

Ref.- 559/F&A(NL)/IPO/GoDigit/23-24/72

10th October, 2023

Ms. Jasleen Kohli,
MD 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 - 411005 Maharashtra.

Madam,

Show-Cause Notice: Non-disclosure of Change in Conversion Ratio of CCPS.

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 Go Digit General Insurance Co. Ltd. (herein after referred to as “the insurer”) to carry out general insurance business in India in terms of Section 3 of the Insurance Act, 1938. In terms thereof, the Insurer was subject to the terms and conditions of the Certificate of Registration and was also required to abide by the provisions of the Insurance Act, 1938 (herein after referred to as the “Act”), The Insurance Regulatory and Development Authority Act, 1999, other directions issued by the Authority from time to time by way of Regulations, Guidelines and /or Circulars

2. The Go Digit Infoworks Services Pvt Ltd. (GDISPL), the promoter of the insurer has issued a total of 78,00,000 Compulsory Convertible Preference Shares (CCPS) to one of its shareholders namely FAL Corporation in multiple tranches.

3. The insurer, vide its letter dated 16.08.2022, submitted the letter of intimation of filing of Draft Red Herring Prospects (DRHP) to SEBI for proposed listing of its shares on the stock exchange(s) in India. The said DRHP was returned by the SEBI to the insurer and subsequently, the insurer has filed revised DRHP to the SEBI and the same was intimated to the IRDAI vide email dated 31.03.2023. On perusal of the said DRHP and revised DRHP, it is observed that the insurer, as part of various disclosures in the DRHP, has also disclosed that the conversion ratio for 63,00,000 CCPS was recorded as “1 CCPS for 2.324 equity shares” instead of “2.324 CCPS for each equity shares”. The said ratio was, therefore, changed pursuant to amendment (dated 11.08.2022) to JV Agreement to read the conversion ratio as “1 equity share for 2.324 CCPS”. The Amendment to the conversion ratio made by the Promoter of the Insurer is a material change in the information furnished with application for registration.

4. 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.”*

5. Regulation 5(2)(iv) of IRDAI (Registration of Indian Insurance Companies) Regulations, 2000 (now repealed) 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.”*

6. In terms of the above, the insurer was required to provide the details of said change forthwith to the IRDAI as per section 26 of the Act. However, the insurer has not furnished the full particulars on the said alteration. Accordingly, it is alleged that the insurer is in violation of section 26 of the Act.

7. In view of the non-compliance, as detailed above, the insurer is called upon to show cause as to why appropriate proceedings should not be initiated against it in terms of the relevant provisions of the Insurance Act, 1938 and IRDA Act, 1999 read with Regulations and/or Rules framed thereunder.

8. The insurer may submit its replies, if any, to this Show-Cause Notice within 21 days from the date of receipt of this notice, positively along with copies of documents, if any, which the insurer may wish to rely upon in support of its contentions. failing which it shall be presumed that the insurer does not have any explanation to offer and the IRDAI shall be free to conclude the current proceedings ex parte, on the basis of material available on record.

9. The insurer may also indicate in its reply if it desires a personal hearing.

10. This Show-Cause Notice is issued with the approval of the Competent Authority.

Please acknowledge the receipt of this notice.

Yours sincerely,

Mahesh Agarwal,
GM (F&I), IRDAI