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Initial Public Offer of Star Health and Allied Insurance Company Limited

Issue Opens on: November 30, 2021 | Issue Closes on: December 2, 2021

Price Band - Rs. 870 to Rs. 900 per share

The Floor Price is 87 times the face value of the Equity Shares and the Cap Price is 90 times the face value of the Equity Shares

Minimum Bid Lot of 16 shares; Bids in multiples of 16 shares thereafter

Initial public offer of up to [●] equity shares of face value of ₹10 each (“equity shares”) of Star Health and Allied Insurance Company Limited (“Company”) for cash at a price of ₹[●] per equity share (the “Offer Price”) aggregating up to ₹ [●] million (the “Offer”) comprising a fresh issue of up to [●] equity shares aggregating up to ₹ 20,000 million (the “Fresh Issue”) and an Offer for Sale of up to 58,324,225 equity shares aggregating up to ₹ [●] million (the “Offer For Sale”) by Promoter Selling Shareholders, Promoter Group Selling Shareholders and Other Selling Shareholders, collectively referred to as “Selling Shareholders” as described below and such equity shares offered by the Selling Shareholders, the “Offered Shares”).

The Offer includes a reservation of up to [●] equity shares, aggregating up to ₹ 1,000 million, for subscription by eligible employees (“Employee Reservation Portion”). The Offer less the Employee Reservation Portion is hereinafter referred to as the “Net Offer”. The Offer and the Net Offer shall constitute [●]% and [●]% of the post-offer paid up equity share capital of the Company, respectively.

Promoter Selling Shareholders	No. of Shares Offered
Safecrop Investments India LLP	Up to 30,683,553
Promoter Group Selling Shareholders	No. of Shares Offered
Konark Trust	Up to 137,816
MMPL Trust	Up to 9,518
Other Selling Shareholders	No. of Shares Offered
Apis Growth 6 Limited	Up to 7,680,371
MIO IV Star	Up to 4,110,652
University of Notre Dame DU LAC	Up to 7,438,564
MIO Star	Up to 4,110,652
ROC Capital Pty Limited	Up to 2,509,099
Venkatasamy Jagannathan	Up to 1,000,000
Sai Satish	Up to 500,000
Berjis Minoo Desai	Up to 144,000
Total	Up to 58,324,225

*Aggregate amounts calculated at higher Price Band of ₹900

Overview of the Company

Business Overview

- Star Health is and continues to be the largest private health insurer in India with a market share of 15.8% in the Indian health insurance market in Fiscal 2021, according to CRISIL Research. In Fiscal 2021 and the six months ended September 30, 2021, it had total GWP of ₹93,489.50 million and ₹50,697.82 million. 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, according to CRISIL Research. Its comprehensive health insurance product suite insured 20.5 million lives in Fiscal 2021 in retail health and group health. It is strategically focused on the retail health market segment and had retail health GWP of ₹82,150.90 million and ₹43,399.18 million in Fiscal 2021 and the six months ended September 30, 2021 respectively. In FY21, retail health GWP of the Company was over three times the retail health GWP of the next highest retail health insurance market participant and has been consistently ranked first in the retail health insurance market in India based on retail health GWP over the last three

	<p>Fiscal Years, according to CRISIL Research.</p> <ul style="list-style-type: none"> Star Health distributes its health insurance policies primarily through individual agents, which accounted for 78.9% of its GWP in Fiscal 2021. As of March 31, 2021, it had the largest number of individual agents among SAHI insurers, at approximately three times that of the SAHI company with the next highest number of agents, according to CRISIL Research. Star Health has led the non-public health insurance market in terms of number of new branch openings since Fiscal 2018, and its branch network was over two and a half times the number of the next largest non-public health insurance provider as of March 31, 2021, according to CRISIL Research. Star Health's other origination channels include distribution by direct online sales through telemarketing and its website, brokers, insurance marketing firms and web aggregators. Star Health offers a range of flexible and comprehensive coverage options primarily for retail health, group health, personal accident and overseas travel. Its products target a variety of customer segments, including individuals, families, students, senior citizens, as well as persons with pre-existing medical conditions across the broader middle market customer segment. From Fiscal 2018 to September 30, 2021, Star Health launched 56 new products (including all variations of policies). Star Health's believes its entirely in-house claims management capabilities are a key part of its customer service proposition. Controlling the claims process enables it to make the process more customer friendly, deliver a quality service experience, control the costs associated with the claims process, improve the accuracy and cost-efficiency of the actual claim amounts and better detect fraudulent claims. Star Health's investments in digital technologies, data platform and automation have been key drivers that improve the effectiveness, efficiencies and innovations within its business. It has invested in advanced technologies to develop a flexible and integrated information technology platform across its business processes, including omni-channel applications, such as its agent application, STAR ATOM and its customer self-service application, STAR POWER. Star Health has also successfully built one of the largest health insurance hospital networks in India, with 11,778 hospitals as of September 30, 2021. Out of the total number of hospitals in its network, Star Health has entered into pre-agreed arrangements with 7,741 hospitals, or 65.7%, of the total number of hospitals in its network as of September 30, 2021, and in Fiscal 2021 and the six months ended September 30, 2021, it processed 0.33 million and 0.25 million claims, or 55.0% and 62.0% respectively, of its total number of cashless claims, through its agreed network hospitals. Each of Star Health's key management members have extensive experience in the health insurance industry, and the strength of its management has led to Star Health receiving a number of industry accolades, which it believes has further strengthened its brand in the health insurance industry
<p>Board of Directors</p>	<ul style="list-style-type: none"> Venkatasamy Jagannathan, Chairman and Chief Executive Officer Subbarayan Prakash, Managing Director Anand Shankar Roy, Managing Director Sumir Chadha, Non-Executive Nominee Director Deepak Ramineedi, Non-Executive Nominee Director Utpal Hemendra Sheth, Non-Executive Nominee Director Rohit Bhasin, Independent Director Berjis Minoo Desai, Independent Director Kaarthikeyan Devarayapuram Ramasamy, Independent Director Rajni Sekhri Sibal, Independent Director Rajeev Krishnamuralilal Agarwal, Independent Director
<p>Strengths</p>	<p><u>Largest private health insurance company in India with leadership in the attractive retail health segment</u></p> <ul style="list-style-type: none"> Star Health is the largest private health insurance company and the largest retail health insurance company in India by health GWP, with a 15.8% overall health insurance market share and a 31.3% retail health insurance market share in Fiscal 2021, according to CRISIL Research As of March 31, 2019, 2020 and 2021, the Company issued 4.3 million, 5.1 million and 7.0 million health insurance policies, which was the highest among all health insurance providers It is the largest SAHI insurer in India and the only SAHI company among the top five health insurance businesses in India in Fiscal 2021, according to CRISIL Research The retail health segment in India is expected to emerge as a key growth driver for the overall health insurance market due to its lower claims ratio of 73%, as compared to government health and group health with claims ratios of 92% and 99%, respectively, in Fiscal 2020, according to CRISIL Research, making the retail health segment more attractive from a profitability perspective, since lower claims results in higher profitability; Star Health's size and established market share positions it well to continue to capitalize on these ongoing market dynamics in the retail health insurance sector It also had a steady stream of customers coming back, with approximately 97.9% renewals by GWP value for retail health business in Fiscal 2021 as well as approximately 63.4% higher inward portability compared to Fiscal 2020, which reflects the increase in retail health GWP from new customers choosing to change to Star Health's insurance plans from other health insurance providers

One of the largest and well spread distribution networks in the health insurance industry and an integrated ecosystem that enables it to continue to access the growing retail health insurance market.

- Pan India Presence: Star India has a pan-India distribution network that is one of the largest and well spread in the health insurance industry, accordingly to CRISIL Research.
 - As of September 30, 2021, its distribution network included 779 health insurance branches spread across 25 states and 5 union territories in India
 - Its branch network is supplemented by an extensive network of over 562 Sales Managers Stations and over 6,892 in-house sales managers.
- Agency Distribution Channel:
 - Its total number of individual agents grew at a CAGR of 27.3% from 0.29 million in Fiscal 2019 to 0.46 million in Fiscal 2021 and was 0.51 million as of September 30, 2021
 - Star Health's agents accounted for 59.9% of all the agents in the SAHI sector in India as of March 31, 2021, according to CRISIL Research.
 - In Fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, agency network accounted for 79.3%, 78.2%, 81.5% and 80.4%, respectively, of its GWP
 - Its agency distribution channel also includes corporate agent banks (including Bank of Baroda, Punjab National Bank and Karur Vysya Bank) and other corporate agents (such as Pay TM and ICICI Securities) on API technology integrations, which enable it to distribute policies and conduct underwriting processes without human intervention.
- Other Distribution Channels: Star Health maintains diversified channels of distribution to complement its agency network, which include distribution by direct online sales through telemarketing, its website and interactive applications, brokers, insurance marketing firms and web aggregators. It also has 8 dedicated telemarketing units for telemarketing and website sales as of September 30, 2021

Diversified product suite with a focus on innovative and specialized products

- Star Health offers a range of flexible and comprehensive coverage options primarily for retail health, group health, personal accident and overseas travel, which accounted for 87.9%, 10.5%, 1.6% and 0.01%, respectively, of its total GWP in Fiscal 2021 and 85.6%, 13.1%, 1.3% and 0.0001%, respectively, of its total GWP in the six months ended September 30, 2021
- Star Health develop its products through its innovation-driven product development process, which includes extensive market research in which it analyses market demand and coverage gaps, and profitability analyses.
- Within its different product categories, it has also developed premium products, such as Star Comprehensive Insurance Policy, which have additional coverages and higher sum insured than its traditional products

Strong risk management focus with domain expertise driving a superior claims ratio and quality customer service

- Star Health believes its strong risk management focus with domain expertise helps it to drive a superior claims ratio and provide quality customer service to its customers.
- In-house Claims Management System:
 - Since its inception until September 30, 2021, Star Health has processed approximately 6.7 million claims and its experience has shown that controlling the claims process enables it to make the claims process more customer friendly, to deliver a better quality customer service, reduce the costs associated with the claims process, ensure the accuracy and cost-efficiency of the actual claim amounts and better detect fraudulent claims
 - In Fiscal 2021 and in the six months ended September 30, 2021, approximately 94.1% and 89.9%, respectively, of its health claims settled were processed within 30 days.
- In-house Medical Expertise:
 - Star Health follows a differentiated strategy of employing a large number of medical professionals in various key business functions, including product introduction and innovation, underwriting, hospital network management, claims processing and verification
 - It believes the knowledge of its medical professionals, combined with the financial acumen of its management team and the market intelligence of its field staff, helps facilitate efficient business performance, including the prevention of fraud, undertaking disciplinary action of network hospitals and promoting the wellness of Star Health's customers
 - As of September 30, 2021, it employed 590 in-house full-time medical professionals
- Extensive Hospital Network:
 - According to CRISIL Research, Star Health has successfully built one of the largest health insurance hospital networks in India which includes over 11,778 hospitals, 65.7% of which had agreed packages with it as of September 30, 2021
 - Star Health's agreed hospital network enables it to monitor the quality of medical service provided to its customers, provides access to competitive pricing at attractive, pre-negotiated rates, which lowers claims costs and increases customer engagement

Substantial investment in technology and innovative business processes

- Star Health's investments in information technology in digital technologies, data platform and automation are key

drivers that have improved the effectiveness, efficiencies and innovations within its business

- The number of digitally issued policies as a percentage of its total number of policies issued has increased from 36.2% in Fiscal 2020 to 56.4% in Fiscal 2021 and further increased to 63.2% in the six months ended September 30, 2021
- GWP acquired through online channels has increased from ₹2,127.8 million in Fiscal 2019 to ₹3,781.80 million in Fiscal 2021. In the six months ended September 30, 2021, GWP acquired through online channels was ₹2,130.84 million.
- In addition, it has also actively focused on streamlining the underwriting and claims processes for its customers through its proprietary information systems that it has developed in-house
- Its technology systems have reduced Star Health's dependence on paperwork and physical infrastructure, as well as improved its end-to-end customer-centric service experience

Consistently demonstrated superior operating and financial performance

- Profitability and Return: Star Health has undertaken initiatives involving both investments targeted at increasing its profitability and cost reduction measures in order to create an efficient, scalable platform across its pan-India multi-channel distribution network that helps position its business for profitable growth with limited additional investment
 - Its initiatives have focused on reducing costs and exercising strong control over expenses in order to support profitable growth over the longer-term. As a result of these measures, its Net Expense Ratio was 30.1%, 27.4%, 27.8% and 31.0% in Fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively
 - Its initiatives have also focused on investing in processes, technology, training and people to achieve higher GWP growth with limited additional net investment. It has invested in technologies such as customer and agent applications and its online portals to improve productivity and realize scale in its business
 - Its Combined Ratio has historically been stable, amounting to 94.3% in Fiscal 2019 and 93.2% in Fiscal 2020. In Fiscal 2021, its Combined Ratio increased to 114.8% primarily due to certain exceptional accounting adjustments primarily related to its withdrawal from a reinsurance treaty in Fiscal 2021, and the exceptional impact of the COVID-19 crisis in Fiscal 2021. Star Health's Combined Ratio increased from 91.9% in the six months ended September 30, 2020, which was impacted by a decrease in non-COVID-19-related claims due to lockdowns and other restrictions, compared to 119.2% in the six months ended September 30, 2021, when the impact of COVID-19-related lockdowns and other restrictions on non-COVID-19-related claims was less pronounced and India experienced a resurgence in COVID-19 cases, in particular in April and May 2021
 - The increase in net paid claims due to the COVID-19 accounted for 30.0% of Star Health's total net paid claims by value in Fiscal 2021, primarily due to the increase in COVID-19-related claims and the decrease in non-COVID-19-related claims due to lockdowns and other restrictions, and net paid claims due to the COVID-19 accounted for 41.0% of its total net paid claims by value in the six months ended September 30, 2021, primarily due to the resurgence in COVID-19 cases in the six months ended September 30, 2021, in particular in April and May 2021
- Investment Income Performance: Its investment assets are divided into long-term and short-term assets and Star Health has diversified its investment portfolio using internal exposure norms based on its risk appetite in order to improve investment yields while maintaining portfolio quality
- Solvency: As of September 30, 2021, the Company had a solvency ratio of 1.52x, compared to the IRDAI prescribed control level of 1.50x

Experienced senior management team with strong sponsorship

- Senior management team includes its founder, Venkatasamy Jagannathan, and Subbarayan Prakash and Anand Shankar Roy, who have been with Star Health since its first year after inception and played a critical role in achieving its strong business performance through their thought leadership and industry expertise.
- Company is supported by its Promoters, which include Rakesh Jhunjhunwala, Safecrop Investments India LLP and WestBridge AIF I

Strategies

- Continue to leverage and enhance market leadership in the attractive retail health insurance segment.
- Continue to enhance existing distribution channels and develop alternative channels
- Continue product innovation and provide value added services
- Utilize the digitization of its business to improve operational efficiencies and customer service
- Drive profitability by leveraging scale and further improving financial performance.
- Respond to the challenges posed by COVID-19 Pandemic and adapt to the post-COVID-19 environment

Major Shareholders

Sr. No.	Shareholder	Number of Equity Shares held	Percentage of Equity Share Capital (%)
1.	Safecrop Investments India LLP	264,302,853	47.77
2.	Rakesh Jhunjhunwala	82,882,958	14.98
3.	Apis Growth 6 Limited	31,890,328	5.76
4.	MIO IV Star	27,699,976	5.01
5.	University of Notre Dame DU LAC	26,384,394	4.77

6.	MIO Star	20,367,845	3.68
7.	Rekha Rakesh Jhunjunwala	17,870,977	3.23
8.	Gamnath Pte Ltd	12,074,673	2.18
9.	ROC Capital Pty Ltd	11,494,908	2.08
10.	Massachusetts Institute of Technology	9,955,030	1.80
11.	Tata Capital Growth Fund II	7,215,165	1.30
12.	American Funds Insurance Series Global Small Capitalization Fund	6,037,336	1.09
	Total	553,289,944	100.00

As on the date of RHP

Based on total equity shares outstanding

Key Parameters	As of and for the				
	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Six months ended September 30, 2020	Six months ended September 30, 2021
Gross Written Premium (₹ in million)	54,153.58	68,906.65	93,489.50	39,671.87	50,697.82
Net Written Premium (₹ in million)	1,296.47	940.04	1,285.38	1,101.91	978.46
Net Expense Ratio	30.1%	27.4%	27.8%	31.7%	31.0%
Solvency Ratio	1.53	1.50	2.23	1.48	1.52
Total Income (₹ in million)	43,370.06	55,549.61	75,687.57	31,357.22	51,161.31
Profit After Tax (₹ in million)	1,282.26	2,680.02	(8,255.81)	1,992.87	(3,802.69)
Networth (₹ in million)	12,156.93	16,286.81	34,846.44	18,279.68	31,994.14
Borrowings, as per Balance Sheet (₹ in million)	2,500.00	2,500.00	2,500.00	2,500.00	6,500.00

Objects of the Offer	The objects of the Offer are to
	<ul style="list-style-type: none"> (i) receive the benefits of listing the Equity Shares on the Stock Exchanges (ii) carry out the Offer for Sale of up to 58,324,225 equity shares by the Selling Shareholders; (iii) carry out Fresh Issue of up to ₹ 20,000 Mn. Net Proceeds (Fresh Issue less offer related expenses in relation to the Fresh Issue) will be utilised towards augmentation of Star Health's capital base and maintenance of solvency levels The Selling Shareholders will be entitled to their respective portion of the proceeds of the Offer for Sale after deducting their proportion of Offer expenses and relevant taxes thereon. The Company will not receive any proceeds from the Offer for Sale by the Selling Shareholders and the proceeds received from the Offer for Sale will not form part of the Net Proceeds Further, the Company expects that listing of the Equity Shares will enhance Company's visibility and its brand image among its existing and potential customers

Investors are requested to refer to the Red Herring Prospectus (available at <http://www.icicisecurities.com>) dated November 19, 2021 (the "RHP") for details regarding the Offer, the Issuer Company and the risk factors before taking any investment decision.