



भारत 2023 INDIA

वसुधैव कुटुम्बकम्

ONE EARTH • ONE FAMILY • ONE FUTURE



भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY OF INDIA

Order Number: IRDA/F&I/ORD/MISC/73/05/2024

Date: 02 May, 2024

Order in the matter of Go Digit General Insurance Ltd. (hereinafter referred to as “the insurer”) under section 26 of the Insurance Act, 1938 (hereinafter referred to as “the Act”) read with Regulation 5(2)(iv) of IRDAI (Registration of Indian Insurance Companies) Regulations, 2000 [now repealed and replaced by IRDAI (Registration of Indian Insurance Companies) Regulations, 2022 and subsequently by IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024]

Based on:

- (i) Show Cause Notice (hereinafter referred to as “SCN”) reference No. 559/F&A(NL)/GoDigit/23-24/72 dated 10.10.2023.
- (ii) Response of the insurer dated 27.10.2023 and subsequent communication resting with insurer’s email dated 16.04.2024.

Background:

1. The Insurance Regulatory & Development Authority of India (herein after referred to as “the IRDAI”) granted Certificate of Registration No. 158 dated 20th September, 2017 to the Insurer, to carry out general insurance business in India in terms of Section 3 of the Act subject to various conditions inter alia including the condition that:
 - a. The insurer shall comply with the provisions of the Insurance Act, 1938 and the Rules and Regulations made thereunder.
 - b. The insurer shall be a public company and no change in the structure or composition of the company or changes in the shareholding pattern of the promoters shall be made except with the prior permission of the Authority.
2. Section 26 of the Act provides that “Whenever any alteration occurs or is made which affects any of the matters which are required under the provisions of sub-section (2) of section 3 to accompany an application by an insurer for registration, the insurer shall forthwith furnish to the Authority full particulars of such alteration.”
3. Regulation 5(2)(iv) of IRDA (Registration of Indian Insurance Companies) Regulations, 2000 provided that “Every requisition for registration application shall be accompanied by a certified copy of the shareholders’ agreement between Indian Promoters and Foreign Investors of the applicant.”

4. Before the grant of Certificate of Registration to the insurer, it submitted the Joint Venture Agreement dated 30.05.2017 between the following individual/entities:
 - a. Mr. Kamesh Goyal,
 - b. M/s Oben Ventures Private Limited, (later renamed to Oben Ventures LLP)
 - c. M/s FAL Corporation,
 - d. M/s Oben Services Private Limited (later renamed to Go Digit Infoworks Services Private Limited) and
 - e. M/s Oben General Insurance Limited (later renamed to Go Digit General Insurance Limited).
5. Go Digit Infoworks Services Pvt Ltd. (hereinafter referred to as "GDISPL") is the promoter of the insurer. As on 31.12.2023, GDISPL holds 83.41% equity capital of the insurer.
6. As per the said JV Agreement dated 30.05.2017:
 - a. The Go Digit Infoworks Services Pvt Ltd. (hereinafter referred to as "GDISPL") was authorised to issue 63,00,000 compulsorily convertible preference shares (CCPS) to FAL Corporation.
 - b. Each CCPS shall be cumulatively converted into 2.324 Equity Share at par, subject to the maximum permissible limit under Applicable Laws and the provisions of the Agreement.
7. The said JV agreement was amended on 11.08.2022.
8. The GDISPL issued CCPS in following 4 tranches:

Tranche	Date of allotment	Number of CCPS	CCPS Conversion Ratio [CCPS : Equity]	
			(As per JV Agreement dated 30.05.2017)	(As per JV Amendment Agreement dated 11.08.2022)
1	31.05.2017	31,50,000	1 : 2.324	2.324 : 1
2	06.07.2018	31,50,000	1 : 2.324	2.324 : 1
3	29.03.2019	7,50,000	-	3.55 : 1
4	27.06.2019	7,50,000	-	3.55 : 1

9. In its response, the insurer also informed that for tranche 2 as per table in para 8, the conversion ratio recorded as 1 equity share for 2.324 CCPS in the resolution passed in the EGM of GDISPL held on 03.07.2018 of the GDISPL. The same was not in accordance with the JV Agreement dated 30.05.2017.

10. The following is observed from the table as per para 8 above read with para 6 above:

- a. The ratio for tranche 1 and 2 (total 63,00,000 CCPS) has been recorded as 1 equity share for 2.324 CCPS as against 2.324 equity share for 1 CCPS as per JV agreement dated 30.05.2017.
- b. Instead of 63,00,000 CCPS, total 78,00,000 CCPS has been issued by GDISPL.

11. Upon perusal of the Draft Red Herring Prospectus (DRHP) filed by the insurer with the SEBI (a copy of the same was shared to the IRDAI), it was observed that the DRHP contains disclosure regarding the change in conversion ratio. Accordingly, the insurer was advised to provide details of the same. In response to which, the insurer, vide its response dated 17.07.2023, provided the details of the said change.

Charge

12. In terms of para 2 and 3 above, the insurer was required to submit full particulars of the said alteration in the JV agreement. However, the insurer failed to submit the same until 17.07.2023. Hence, the insurer has violated section 26 of the Act. In view of the same, SCN dated 10.10.2023 was issued to the insurer seeking its response.

Response of the Insurer to the SCN:

13. The insurer, in its response dated 27.10.2023, submitted that:
- a. *"From the commencement of the joint venture between the shareholders of the Promoter of the Company, the correct and agreed upon conversion ratio was "2.324 CCPS for one equity share"."*
 - b. *"The conversion ratio for the CCPS allotted to FAL Corporation in tranche 1 and tranche 2, aggregating to 63,00,000 CCPS, was inadvertently recorded in the JV Agreement as "one CCPS for 2.324 equity shares" instead of as "2.324 CCPS for one equity share". "*
 - c. *"It is pertinent to note that these numbers were interchanged purely owing to inadvertence. As a result of this inadvertent error, the agreed commercial position regarding the CCPS conversion ratio was not accurately reflected in the JV Agreement"*
 - d. *"As is standard at the time of preparing for an initial public offering, in course of reviewing the JV Agreement for the purposes of disclosure in the draft red herring prospectus, the Promoter and the Company noted the inadvertent error in the conversion ratio and decided to, amongst other matters, rectify the inadvertent error in the conversion ratio by way of the JVA Amendment."*
 - e. *"Adequate disclosures in respect of the JVA Amendment, including the rectification of the error in recording of the conversion ratio for tranche 1 and tranche 2 of the*



CCPS under the JV Agreement, were included in the draft red herring prospectus dated August 14, 2022 filed by the Company (the "Previous DRHP") and the draft red herring prospectus dated March 30, 2023 filed by the Company (the "DRHP")."

- f. "The Company admits that it did not separately file a copy of the JVA Amendment with the Authority when the amendment to the JV Agreement was carried out in August 2022 prior to filing of the DRHP. However, we humbly submit that the Company has provided a copy of the JVA Amendment to the Authority vide the response letter on July 17, 2023, after the Authority's observation on the DRHP. We further submit that, the specific non-submission of the JVA Amendment to the Authority was purely inadvertent and unintentional."


14. The insurer, in its response dated 27.10.2023, requested for personal hearing. The personal hearing was scheduled on 21.11.2023 and the same was informed to insurer vide email dated 17.11.2023. However, the insurer, vide its email dated 20.11.2023, withdrew its request for personal hearing and requested IRDAI to adjudicate the matter on the basis of its response dated 27.10.2023.


Observation and Decision:

15. It is observed that there has been an inordinate delay in filing the particulars of JV Amendment Agreement which *inter alia* contains details of:
- Change in conversion ratio
 - Total Number of CCPS as 78,00,000 as against 63,00,000 CCPS authorised by JV agreement dated 30.05.2017.
16. The said changes, as per para 15 above, are material since this will lead to change in shareholding of GDISPL, upon conversion of the said CCPS into equity shares.
17. In view of the facts and circumstances, as stated above, it is established that the insurer has failed to comply with section 26 of the Act. Accordingly, in exercise of powers vested with the IRDAI under section 102 of the Act, a penalty of Rs.1 crore (Rupees One Crore only) is imposed on the insurer. The insurer is directed to deposit the penalty amount within 45 days of this Order. The insurer is also directed to charge the said penalty amount to its shareholders account. An intimation of remittance may be sent to Shri Mahesh Agarwal, General Manager (F & I) at the Insurance Regulatory and Development Authority of India, Survey no. 115/1, Financial District – Nanakramguda, Hyderabad – 500032 (email id : maheshagarwal@irdai.gov.in).

18. A copy of this order shall be placed before next Board meeting and within 15 days of the said meeting, the insurer shall submit a copy of the minutes of discussion to the Authority.

19. If the Insurer feels aggrieved by any of the decisions in this order, an appeal may be preferred to the Securities Appellate Tribunal, Mumbai as per the provisions of Section 110 of the Insurance Act, 1938.


(Rajay Kumar Sinha)
Member (F&I)


02/MAY/2024
(Thomas Devasia)
Member (Non-Life)

Place: Hyderabad