

Item No. 42

Application for approval of Proposed Public offer - Go Digit General Insurance Company Limited – In Principle approval - Reg.

Go Digit General Insurance Company Limited has been granted certificate of registration no. 157 on 18th September, 2017 to transact the business of general insurance. The company has completed around 4 years of operation.

Go Digit General Insurance Company Limited, promoted by “Go Digit Infoworks Services Private Limited” (a company promoted by Mr. Kamesh Goyal & Fair Fax, Canada) has submitted an application seeking approval for the proposed public fresh issue and/or offer for sale as under-

- (i) Fresh issue aggregates upto Rs. 6000 Crore; and/ or
- (ii) Offer for sale comprising of upto 12% of pre-offer share capital-
 - Up to 12% shares from promoter’ holding

(i) In-principle approval of the Authority for listing of the shares of the insurer on stock exchange/s

1. On this, the provision of regulation 5 of IRDAI (Issuance of Capital by Indian Insurance Companies transacting other than Life Insurance Business) Regulations, 2015 provides for consideration of application as under:

“Consideration of application

- (1) *The Authority shall consider the applicant company’s overall financial position, its regulatory record, the application for issue / offer for sale, the capital structure post issue / offer for sale, and the purposes for which the share capital proposed to be raised, will be applied.*
- (2) *Without prejudice to the generality of (1) above, the Authority shall consider the following aspects for grant of approval:*
 - i. *The period for which the applicant company has been in general insurance or health insurance or reinsurance business;*
 - ii. *The history of compliance with the regulatory requirements by the applicant company;*
 - iii. *The maintenance of the prescribed regulatory solvency margin as at the end of the preceding six quarters commencing from the quarter immediately prior to the date of filing the application;*

- iv. *Compliance with the disclosure requirements mandated under IRDAI Circular No. IRDA/F&I/CIR/F&A/012/01/2010 dated 28th January, 2010 as amended and modified from time to time;*
- v. *Compliance with the Corporate Governance Guidelines;*
- vi. *Compliance with the requirements of “Indian owned and controlled” as defined under section 2(7A) (b) of the Act read with the Indian Insurance Companies (Foreign Investment) Rules, 2015 and any guidelines issued by the Authority in this regard; and*
- vii. *The record of policyholder protection of the applicant company.”*

2. The compliance status of the above stated criteria is given as under: -

Criteria specified in Regulation 5 of ICDR Regulations	Comments												
Compliance of Regulation 5 (1)													
the applicant company's overall financial position	The insurer has capital base of Rs. 824.69 crore and securities premium of Rs. 954.89 crore as on 31.03.2021. Thus, total shareholders' funds work out to Rs. 1779.58 crore. The financial performance of the company during last five years is attached as Annexure-A .												
The applicant company's regulatory record	The application has been examined by the Authority. The company has been subject to penal actions as under: - <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Order</th> <th style="text-align: center;">Date of Order</th> <th style="text-align: center;">Violation of Provisions</th> <th style="text-align: center;">Decision</th> </tr> </thead> <tbody> <tr> <td>IRDAI/NL/ORD/PRO/159/09/2019</td> <td>13-09-2019</td> <td>Para 13 of Schedule III of the Product Filing Guidelines</td> <td>Penalty of Rs. 1 lakh</td> </tr> <tr> <td>IRDA/NL/ORD/MISC/21/01/2021</td> <td>29-01-2021</td> <td>Violation of Para 6 of corporate governance guidelines – The insurer has failed to ensure that the risk is assumed after the receipt of premium and the MISP deposits the premium</td> <td>Penalty of Rs. Five Lakh</td> </tr> </tbody> </table>	Order	Date of Order	Violation of Provisions	Decision	IRDAI/NL/ORD/PRO/159/09/2019	13-09-2019	Para 13 of Schedule III of the Product Filing Guidelines	Penalty of Rs. 1 lakh	IRDA/NL/ORD/MISC/21/01/2021	29-01-2021	Violation of Para 6 of corporate governance guidelines – The insurer has failed to ensure that the risk is assumed after the receipt of premium and the MISP deposits the premium	Penalty of Rs. Five Lakh
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			within twenty four hours of its collection	
The application for issue / offer for sale	(i) Fresh issue aggregates upto Rs. 6000 Crore; and/ or (ii) Offer for sale comprising of upto 12% of pre-offer share capital- <ul style="list-style-type: none"> Up to 12% shares from promoters' holding 			
The capital structure post issue / offer for sale	As per the submissions made by the applicant, the capital structure after the proposed issue is as under: -			
	Category	As on 11.05.2021	Proposed Issue/ offer for Sale	Proposed shareholding [on fully diluted basis]
	Promoters	Per cent	Per cent	Per cent
	Go Digit Infoworks Services Private Limited	88%	12%	71%
	Investors	12%	0%	29%
	Total	100%	12%	100%
The purposes for which the share capital proposed to be raised, will be applied.	<p>Company want to list its shares to access a vast source of additional capital, strengthen its market position and simultaneously enable the public to directly participate and benefits from the growth of the company.</p> <p>Further listing will</p> <ul style="list-style-type: none"> - increase of accountability of the promoter group and management of the company, leading to greater transparency of its operations and decision-making processes; - In addition to IRDAI, the company will subject to the regulations and supervisions of SEBI, resulting in more comprehensive disclosure requirements including disclosures to stock exchanges; - Greater protection of minority shareholders interest by virtue of SEBI regulations and compliance requirements; 			
Compliance of Regulation 5 (2)				
i. The period for which the applicant company has been in general insurance or	Go Digit General Insurance Company Limited has been granted certificate of registration no. 157 on 18 th September, 2017 to transact the business of general			

health insurance or reinsurance business;	insurance. The company has completed around 4 years of operation.														
ii. The history of compliance with the regulatory requirements by the applicant company;	<p>The details of imposed penalty are as under: -</p> <table border="1" data-bbox="638 226 1430 1182"> <thead> <tr> <th data-bbox="638 226 922 338">Order</th> <th data-bbox="922 226 1040 338">Date of Order</th> <th data-bbox="1040 226 1268 338">Violation of Provisions</th> <th data-bbox="1268 226 1430 338">Decision</th> </tr> </thead> <tbody> <tr> <td data-bbox="638 338 922 520">IRDAI/NL/ORD/PRO/159/09/2019</td> <td data-bbox="922 338 1040 520">13-09-2019</td> <td data-bbox="1040 338 1268 520">Para 13 of Schedule III of the Product Filing Guidelines</td> <td data-bbox="1268 338 1430 520">Penalty of Rs. 1 lakh</td> </tr> <tr> <td data-bbox="638 520 922 1182">IRDA/NL/ORD/MISC/21/01/2021</td> <td data-bbox="922 520 1040 1182">29-01-2021</td> <td data-bbox="1040 520 1268 1182">Violation of Para 6 of corporate governance guidelines – The insurer has failed to ensure that the risk is assumed after the receipt of premium and the MISP deposits the premium within twenty four hours of its collection</td> <td data-bbox="1268 520 1430 1182">Penalty of Rs. Five Lakh</td> </tr> </tbody> </table>	Order	Date of Order	Violation of Provisions	Decision	IRDAI/NL/ORD/PRO/159/09/2019	13-09-2019	Para 13 of Schedule III of the Product Filing Guidelines	Penalty of Rs. 1 lakh	IRDA/NL/ORD/MISC/21/01/2021	29-01-2021	Violation of Para 6 of corporate governance guidelines – The insurer has failed to ensure that the risk is assumed after the receipt of premium and the MISP deposits the premium within twenty four hours of its collection	Penalty of Rs. Five Lakh		
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iii. The maintenance of the prescribed regulatory solvency margin as at the end of the preceding six quarters commencing from the quarter immediately prior to the date of filing the application;	<p>The solvency of the insurer for last six quarters is as under:</p> <table border="1" data-bbox="704 1331 1378 1713"> <thead> <tr> <th data-bbox="704 1331 1091 1442">Quarter Ended (Latest quarter first)</th> <th data-bbox="1091 1331 1378 1442">Solvency Position</th> </tr> </thead> <tbody> <tr> <td data-bbox="704 1442 1091 1486">January-March 2021</td> <td data-bbox="1091 1442 1378 1486">2.01</td> </tr> <tr> <td data-bbox="704 1486 1091 1530">October-December 2020</td> <td data-bbox="1091 1486 1378 1530">2.37</td> </tr> <tr> <td data-bbox="704 1530 1091 1575">July-September 2020</td> <td data-bbox="1091 1530 1378 1575">2.82</td> </tr> <tr> <td data-bbox="704 1575 1091 1619">April-June 2020</td> <td data-bbox="1091 1575 1378 1619">3.27</td> </tr> <tr> <td data-bbox="704 1619 1091 1663">January-March 2020</td> <td data-bbox="1091 1619 1378 1663">3.24</td> </tr> <tr> <td data-bbox="704 1663 1091 1713">October-December 2019</td> <td data-bbox="1091 1663 1378 1713">1.57</td> </tr> </tbody> </table> <p>The insurer is compliant with control level of solvency.</p>	Quarter Ended (Latest quarter first)	Solvency Position	January-March 2021	2.01	October-December 2020	2.37	July-September 2020	2.82	April-June 2020	3.27	January-March 2020	3.24	October-December 2019	1.57
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iv. Compliance with the disclosure requirements mandated under IRDAI	The insurer has been compliant to public disclosures requirements.														

Circular No. IRDA/F&I/CIR/F&A/012/01/2010 dated 28th January, 2010 as amended and modified from time to time;	
v. Compliance with the Corporate Governance Guidelines;	The insurer has broadly been in compliance with the Corporate Governance Guidelines issued by the Authority.
vi. Compliance with the requirements of “Indian owned and controlled” as defined under section 2(7A) (b) of the Act read with the Indian Insurance Companies (Foreign Investment) Rules, 2015 and any guidelines issued by the Authority in this regard; and	The insurer is compliant to guidelines issued on “Indian Owned and Controlled”. These guidelines have since been withdrawn.
vii. The record of policyholder protection of the applicant company	The record of complaints during the last four-year period is placed as Annexure-B .

Recommendation

As per Delegation of powers, the Chairman IRDAI is authorized to grant in-principle approval / final approval under the IRDAI (Issuance of Capital by Indian Insurance Companies transacting other than Life Insurance Business) Regulations, 2015. In the absence of the Chairman, the note is put-up for the approval of the Authority.

- 5-year lock-in period on the holding of the promoter i.e. “Go Digit Infoworks Services Private Limited” was imposed as one of the conditions at the time of the grant of certificate of registration.
- The said lock in period on the promoter’s holdings will be in force till 17.09.2022.
- Insurer’s request for the waiver of Lock-in period specified by the Authority at the time of grant of Certificate of Registration on the ‘Go Digit Infoworks Services Private Limited (promoter)’ to the extent of offer of sale of shares (up to 12% of pre-offer shareholding as per application) is not consistent with the Reg. 4(2) of ICDR regulations,2015.

- **In light of the above, the insurer's request may not be acceded to and the promoters shall not be allowed to divest their stake during the lock-in period.**
- **The Authority may consider granting in-principle approval to the insurer for listing its shares by issuing fresh shares up to Rs. 6000 Crore at stock exchange/s.**

Placed for the consideration of the Authority.

Applicant company's regulatory record**Summary of Financial Statements**

Amount in Rs. Crore

Sl No	Particulars	2020-2021	2019-2020	2018-2019	2017-2018
1	Gross written premium	3243	2252	1205	104
2	Growth in Premium	44%	87%	1058%	NA
3	Net written premium	2632	1561	955	75
4	Income from investments (net)	241	123	26	NA
5	Total income	2874	1684	981	75
6	Net incurred claims & other outgoes	1439	931	394	7
7	Commission paid (net)	68	-20	17	1
8	Operating expenses	864	681	413	82
9	Change in unexpired risk reserve	689	318	456	68
10	Operating profit / (loss)	-185	-227	-300	-83
11	Total income under shareholders' account	63	52	29	13
12	Profit / (loss) after tax	-123	-175	-271	-70
13	Investments-Policyholders' account	4051	2788	741	3
14	Investments-Shareholders' account	1379	688	712	330
15	Total Investments	5430	3476	1452	333
16	Paid up equity capital	825	817	675	350
17	Net worth	1158	1122	479	274
18	Growth in Net Worth	3.22%	134.13%	75.18%	NA
19	Total assets	6004	3893	1757	405
20	Growth in Total Assets	54.23%	121.53%	333.89%	NA
21	Yield on total investments	6.85%	7.17%	7.23%	5.85%
22	Earnings per share (in ₹)	(1.50)	(2.41)	(5.04)	(2.33)
23	Book value per share (in ₹)	14.05	13.84	7.11	7.82

Annexure B

Number of Complaints pending relating to						
Year	Sales related	Policy Servicing	Claim Servicing	Others	Total & Ageing	
2020-21	0	1	1	0	2 & ageing as under	
					Less than 15 days	1
					Greater than 15 days	1
2019-20	0	0	0	0	0 & NA	
2018-19	0	0	0	0	0 & NA	
2017-18	0	9	1	0	10 & ageing as under	
					Less than 15 days	3
					Greater than 15 days	7