

RETAIL EQUITY RESEARCH

Go Digit General Insurance Ltd.

General Insurance

SENSEX: 73,104

NIFTY: 22,218

SUBSCRIBE

Price Range Rs.258 - Rs.272

The Largest Digital Full Stack Non-Life Insurer in India

Go Digit General Insurance Ltd. (GDGIL), established in 2016, is an insurance company equipped with extensive digital capabilities, emphasizing digital interactions throughout the insurance process. GDGIL provides a wide array of insurance products, including motor, health, travel, property, marine, and liability insurance, all customizable to meet individual customer needs. As of FY23, GDGIL holds a 2.4% overall market share and 5.4% motor insurance market share in terms of Gross Written Premium (GWP). By December 31, 2023, GDGIL had established a broad distribution network spanning 24 states in India, with 61,972 distribution partners, including 58,532 Point of Salespersons (POSPs) and other agents, alongside 473 active bots designed to automate tasks for various functions and partners.

- As per IRDAI and Redseer Report, the non-life insurance sector GWP grown to US\$ 33.3 billion exhibiting a Compound Annual Growth Rate (CAGR) of 13.6% over FY21-23. The overall market is poised to expand at a CAGR of 15-16% from FY23 to FY28.
- As of FY23, the penetration rate of non-life insurance in India stood at 1.0% of Gross Domestic Product (GDP), in contrast to the global average of 4.0%. This provides enough growth headroom to Indian non-life insurers.
- In FY23 and 9MFY24, GDGIL accounted for approximately ~82.1% and ~82.5%, respectively, of the GWP written by digital full stack insurance players, including Acko and Navi, thus solidifying its position as the largest digital full stack insurance player in India.
- The Company is backed by Canada-based insurance company Fairfax Group (FAL Corporation) and Oben Ventures LLP (Private Equity), holding of 45% and 40% respectively in Go Digit's parent company, GDISPL (Go Digit Info works Services Pvt. Ltd) while rest is owned by founder Kamesh Goyal with 15%.
- GDGIL has achieved robust business growth, marked by a healthy 30.7% CAGR in GWP and a 31.4% CAGR in Assets Under Management (AUM) over the period of FY21 to FY23.
- Go Digit has maintained an adequate capital position with a solvency ratio of 1.78x and 1.60x as of FY23 and 9MFY24, respectively, compared to the IRDAI control level of 1.50x.
- By utilizing the net proceeds of Rs1,125cr towards augmenting its capital base and maintaining the solvency levels, the company anticipates solvency ratio will improve to 2x post IPO.
- GDGIL's retention ratio has improved from 81.2% in FY21 to 84.3% in 9MFY24, signaling enhanced operational efficiencies, potentially bolstering long term profitability for the company.
- In FY23, net profit turned positive at ₹36.1cr, compared to a loss of ₹22.7cr. in FY21. Notably, in 9MFY24, net profit surged 13 times to ₹129.4cr compared to ₹10cr. in 9MFY23.
- At the upper price band of ₹272, GDGIL is available at a P/B of 10.2x (FY23), which is expensive compared to peers. However, given its healthy business momentum with robust growth in premium income, and its strategic positioning to seize opportunities within the under penetrated non-life insurance market, along with an improving financial profile, the company is well poised for bright prospects. We recommend 'Subscribe' to the issue from a long-term perspective.

Purpose of IPO

The offering comprises a fresh issue of ₹1,125cr and an Offer-for-Sale (OFS) component of up to 5.48cr equity shares valued at ₹1,490cr. The company plans to utilize the net proceeds of ₹1,125cr towards augmenting its capital base and maintaining the solvency levels.

Key Risks

- Intensified industry competition coupled with cost management challenges may threaten the company's financial stability and operational viability.

Peer Valuation

Company	CMP	MCap(₹ cr)	GWP(₹ cr)	GDPI(₹ cr)	Solvency (%)	Loss Ratio (%)	Combined Ratio (%)	EPS (₹)	P/E(x)	P/B(x)	NEP 3year-CAGR(%)
Go Digit General Ins.	272	24,948	7,243	61,60	178	67.2	107.4	0.4	692.0	10.2	38.5
ICICI Lombard	1,661	81,426	16,432	21,025	251	72.0	104.0	35.2	47.2	7.8	14.0
Star Health & Allied	536	30,900	12,952	12,952	214	65.0	95.3	10.7	50.1	5.7	34.5
New India Assurance	220	36,174	38,791	37,482	187	95.6	117.2	6.4	33.4	1.8	22.3

Source: Geojit Research, Bloomberg; Valuations of GDGIL are based on upper end of the price band (post issue), Financials as per FY23 consolidated.

Issue Details	
Date of opening	May 15, 2024
Date of closing	May 17, 2024
Total No. of shares offered (cr.)	9.61
Post Issue No. of shares (cr)	91.7
Price Band	₹258- ₹272
Face Value	₹10
Bid Lot	55 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,960
Maximum application for retail (upper price band for 13 lot)	₹ 1,94,480
Listing	BSE,NSE
Lead Managers	ICICI Securities Ltd , IIFL Securities Ltd, Morgan Stanley India, Axis Capital, HDFC Bank, Nuvama Wealth
Registrar	Link Intime India Pvt. Ltd

Issue size (upper price)	Rs.cr
Fresh Issue	1,125
OFS	1,490
Total Issue	2,615

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	83.3	74.0
Public & Others	16.7	26.0
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	10	262
Non-Institutional	15	392
QIB	75	1,961
	-	
Total	100	2,615

Y.E March (Rs cr) Consol.	FY22	FY23	9MFY24
Net Earned Premium (NEP)	3,404.2	5,163.7	5,114.6
% Change	75	52	-
Total Income	3,760.2	5,780.8	5,750.6
Operating Profit	-374.4	-65.8	-9.8
Profit After Tax	-295.2	36.1	129.4
EPS	-	0.4	1.4
P/E (x)	-	692	145*
P/B(x)	13	10	7*
Solvency %	201	178	160

*Annualised



Brief Description of Business & Product Portfolio:

Go Digit General Insurance Ltd (GDGIL) is one of the leading digital full stack insurance companies in India. As a digital full stack insurance company, Company deploy a combination of insurance and technology solutions to assist in enrolment, insurance claims processing, underwriting, policy administration, data insights and fraud detection.

Digital Full Stack Ins. Companies	Net Expense Ratio (%)		Annual Yield on Inv.(%)		Solvency ratio %		Loss Ratio (%)		GWP (Rs Cr)	
	9MFY24	FY23	9MFY24	FY23	9MFY24	FY23	9MFY24	FY23	9MFY24	FY23
Go Digit	39.1	40.2	7.4	6.3	1.60 times	1.78 times	69.6	67.2	6679.68	7243.0
Acko	68.2	70.7	9.8	6.5	2.18 times	2.75 times	70.1	84.3	1364.00	1509.4
Navi	58.6	80.2	9.3	7.0	3.81 times	2.88 times	50.0	76.0	49.25	72.4

Go Digit's product portfolio is comprised of traditional and innovative solutions. Company have established a broad suite of insurance lines targeted to meet the various needs of our growing customer base. Company launched 74 active products across all business lines. Company's main category of insurance products is motor insurance and they also offers health insurance, travel insurance, property insurance, marine insurance, liability insurance and other insurance products.

	9MFY24		9MFY23		FY23		FY22		FY21	
	GWP (%)	₹ Cr.	GWP (%)	₹ Cr.	GWP (%)	₹ Cr.	GWP (%)	₹ Cr.	GWP (%)	₹ cr.
Go Digit	6.0	10000	5.4	8000	5.4	8000	5.4	8000	5.4	8000
Acko	5.5	10000	5.0	8000	5.0	8000	5.0	8000	5.0	8000
Navi	5.0	10000	4.5	8000	4.5	8000	4.5	8000	4.5	8000

	9MFY24	9MFY23	FY23	FY22	FY21
Go Digit	6.0	5.4	5.4	5.4	5.4
Acko	5.5	5.0	5.0	5.0	5.0
Navi	5.0	4.5	4.5	4.5	4.5

Source: RHP, Geojit Research

This level of premium accounted for a market share of 5.4% and 4.5% for FY23 and FY22, respectively, of the total motor insurance premiums written by all non-life insurers in India, on a GWP basis, and Go Digits market share grew further to 6.0% for the 9MFY24, according to the RedSeer Report. While company's ability to capture this share of the market over such a short period of time highlights the strong market acceptance and brand recognition that have built in five years and the company believe business still has headroom for future growth. The private motor insurance market registered a growth rate of 18.7% in GWP from FY22 to FY23.

Distribution Model

Company distributes products through a diversified, primarily partnership-based model across a variety of channels. As of December 31, 2023, they had relationships with approximately 61,972 Key Distribution Partners, including approximately 58,532 POSPs, as well as individual agents, corporate agents, brokers, and others. Go Digit also offer products directly to customers through their website, as well as through web aggregators. Go Digit's dispersed granular distribution network complements their digital capabilities and digitally enabled network partners across 24 states and union territories in India as of December 31, 2023.

Key strength:

- Simple and Tailored Customer Experience
- Focus on Empowering Distribution Partners
- Predictive Underwriting Models
- Advanced Technology Platform
- A nimble organization with a skilled and experienced management team

Key strategies

- Be known as a leader in customer service
- Acquire new customers across current products in the Indian non-life insurance market
- Grow product portfolio to meet Indian market needs and drive further adoption across product suite
- Expand into new geographies within India
- Optimize customer experience and boost operating leverage through continued investment in technology
- Drive more accurate pricing in the insurance industry

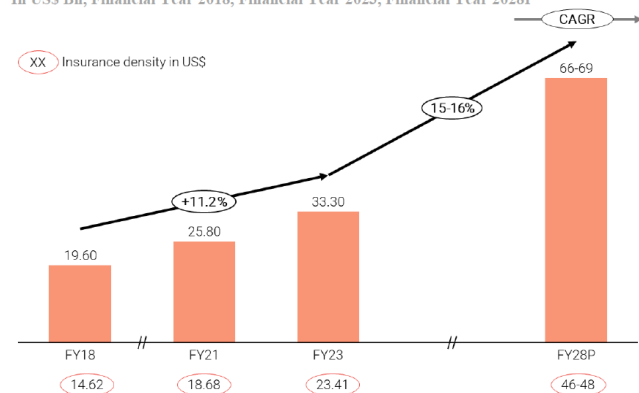


Industry outlook

According to the IRDAI and RedSeer Report, the Indian non-life insurance contributed around US\$33.30 billion in GWP in FY 2023, showing a CAGR of 11.2% from FY 2018 to FY 2023 and a CAGR of 13.6% from FY 2021 to FY 2023. It is estimated that, as of 9MFY24, non-life insurance contributed around US\$27.50 billion in GWP from US\$24.60 billion in GWP for 9MFY23, indicating growth momentum. The overall market is estimated to grow at a CAGR of 15-16% from FY 2023 to FY 2028, reaching the value of US\$ 66-69 billion by FY 2028. The non-life insurance sector is dominated by the motor and health insurance segments. In non-life insurance business, according to IRDAI, India was ranked 14th worldwide with a share of 0.8% in the global non-life insurance market in Financial Year 2022. The Indian non-life insurance market was among the top five in the Asia-Pacific measured by GWP.As of FY23, the penetration rate of non-life insurance in India stood at 1.0% of Gross Domestic Product (GDP), in contrast to the global average of 4.0%. This provides enough growth headroom to Indian non-life insurers.

Gross Written Premium (GWP) for Non-life insurance

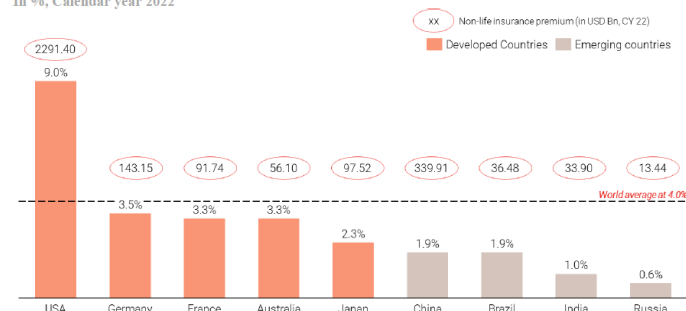
In US\$ Bn, Financial Year 2018, Financial Year 2021, Financial Year 2023P



Note(s): Insurance density (per capita premium) is measured as the ratio of total GWP collected to the country's population
 Source(s): IRDAI annual reports, RedSeer Analysis

Non-life insurance penetration across nations (premiums as a % of GDP)

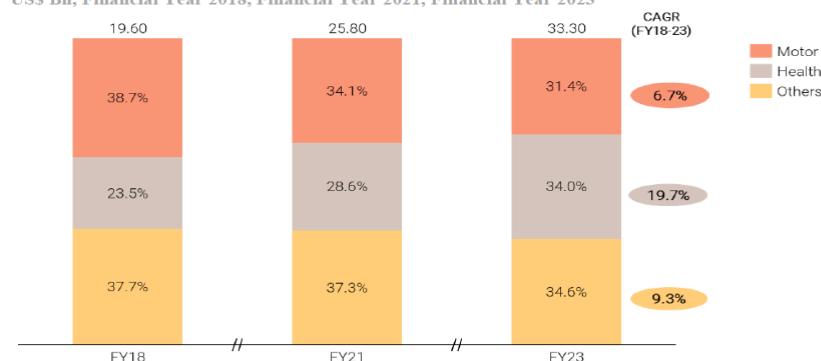
In %, Calendar year 2022



Note(s): (1) Non-life insurance includes motor, health, crop (includes weather), fire, marine and engineering amongst other non-life insurance products
 (2) Insurance penetration is measured as the ratio of Gross Written Premiums to GDP (3) India's non-life insurance penetration is calculated based on percentage of GWP basis while GDP is used for calculation of other countries. (4) Data for India is Financial Year 2023, rest countries data for calendar year 2022
 Source(s): IRDAI handbook, RedSeer Analysis.

Non-life Insurance GWP – Category split

US\$ Bn, Financial Year 2018, Financial Year 2021, Financial Year 2023



Note(s): (1) Health excludes travel and personal accident; (2) Motor includes motor TP and motor OD (3) Others include fire, marine, travel, microinsurance, crop (includes weather) insurance etc.
 Source(s): IRDAI annual Publications, RedSeer Analysis

Source: RHP, Geojit Research

Promoter and promoter group

Company's Promoters are Kamesh Goyal, Go Digit Infoworks Services Private Limited (DGISPL), Oben Ventures LLP and FAL. As on the date of this Red Herring Prospectus, GDISPL is the holding company of Go Digit which Holds 83.3% of the pre-offer issued, subscribed, and paid-up share capital of the company.

Brief Biographies of directors

- **Kamesh Goyal** is the Non-Executive Chairman of the Company and a nominee of GDISPL and has been a Director of Company since its incorporation.
- **Jasleen Kohli** is the Managing Director and Chief Executive Officer of Company.
- **Chandran Ratnaswami** is a Non-executive Director of the Company and a nominee of FAL. He is the chief executive officer and director of Fairfax India Holdings Corporation.
- **Rajendra Beri** is an Independent Director of the Company.
- **Vandana Gupta** is an Independent Director of the Company.
- **Christof Mascher** is an Independent Director of the Company.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY22	FY23	9MFY24
Net Earned Premium (NEP)	3,404.2	5,163.7	5,114.6
% change	75	52	-
Profit/Loss on Invest.	6.2	5.8	9.7
Others	0.0	0.0	0.0
Interest, Divident, Rent	349.0	610.8	625.9
Total Income	3,760.2	5,780.8	5,750.6
% change	72	54	-
Claims Incurred	2,519.7	3,471.4	3,560.0
Commission	159.4	143.7	1,389.4
Operating expenses	1,455.6	2,231.4	810.9
Premium deficiency	0.0	0.0	0.0
Total Expenses	4,134.7	5,846.5	5,760.4
Operating Profit	-374.4	-65.8	-9.8
Income from Investments	81.5	105.2	140.9
Other Income	0.0	0.2	0.0
Other Expenses	2.2	3.6	1.8
PBT	-295.2	36.1	129.4
% change	-	-	-
Provision for Tax	-	-	-
PAT	-295.2	36.1	129.4
No.of Shares Post IPO	91.7	91.7	91.7
Diluted EPS	-	0.4	1.4

BALANCE SHEET

Y.E March (Rs cr)	FY22	FY23	9MFY24
Sources of Funds			
Share Capital	859	874	875
Reserves and Surplus	1,975	2,384	2,392
Fair Value A/c Change	85	89	153
Borrowings	0	0	200
Total	2,919	3,347	3,620
Application of Funds			
Investments	9,247	12,389	14,787
Loans	0	0	0
Fixed Assets	149	162	161
Cash and Bank Balances	147	279	122
Net Other Cur. Assets	-7,564	-10,389	-12,226
Others	941	905	776
Total	2,919	3,347	3,620
BVPS	22	27	28

RATIOS

Y.E March	FY22	FY23	9MFY24
Valuation			
P/E (x)	-	692	145*
P/BV (x)	13	10	7*
Per Share (Rs.)			
EPS	-	0.4	1.4
BVPS	22	27	28
Expenses (%)			
Loss Ratio	74.0	67.2	69.6
Combined Ratio	112.7	107.4	108.7
Solvency (%)			
Solvency	201	178	160

*Annualised

DISCLAIMER & DISCLOSURES

Certification

I, Rajeev T, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

Regulatory Disclosures:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd (P2P lending (yet to start operations)), Geojit IFSC Ltd (a company incorporated under IFSC Regulations(yet to start operations)), Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Rajeev T, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. ó

7. Standard Warning: Investment in securities market are subject to market risks. Read all the related documents carefully before investing. ó

Please ensure that you have read the Risk Disclosure Documents for Capital Market and Derivatives Segments as prescribed by the Securities and Exchange Board of India before investing.

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