2.91
P/L After Tax from Ordinary Activities	618.59	-1,040.67	-1,085.71	364.07	179.33
Net Profit/(Loss) For the Period	618.59	-1,040.67	-1,085.71	364.07	179.33
Equity Share Capital	581.68	575.52	548.09	490.64	455.58
Reserves Excluding Revaluation Reserves	4,852.26	3,963.40	2,948.15	1,156.13	422.62
EPS BEFORE EXTRA ORDINARY					
Basic EPS	10.70	-18.65	-16.54	5.59	2.81
Diluted EPS	10.41	-18.65	-16.54	5.48	2.78
EPS AFTER EXTRA ORDINARY					
Basic EPS.	10.70	-18.65	-19.81	5.59	2.81
Diluted EPS.	10.41	-18.65	-16.54	5.48	2.78

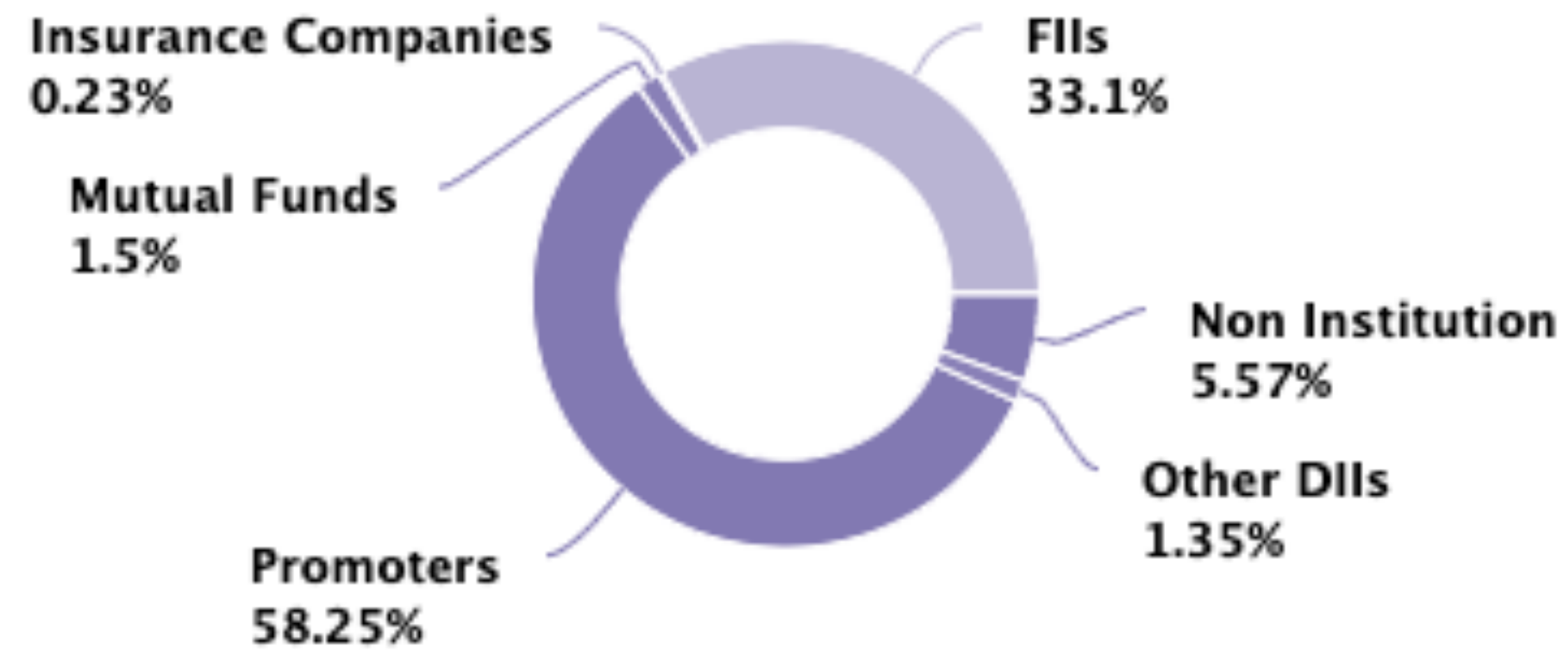


# Key Financial Ratios

KEY FINANCIAL RATIOS OF STAR HEALTH & ALLIED INSURANCE COMPANY (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
PER SHARE RATIOS					
Basic EPS (Rs.)	10.70	-18.65	-21.75	5.59	2.81
Diluted EPS (Rs.)	10.41	-18.65	-21.75	5.48	2.78
Cash EPS (Rs.)	10.63	-17.33	-18.97	6.06	3.43
Book Value [ExclRevalReserve]/Share (Rs.)	93.42	80.18	63.80	33.56	19.28
Book Value [InclRevalReserve]/Share (Rs.)	93.42	80.18	63.80	33.56	19.28
Dividend / Share(Rs.)	0.00	0.00	0.00	0.00	0.00
Revenue from Operations/Share (Rs.)	207.95	184.22	92.14	97.80	79.93
PBDIT/Share (Rs.)	14.21	-22.67	-25.03	9.61	5.23
PBIT/Share (Rs.)	14.21	-23.43	-25.86	9.01	4.61
PBT/Share (Rs.)	14.21	-24.27	-26.38	8.43	4.00
Net Profit/Share (Rs.)	10.63	-18.08	-19.81	5.46	2.81
PROFITABILITY RATIOS					
PBDIT Margin (%)	6.83	-12.30	-27.16	9.82	6.54
PBIT Margin (%)	6.83	-12.71	-28.06	9.20	5.77
PBT Margin (%)	6.83	-13.17	-28.62	8.61	5.00
Net Profit Margin (%)	5.11	-9.81	-21.49	5.58	3.52
Return on Networth / Equity (%)	11.38	-22.55	-31.05	16.27	14.60
Return on Capital Employed (%)	13.94	-25.19	-37.87	23.29	14.22
Return on Assets (%)	4.06	-7.70	-10.33	4.37	2.63
Total Debt/Equity (X)	0.09	0.16	0.07	0.15	0.28
Asset Turnover Ratio (%)	0.84	0.88	0.61	0.87	0.00
LIQUIDITY RATIOS					
Current Ratio (X)	1.56	0.15	0.47	1.39	1.36
Quick Ratio (X)	1.56	0.15	0.47	1.39	1.36
Inventory Turnover Ratio (X)	0.00	0.00	0.00	0.00	0.00
Dividend Payout Ratio (NP) (%)	0.00	0.00	0.00	0.00	0.00
Dividend Payout Ratio (CP) (%)	0.00	0.00	0.00	0.00	0.00
Earnings Retention Ratio (%)	0.00	0.00	0.00	0.00	0.00
Cash Earnings Retention Ratio (%)	0.00	0.00	0.00	0.00	0.00
VALUATION RATIOS					
Enterprise Value (Cr.)	30,344.10	41,055.94	0.00	0.00	0.00
EV/Net Operating Revenue (X)	2.51	3.87	0.00	0.00	0.00
EV/EBITDA (X)	36.72	-31.46	0.00	0.00	0.00
MarketCap/Net Operating Revenue (X)	2.49	3.86	0.00	0.00	0.00
Retention Ratios (%)	0.00	0.00	0.00	0.00	0.00
Price/BV (X)	5.55	8.86	0.00	0.00	0.00
Price/Net Operating Revenue	2.49	3.86	0.00	0.00	0.00
Earnings Yield	0.02	-0.03	0.00	0.00	0.00



## Shareholding Pattern an on Jun'23





# Summary

- ❖ With deliverance of robust performance in Q1 of FY'24, the Company's Net Sales grew up by 13.27% i.e. Rs.3043.75 crs in Jun'23 as compared to Rs.2687.05 crs in Jun'22. However, the Net Profits increased by 34.98% i.e. Rs.287.85 crs in Jun'23 versus Rs.213.24 crs in Jun'22. In addition to this, the Statement of Changes in Equity witnessed an increase in the Equity Capital i.e. Rs.581.98 crs in Jun'23 juxtapose to Rs.576.10 crs in Jun'22.
- ❖ Considering sound financials and fair fundamentals, the Company is available at a good price of Rs.633.90 with its 52 week low of Rs.481.55 and 52 week high of Rs.780.00.
- ❖ In view of the Promoters holding majority stake around 58.25% as well as its healthy valuations, indicates that the Management is committed to growth of the Company.
- ❖ In Public Shareholding as on Jun'23, the FIIs and the Other DIIs collectively stood with 34.45% holdings in the Company. Whilst, the Mutual Fund Houses own 1.50% stake.
- ❖ As a fact of reassurance, Star Healthy & Allied Insurance Company Ltd. is held by MIRAE MF, PGIM MF, UTI MF, ABSL MF, MOSL MF, INVESCO MF, HDFC MF, EDELWEISS MF, UNION MF, JM MF and a few more.
- ❖ On standalone basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 11.38% & 13.94% respectively as on Mar'23.



# Disclosure

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