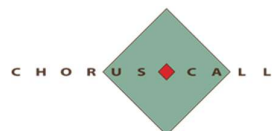




“Go Digit General Insurance Limited
Q4 & FY2026 Results Conference Call”

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MODERATOR: **MR. RUSHAD KAPADIA – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Go Digit General Insurance Company Limited Q4 FY26 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rushad Kapadia from ICICI Securities. Thank you and over to you, sir.

Rushad Kapadia: Thank you. Good day, ladies and gentlemen. On behalf of ICICI Securities, I would like to warmly welcome you to the Go Digit General Insurance Limited Q4 and FY2026 Results Conference Call. We have with us Mr. Kamesh Goyal, Founder and Chairman of the Company, along with his team. So without further ado, I would now like to hand over the floor to Mr. Goyal. Thank you, and over to you, sir.

Kamesh Goyal: Thanks, Rushad and good evening, everyone and thanks for joining the call. I have with me Jasleen, our CEO; Ravi, our CFO; Piyush, our Head of Investor Relations and Divya and Sanskar, who are part of our Investor Relations and Finance Reporting team and Corporate Legal Team. Now moving to Slide 4.

This is a slide you all are familiar with. Gross written premium was close to INR11,300 crores. Market share in both overall and motor has increased slightly over the last year. Partner network continues to be -- to grow. Our assets under management now are close to about INR23,000 crores and our customer satisfaction score continues to be very strong.

Now if we go to the second slide, and I think I'll spend a bit of a time here, as all of you know that IRDAI came out with guidelines that Indian accounting standards, which are essentially based on IFRS standards would be applicable from 1st of April 2026. So what we have done this year is that we have actually got our results of '25-'26 audited -- prepared and audited as per the new accounting standards.

And the idea is that as we go forward, the comparisons of this year versus last year becomes better. Till now, as you know, we were declaring our IFRS results, but now this has been aligned completely with Indian accounting standards and these results have also been audited. So you are here seeing slightly more details in terms of what the results are and I'll quickly take you through.

There are obviously no difference in the premium. Gross direct premium, we saw good growth. Gross written premium, the growth has been slightly less and I'll cover that later. When we look at the loss ratio, there is actually no difference in loss ratio between Indian Accounting Standards and IGAAP.

And I think last time somebody had asked the question, if I remember correctly, for some companies, they seem to be having a difference in the loss ratio also. But our understanding is loss ratio should not be different. And when we look at Indian accounting standards basis, our profit for the whole year and in profit, what we are showing here is, which we had explained last year, Indian accounting profit plus DAC.

So DAC is something which we know is a profit, which has been expensed out already and this will flow into the profit. So we have not included in this profit the benefit of either discounting of reserves or change in mark-to-market. We have prepared our results based on that also later and we'll take you through.

But here we are focusing on what we have always said is the KPI we look at, which is IFRS. And in profitability, we are looking at IGAAP plus DAC. And just to repeat, in case of Indian accounting standards now like you cannot upfront book reinsurance commission for future premium. In case of reinsurance commission also otherwise, you have to defer it over a period of time.

So even if you are reinsuring more, the benefit in IFRS would flow in along with the premium you want. So this plays both way, and that is why we have always said that, that is how we look at results internally. When we see it on this basis, our profit for the quarter 2026 is INR239 crores, profit before tax and which last year was about INR142 crores.

Profit after tax in Indian accounting standards after 25% full taxation is INR179 crores compared to INR106 crores. When we look at our ROE on this basis, which is fully on post-tax basis. For the quarter ROE is 4%, while on an annual basis it is about 17.7%. So just to repeat, 17.7% ROE, this is on the Indian net worth, which is roughly at the end of the year, about INR4,600 crores.

If you take an average, this would probably be around INR4,300 crores. Now you can actually see our IFRS or in the Indian accounting standards, our net worth is actually INR7,600 crores. And when you come below in IGAAP, you can actually see our net worth in Indian accounting standard is INR3,000 crores more than what it is in the Indian IGAAP basis.

Now since the solvency is still related to IGAAP basis, we are calculating ROE on that basis. Now this year or next year, maybe not this year, next year when the risk-based capital norms come, then the chances are that the solvency could go up based on the Indian accounting standards.

So we will see at that time assuming the net worth is treated as IGAAP only, then our solvency margin continues to be strong, and we'll look at ROE on that basis. If we actually get some benefit out of Indian accounting standards net worth, then obviously, we'll have some excess capital on that basis. So I just wanted to put this perspective.

If you look at our combined ratio for the whole year, it was 105.7%, which is an improvement of 1.2% over previous year. And on the quarter, again it is very similar, 105.8% compared to 106.8%, which is again an improvement of 1%. The combined ratio you are seeing below this, which is 104%, 103%, 101% and 99.1%, this is after discounting of reserves.

So again just to repeat, we don't look at combined ratio after discounting of reserves. We look at it IGAAP, everything on NEP basis plus DAC. So I think this is something which is really important, and I think we are happy that regulator has moved in this direction. And I think for all of you, analysts and fund managers, making comparisons would also become a lot more easier.

Earlier because of this reinsurance influence, up-fronting of commission, etcetera, it was very difficult to figure out performance of one company against the other. And I think our finance team, which has always been publishing IFRS results, they have taken the lead to get the last year results also audited under the new accounting standards.

We already said last year that we -- this year, the whole account -- accumulated losses would go away. So this year, our tax rate was 13.8%. Next year, the tax rate would move to 25.2% basis. Our long-term premium as of 31st March 2026 it stands at overall total of about INR3,200 crores, out of which motor would be roughly about 82%, 83% and rest will be non-motors and about 1/N circular, which was published in 2024.

We have not booked INR300 crores of premium, INR303 crores of the premium. But as previous quarters, we have already provided for INR109 crores of acquisition cost already on this unearned premium. This obviously impacts only the Indian accounting standards. It would not have any impact on the new Indian accounting standards. AUM have grown to about roughly INR23,000 crores and this was about INR19,700 crores previous year.

So over a period of 1 year, we have added more than INR3,200 crores of AUM, which is a growth of about 16.3%. Our solvency has now improved to 2.42. And this year, quarter-on-quarter, this has been increasing. And this again is calculated on the Indian IGAAP net worth. And I think when we covered the piece of investment, I think this -- as I always say, that for us to move towards a decent allocation -- asset allocation, having a solvency is very important.

And I think we have a very, very strong solvency. As of 31st March 2026, we have accumulated DAC, which we had also declared in our previous call, last quarter call, pretax of roughly about INR2,470 crores. And roughly 65% of this will actually get -- will unwind in '26, '27. So just giving you these numbers, so you have even more visibility as to how the Indian accounting standards will look at.

IGAAP, again, I have covered the piece of -- on the net worth. And as I said, as risk-based capital norms come this year, either way I think we are placed in a very strong solvency position. And I think for us, the issue is likely to be we anyway don't need any capital and even under the new scenario, we would not expect any new capital.

How much benefit one can get due to IFRS net worth is something which we will see. In fourth quarter, our 2-wheeler business had a big growth against INR365 crores. We ended up doing INR556 crores. This obviously had a big impact on our EOM of roughly about 3.5% in the quarter. Now this is the next slide.

This is where you can see the full reconciliation. And here, you can also see what is the fair value change, what is the discounting impact. And we have also declared last year, what was the discounting rate and this year what is the discounting rate. So the discount -- there is a slight change in discount rate.

There is a well-defined methodology as to how the discounting of reserves would work. And when we come to the unrealized gains or losses, that is something which I'll cover in a bit more

detail as we come to the investment slide because I think it is important for us to explain that in a bit more detail on that piece.

So moving on, now we are looking at the GDPI growth. Our GDPI growth continues to be -- GDPI growth continues to be strong at 16.2% for the whole year. And this is also for quarter 4, about 21.3%. So growth, if you actually look at other than fire in quarter 4, where the growth rate was lesser compared to the industry.

If we look at for the whole year against industry growth of 13%, we have actually grown at 34%. So overall growth rate has been fairly been strong. On the other hand, you would recall that our health, travel and PA segment, we were actually degrowing or growing in a very lesser way in the previous quarter, especially in the first half.

That seems to have changed where we are actually growing strongly in this segment. Other growth areas are more or less in line with the yearly growth when we look at motor. Now when we move to the GWP growth, GWP growth in quarter 4 is -- overall is about 6.2%. While for us, the growth rate is quite similar to the industry's growth rate on GDP.

But as I had explained in quarter 3, we had not done some reinsurance premium in health, the loss was about INR200 crores at that time. This time also, the loss in case of health has been about INR252 crores. So if we remove that, that itself has had an impact of about 4%, 5% on the quarter premium. Actually, more than that, the quarter -- the impact would be even more. If we exclude the health, the overall growth rate on GWP would still be about 18.8%.

And again, we did not renew this because we felt that this business would not give us anything in bottom line. And secondly, in case of group health, not only bottom line, it also doesn't help you on the AUM side because the claims start flowing in very, very closely. So I think, again, moving on, in terms of 2-wheeler, I have already covered. So some of the other areas we'll be happy to cover during the Q&A, but moving to the next slide.

Here, we are now looking at combined ratio. So you can actually see that the combined ratio, again, we have shown on Indian accounting basis. On the last call, I think we had said that we'll be publishing combined ratio on IFRS basis on a regular basis. Obviously, at that time, we did not know about IRDA circular, but this we had already suggested and when we look at profit before tax, only with DAC, we have also shown this number.

And below on the right side, you can also see profit under the IGAAP basis, which on a quarter basis as well as on the year basis has grown by IGAAP profit by about 49% this year. Now I think coming in on the investment side, I think here is something I would want to maybe spend a bit more time. I already spoke about we have added INR3,200 crores through the business in AUM so fairly strong growth.

Our leverage now has increased to 5%. Some of you would remember that after the IPO, when we had looked at leverage, say on 30th of June 2024, this number had gone down to about 4.7%, 4.65%. Now this has started again going up to 5% and some of you may want to check. We had said that over the next 2 years, we would expect it to be about 5.

So again, a point I wanted to just reemphasize is that when we give up some business, which is not profitable, that really has -- doesn't have any meaningful impact on the AUM, especially if the business is -- will start seeing the claims on a regular basis. Now when we look at our investment performance, our overall yield has been 1.8%.

In debt, including capital gains, the yield has been also about 1.9%. When we look at investment yields, excluding capital gains, this year for the whole year in March is about 7.1%. This was about 7.2% in the previous year. Now covering this a bit more in terms of what really happened, our unrealized loss on the entire investments was about INR54 crores. This is about 0.2% of our AUM.

Against, I think if you look at companies, some of them have had more than that as a percentage of AUM. And our unrealized gains on equity portfolio is about INR45 crores as of 31st March '26. And there is a loss on other than equity, which is fixed income about INR99 crores. Now when we look at this from a perspective of duration, which I think is really important.

So when we see it from a perspective of duration in fixed income and I want to cover this point in a bit more detail because I had seen in between, I think somebody saying because our fixed income portfolio is big, the chances of unrealized losses would be very high. As of March '25, our duration of fixed income portfolio was 5.2.

This was reduced to in December '25 to 4.4. So through passive and some actions we took, we actually reduced the duration by 0.8. In March, we have actually slightly increased the duration to about 4.5. Our re-investment yield during this period, obviously, when we were passively investing was a bit lower in the first three quarters and this picked up in the quarter from Jan to March.

So the way we see our fixed income portfolio is that if and we obviously don't wish it. But if due to what is happening in the Middle East, in the war or the energy prices, etcetera, if the interest rates go up, we have enough leeway for us to increase the duration. And if it doesn't go up, it stays in this area, then we'll try and maintain the duration around 4.5. So in fixed income, we actually have a fairly, I would say, decent situation.

When we think in terms of equity, our asset allocation now has moved to roughly about 8.5% towards equity. Some of you would remember that we have always said that 10% is our aim as of now. So when we look at our solvency of 242%, the equity asset allocation actually now can be a lot more because even with a 25% drop in the market value, our solvency will still continue to be comfortably be above 200%.

Now on the pure equity side, I already told you we had a very small loss as of 31st of March. But when we look at this on 22nd of April, we are already sitting at an investment gain of about INR191 crores on the equity side. And when we look at it on the fixed income, fixed income also as of 22nd March, it is about INR111 crores.

So our position, I think on the investment portfolio, we are positioned really, I would say, nicely where if God forbid equity markets drop substantially, we have runway to now go even above 10%. I would say 12.5% is quite comfortable for us. If it doesn't, then I said we already are at

8.5%. Similarly, on fixed income, interest rates stay where they are, we can maintain the duration of 4.5.

If they increase, we have enough legroom to increase our duration. So I think this is one piece I wanted to cover in a slightly more detail on investments because all of you would remember that if you look at our investment yield compared to major companies, last year average, the difference in yield would easily be from 100 to 150 basis points.

And if we can reduce that gap by 50 basis points with our sort of AUM and leverage, this actually has a very big impact on the profitability. So I think that is the point I just wanted to emphasize. Moving to the next slide in terms of loss ratios. So loss ratios, I would say, broadly compared to previous quarter have seen an improvement of 1.3%.

And here, overall period when we look at health and travel has seen a bit of a reduction. Fire, we have seen the net loss ratio to go up. But when we -- because some two major claims came. But when we look at fire on a gross basis, then the loss ratio in '25-'26 was 51% and in '24, '25, it was 48%.

So on a gross basis, loss ratio has not increased. And the profitability of commercial portfolio is driven more around on a net basis. So loss ratio, even with the retention of, say, 20% because we also have to pay a substantial premium for the catastrophe reinsurance and risk covers, the so-called non-proportional covers. Net loss ratio will always be substantially more, 22%, 25% more than the gross.

But the advantage is whatever premium we see it, you get a reinsurance commission on that. So the results on fire segment will be very positive even for '25, '26 when you will see that. Otherwise, loss ratios more or less stable. And compared to previous year, they have improved slightly. On a year-on basis, loss ratios are stable at 72.8, 72.9.

I think moving to the next slide, which is on the triangle. I would say maybe before I come to the triangles, let me quickly cover our reinsurance because there were some questions in the last quarter on how the reinsurance would happen. So we have renewed our reinsurance program for '26, '27.

Our treaties, the leader continues to be the same. Most of the followers continue to be the same. As I had said earlier, our philosophy is not to trade reinsurance relationships for 1% or 2% commission. And this year, we have been able to overall increase our treaty capacity in fire and other lines of business and also improve the economics in the treaty.

Marine and liability, there is no real change. What we have introduced this year, so property and engineering capacity has increased and commission terms also improved. Marine and liability, no real change, either in capacity or in this. But this year, we also have a treaty called as miscellaneous in which we actually put in some different kind of risks.

So this year, I think our focus is to introduce some new lines of business in commercial. These are more niche areas. I won't be able to speak in too much detail about them now. Maybe after

end of a year, we can speak about them. So we have actually added some new lines of business where we see opportunity in these niche areas.

And since our overall portfolio in commercial vehicle, as you already saw, has increased a lot this year, our accumulations were increasing. So in India, if you typically look at Gujarat, Maharashtra and National Capital of Region, it actually gets most of the accumulation. And for us to better manage our rates on cat and risk excel we have also come out with a small treaty on the whole account, where we will be ceding 11% of the non-motor, non-health premium.

So that our overall accumulation doesn't go up dramatically. So on the risk excel side, we are moving our overall limit from INR1,600 crores to INR2,000 crores for earthquake. And our individual -- the deductible our own retention would actually now increase from INR36 crores to INR45 crores in case of Nat Cat, while in case of risk excel it remains the same at INR50 crores.

So I think reinsurance overall, in our view, has been good. Relationships continue to be very stable. We obviously have decent terms and conditions and we have now an opportunity to develop some new lines of business, which we want to do. Now moving to the next reserving triangle. If you look at reserving continues overall to be strong. And if we go now to TP, where one is scheme.

So here, you can see and we have explained this earlier, the first year was only about 4 months. Our reserves was about INR5 crores and we got a couple of claims that year, which is still not settled. And NEP was only INR7.5 crores in that year And we got two large losses. So we have a small surprise of negative of INR60 lakhs, but claims have not been settled.

But after that, you can see our reserves continue to be very, very strong. And when we look at year-end of '25, there has obviously not been any revision done yet. So this is something for 1 year, we try and not review the results and actually wait for the claims to come. But overall, our results continue to be very strong.

So I think moving further, I think IFRS results I have covered. Then I think we have, I would say, on the EOM we had already said that because of 2-wheeler EOM went up, but I had said this in the last quarter and I would repeat. If you put our EOM in -- with the I would say, with India's largest private company line of business mix, our overall EOM will be very, very close, a difference of less than 1% between us and them and we would actually be compliant on that basis. So issue in EOM for us always has been line of business mix and not really the overall expenses. And as all of you know, on management expenses, we have been by far the most efficient company. So with this, I'll stop so that you have enough opportunities to ask clarification. Thanks for a patient listening.

Moderator:

Thank you very much. We will now begin the question and answer session. We have first question from the line of Sanketh from Avendus Spark. Please go ahead.

Sanketh:

Yes. Thank you for the opportunity. So my first question is largely on the commercial lines because that segment grew the fastest or rather fire segment, which has grown the fastest in the

current year and our loss ratios have deteriorated. You highlighted, Kamesh, that on a gross basis, it is not that deterioration. But on a net basis, there is a deterioration?

But just wanted to understand given you have increased your risk cover from INR1,600 crores to INR2,000 crores, the premium cost naturally will be still higher in the current year. Then is it fair to say that the profitability of the fire segment might not be as great as it was in '24, '25 compared to -- given it is deteriorated in '25, '26 for the reasons what you said. So just -- and probably we are entering into a soft market also in the fire segment, just wanted to understand how you will see this business to play out? That's the first question. And the second question is your outlook on the crop in the current year. Maybe you did that business largely through reinsurance acceptance and it's a new tendering cycle. In the current year, how do you approach that business?

Do we see you doing more geographies and maybe contributing more directly? And lastly, one more technical question. On this reverse merger, where we are standing and maybe whenever the reverse merger goes through, do you think Fairfax will continue to hold the stake what it is holding or they have intention to pair the stake given it will become more liquid for them to sell? Those are my three questions?

Kamesh Goyal:

Thanks, Sanketh. So on fire, I think I have already said that we have increased the capacity. On the cat limit, we have increased the cat limit, but we have moved from INR36 crores to INR45 crores in terms of overall premium, I don't know off hand, but I don't think our premium has actually gone up on the cat in absolute amount.

Secondly, I also said that our commission terms have become better in Fire and Engineering. And you already saw in Q4 that we can be fairly be aggressive if we don't like any business. So if the business is not good, our focus would not be on the top line. Our focus will be how do we protect the bottom line.

So I think overall on that basis, I would say, based on where we are, I would not assume that profitability will go down. And we have to also keep in mind that a lot of this business would also get earned this year and profit commission also plays a role in this. So I would say, based on where we are, we are fairly comfortable in terms of where the fire business will go.

The softer terms, we are not really seeing as much in engineering. And if you see our growth in engineering also has been even higher compared to the fire business. So that is one area I would say. And thirdly, as I said, on specialty lines in commercial business is a focus area. And that is also something which is, in our view, should provide a cushion both for the top line and the bottom line.

On crop, I think this year, we want to also participate on the tenders on the direct side. As of now, the government has not really come out with the schemes, whether it will be a 3-year scheme this year or 1-year scheme and things like that. So I think we'll wait for this, but the capability building for crop has been going on for some time and we would participate in crop on the direct side this year because on pricing, etcetera, we have had a decent exposure. But now doing it on the direct side is also something which is on our focus.

On amalgamation, there is no news as such in terms of what the next steps are or the time frame. As for Fairfax selling or not, I think I have said this, one I don't really know. I have not spoken to them on this.

And secondly, I think they are at 58%. If they decide to go, I am saying, below 51%, below this, then for them to come up and gain a majority would trigger a massive open offer. And Fairfax, when we started this JV in 2017, Fairfax wanted majority at that time. That is why they got out of the minority shareholding of about 35% to actually start a new venture.

So as I said, personally, I've not spoken to them. From a company's perspective, we would want them to stay there. But I think if you ask Fairfax, Prem Watsa would be the first one to say that business is really driven by the management team. But I don't foresee them to sell this. But I'm never -- I'm not privy to this. And I don't ask any of our investors when you intend to sell or when you intend to buy because I'm not selling. I'm committed to building this business for the long term. And to me, that is what matters from my own mental perspective.

Sanketh: Understood. Kamesh, just one small thing on fire segment. When we were relatively small in market share, we were maybe much more profitable compared to what we are today. So as we keep on gaining market share, is it fair to say that given we'll be less selective or we might not be having to cherry pick the business? Maybe relatively to past, our profitability in the fire segment might be lower, but still very profitable, but might be lower compared to what we were achieving initially?

Kamesh Goyal: So Sanketh, what I'll say the fire market share last year on GW basis is about 3.9%. So it's actually more than our overall market share. Secondly, in fire business, the more number of risk you write, more diversified your book becomes. So you should actually be getting benefit both on the reinsurance side in terms of NatCat exposure.

And secondly, diversified book anyway gives you better results. Third is, I think we have heard this story also on the motor side, where -- so I somehow feel that whatever little I know of P&C insurance or insurance is, it's an insurance of large numbers. More diversified your portfolio is, bigger your portfolio is, better diversity you will have.

For us, like in the fourth quarter we were hit by a claim of INR55 crores on a gross basis. Now our fire premium last year, if I remember often, was close to about INR1,000 crores to INR1,100 crores. So 5% were hit in just one claim of yearly premium. So you can imagine things can only get better. We have been hit by two INR50 crore claims and our fire premium was about INR650 crores also. Even then our gross loss ratios did not exceed 74%, 75%. So with better diversity, if insurance logic holds, it should actually lead to better loss ratio.

Sanketh: Understood, Kamesh. It's very clear. Thanks for the answer.

Kamesh Goyal: Thanks, Sanketh.

Moderator: Thank you very much. We have next question from the line of Supratim Datta from Jefferies. Please go ahead.

Supratim Datta: Thanks a lot for the opportunity. So I'll start off with the new ventures that you planned. I understand that you.

Kamesh Goyal: Can you speak a bit louder.

Supratim Datta: Yes. Kamesh, is it better now?

Kamesh Goyal: Yes, now better.

Supratim Datta: Yes. So what I was asking is on these new ventures on the commercial side that you are planning, I understand that you can't give us a lot of detail, but could you give us a sense about how big these markets could be for you and so that we get a sense of how that feeds into growth?

And secondly, based on the commentary, Kamesh, from you that the treaty capacities on fire and engineering has increased, you are in a planning newer ventures on the specialty line side. Is it fair to again assume that growth for the next -- in the medium term is going to be more driven by the commercial lines as compared to the retail lines? Is that the fair assumption?

And lastly, what are you seeing with respect to competition now in the motor segment? Because most likely, we haven't heard anything on the motor TP price hike this year even. So it becomes this year that there is no price hike, how do you see then competition pan out? Those were my questions?

Kamesh Goyal: So thanks, Supratim. So on the new ventures, I would say that this actually we have started based on the feedback we were getting from some specialized brokers. So there are about 8 to 10 brokers in the market. And when we were meeting them in January, February, we got this feedback to say this is a capacity constrained sort of a market for these lines of business.

If you can develop some capacity, it will be good. So for us, when we do anything like this, we have to work both on creating a technical competence and then also create a capacity. So we have been able to do that. How much, etcetera, we will do? Supratim, you know that we don't give any sort of a guidance because our experience is that whatever guidance you give, which is based on how the market dynamics would be, I think you are always wrong.

So we will focus, as I said, always on ROE, on profitability. And we will develop this business from a perspective that in the next two, three years, we are able to substantially increase our capacity in these lines of business. So reinsurers should have that confidence that these guys know what they are doing. So what we are making us start, I personally feel over a three- to five-year period, this specialized line of business are capable of giving Digit about INR1,000 crores premium in the next three to five years.

So we have to develop this, keeping that in mind. Now you have seen us even in crop that once we know we are on the right path, we can build the business quickly. And if not, then we'll have to take corrections. So that is what I can share with you. I think as far as motor goes, only yesterday, I think I was part of a call, and I think Jasleen can add if she wants to. I think we are seeing in the month of April, some correction which is happening in the market, both on the price as well as on the commission.

Now -- and I think as the loss ratios, etcetera, of companies will start coming in, we'll actually also see what the impact is. But our overall sense is that market cannot afford the sort of prices which are there. From a Digits perspective, I would say we would try and drive ourselves with the loss ratios in a manner that overall motor loss ratio doesn't go up this year compared to last year.

Now how this will translate to growth? The good news is we have a very good renewal base. We have other channels which are doing. But I think the present economic situation, I would not want to take a guess as to how the new vehicle sales will look like, which were very strong in H2 of last year. So I think that is something we'll have to wait and see.

Supratim Datta: That's very clear. Thanks a lot, Kamesh. Just one last follow-up. Could you give us a breakup of in the motor insurance, what is the contribution from new vehicles versus older vehicles?

Kamesh Goyal: So in case of 2-wheelers, I would say, first of all, let me give you the breakup between 4-wheeler, 2-wheeler and commercial vehicle, which we also did in the last call. So on a year-on-year basis, now private car is 44% of our business and 2-wheeler is 32%. Commercial vehicles, unfortunately, is down to 24%. And as you know, we were known as a commercial vehicle company, and I feel sad when I see this that in commercial vehicle, it is now lower than 2-wheelers.

When we look at ODTP mix, our ODTP mix is 38% for OD, while industry is at 41% and TP is 62%, industry is 59%. So I had said this in the last call also that our ODTP mix is moving in that direction. What I understand is that our 2-wheeler mix is substantially higher compared to others as a proportion of business, which obviously impacts the EoM, and that is more a line of business mix change than anything else.

When we look at 2-wheeler business, I would say, in case of 2-wheeler business, new vehicles would be substantial. But as you know, due to 1/n the business we wrote three years or four years back also flows in. So if you look at it from -- only from one particular year's perspective, my guess is in '25, '26, 2-wheeler new business would have contributed maybe about 40% of the total business. I'm again saying my guess. I don't have these numbers.

In case of private car, this number, again, out of 44%, it would not be more than 25% to 30% of new car business. Rest would be -- renewals for us is now emerging at a fairly decent pace. In CV, the new vehicles would be less than 10% contribution in the premium. So our dependence on new vehicles because of 1/n in case of 2-wheeler is actually not that much because whatever premium we have written in the last four years will continue to flow this year.

Supratim Datta: That's very clear. Thank you.

Kamesh Goyal: Thank you.

Moderator: Thank you very much. We have next question from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Thanks for the opportunity, the first question is on motor OD loss ratio. There has been an increase in that on a Y-o-Y basis for full year. So what is driving that? It is competitive intensity or mix change is also driving that?

Kamesh Goyal: So Nidhesh, I don't know if my memory serves right, whether somebody had asked me this question, was it you also in the last quarter?

Nidhesh Jain: Yes. I have asked same question.

Kamesh Goyal: I'm not getting old. So basically, when we look at loss ratio, I had told last time that we consciously delayed taking some corrective action in motor own damage loss ratio. One, we wanted to experiment and see whether our premium retention remains high. So I think that was one very big area. Second, I would say, because new vehicle sales were fairly good in '24, '25, so we also try to see can we focus more on the SAOD business, which comes with a higher loss ratio.

So in the last quarter, I had said that we have started taking corrective actions in motor own damage loss ratio. And from July quarter, we should see some impact. If you look at only quarter 4, we have actually seen reduction in our quarter 4 loss ratio compared to quarter 3. But my sense is that we should really see impact of this loss ratio in a way, stabilizing first in July to September and then actually reducing.

Secondly, we have to keep this in mind that as our renewal base increases, what will happen is that loss ratios will increase while the commission will reduce. So on a loss ratio plus commission basis, which is how we always look at any product or any line of business, we should be seeing some improvement anyway.

Nidhesh Jain: Sure. Can you share some data on the retention in motor segment? We have been focusing on retention for last, I think, one and a half years...

Kamesh Goyal: Retention also, I think -- Yes, yes. The retention also last time I had mentioned clearly that our retention in motor has actually reduced this year. Overall retention in motor this year is 89.6% compared to 95.9%. And last quarter, I had also mentioned, I don't know whether this was a claim from you or somebody else, that for some segments like scooters and school bus, we are trying to take some reinsurance to ensure that during floods, etcetera, one is not hit badly due to the accumulation and this we started doing after the Kolkata incident. I had also mentioned last time that it actually has no impact on the AUM because this reinsurance has been done on a funds withheld basis. So investment income continues to come to us, we are paying a small cost for this reinsurance that is more like a tail sort of an event for which we are protecting ourselves. So it doesn't really have any impact on the AUM.

Lastly, I would also say under Indian Accounting Standards, the new accounting standards, the impact of reinsurance deal would also not flow in into the results because your reinsurance commission also gets deferred along with the unearned premium. So this does not, in any way, change our Indian accounting standards. So slightly longish answer, Nidhesh, to your question on motor retention.

Nidhesh Jain: So on motor actually, I wanted to get some data on the renewal rates, so customer retention and renewal rates on the motor side...

Kamesh Goyal: So retention rates would differ from channel to channel and product to product. So 2-wheeler obviously has much lower renewal ratio because five-year third-party premium comes upfront. So a lot of owners don't really take own damage insurance. Then second would be commercial vehicles. And then the highest is in private car. And within highest, agency normally has very good renewal ratio, agency and retail brokers and also B2C for us. So last year, we would have seen increase in renewal ratio in private car across all channels.

Nidhesh Jain: Sure. And last question is on EOM. So, though you explained that EOM on a line of business basis is very well placed, but probably regulator look at on an overall company basis. So how are we planning to manage the regulatory requirement on EOM?

Kamesh Goyal: So here, I think as we have said in our previous calls, that regulator is also very conscious that EOM objective was to reduce the cost for the end customer. And the idea was to reduce the acquisition cost. And even if you see the interview of, say, present DFS Secretary or of Finance Minister or if you read Economic Survey, everywhere I think the focus is on reducing the cost for customers. And if you see what some of these very senior people have been saying, they have been saying that the overall cost of insurance is actually going up to the extent where people have even suggested, say, the DFS Secretary, when I was listening to his interview, he suggested that regulations would come or should come to reduce this.

Finance Minister herself has spoken about it. So, the way we see this is that government and regulators' intention is to reduce the cost of insurance for the benefit of the customer and the last year -- 2-year trend has not gone in that direction.

So, our expectation is that some sort of regulations will come in the next 2, 3 months' time frame, we obviously don't know. And till that time, we obviously do not want to write any loss-making business to match the EOM because the regulator's objective was not to reduce the EOM that you actually subsidize more larger business-like group health and crop and etcetera, and the cost of the retail customer keeps going up.

So, regulators objective, we have always said is very good. And we would expect them that they'll take corrective actions so that the objective of government coming directly from the Finance Minister herself and the regulators is actually achieved.

Nidhesh Jain: Sure. So, the issue of your EOM is largely because of the acquisition cost. So, do you see that acquisition cost in India is significantly higher than other countries on a like-to-like basis because if that is the case, then there is room to improve that?

Kamesh Goyal: So, when I look at Europe, etcetera, it is substantially higher. When I was in Asia, and I have not followed in recent years what exactly the acquisition cost is now in recent years. But when we look at -- and forget about other countries, just look at what the acquisition cost was just 4 years back in India and what is it now?

We don't have to look at -- let's look at acquisition cost from 2001 until 2019, '20. So, for 20 years, what was the acquisition cost and what is the acquisition cost now? I think all of us have answers and all these numbers, Nidhesh, have been actually published in the media. I have not tracked them separately, but all these numbers are published in the media.

And people are also saying that the growth of the industry is actually not going up even during this period based on this basis. Penetration of insurance as a percent of GDP actually has fallen in the last 5 years compared to where it was.

So, all these macro pictures and all we have to do is maybe read the economic -- the Financial Stability Report of RBI, which was published, I think, in February, March and the Economic Survey, which came a day before budget in '26. And you'll get the drift of this situation.

This is the first time in at least my memory, where economic survey, RBI's Financial Stability Report, Finance Minister, Finance Secretary, IRDAI regulator. In the last 3 months, everyone has spoken this language. So, my assumption is they are looking at the numbers a lot more seriously than we in the industry are seeing.

And I also know industry's reaction will be nothing is going to change, and I'm sure a lot of analysts also feel that. But for the sake of customers, I hope something changes. Again, my personal view, not view of Digit.

Nidhesh Jain: Sure, Thank you, Kamesh.

Kamesh Goyal: Thank you.

Moderator: Thank you.

Kamesh Goyal: No question on accounting standards, IFRS, Investments. Because the investments, I think the topics are changing compared to previous calls.

Moderator: We have next question from the line of Prayesh Jain from Motilal Oswal Financial Services. Mr Prayesh Jain your line is unmuted so please go ahead with your question.

Prayesh Jain: Yes, hi, can you hear me.

Kamesh Goyal: Yes, Prayesh we can, please go ahead.

Prayesh Jain: Just a couple of questions. Firstly, from a strategy perspective, how do you see the product mix shaping up for us in FY27? Where are we concentrating like 2-wheeler was one growth area -- focus area for us in FY26. How do you see that mix across categories changing in FY27, which are the areas that we will be focusing on?

Second question, again, from the motor side, what do you really think that will kind of bring out a motor TP price hike because across some of the key players, I think motor TP loss ratios have improved in this year. But what really can push the regulator towards a motor TP price hike? Those would be my questions? Thanks.

Kamesh Goyal:

Sure. So Prayesh, I think on the TP price hike, we are not privy to what the regulator is thinking. And secondly, I personally feel if the regulator is thinking for reducing the cost of insurance, then it might be better from their perspective to achieve that objective rather than increase the price.

And for the industry also, they should be looking at it seriously to say, which I answered 2 earlier questions of Nidhesh as to where we are. On the product mix side, I think we have always said that we actually don't know where things stand.

And if you go to even '19-'20, at that time, if I remember off hand, 70% of our business would come from motor and out of 70%, 2/3 of that was actually coming from CV. So '19-'20, 40% of our business came from CV. And today, as you would have heard me, now this number has unfortunately dropped to 13-14%.

Now somebody would have asked me and a lot of our analysts and fund managers, they will say Digit is a CV company. And I used to say we see opportunities in CV today, we are doing well. Now later on, industry became a lot more aggressive on CV despite no hike in TP premium, despite hike in TP claims and our CV business is reduced so substantially.

We were told that fire business, you can't do because this is driven by larger insurance companies, etcetera, you see the growth of fire for last year and last 2 years for Digit. I think lastly, if I look at -- we were also told that in OEM business, very difficult to go and make a mark because it's a small club of 6 insurers or 8 insurers and what will Digit do?

And you actually see our private car growth in motor has been the highest. Now I'm saying all this is because nobody really knows what will happen in the market. And from Day 1, our focus has been to keep building the distribution, not depend only on a few distributors.

And secondly, to be agile so we can actually move where we see opportunity. Now market changes, we change our view. So, we don't drive ourselves to a line of business mix because we don't think there is an ideal line of business mix. And similarly for the distribution channels.

Prayesh Jain:

Got that. Thank you so much.

Kamesh Goyal:

Thank You.

Moderator:

Thank you very much. We have next question from the line of Dipanjan Ghosh from Citi. Please go-ahead sir.

Dipanjan Ghosh:

Hi good evening. So, a few questions from my side. Firstly, if I look at your group health insurance business and obviously, this business has seen some pressure on pricing over the past quite some quarters now. I mean just wanted to get some sense of how you are seeing the employer employee business kind of evolving?

And second thing is within the group health business, it would be great if you can split the business between nonemployer employee and employer employee especially, let's say, for the

fiscal year '26 and '25 or at least give some color on how the nonemployer employee portion is growing?

So those are 2 questions on the group health side. The third question, we have had some discussions on the commission part during this call. But what I read from media articles is that a lot of new companies are interested in entering the non-life space, some backed by private equity, some backed by a strong parent?

And my understanding is that some of these companies will get a forbearance on EOM over the next 5 years when they commence operations. So given the environment, I mean, do you expect the B2C or the more retail businesses to kind of face higher competition at least from a medium-term perspective?

Kamesh Goyal:

So Dipanjan, I think let me answer this question first. So one is, I think there is a discussion already going on. I believe people are representing this to the IRDAI and maybe regulator is also thinking, I don't have that information, that in EOM, commission and management expenses should be split because a new company, whether it is Digit, and we also have a new company, say, on the life side, management expenses are higher in the first few years.

So they should get leeway on the management expenses, but you don't need a leeway on the commission. Under EOM framework, you actually end up getting leeway, which is used more for the commission and less from a management expense perspective. So my sense is that this would get fixed as and when the regulations come. So that is, I think, one.

The second is the way we see competition is that when we started Digit, we started from scratch from 0, and we were competing against really the big companies. And all of you know that the chances of success for a new company, how much success chances were given even to a company like Digit.

Now today, when new companies are coming, obviously, you have to take competition very seriously. But if you could compete when we were nothing against the big boys at that time, I'm sure we will be able to compete with the new companies also. And market basically decides where the competition is. And I think survival for the fittest. Our job is to stay fit. Am I losing sleep because of new competition? Not really.

I would say the opportunities for us to improve are so much that actually, internally, when we discuss and I would say -- on Sunday, Jasleen was -- and I were having a longer conversation, she was saying that people are feeling too much pressure because there is so much one can improve. So just imagine that we feel there is so much more we can improve.

So I would say an improvement, the competition is within. And new players are coming. We wish them a lot of luck. I also hear from some investors that some of them are inspired by Digit. I'm very happy to hear. I hope we inspire many more companies. As for the growth rate in health, which is a great question.

So if you look at health, and I think let me try and give numbers roughly, for '25, '26, if you look at 100 out of health business, including group, etcetera, our retail, as you know, is less than 6%,

7% out of 100% in health. Then the employer employee business in this would roughly be about 73% or so. And the non-employer employee business would probably be about 22%.

Now Dipanjan, you know the loss ratios of each of this better than I do. Whatever you think is the best company, you put their loss ratios under these 3 or whatever your assumption is, and then you will reach a conclusion whether our loss ratio in health, even with this mix, is it better than the industry or worse than the industry?

And if you feel that our loss ratio would be worse than anyone else in the market, we'll be more than happy to learn and put more pressure on our management team, including Jasleen to improve. Did I answer your question to your satisfaction?

Dipanjan Ghosh: No, no, absolutely, absolutely, sir. So just maybe a small follow-up. I mean, given the fact that -- this is my point that you're probably operating at an underwriting profitability or rather marginal loss on a net earned premium on the group health or overall health business. And obviously, you'll be getting some float income also. So do you see a scope for kind of gaining momentum in this business, let's say, the next year or the year after that? I mean, what's the medium to...

Kamesh Goyal: Dipanjan, again, great question. So if you actually think about the narrative, and I'm not saying it's right or wrong, but let's assume the narrative. Motor own damage premium rates under severe competition, no hike in TP premium rates, people becoming aggressive in group health and all this business to manage the EoM, fire premium under pressure.

Now tell me one line of business, which is actually seeing strengthening of rates. Now in this situation, if we are able to manage loss ratios, and I'm saying no one is more conscious than us to say areas where we need to improve. And even in health, we are a very small player with an overall market share maybe of about 1.3%, 1.4%.

If you look at our loss ratios based on this mix, I don't think we are doing badly. So the way we see is that -- and I have always said this, if pricing becomes too tight, we don't have to go for that additional 5%, 6% growth, which will destroy profitability. If pricing is good, we'll go substantially more than the market, and we demonstrated that in fire last year, for example.

So the way we want to drive business is when everything is under pressure and the results have started coming in for companies, we would actually see things improving. And in group health, for example, if pricing improves just by 5%, just by 5%. And we are able to -- through the initiatives we are working on are able to reduce our loss ratio by 2%, this business can easily grow by 50%, 60%.

Dipanjan Ghosh: Got it, Kamesh. Thanks for this explanation and all the best.

Kamesh Goyal: Thank you so much, Dipanjan.

Moderator: We have next question from the line of Ananga Rana from A91 Partners. Please go ahead, sir.

Ananga Rana:

Hi. I unfortunately have a couple of questions on the IFRS numbers part. So first is, how should we think about this claims discount benefit going forward? Is it like a recurring benefit that will keep accruing to us? Or is it something that will go away as our growth maybe moderates a bit?

And secondly, how should we think about investment yields on IFRS as well because, of course, there will be a lot of quarterly fluctuations due to mark-to-market. But on a long-term average basis, will it be like roughly similar to what we were delivering on our IGAAP numbers? Is that how we should think about it?

Kamesh Goyal:

So great questions, Ananga Rana. So first, I would say, I think when we look at IFRS or Indian accounting standards now results, we don't look at discounting of reserves in our KPI. What we look at is combined ratio on a net earned premium basis plus DAC. So in IGAAP, combined ratio is on net written premium basis. So if you take everything on net earned premium basis, plus you are deferring your income on reinsurance along with the unearned premium, that actually gives the best possible KPI. And that is how we have been driving ourselves from day 1.

So I would not suggest that you look at discounting. Now discounting typically would always be there because the reserves are there. Now if the discount rate changes, say, by 3%, for example, from 1 year to another year, then your discounting reserves will be more. If it -- so unless you see abrupt movement in the interest rates, the discounting in reserves would be fairly stable.

And I think we showed here this year, it was 7.09. Last year was 6.9. But imagine if this moves from next year to 5%. So now the discounting effect will be a lot less. But if it moves to 8.5, then your discounting would actually become even more. So we don't take this into account at all when we drive business.

On mark-to-market, I would actually say two things. In fixed income, don't worry about what the mark-to-market losses are. I think the way we declare duration, you may be -- all of you should push the insurance companies to declare duration also so that you have a decent idea about the sensitivity to the interest rates.

I think when we come to equity, when we reach risk-based capital, whenever it comes. So under Solvency II, for example, in Europe, if I remember correctly, equity investments attract 40% capital. Now today, they don't attract any additional capital. So if somebody is having 20% asset allocation in equity, they would have to provide more capital under risk-based capital.

So the way I would look at is not really worry about mark-to-market movement, and I think Warren Buffett had said this, and he has been saying this for 25 years. But actually start again focusing only on ROE because if your risk-based capital goes up, then your available capital will also have to go up. So if it is not resulting in that extra yield, then you would actually have a drain on the ROE.

The better method, which some of the European analysts do is they also try and calculate return on risk-adjusted capital basis, which I think will lead to a similar sort of a solution. So I'm sharing with you the way we see the business. You obviously have your own way to look at. But we

would not look at these two things to try and look at our -- change the way we do business. But obviously, when risk-based capital comes, as I said earlier, we feel that we will actually benefit.

Some other companies which are at more than 17%, 18% in terms of asset allocation towards equity would actually see a bit of a capital going up. And in that situation, it will also help a company like Digit that on a similar capital basis, the return can actually be seen on that basis. And then it will be more like apple-to-apple comparison, which unfortunately is not possible based on today.

Now equity gains, all of us know, look very good when the market is sharp. We know what happened as of 31st March with a bit of a market down. We are still not a 10-year average on the Nifty or a 15-year average near Nifty, we are still more than that. So if we see it from that perspective and God forbid, things can go bad. God forbid. We are not wanting it.

And markets drop by 10%, how many companies will actually have the capital and the appetite to put more money. And I already said in case of Digit based on our asset allocation of 8.5% on equity, based on our solvency up to 240% plus, we can easily move to 12.5%. So I hope Ananga Rana, I have answered your question.

Ananga Rana: Yes, yes. Thanks. That was quite clear.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to management for closing comments.

Kamesh Goyal: So thanks, everyone, for joining the call. Really appreciate. And I think all these questions also tell us as to where we are. We would be more than happy to publish information, which help you understand the results better.

And I'm sure you guys will be able to push the industry to start declaring the -- from first quarter, the IGAAP, the Indian accounting standards, the new IFRS standards results and also push people to also ask questions or at least qualitatively answer how this capital, etcetera, could change their risk appetite on the investment side.

So I think we are really looking forward to the next 2 years because with the new international norms coming and new standardization happening, it will help everyone for better benchmarking. And in case of Digit, we have always looked at NEP-based combined ratio plus DAC. And on a post-tax basis, if you see, despite such a tough environment, we have -- our team has delivered ROE of 17.7%.

And as the government and regulators' direction, what they suggest on controlling the acquisition cost, etcetera, bears fruit. I would say, I'm personally actually very bullish about the growth of the industry, which something has suffered in the last couple of years. So thanks, everyone, for joining, and please do connect with Piyush, Divya and Sanskar, if you have any questions relating to our results. Thanks, everyone. Bye.

Moderator: On behalf of ICICI Securities, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines. Thank you.