

# Go Digit General Insurance Ltd

**Transforming Insurance, One Click at a Time**



## NOT RATED

### Transforming Insurance, One Click at a Time

Go Digit General Insurance Ltd. (GDGIL) has emerged as a dominant force in the digital non-life insurance sector, leveraging cutting-edge technology to redefine product design, distribution, and customer experiences. With a strong emphasis on innovation and transparency, GDGIL, alongside Acko and Navi, collectively captured a substantial share of Gross Written Premiums (GWPs) in the digital full stack insurance segment, solidifying its position as the largest player in India, according to a commissioned RedSeer Report.

Since its inception in 2016, GDGIL has experienced rapid expansion, bolstering its underwriting efficiency and consistently delivering impressive investment returns. As of December 31, 2023, the company boasts a widespread distribution network spanning 24 states and union territories, with partnerships established with over 61,972 Key Distribution Partners, including individual agents, corporate agents, brokers, and others. GDGIL's multifaceted distribution strategy, which includes direct customer engagement through its website and web aggregators, enables the company to seize pivotal life moments such as vehicle or home purchases, while overcoming geographical constraints. The company's product portfolio, comprising 74 active products across various lines of business, caters to diverse customer needs, blending traditional offerings with innovative solutions.

As of December 31, 2023, GDGIL has served approximately 43.26 million customers, with substantial traction observed in motor and health insurance products. Its Gross Written Premiums (GWP) have demonstrated robust growth, reaching Rs. 66.80 billion and Rs. 72.43 billion for the nine months ended December 31, 2023, and Financial Year 2023, respectively. Moreover, GDGIL enjoys favorable ratings on platforms like Google and Facebook, reflecting positive customer sentiment.

Since its inception, GDGIL embarked on a mission to transform the non-life insurance landscape in India, making insurance products accessible to all demographics through simplicity and innovation. However, the company acknowledges the inherent unpredictability of future operating results due to its limited operating history and the evolving nature of the insurance industry. Despite this, GDGIL remains committed to adapting to changing market dynamics and exceeding customer expectations, maintaining its trajectory of growth and success in the years to come.

#### Key Financial Data (INR Cr, unless specified)

	Premiums Earned (Net)	Premiums Earned (Net) YoY Growth (%)	PAT	Solvency Ratio (%)	RoNW (%)	AUM
FY21	0.9	N.A	(122.8)	2.0	(10.8)	5,590
FY22	1.0	12.9	(295.9)	2.0	(15.9)	9,394
FY23	3.2	219.3	35.5	1.8	1.5	12,668

Source: Ventura Research

Industry	Finance & Investments
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#### Issue Details

Listing	BSE & NSE
Open Date	15 <sup>th</sup> May 2024
Close Date	17 <sup>th</sup> May 2024
Price Band	INR 258-272
Face Value	INR 10
Lot Size	55 shares
Minimum Lot	1 Lot

#### Issue Structure

Fresh Issue	43%
OFS	57%
Issue Size (Amt)	INR 2,614.65 Cr
Issue Size (Shares)	96,126,686 shares
QIB Share (%)	≤ 75%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 10%
Pre issue sh (nos)	875,842,046
Post issue sh (nos)	917,202,340

Shareholding (%)	Pre (%)	Post (%)
Promoter	83.3	73.6
Others	16.7	26.4
<b>TOTAL</b>	<b>100</b>	<b>100</b>

## Industry Analysis

### India Macroeconomic Overview

India holds the distinction of being the world's fifth-largest economy as of 2023 and stands out as the fastest-growing among the top ten global economies. As per the International Monetary Fund, India's nominal gross domestic product (GDP) was approximately US\$ 3.73 trillion in 2023, with projections indicating a rise to US\$ 5.94 trillion by 2028, marking a compound annual growth rate (CAGR) of about 9.8% from 2023 to 2028. This growth rate is unparalleled among the top ten economies globally. India is poised to lead the G20 economies in growth, with an anticipated annual real GDP growth rate averaging around 6.3% from 2023 to 2028. This places India among the fastest-growing economies globally, considering the current GDP rankings.

In the Financial Year 2023, India's non-life insurance penetration rate was recorded at 1.0%, considerably lower than the global average of 4.0%. This suggests a considerable scope for growth within the Indian non-life insurance sector. Additionally, India's non-life insurance density, measured at US\$ 23.00 per capita in FY 2023, is notably lower than that of other countries worldwide, indicating significant untapped market potential. These figures underscore the opportunities available for expansion and development within India's non-life insurance market compared to global benchmarks.

Also, India is witnessing the emergence of a youthful and financially literate population, accompanied by a rise in purchasing power. With approximately 970 million individuals aged 15-64, this demographic represents roughly 68.0% of India's total population as of 2023, according to estimates from Redseer based on data from the Economic and Social Commission for Asia and the Pacific (ESCAP). Comparatively, the median age for Indians stands at approximately 28.2 years, lower than the global average of 30.5 years, with the United States and China at 38.1 years and 39.0 years, respectively. Redseer's analysis categorizes Indian households into four income segments: High-income, Upper-middle class, Lower-middle class, and Low-income, based on annual household income thresholds.

Indian households are experiencing a notable transformation in their income and consumption patterns, with high-income households projected to exhibit the fastest growth between 2023 and 2028, at a compound annual growth rate (CAGR) of 7.2%. By 2028, it is estimated that high-income households will reach 58 million, constituting approximately 16% of all households in India, a significant increase from their current share of 12.1%. Concurrently, the middle-class segment, comprising both upper and lower segments, is expected to grow from accounting for ~51.1% of all households to ~57.1%, representing over 200 million households by 2028.

As social mobility increases and standards of living improve, households are likely to augment discretionary spending, including investments in financial products such as insurance. Additionally, the COVID-19 pandemic has heightened concerns for health and safety, prompting consumers to prioritize financial security, focusing on savings, investments, and insurance. India's evolving demographics are increasingly oriented towards enhancing lifestyle and convenience. The anticipated

rapid growth in consumption will be propelled by the swift upward mobility of emerging-income households, which will experience income growth through urbanization, enhanced access to information, and employment opportunities.

India has witnessed remarkable growth in digital adoption, evident in the increasing number of internet users, smartphone users, and online transactions. This rapid digital uptake is anticipated to enhance the penetration and accessibility of financial services products and other industries for Indian consumers. Factors contributing to this rapid digital expansion include rising smartphone penetration, decreasing data costs, innovative technology advancements, and government initiatives aimed at digitization, with a target of achieving a US\$ 1.00 trillion digital economy by 2025.

Projections indicate that the number of internet users will surge from 800-850 million to 1050-1100 million by 2028, boasting a compound annual growth rate (CAGR) of 5-7%. Consequently, the number of smartphone users and online transactors is expected to reach 950-1000 million and 800-850 million, respectively, by Financial Year 2028. The Indian Ministry of Electronics and IT also foresees the contribution of the digital economy to the national GDP to escalate from 10.0% in 2023 to approximately 20.0% by 2026, driven by the increased proliferation of digitization across the government and the broader ecosystem.

### **Company Highlights**

- Go Digit General Insurance Limited has demonstrated exceptional growth in Gross Written Premium (GWP) over the years, with a significant increase from INR 1,041 million in FY18 to INR 72,430 million in FY23
- Digit has settled a substantial number of claims since its inception, with 1.72 million claims settled as of the end of 9M FY2024. This showcases the company's commitment to providing efficient and timely claim settlements
- The company's Assets Under Management (AUM) have shown steady growth, increasing from INR 55,901.1 million in FY2021 to INR 149,090.1 million in 9M FY2024. This growth in AUM reflects the company's strong financial position and investment strategies
- Digit's technology-enabled Point of Sale channel has contributed to its operational efficiency and customer service. With a Point Of Sales Person base of 58,532 and digital integration with partner networks, Digit has enhanced its distribution footprint and customer reach
- Over the past 6+ years, the company has substantially scaled its business, attaining a strong market share in Total and Motor insurance. With a diverse product portfolio, a large customer base, numerous partnerships, and high customer satisfaction rates, Digit has cemented its position as a prominent player in the insurance industry

## Growth Strategy

- **Focus on GWP Growth** - Digit has consistently focused on Gross Written Premium (GWP) growth, as evidenced by its impressive increase in GWP over the years. This growth strategy involves expanding its market presence, introducing new products, and enhancing customer acquisition
- **Technology Integration** - Digit has embraced technology across its business functions, operating with a technology-enabled business model. This strategic approach not only enhances operational efficiency but also improves customer experience and service delivery. By leveraging technology, Digit aims to streamline processes, enhance customer interactions, and stay ahead in the competitive insurance industry
- **Product Diversification**- Digit has diversified its product portfolio to cater to various insurance needs. By offering a wide range of insurance products in segments such as Motor, Health & PA, Fire, and Liability & Others, Digit aims to capture a larger market share and meet the evolving needs of customers
- **Distribution Expansion** : Digit has expanded its distribution footprint across 24 out of the 36 total states and union territories in India. With a large Point Of Sales Person base and digital integration with partner networks, Digit has enhanced its reach and accessibility to customers. This distribution expansion strategy enables Digit to tap into new markets and increase its customer base
- **Customer-Centric Approach** : Digit's growth strategy is centered around providing a seamless and customer-centric experience. By focusing on customer satisfaction, efficient claims settlement, and digital onboarding processes, Digit aims to build long-term relationships with customers and enhance its brand reputation

## Investment Rationale

- **Strong Growth Potential:** Digit has demonstrated significant growth in Gross Written Premium (GWP) over the years, showcasing its ability to capture market share and expand its business. With a focus on innovation and customer-centric offerings, Digit is well-positioned to capitalize on the growing insurance market in India
- **Diversified Product Portfolio:** The company offers a wide range of insurance products across various segments such as Motor, Health & PA, Fire, and Liability & Others. This diversified product portfolio not only caters to different customer needs but also mitigates risks associated with concentration in a single product category
- **Technology-driven Operations** : Digit operates with a technology-enabled business model, leveraging digital solutions to enhance operational efficiency and customer experience. By embracing technology, Digit differentiates itself in the market and stays ahead in the rapidly evolving insurance industry
- **Strong Financial Performance:** Digit has shown robust financial performance with steady growth in Assets Under Management (AUM) and a high rate of customer satisfaction. The company's efficient claims settlement process and strong relationships with partners contribute to its financial stability and growth prospects

### Key Concerns

- **Market Competition:** The insurance industry in India is highly competitive, with both established players and new entrants vying for market share. Digit faces competition from traditional insurers as well as emerging Insurtech companies, which could impact its ability to maintain or expand its market position
- **Regulatory Environment:** The insurance sector is subject to regulatory oversight and changes in regulations can impact the operations and profitability of insurance companies. Adapting to regulatory requirements and compliance standards may pose challenges for Digit, especially in a dynamic regulatory environment
- **Claims Management:** Efficient claims management is crucial for an insurance company's reputation and financial performance. A high volume of claims or challenges in claims settlement processes could strain the company's resources and affect customer satisfaction levels
- **Investment Risks:** Insurance companies often invest premiums to generate returns and maintain solvency. Fluctuations in the financial markets or economic conditions can pose investment risks for insurance companies like Digit, impacting their investment income and financial stability
- **Technological Disruptions :** Go Digit relies heavily on technology for its operations, and disruptions or cybersecurity threats could disrupt its business operations and affect customer trust. Investing in robust cybersecurity measures and staying ahead of technological advancements is crucial for mitigating these risks

### Issue Structure and Offer Details

The Go Digit IPO is a book-built offering valued at Rs 2,614.65 crores. This consists of a fresh issue of 4.14 crore shares, totaling Rs 1,125.00 crores, and an offer for sale of 5.48 crore shares, amounting to Rs 1,489.65 crores.

Issue Structure		
Investor Category	Allocation	No. of shares offered
QIB	Not more than 75% of the Offer	72,095,015
NII	Not less than 15% of the Offer	14,418,003
Retail	Not less than 10% of the Offer	9,612,669

*Number of shares based on a higher price band of INR 272*

*Source: Company Reports*

## Go Digit General Insurance Ltd financial summary and analysis

Fig in INR Bn (unless specified)	FY21	FY22	FY23	Fig in INR Bn (unless specified)	FY21	FY22	FY23
<b>Income Statement</b>				<b>Operating Ratios (%)</b>			
Operating Profit/(Loss)	(185.5)	(375.1)	(66.3)	Investment yield	6.9	6.2	6.3
<i>YoY Growth (%)</i>		<i>NA</i>	<i>NA</i>	Commission Ratio	2.6	3.8	2.4
Income from Investments	66.9	81.5	105.2	Combined Ratio	109.4	112.7	107.4
		<i>21.7</i>	<i>29.1</i>	Expense ratio	32.8	34.8	37.8
Other Income	0.0	0.0	0.2	Claims Ratio	74.0	74.0	67.2
				Solvency Ratio	2.0	2.0	1.8
Provisions (Other than Taxation)	0.0	0.0	0.0	EPS (x)	N.A	(2.0)	(2.8)
Other Expenses	4.2	2.2	3.6	<b>Profitability Ratios (%)</b>			
				Return On Net Worth	(10.8)	(15.9)	1.5
PBT	(122.8)	(295.9)	35.5	Net Earning Ratio	(6.3)	(8.7)	0.7
<i>YoY Growth (%)</i>	<i>N.A</i>	<i>N.A</i>	<i>N.A</i>	Operating Profit Ratio	(9.5)	(11.0)	(1.3)
<i>Tax Expense</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	Net Expense Ratio	35.4	38.7	40.2
PAT	(122.8)	(295.9)	35.5	Retention Ratio	81.2	79.4	81.6
<i>YoY Growth (%)</i>	<i>N.A</i>	<i>N.A</i>	<i>N.A</i>				
<b>Balance Sheet</b>				<b>Valuation</b>			
<b>Sources of Funds</b>				Total AUMs	5,590	9,394	12,668
Share Capital	824.7	859.0	874.7	Sector wise Exposure of AUM (%)	100.0	100.0	100.0
Reserves and Surplus	973.1	1,975.1	2,383.6	Sovereign	53.9	53.8	70.4
<b>Fair Value Change Account</b>				Housing and Infrastructure	29.3	28.4	20.1
Shareholders	50.2	84.4	86.9	Banking and Finance	11.8	12.8	6.6
Policyholders	2.9	0.5	2.3	Money Market and Mutual Funds	3.6	4.2	2.0
Borrowings	0.0	0.0	0.0	Others	1.4	0.8	0.9
Total	1,850.9	2,919.0	3,347.4	Dividend Yield %	0.0	0.0	0.0
Investments	5,430.2	9,247.4	12,389.1	P/EPS (x)	N.A	147.9	(12.7)
Loans	0.0	0.0	0.0	P/AUM (x)	(0.0)	(0.0)	0.0
Net Current Assets	(4,302.8)	(7,417.7)	(10,109.6)				
Debit Balance in Profit and Loss Account	645.0	940.9	905.3				
Total	1,850.9	2,919.0	3,347.4				

Source: Ventura Research

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