

## Star Health and Allied Insurance (STARHEAL) - ADD

### Result Update

Current Market Price (CMP) <b>Rs.480</b>	Fair Value (FV) <b>Rs.525</b>
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### Rationale:

- Star Health, after multiple quarters of headwinds on claims, reported marginal improvements.
- The focus on the long-term business and the 1/n rule distorts IGAAP earnings, though the underlying expense ratio seems to be in order.
- The loss of Input Tax Credit (ITC) on GST exemption may be largely passed on but remains monitorable.
- We revise our rating to ADD from REDUCE, with a FV of Rs525.

### Q2FY26 Earnings Update:

#### 👍 Positives:

- Claims ratio moderated 129 bps yoy to 71.5%.
- Retail growth was strong at 17% in Q2FY26, driven by 24% growth in the new business.
- Agency new business was up 20% yoy in H1FY26.
- Channel mix has largely remained stable with agency contributing to 83% of overall GWP in H1FY26.
- On a pre-1/n basis, the combined ratio was down 120 bps yoy to 101.8% (100.7% in Q1FY26).

#### 👎 Negatives:

- Reported IGAAP PAT of Rs54.9 cr in Q2FY26, down 51% yoy, driven by a 16% yoy decline in investment income.
- The investment yield was moderate at 6.3% (8.6% in Q2FY25 and 6.3% in Q1FY26).



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

## RATING SCALE (PRIVATE CLIENT GROUP)

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### Definitions of ratings

- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- SUBSCRIBE** – We advise investor to subscribe to the IPO.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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