



MSEARCH

IPO OFFERING

Star Health and Allied Insurance Company Ltd



About Company

Recommendation: Subscribe

Incorporated in 2006, Star Health and Allied Insurance Company Ltd is one of the largest private health insurers in India with a market share of 15.8% in Fiscal 2021. From being the first standalone health insurance ("SAHI") company established in India in 2006, it has grown into the largest SAHI company in the overall health insurance market in India. The company primarily focuses on the retail health market segment and offers a range of flexible and comprehensive coverage options for retail health, group health, personal accident, and overseas travel, accounting for 87.9%, 10.5%, 1.6%, and 0.01%, respectively, of the total GWP in Fiscal 2021. Star Health distributes their health insurance policies primarily through individual agents, which accounted for 78.9% of their GWP in Fiscal 2021. As of March, 2021, Star has the largest number of individual agents among SAHI insurers, at Approx. 3 times that of the SAHI Company with the next highest number of agents. It has successfully built one of the largest health insurance hospital networks in India, with more than 11,778 hospitals as of Sept, 2021. Out of the total number of hospitals in their network, star have entered into pre-agreed arrangements with over 7,741 hospitals, or 65.7%, of the total number of hospitals in their network.

Price Band	: Rs. 870 to 900 per share
Face Value	: Rs. 10
Bid Lot size	: 16 Shares
Issue size	: Rs. 7249 Cr
Issue Opens	: November 30 th 2021, Tuesday
Issue Closes	: December 02 nd 2021, Thursday
Min App Amount	: Rs. 14,400/- at upper band

Important Note: All retail applications compulsory in UPI mode*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

Msearch View & Recommendation:

We believe post pandemic healthcare segment has gained a lot of momentum and the Insurance sector in specific got its importance. Considering the time and future prospects Star Health, India's largest health insurance companies has tapped markets to raise funds via IPO route. IPO Offers give investors an opportunity to invest in the health insurance space as the future looks promising for the insurance industry looking at demographic factors such as growing middle class, young population and growing awareness of the need for protection planning will support the growth of the sector. We are optimistic on industry prospects for the long term but considering highly competitive markets, low bottom-line margins and negative earnings status Star Health IPO Valuations seems to be slightly on the higher side when compared to its listed peers but not expensive considering the industry future prospects. On valuations parse at upper price band (Rs 900/-), the issue is asking for a market cap of Rs 51806 Cr. So considering all the rationales we believe the issue is priced discounting all the near term positives triggers and nothing much left on the table for new investors for healthy listing gains. Hence risk seeking investors may consider subscribing to the IPO issue with a long term perspective only.



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BASIC FINANCIAL DETAILS			
Particulars Rs (in Cr)	2019	2020	2021
Equity Share Capital	455.58	490.64	548.09
Reserves as stated	587.06	1153.04	3675.79
Net worth as stated	1215.69	1628.68	3484.64
Gross Written Premium	5415.36	6890.67	9348.95
GWP Growth (%)	-	27.24%	35.68%
EBITDA as stated	235.94	468.47	(974.62)
Profit Before Tax	182.25	413.43	(1045.95)
Net Profit for the period	128.23	268.00	(825.58)
EPS (Rs)	2.81	5.59	(16.54)
RONW%	10.55%	16.46%	(23.69%)
NAV (₹)	19.00	33.20	63.58

Source: Company RHP

COMPARISON WITH LISTED INDUSTRY PEERS Rs (in Cr)								
Companies	MCap	FV	Revenue	EPS	NAV	P/E	P/Bv	RoNW
Star Health and Allied Insurance Co Ltd	51806	10	9,348.95	(16.54)	63.58	-	14.87x	(23.69%)
ICICI Lombard General Insurance Co Ltd.	73011	10	12666.00	32.40	163.56	46.66x	7.95x	19.81%
New India Assurance Co Ltd	25453	5	31086.75	9.95	112.17	15.30x	0.69x	8.81%

Data as on 31st March 2021, Mcap as on 26th November 2021

Source: Company RHP/Cline



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