



SMC Ranking
 ★★☆☆☆ (2/5)

Issue Highlights

Industry	Insurance
Offer for sale (Shares)	54,766,392
Fresh Issue (Shares)	41,360,294
Net Offer to the Public	96,126,686
Issue Size (Rs. Cr.)	2480-2615
Price Band (Rs.)	258-272
Offer Date	15-May-24
Close Date	17-May-24
Face Value	10
Lot Size	55 Shares

Issue Composition

	In shares
Total Issue for Sale	96,126,686
QIB	72,095,015
NIB	14,419,003
Retail	9,612,669

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	83.31%	73.58%
QIB	16.69%	23.80%
NIB	0.00%	1.57%
Retail	0.00%	1.05%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The Company proposes to utilise the Net Proceeds towards the following objects

- To undertake its existing business activities; and
- To undertake the activities proposed to be funded from the Net Proceeds. Further, the Company expects to receive the benefits of listing the Equity Shares on the Stock Exchanges, which, the company believes, will enhance the visibility and its brand image among its existing and potential customers.

Book Running Lead Manager

- ICICI Securities Limited
- Morgan Stanley India Company Private
- Axis Capital Limited
- HDFC Bank Limited
- IIFL Securities Limited
- Nuvama Wealth Management Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Incorporated in December 2016, Go Digit General Insurance Limited is an insurance provider offering motor insurance, health insurance, travel insurance, property insurance, marine insurance, liability insurance and other insurance products, which customers can customize to meet their needs. The company has currently launched a total of 74 active products across all its business lines. As of December 31, 2023, the company had about 61,972 partners, including 58,532 POSPs and other agents. As of December 31, 2023, the company had a distribution centers in 24 states and union territories in India. As of Dec 31, 2023, company had 473 active bots to automate tasks for functions and partners. As of December 31, 2023, the company currently operates 75 offices throughout India. The insurance tech company is backed by star couple Anushka Sharma and Virat Kohli.

Strength

Simple and Tailored Customer Experience: Understanding that insurance can be complex, Digit prioritizes a simple and transparent experience. This commitment is reflected in its high customer satisfaction scores.

- **Net Promoter Scores (NPS):** 73.3% for non-claims and a remarkable 93.1% for motor claims (as of December 31, 2023).
- User-friendly "Digit Insurance" mobile app (Android & iOS).

Digit delivers a simple and tailored experience in the relevant and customizable coverage, easy-to-understand documents and Straightforward, paperless processes. Customers can get a quote in 5 seconds and submit claims online quickly via our computer or phone. Its use of automation aims to minimize turnaround times.

Focus on Empowering the Distribution Partners: Digit empowers its partners through various tools and resources in the following way:

- **Multiple access points:** Partners can interact with Digit through AI-powered bots like Aria (for real-time quotes), APIs, a partner portal, mobile apps, and a website. Each method is designed for smooth and efficient interaction. Digit also invests in partner training, covering soft skills, business strategy, and client negotiation.
- **Point-of-Sale (POS) solutions:** Digit collaborates with partners to offer digital insurance solutions at the point of sale, enhancing the customer experience. The company provides dedicated support for onboarding POS partners, including self-service options, classroom training, and online refreshers. Its technology allows each relationship manager to handle over 600 POS partners.
- **Customizable integrations:** Modular APIs cater to specific partner needs, enabling automation of tasks like distribution, customer support, quotes, policy endorsements, cancellations, payments, and claim registrations.
- **Business insights tools:** Partners can access data and tools through the online platform to understand, target, acquire, and service customers better. For example, Digit provides insights on risk profiles for specific products and geographies during quotes, allowing partners to focus on suitable business and potentially offer personalized discounts.
- **Self-service tools:** Throughout the policy lifecycle, partners have tools to manage its business efficiently and provide superior customer service. This includes options for pre-inspections, self-inspections, and document uploads via apps, web links, or APIs.

Predictive Underwriting Models: Digit combines its motor insurance expertise with a vast data bank to build advanced underwriting models. These models assess risk and predict losses at a granular level, allowing for:

- **Better cost management:** By accurately pricing policies, they can control costs.
- **More tailored products:** Data insights enable them to create products that meet diverse customer needs.
- **Continuous improvement:** More data from these new products further refines their models and lowers costs.

The key strengths of its underwriting models include extensive data analysis, automation and Profitable business acquisition: Data insights help it identify customers with lower risk profiles, enabling it to acquire profitable business and build a strong portfolio.

Advanced Technology Platform: Digit leverages a robust technology platform with AI-powered microservices to streamline processes and empower customers, partners, and employees. Its platform includes the following:

- **Automation across the insurance lifecycle:** In-house micro services handle tasks from policy design and underwriting to claims management, improving efficiency.
- **Cloud-based agility:** The entirely cloud-based platform ensures scalability and smooth operation.
- **Empowerment and customization:** Customers can easily access insurance, customize features, and partners are empowered with automation tools.
- **Enhanced efficiency with AI:** Over 473 AI-powered micro services automate tasks, such as 24/7 policy issuance for group health insurance.
- **Data-driven decision making:** The data bank and integrations enable rapid product design, pricing, and launch based on insights.
- **Fast turnaround times:** Customers can quickly find the right coverage and experience efficient onboarding and claims settlement.
- **24/7 self-service options:** Customers and partners have access to self-service tools and 24/7 live chat support on popular platforms like WhatsApp.

This focus on technology fuels its digital-first approach and allows it to deliver a simple and tailored customer experience.

Strategies

Be known as a leader in customer service: This customer-centric company prioritizes both attracting new clients and fostering loyalty among existing ones. Its strong brand, combined with a smooth insurance buying and claims experience, is key to its success. To reach even more people, the company plans to expand its distribution network and leverage technology to target customers who need insurance. According to a commissioned RedSeer Report, India's digital adoption is booming, with a surge in internet users, smartphone ownership, and online transactions. This digital wave is expected to make financial services, including insurance, more accessible and popular for Indian consumers. By building partnerships and engaging with tech-savvy customers, the company aims to gather valuable data to develop relevant insurance products. The company believes that complete automation of the insurance process, coupled with long-term customer relationships that adapt to life changes, will translate to attracting more clients, increasing premiums, and encouraging repeat business.

Acquire new customers across its current products in the Indian non-life insurance market: The Company has a strong track record of growth, achieving a 26.3% increase in Gross Written Premium (GWP) in the last nine months and capturing market share (growing from 2.3% to 3.0%). It has achieved this by optimizing marketing spend, expanding channels, and focusing on digital tools. Looking ahead, the company plans to leverage the growing Indian economy and insurance market,

particularly the motor insurance sector. The company will target new customers by offering small-ticket insurance products and expanding partnerships beyond traditional agents and brokers. This includes building on its digital strengths to enhance productivity for itself and its partners. While the core business will continue through existing channels, the company sees significant potential in adding new partnerships, especially with banks, and growing their direct-to-consumer sales.

Grow its product portfolio to meet Indian market needs and drive further adoption across its product suite: The company sets itself apart by constantly developing new and relevant insurance products for the Indian market. The company has a robust platform offering 74 active options across various categories. This commitment to innovation is evident in its early adoption of travel and unbundled mobile phone insurance. Looking ahead, the company plans to maintain a strong product pipeline. Recent launches like OPD health insurance and life science liability coverage demonstrate their focus on diverse needs. This product expansion will attract new customers and promote existing offerings within its platform.

Expand into new geographies within India: The Company aims to reach new customers by growing and diversifying its distribution network. The company currently operates in 24 Indian states and territories, focusing on areas with favorable risk profiles. To expand further, the company plans to build relationships in smaller locations and target customers with historically less preferred profiles. By leveraging the data the company has collected, it believes it can accurately assess and price risks in these new areas, ultimately generating more profitable business.

Optimize customer experience and boost operating leverage through continued investment in technology: Technology is a core differentiator for the company, allowing for efficient underwriting through advanced predictive models. This focus on digitalization is crucial for future growth and profitability. Its real-time cloud-based data platform fuels initiatives to improve automation (straight-through processing) and reduce turnaround times. Combined with powerful data analytics, this creates a holistic customer view, optimizing experiences for both customers and distributors. The company plans to fully integrate data analytics and AI across its operations. This digital strategy, along with continued investment in AI, will enhance efficiency, better serve customers and partners, and ultimately lower costs.

Drive more accurate pricing in the insurance industry: The Company is committed to using more behavioural data in its underwriting and pricing models. This allows them to go beyond traditional factors like credit scores and create a more nuanced risk profile for each customer. For instance, the company analyses how a customer's purchase of flight cancellation insurance might influence its claim likelihood. Ultimately, the company aims to replace reliance on indirect factors with a fully behavioural pricing model.

Risk factor

- **Financial Performance:** The company has a history of losses, raising concerns about its ability to turn a profit in the future. This lack of profitability could limit its ability to grow and invest in the business.
- **Limited Track Record:** Go Digit is a relatively new company, making it difficult to predict its future success. There's simply less data available to analyze compared to established insurers.
- **Regulatory Risk:** The Company is required to maintain a certain level of solvency (financial reserves).

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
New India Assura	42035.25	931.72	5.65	38.98	1.34	164.93	5	220.25	36297.20
ICICI Lombard	20602.12	1918.59	38.93	42.69	6.71	247.66	10	1661.95	81899.35
Star Health Insu	14026.43	845.02	14.44	37.14	4.66	115.02	10	536.35	31391.67
Go Digit General Insurance Limited	7492.83	154.54	1.68	161.43	6.90	39.42	10	272.00	24947.90

*Peer Companies financials are based on TTM

**Go Digit General Insurance Financials are based on TTM

Valuation

Considering the P/Bv valuation, on the upper end of the price band of Rs.272 the stock is priced at pre issue, book value of Rs. 28.44 of P/Bvx 9.56x. Post issue, book value of Rs. 39.42 of P/Bvx 6.90x.

Considering the P/Bv valuation, on the lower end of the price band of Rs.258 the stock is priced at pre issue, book value of Rs. 28.44 of P/Bvx 9.07x. Post issue, book value of Rs. 39.42 of P/Bvx 6.54x.

Industry Outlook

The Indian non-life insurance market shows immense potential for growth. Despite being a top player in the Asia-Pacific region, its penetration rate sits at just 1.0%, far below the global average of 4.0%. This is further reflected in the low non-life insurance density of US\$23.00 per capita, compared to the global average of US\$499.00. However, the market has been experiencing impressive growth, with a CAGR of 11.2% from FY 2018 to FY 2023 and projections for continued growth at 15-16% CAGR until FY 2028. This growth is driven by segments like motor and health insurance, and positions India as the 14th largest non-life insurance market globally.

Outlook

A digital insurance company, Digit, is making waves in the non-life insurance market. Fuelled by the rising awareness of insurance after the pandemic, Digit is well-positioned with its tech-driven approach and innovative products. Impressively, the company has achieved profitability within just a few years, which is typically a longer journey for insurance companies. Its focus on health insurance, the fastest growing insurance category, is another promising sign with premiums doubling year-on-year. However, a past history of losses raises concerns about future profitability. This lack of consistent profit could restrict Digit's ability to invest in further growth.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	15-May-24
BID/ISSUE CLOSES ON	17-May-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	21-May-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	22-May-24
Credit of Equity Shares to Demat Accounts of Allottees	22-May-24
Commencement of trading of the Equity Shares on the Stock Exchanges	23-May-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Dec-23 (9 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Premium earned (net)	5750.24	5780.24	3759.46
Total expenditure	5760.36	5846.51	4134.61
Operating Profit / loss from insurance	-10.12	-66.27	-375.14
Total Operating loss	-10.12	-66.27	-375.14
OPM%	-0.18	-1.15	-9.98
Other Income	140.95	105.46	81.50
PBDIT	130.83	39.19	-293.64
other expenses	1.82	3.64	2.21
PBIT	129.02	35.55	-295.85
Interest	0.00	0.00	0.00
Profit before tax	129.02	35.55	-295.85
Tax	0.00	0.00	0.00
PAT	129.02	35.55	-295.85

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Dec-23	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Investments			
Shareholders	2117.67	2171.52	1601.43
Policyholders	12669.00	10217.53	7645.93
Fixed assets	161.00	162.00	148.50
Total Non Current Assets	14947.68	12551.06	9395.86
Current assets			
Cash and Bank Balance	122.34	279.30	146.52
Advances and other assets	947.13	659.19	505.35
Total current assets	1069.47	938.49	651.87
Total Assets	16017.15	13489.56	10047.73
Non-current liabilities			
Financial liabilities			
Borrowings	200.00	0.00	0.00
fair value change account	0.00	0.00	0.00
Shareholders	147.99	86.85	84.40
Policy holders	4.92	2.28	0.53
Total non-current liabilities	352.91	89.13	84.92
Current liabilities			
current liabilities	9587.29	7982.46	5751.84
Provisions	3586.21	3065.66	2317.75
Total current liabilities	13173.49	11048.12	8069.58
Total	13526.40	11137.25	8154.51
Net worth represented by:			
Equity Share Capital	874.70	874.02	859.01
Share application money pending allotment	0.38	0.00	0.00
debit balance in profit and loss account	-776.30	-905.32	-940.86
Reserve and Surplus	2391.97	2383.61	1975.07
Net Worth	2490.75	2352.31	1893.22

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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