

Retail Equity Research



Star Health and Allied Insurance Co. Ltd.

Accumulate

Sector: General Insurance

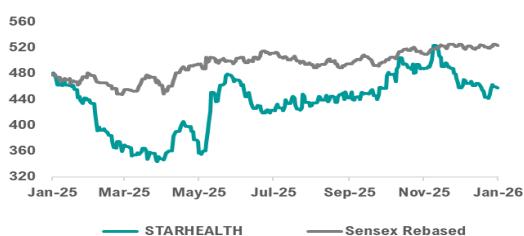
06th January, 2026

Key Changes		Target	Rating	Earnings	Target	Rs. 510
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP
Small Cap	STARHEAL:IN	85,063	STARHEALTH	543412	12 Months	Return +13%

Data as of: 06-Jan-2026, 17:00hrs

Company Data			
Shareholding (%)	Q4FY25	Q1FY26	Q2FY26
Promoters	57.7	58.0	58.0
FII's	18.7	13.9	13.5
MFs/Insti	15.4	21.1	21.1
Public	6.3	5.1	5.5
Others	1.9	1.9	1.9
Total	100.0	100.0	100.0
Promoter Pledge	0.0	0.0	0.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	0%	9%	-4%
Absolute Sensex	4%	2%	10%
Relative Return	-4%	6%	-14%

*over or under performance to benchmark index



Y.E March (Rs. cr)	FY25A	FY26E	FY27E
Net Earned Premium	14,822	17,055	19,469
Growth (%)	14.6	15.1	14.2
Total Income	15,594	17,981	20,627
Profit Before Tax	861	1,000	1,363
Growth (%)	-23.7	16.1	36.3
Net Profit	646	750	1,023
Growth (%)	-23.6	16.1	36.3
EPS (Rs)	10.9	12.8	17.4
Growth (%)	-23.5	16.1	36.3
BVPS (Rs)	119	132	150
RoE (%)	9.2	9.6	11.6
P/E	32.4	38.5	28.3
P/B	3.0	3.7	3.3
Solvency (%)	221	242	251

Digital Momentum & GST Tailwinds to Power H2

Star Health and Allied Insurance Co Ltd, India's first standalone health insurance provider, offers accident, health, personal and travel (domestic and overseas) insurance. It has one of the largest health insurance networks in India, with over 14,340 hospitals.

- Gross Premium written (GWP) rose 1.2% YoY to Rs. 4,424cr in Q2FY26, on the back of 17% YoY growth in retail GWP, renewal persistency of 98% vs 94% in Q2FY25 and 47% YoY expansion in digital business.
- Net premium earned rose 10.2% YoY to Rs. 4,081cr, supported by underwriting discipline, pricing actions, fraud control, agency productivity gains and exit from a loss-making portfolio.
- Underwriting loss reduced to Rs. 27cr from Rs. 149cr in H1FY25, mainly due to recalibration of the portfolio, lower medical frequency, AI-supported fraud detection and operational cost rationalisation.
- PAT declined 50.7% YoY to Rs. 55 crore, driven by a 21% drop in investment income and higher operating expenses.
- Meanwhile, fresh business increased 50% YoY in October 2025, following the revision in GST, indicating strong near-term retail demand.

Outlook & Valuation

Star Health reported healthy double-digit growth in net earned premiums in Q2FY26, supported by disciplined underwriting, strong retail traction, and improved digital and agency networks. The management remains focused on long term initiatives, such as AI-enabled claim automation, advanced fraud analytics and wellness-based healthcare expansion, to enhance efficiency and service delivery. It also continues to strengthen the portfolio via annual repricing, new OPD and dental insurance products, and deeper rural penetration to drive sustainable growth. Hence, we upgrade our rating on the stock to **Accumulate**, based on 3.4x FY27E BVPS, with a revised target price of Rs. 510.

Quarterly Financials Standalone

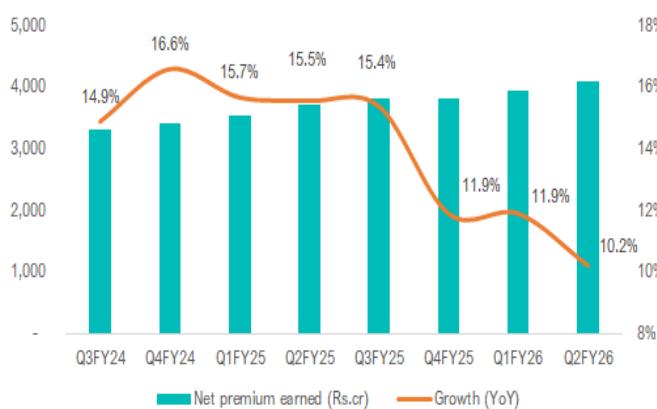
Rs.cr	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Premium Earned (Net)	4,081	3,704	10.2	3,938	3.6	8,019	7,224	11.0
Total Operating Income	4,266	3,914	9.0	4,115	3.7	8,381	7,606	10.2
Total Operating Expense	4,285	3,899	9.9	3,867	10.8	8,151	7,279	12.0
Operating Profit	-19	16	-222.8	249	-107.7	229	328	-30.0
PBT	78	149	-47.8	352	-77.9	430	575	-25.3
Rep. PAT	55	111	-50.7	263	-79.1	317	430	-26.2
Adj. PAT	55	111	-50.7	263	-79.1	317	430	-26.2
EPS (Rs.)	0.9	1.9	-50.8	4.4	-79.2	5.3	7.2	-26.1



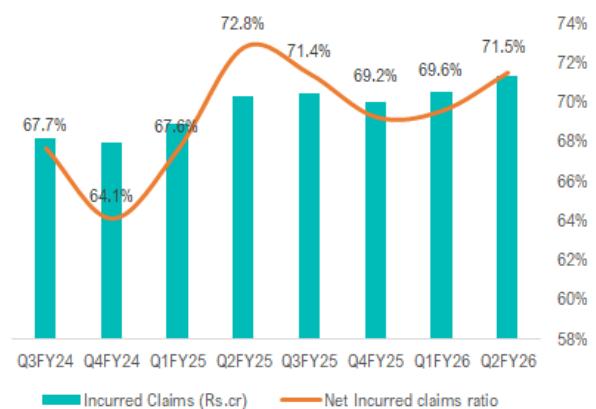
Key Concalt Highlights

- Expenses ratio improved to 29.7% in H1FY26 from 31.1% in H1FY25, owing to cost optimisation, technology implementation and productivity gains, whereas the combined ratio improved to 100.3% from 102.1%, reflecting better claims control.
- Agency GWP fresh growth was 20%, contributing 82.7% to GWP, bancassurance was -14%, contributing 7.1%, and digital was 47%, contributing 8.7%. However, corporate GWP plunged -86%, thereby contributing 1.5% to overall GWP.
- Lives covered rose to 1.3cr from 1.2cr and renewal ratio improved to 98% from 94%. Net Promotor Score improved to 61 from 59 and grievances per 10,000 policies increased to 22 in H1FY26 from 18 in H1FY25.
- Solvency ratio remained strong at 2.15x vs 2.24x in H1FY25, reflecting healthy capital adequacy, whereas claims ratio improved to 70.6% from 70.9%, driven by better underwriting and portfolio recalibration.
- The lowering of GST on pharmacy bills to 5% from 12% and lifesaving drugs to 0% from 18% are expected to significantly reduce healthcare costs, enhanced affordability, boost policy demand as well as support the company's profitability.
- The company attributed margin improvement to its AI/ML fraud detection system, which delivered 35% cost savings, enhanced claim accuracy and reduced false claims.

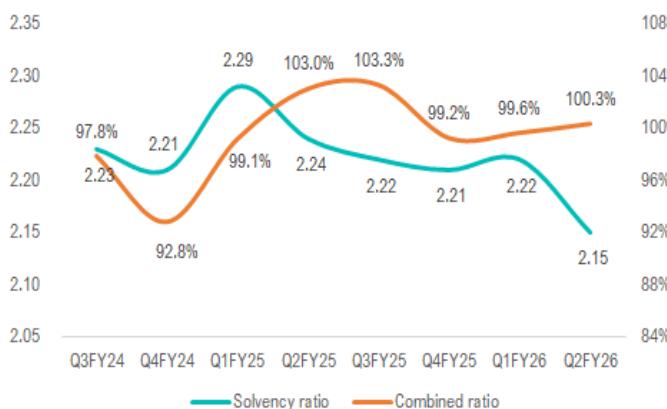
Net Premium Earned



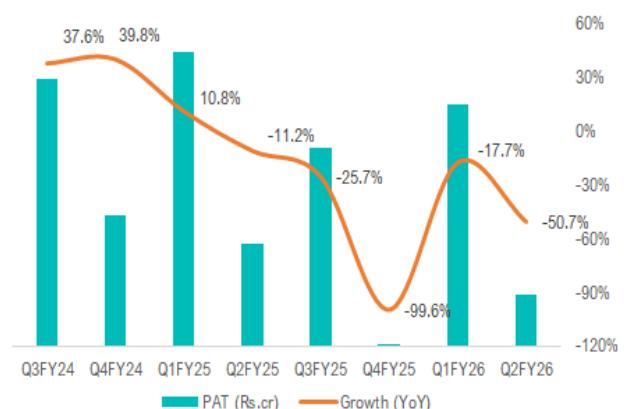
Incurred Claims



Solvency Ratio & Combined Ratio



PAT



Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Premium Earned (Net)	17,083	19,806	17,055	19,469	-0.2	-1.7
Profit Before Tax	1,143	1,486	1,000	1,363	-12.5	-8.3
Net Profit	858	1,114	750	1,023	-12.6	-8.2
EPS	14.6	19.0	12.8	17.4	-12.6	-8.4

Standalone Financials

Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Premium Earned (Net)	11,262	12,938	14,822	17,055	19,469
Income from investments (net)	501	642	772	965	1,158
Total operating income	11,763	13,580	15,594	17,981	20,627
% change	14.3	15.4	14.8	15.3	14.7
Operating Expenses	2,054	2,395	2,541	3,158	3,610
Incurred Claims	7,320	8,594	10,419	11,894	13,655
Commission	1,683	1,860	2,241	2,437	2,694
Others	0	0	0	0	0
Total Operating Expense	11,057	12,849	15,201	17,489	19,959
Operating Profit	706	731	393	559	668
Non-operating income	339	447	519	648	809
Non-operating expense	218	50	51	64	114
PBT	826	1,129	861	1,000	1,363
% change	-159.2	36.6	-23.7	16.1	36.3
Tax	208	284	215	286	341
Tax Rate (%)	25.1	25.1	25.0	25.0	25.0
Reported PAT	619	845	646	750	1,023
Adj*	-	-	-	-	-
Adj PAT	619	845	646	750	1,023
% change	-159.4	36.6	-23.6	16.1	36.3
No. of shares (cr)	58.2	58.5	58.8	58.8	58.8
Adj EPS (Rs)	10.4	14.2	10.9	12.8	17.4
% change	-155.8	36.3	-23.5	16.1	36.3
DPS (Rs)	0.0	0.0	0.0	0.0	0.0

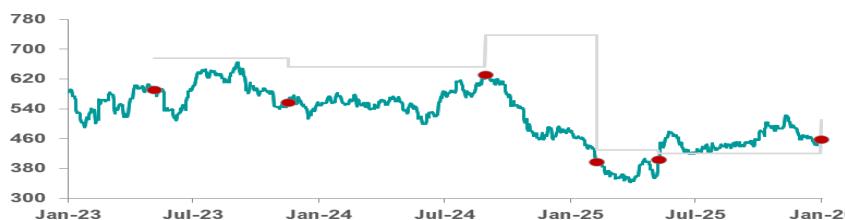
Balance Sheet

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Investments-Policyholders	8,046	9,155	10,713	12,753	15,183
Investments-Shareholders	5,346	6,336	7,186	8,842	10,880
Fixed assets	111	175	185	194	204
Deferred tax assets	569	358	351	379	383
Net Current assets	-8,145	-9,109	-10,852	-12,934	-15,676
Debit Balance in P&L accounts	1,132	287	0	0	0
Total	7,059	7,202	7,582	9,235	10,974
Share capital	582	585	588	588	588
Reserves & Surplus	5,984	6,043	6,436	7,186	8,208
Fair value change	23	104	89	987	1,698
Borrowings	470	470	470	475	479
Deferred tax liability	0	0	0	0	0
Total	7,059	7,202	7,582	9,235	10,974
BVPS (Rs)	113	113	119	132	150
% change	2.0	0.3	5.5	10.7	13.2

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Valuation					
P/E (x)	50.5	37.4	32.4	38.5	28.3
P/B (x)	4.8	4.8	3.0	3.7	3.3
Per Share (Rs)					
EPS	10.4	14.2	10.9	12.8	17.4
DPS	0.0	0.0	0.0	0.0	0.0
BVPS	112.9	113.2	119.5	132.3	149.7
Earnings (%)					
RoE	9.4	12.7	9.2	9.6	11.6
Loss Ratio	65.0	66.4	70.3	70.1	70.1
Combined Ratio	95.3	96.7	101.1	101.0	101.2
Solvency (%)					
Solvency	214	221	221	242	251

Recommendation Summary - (last 3 years)



Dates	Rating	Target
11-May-23	ACCUMULATE	676
23-Nov-23	BUY	653
04-Sep-24	BUY	738
13-Feb-25	HOLD	430
14-May-25	HOLD	421
06-Jan-26	ACCUMULATE	510

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:  Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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