



Ref: 559/F&A(NL)/IPO/GoDigit/2021-22/56

19th October, 2022

Smt. Jasleen Kohli,
Managing Director and CEO,
Go Digit General Insurance Limited,
1 to 6 floor, Ananta One (AR One),
Pride Hotel Lane, Narveer Tanaji Wadi,
City Survey No. 1579, Shivajinagar,
Pune, Maharashtra (411005)

महोदया/Madam,

विषय: प्रस्तावित आईपीओ की सूचना और सेबी के पास डीआरएचपी दाखिल करने का पत्र।

Subject: Letter of intimation of proposed IPO and filing of DRHP with SEBI.

This has reference to your email dated 16th August, 2022 wherein it has been intimated to the Authority that Go Digit General Insurance Limited (the company) has filed the DRHP with SEBI, in connection with the proposed initial public offering of its equity shares.

2. Disclosures in the Offer Documents: The insurer is hereby advised to make following changes or insert additional disclosures in the offer documents as under:

- a. The promoter of your company has also applied for grant of Certificate of Registration for Go Digit Life Insurance Ltd. and Valueattics Reinsurance Ltd. In this, please disclose the following appropriately in the offer document:
 - i. Risk emanating from Mr. Kamesh Goyal and Fairfax being the common promoter of the said entities as well as Go Digit Infoworks (promoter of insurer) including the ability of the promoter to infuse the capital in the insurer while fulfilling commitment towards the other said entities.
 - ii. Both the said entities are still at application stage. Hence, wherever the name of the said entities has been mentioned, it may be clarified that the said entities are in application stage so as to avoid any wrong/misleading impression/interpretation that the general public may get while reading the offer documents.
 - iii. The application of the Valueattics has been withheld. The fact may be suitably indicated wherever the Valueattics has been referred to in the DRHP.
- b. The insurer has projected additional capital infusion of ₹1917 Crore in FY 2022-23 in the Financial Condition Report whereas the offer documents indicate that the gross proceeds from



the fresh issue is estimated to be Rs.1250 crore. The insurer may explain the source of remaining Rs.667 crore of capital infusion during FY22-23.

- c. It is observed that the insurer has not adequately disclosed the reinsurance strategy, as required by Schedule 1 of IRDAI (Issuance of Capital by Indian Insurance Companies transacting other than Life Insurance Business) Regulations, 2015 (herein after referred as “ICR Regulations”). You are advised to ensure that all the disclosures as per the Schedule 1 of ICR Regulations are adequately made in the offer documents including but not limited to the reinsurance strategy followed by your company.
- d. Section II (Risk Factors) of the DRHP:
- Para 12 on page 44: any material deviation in the projected business and claims ratio may significantly impact the financial position of the company. Hence this high exposure towards Motor business may lead to substantial risk for the company. Insurer to suitably highlight this and describe the risks emanating from the same in ‘Section II-Risk Factors’ of DRHP.
 - Para 7 on page 39: Ultimate Loss Ratio for last two accident years (2020-21 & 2021-22) is more than 100%, for Commercial Vehicle OD business. Insurer to suitably comment on the viability of premium, ability to revise the premium rates and impact on profitability.
 - Para 14 of Page 44-45: The heading of the para “The actuarial valuations in respect of certain liabilities are not required to be audited and if such a valuation is incorrect, it could have an adverse effect on our financial condition”, may be misinterpreted as if the valuation by actuaries may be incorrect because it is not required to be audited. Insurer to revise the heading suitably.
 - Para 15 on page 45-48: This point reflected some open items which are still pending for decision. Insurer to update the status at the time of finalisation of DHRP.
 - Para 24 on page 53: In place of the line *“the IRDAI Investment Regulations only permit Indian insurance companies to invest outside of India if investments are made from the share capital of the insurer, rather than its general funds”*, the Insurer to modify the sentence as *“the Insurance Act, 1938 does not permit Indian insurance companies to invest the policyholder’s funds outside India.”*
 - Para 26 on page 54: Insurer to comment on the decreasing ratio of liquid assets as proportion of current liabilities and ALM position under this segment, as liquidity aspect is critical to Non-Life business.



- vii. As on 31st March, 2022, total Health Insurance premium (excluding PA and Travel) is 419.48 Cr. Around 93.6 % of the total Health Insurance premium (excluding PA and Travel) is generated through group health insurance. Contribution of Individual Health Insurance Business in the premium (excluding PA and Travel) is 6.4% only. Insurer may suitably highlight the specific risks that may emanate from the same under “Risk Factors” in offer documents.
 - viii. Outstanding litigations: The disclosures in respect of litigation may be inadequate. The same may be highlighted on the basis of materiality and classification in various categories eg. Product wise, claim amount wise or deficiency of service type etc. The cases pending at different forums may be separately highlighted eg. District, State, National Consumer Commissions, High Court, Supreme Court etc. Further, Cases with significant implications (for example, whether class action proceedings exist) also to be separately disclosed.
 - ix. Since the insurer does not have ERM framework, the insurer to disclose the risk emanating from the same as well as indicators/information (either quantitative or otherwise) on how the quality of sales performance is factored in pricing products as part of the overall ERM.
 - x. The insurer may suitably disclose cross reference to the profitability, between underwriting and Investment operations and between different product lines at aggregate level may be made.
- e. In section IV (“about our company”) of the DRHP, details of the investors have not been disclosed, as required by para (f) of Schedule 1 of ICR Regulations. You are advised to adequately disclosed the details of existing investors of the insurer in the offer documents.
- f. The name of Acts and Regulations: It is observed that at names of applicable Acts and Regulations have been incorrectly mentioned at various places in the DRHP. For example, the IRDA Act, 1999 has been referred as IRDAI Act, 1999. Similarly, regulations framed prior to 2015 has prefix of IRDA while the DRHP uses, at some places, IRDAI as prefix. The insurer is advised to ensure that the names of the Act and Regulations correctly in the offer document.
- g. The insurer is advised to ensure that all the regulatory/supervisory actions taken by the Authority have been disclosed appropriately in the offer documents. The matters where the final decision of the Authority is pending or the insurer has gone into appeal shall also be disclosed appropriately.



3. Conditions as per the “in-principle” approval:

- a. The Authority, vide letter dated 29.12.2021, granted “in-principle” approval to the insurer for listing of shares subject to the conditions, *inter alia*, that:
 - i. The insurer shall compliance with the directions as detailed in Annexure A of the said letter.
 - ii. The Articles of Association of the insurer shall be amended so as to explicitly provide that no transfer beyond the limits specified in section 6A of the Insurance Act, 1938 shall be registered without the prior approval of the Authority; any direction, issued by the Authority in this regard.
- b. The insurer is advised to submit compliance status of the above mentioned conditions.

4. Conversion of CCPS:

- a. With regard to conversion of Compulsory Convertible Preference Shares (CCPS) issued by Go Digit Infoworks to FAL Corporation, the Authority has already informed the insurer, vide letter dated 26.07.2022, that the request of the conversion of CCPS in equity shares cannot be considered.
- b. Since the date of the said communication, neither the insurer nor the promoter have made any representation on the said matter. Further, the position of the law has already been communicated to the insurer.
- c. It is mentioned in the DRHP that “*the Company and its Promoters intend to continue to engage with the IRDAI in relation to such conversion of CCPS as per the provisions of applicable law*”. The insurer is advised to remove the said wordings as it may mislead the readers of the offer documents.

5. IFRS financials:

- a. The **insurer has disclosed** in DRHP that the Company has historically provided its shareholders with, and **subject to necessary approvals including approvals from IRDAI**, plans to make publicly available after listing of the Equity Shares, select financial statements that have been prepared and presented in conformity with IFRS (the “IFRS Financials”).
- b. The insurer is advised to remove reference to approvals from IRDAI as no such approval has been granted by the Authority.
- c. Further, it is informed to the Authority that insurer is contemplating to disclosure the IFRS financials in the offer documents. In this regard, it is to inform that the IFRS/Ind-AS are yet to be made applicable on the insurance companies in India. Accordingly, the insurer is advised



to only publish the financial statements as per the Accounting Standards applicable to the insurer.

6. The Authority has taken note of your submissions on the said subject and hereby advises that the insurer may proceed with the proposed public issue, in terms of Regulation 3 of the IRDAI (Issuance of Capital by Indian Insurance Companies transacting other than Life Insurance Business) Regulations, 2015, subject to the compliance with the following;
 - a. The stipulations as per para 2-5 above.
 - b. All the stipulations as per IRDAI letter 559/F&A(NL)/IPO/GoDigit/2021-22/285 dated 29.12.2021.
 - c. All the applicable Act as well as all the Rules, Regulations, Guidelines, Circular etc. notified by any statutory/regulatory/judicial body.
 - d. Insurer shall keep the Authority informed of any development in this matter.
7. The approval/correspondence of the IRDAI shall not be construed as approval to circumvent any Regulations, procedures, directions or stipulations that may be applicable for such a process at any point of time. The insurer is hereby, advised to exercise utmost diligence in complying with all applicable Rules/Regulations, directions in this regard. The Board of the insurer shall stand responsible towards such compliance.
8. Any approval/correspondence by the IRDAI under the IRDAI (Issuance of Capital by Indian Insurance Companies transacting other than Life Insurance Business) Regulations, 2015 shall not in any manner be deemed to be or serve as a validation of the representations by your insurer in the Draft Red Herring Prospectus or Red Herring Prospectus. Further, it may be noted that the IRDAI does not acknowledge/undertake any responsibility on the financial soundness of the insurer or for the correctness of any of the statements made or opinions expressed in this connection.
9. Please acknowledge the receipt of this communication and ensure compliance.

Yours sincerely,

(Mahesh Agarwal)
General Manager, F&I