



**IPO Report**

**LONG TERM SUBSCRIBE**

15<sup>TH</sup> May '24

**Snapshot**

Company is one of the leading digital full stack insurance companies, leveraging technology to power as an innovative approach to product design, distribution and customer experience for non-life insurance products. Full-Stack Insurers are insurance firms that are fully licensed and controlled by a regulatory authority and perform sourcing, underwriting and servicing all in-house. Digital full stack insurers are insurance manufacturing companies that focus on integrating technology in their operations. Company offer motor insurance, health insurance, travel insurance, property insurance, marine insurance, liability insurance and other insurance products, which the customers can customize to meet his or her needs.

**VALUATION**

Company is bringing the issue at price band of Rs 258-272 per share at P/GWP multiple of 3.44x on post issue annualized 9 months ended FY24 basis.

Company has strong distribution partners. with predictive underwriting models & advanced technology platform. Company with its scale of products, number of policies & profitability and being 6 years old is having strong prospects in long run.

Hence ,looking after all above we recommend “Long Term Subscribe” on issue.

<b>Price Band (Rs./Share)</b>	<b>258-272</b>
<b>Opening date of the issue</b>	<b>15<sup>th</sup> May '2024</b>
<b>Closing Date of the issue</b>	<b>17<sup>th</sup> May '2024</b>
<b>No of shares pre issue</b>	87,58,42,046 Eq Shares
<b>Issue Size</b>	Rs 2538-2615 Cr
<b>No of shares</b>	98371043-96126686 Eq Shares
<b>Fresh issue</b>	Rs 1125 Cr
<b>Offer For Sale</b>	54,766,392 Eq Shares
<b>Face Value (Rs/ share)</b>	Rs 10/share
<b>Bid Lot</b>	55

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	75% of the offer (Approx 7,20,95,016 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 1,44,19,002 Eq Shares)
<b>Retail</b>	10 % of the offer ( Approx 96,12,668 Eq Shares)
<b>Lead managers</b>	Axis Capital, ICICI Securities, Morgan Stanley India, HDFC Bank, IIFL Securities, Nuvama Wealth
<b>Registrar to the issue</b>	Link Intime India

**WHAT WE LIKE**

**Simple and Tailored Customer Experience**

Company is dedicated to establishing trust and promoting transparency in its relationships with its customers by simplifying insurance and offering easy-to-understand, customizable products that enhance company’s customers’ experience. Company’s focus on the customer experience has resulted in high customer satisfaction, evidenced by its net promoter scores of 73.3% for non-claims and 93.1% for motor claims as of December 31, 2023, and high customer satisfaction by users of company’s “Digit Insurance” mobile application available on android and iOS.

**Focus on Empowering Distribution Partners**

Company is dedicated to establishing a “partnership” in its relationship with its distributors. Company’s distribution partners include individual agents, POSPs, corporate agents, motor insurance service providers (“MISPs”) and brokers. Company’s partners range from older agencies to new non-bank financial companies, and each has a different way of operating and a different level of technical capability.

**A nimble organization with a skilled and experienced management team**

Company’s experienced management team embraces a legacy-light model and promotes agile decision-making and execution. Company encourage a culture of innovation with continuous investments in people and technology to establish itself in the market. Company’s management team includes experienced professionals from the banking, financial services and insurance industries. Driven by their leadership, company have built an employee base that is aligned to company’s corporate culture and works cohesively to deliver on its vision.



Company catered for approximately 82.5% (equating to ₹ 66.80 billion in the nine months ended December 31, 2023) and 82.1% (equating to ₹ 72.43 billion in Financial Year 2023), respectively, of the GWPs written by these digital full stack insurance players which, in addition to Company, include Acko and Navi, making company the largest digital full stack insurance player 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. As a testament to its success, company was the fastest growing insurer among private non-life insurers by GWP from Financial Year 2022 to Financial Year 2023, growing by approximately 37.5% over the period while the private non-life insurers (excluding standalone health insurers) overall grew by approximately 20.1% during the same period.

As at December 31, 2023, there were 43.26 million people who were company's customers or people who have availed the insurance benefits under various policies company issued since the inception of its insurance operations in 2017. Of this 43.26 million, 27.74 million customers acquired in motor insurance product, 14.97 million customers acquired in health insurance products (including personal accident & travel) and 0.55 million customers acquired in other insurance products. Company have an established track record of delivering growth. Company's GWP was ₹ 66.80 billion and ₹ 52.88 billion for the nine months ended December 31, 2023 and the nine months ended December 31, 2022, representing a growth of 26.3% and was ₹ 72.43 billion, ₹ 52.68 billion and ₹ 32.43 260 billion in Financial Year 2023, Financial Year 2022 and Financial Year 2021, representing a CAGR of 49.4% from Financial Year 2021 to Financial Year 2023. As of Financial Year 2024, Digit Insurance has a Google rating of 4.7 out of 5.0 with over 0.22+ million reviews, and a Facebook rating of 4.9 out of 5.0 with over 27,000+ reviews.

Company offer a broad suite of products to satisfy its customers' needs in motor, health, travel, property, marine, liability and other insurance lines. Company launched 74 active products across all business lines. As of the nine months ended December 31, 2023 and Financial Year 2023, company have achieved a market share of approximately 6.0% and 5.4%, respectively, in the motor insurance segment which was one of the largest non-life insurance segment in India as of Financial Year 2023. The market share data serves to highlight the strong market acceptance of company's core offering and the brand recognition company have built since the commencement of its operations in October 2017.

## **BUSINESS MODEL**

Company focus on making it simpler for company's customers to understand its products and to customize those products to fit their needs and budgets. Company leverage front-end technology that its customers are familiar with to make it easier for them to file and check on the status of claims. On the back end, company deploy software developed in house to speed up underwriting and claims processing times. Company also collect and deploy data to help company understand its customers and to mitigate claims risks.

Key aspects of company's business model include the following: Focus on accuracy of assessment and pricing of risk Underwriting models are inherently predictive since underwriting models try to predict future outcomes. However, company's models are automated. Company use rule engines and granular level risk segmentation by using more variables and a higher level of granularity. This differentiates company from other underwriting models. For example, company consider the extent of claims and the no-claim bonus (NCB) for price differentiation for private car portfolio rather than two levels of NCB - with or without NCB customers. Predictive underwriting models are used to improve risk selection and identify low risk customers as compared to high risk customers and thereby arrive at appropriate pricing. Company use variables including fuel, vehicle make, model and subtype, odometer reading, vehicle location, coverages opted, sourcing channel, past claim history and usage of vehicles to improve the granularity of risk selection using predictive underwriting models. This enables company to charge an appropriate price to each customer, thereby lowering the loss ratio to generate favourable economics, subject to the facts and assumptions assumed to work in tandem with the market environment. Pricing involves the analysis of historical sales performance, loss data and the projection of future trends, loss costs and expenses, inflation trends, loss frequency, loss amounts and exposures to natural catastrophes (otherwise known as natcat exposure), among other factors, for each of company's products in multiple risk tiers and many different markets.

In order to accurately price its policies, company: • review and evaluate competitive product offerings and pricing dynamics; • closely monitor and timely recognize changes in trends; • collect and properly analyze a substantial volume of data from its customers; • develop, test and apply appropriate actuarial projections and rating formulas; • project both frequency and severity of company's customers' losses with reasonable accuracy; • evaluate occupancy hazard and other related risk factors; and • evaluate risks caused by natural catastrophes.



**INVESTMENT RATIONALE**

*Predictive Underwriting Models*

Company have combined its expertise in the motor insurance market with its data bank to build extensive underwriting models that company use to accurately assess risk and predict losses for company’s motor insurance products at a granular level. This allows company to better manage its costs, and in turn allows company to better tailor its products to serve more customers, which provides company with more data, completing a pricing feedback cycle that helps company to continue to refine its products and lower its costs. Key attributes of company’s underwriting models include:

- Vast set of variables decoded. Company utilize data from its existing policies and prior claims experience to develop predictive models that generate insight into the risk of loss associated with a particular application. Thus, company have a good understanding of a customer’s risk profile upon which to base company’s underwriting decisions.
- Ability to automate underwriting. Aided by company’s technology platform, company’s automated underwriting models for company’s personal lines of business can aggregate and interpret a vast set of variables across geographies, product risks and customer types. Company is currently able to issue all of company’s motor, and retail health insurance applications on an automated basis, which, leads to efficiency and lower costs.
- Greater ability to identify and acquire profitable business. Through the insight provided by company’s application of data and predictive underwriting models, company have developed an ability to determine probability of loss and to identify and acquire attractive business on a risk-adjusted basis. This provides company with a number of strategic advantages, which company intend to use to build a profitable portfolio. In particular: Company is well positioned to identify the markets in India that are best suited to support the generation of profitable business. This allows company to better determine the geographies and products in which ccompany want to operate and grow. Company have developed the ability to price the risk associated with the coverage of certain products at an individualized level, leading to many pricing possibilities. This ability to better price products, like company’s comprehensive motor coverage, according to the underlying risk profile of each application, provides company with an advantage in acquiring and retaining target customers, while avoiding underwriting less profitable business. This has helped company overcome the challenges historically associated with underwriting motor insurance in India, allowing company to capitalize on the sizable opportunity in company’s market. Company expect its growth to give rise to a feedback loop by driving the accumulation of more data, which will aid the predictive power of company’s models, further strengthening these advantages and ultimately resulting in profitable growth.

*Advanced Technology Platform*

Company’s technology enables it to achieve efficient underwriting, which is its differentiator among insurers. Company build technology-enabled solutions and employ a hybrid model of AI-enabled analytics and human assessment to streamline the value chain, aid company’s customers, partners and employees and drive efficiency. Around the core of company’s technology platform, company have developed in-house microsystems, that allow company to facilitate a range of routine tasks, from policy design, 272 underwriting, pricing and issuance to servicing and claims management. Company’s platform is entirely cloud-based, making its system agile, connected and scalable



## OBJECTS OF OFFER

### The Offer for Sale

Each Selling Shareholder shall be entitled to its respective portion of the proceeds of the Offer for Sale, net of their proportion of Offer-related expenses and the relevant taxes thereon

### Fresh Issue

Company proposes to utilise the Net Proceeds, as per the applicable IRDAI regulations, towards maintenance of company's solvency ratio by investing in instruments and in the manner prescribed under the IRDAI Actuarial & Allied Regulations, 2024.

## RISKS

Company have a track record of reporting losses and, company may not be able to maintain profitability in the future. Company's limited operating history makes it difficult to accurately evaluate its future business prospects.

Source:RHP

## INDUSTRY OVERVIEW

### Overview of Non-life Insurance in India

#### Indian non-life insurance market is highly under-penetrated

As of Financial Year 2023, the GDP of India is approximately US\$ 3.73 trillion and the non-life insurance market was US\$ 33.30 billion measured by GWP, as per the General Insurance Council. This indicates a non-life insurance penetration rate of 1.0% (as measured by GWP) with significant room for improvement. The global average insurance penetration amounted to 4.0% among leading global economies, with the 2022 penetration rate of China and the United States at 1.9% and 9.0%, respectively. In addition, the non-life insurance density in India was US\$ 23.00 as of Financial Year 2023, measured by premium per capita, which is the lowest across some of the largest markets in the world with a global average at US\$ 499.00 as of calendar year 2022.

#### India's non-life insurance is one of the fastest growing markets in emerging countries

According to the IRDAI and Redseer analysis, the non-life insurance sector contributed around US\$ 33.30 billion in Gross Written Premiums (GWP) in Financial Year 2023, showing a CAGR of 11.2% from Financial Year 2018 to Financial Year 2023 and a CAGR of 13.6% from Financial Year 2021 to Financial Year 2023. The overall market is estimated to grow at a CAGR of 15-16% from Financial Year 2023 to Financial Year 2028, reaching the value of US\$ 66-69 billion by Financial Year 2028. It is estimated that as of the nine months ended December 31, 2023, the non-life insurance sector contributed around US\$ 27.50 billion in GWP, from US\$ 24.60 billion in GWP for the nine months ended December 31, 2022, indicating a robust growth rate of 11.5%. 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.

**India: Non-Life Insurance Landscape Motor and health are the largest segments in non-life insurance**, paving the way for growth Approximately 65.4% of the non-life insurance market is covered by Health and Motor insurance in Financial Year 2023, with the share being 66.5% estimated as of the nine months ended December 31, 2023. Health insurance market has increased from US\$ 4.61 billion, representing 23.5% of non-life insurance market, in GWP terms in Financial Year 2018 to US\$ 11.32 billion, representing a 34.0% market share, in Financial Year 2023. In the nine months ended December 31, 2023, it stands at US\$ 9.80 billion, representing 35.7% of the total non-life insurance market. In the case of Motor insurance, the overall business has increased from US\$ 7.57 billion to US\$ 10.45 billion from Financial Year 2018 to Financial Year 2023, but its share in non-life insurance has reduced from 38.7% to 31.4%. In the nine months ended December 31, 2023, Motor insurance represented 30.8% of the total non-life insurance with GWP of US\$ 8.45 billion.



**Consolidated Financials**

(Rs in Mn)

Financials	FY21	FY22	FY23	9months ended FY24
Operating Profit/(Loss)	-1854.92	-3751.43	-662.75	-101.22
Income From Investments	669.43	815.02	1054.62	1409.54
Operating Profit / (Loss)	-1185.49	-2936.41	391.87	1308.32
Provisions	42.15	22.10	36.40	18.15
PBT	-1227.64	-2958.51	355.47	1290.17
Tax	0.0	0.0	0.0	0.0
PAT	-1227.64	-2958.51	355.47	1290.17
ROE%	-10.82	-15.85	1.53	5.25
EPS	-1.50	-3.55	0.41	1.48
Eq Cap	8246.92	8590.12	8740.18	8747.00
Net Worth	18217.08	28340.83	32576.28	32670.45

(Source: RHP)

**Peer Comparison**

Company Name	P/E	Net profit (Rs in Mn)	EPS	NAV	ROE %
<i>Go Digit General Insurance Limited</i>	NA	355.47	0.41	26.61	1.53
<b>Peers</b>					
New India Assurance Company Limited	38.47	10612.92	6.36	125.64	5.13
Star Health and Allied Insurance Company Limited	53.79	6185.92	10.70	93.35	11.39
ICICI Lombard General Insurance Company Ltd	48.14	17290.52	35.16	211.60	16.64

(Source: RHP)



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