digit INSURANCE

Date: 5th May 2025

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai – 400 001
BSE Scrip Code: 544179

To,
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
NSE Symbol: GODIGIT

Dear Sir/Madam,

Subject: Transcript of earnings call of the Company for the quarter and financial year ended 31st March 2025

Pursuant to Regulation 30 and Para A of Part A of Schedule III and Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call held on Monday, 28th April 2025 on performance review of the Company for the quarter and financial year ended 31st March 2025.

The above information is being made available on the Company's website at www.godigit.com

We request you to kindly take the above intimation on record.

Thanking you,

Yours faithfully,

For **Go Digit General Insurance Limited**

Tejas Ramakant Saraf
Digitally signed by Tejas Ramakant Saraf
Date: 2025.05.05 19:15:26 +05'30'

Tejas Saraf
Company Secretary & Compliance Officer

"Go Digit General Insurance Limited Q4 & FY '25 Earnings Conference Call"

April 28, 2025

MANAGEMENT: **MR. KAMESH GOYAL – CHAIRMAN, GO DIGIT GENERAL INSURANCE LTD.**
MS. JASLEEN KOHLI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, GO DIGIT GENERAL INSURANCE LTD.
MR. RAVI KHETAN – CHIEF FINANCIAL OFFICER, GO DIGIT GENERAL INSURANCE LTD.
MR. PIYUSH BOTHRA – HEAD, INVESTOR RELATIONS, GO DIGIT GENERAL INSURANCE LTD.
MS. DIVYA BOTHRA – INVESTOR RELATIONS, GO DIGIT GENERAL INSURANCE LTD.

Moderator: Ladies and gentlemen, good day and welcome to Go Digit General Insurance Limited Q4 FY '25 Earnings Conference Call, hosted by ICICI Securities.

As a reminder, all participant lines will be in the lesson-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 "*", then "0" on a touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anshuman Deb from ICICI Securities. Thank you and over to you, sir.

Anshuman Deb: Good evening, ladies and gentlemen. On behalf of ICICI Securities, it gives us an immense pleasure to welcome you all to the Q4 and FY '25 Conference Call of Go Digit General Insurance. I now hand over the call to Chairman – Mr. Kamesh Goyal, following which we will open the floor for Q&A. Over to you, sir.

Kamesh Goyal: Thank you, Anshuman. Good evening, everyone. And thanks for joining our call. This is our fifth analyst call and one full year in '24-'25 where we have been listed during this period.

With me I have Jasleen Kohli – MD and CEO; Ravi Khetan – our CFO; Piyush Bothra who Heads Investor Relations; and Divya Bothra who is also part of our Investor Relations team.

I think before I start, I just wanted to come back, because we had discussed this in our Q3 call and later also on our Analyst Day meeting on 17th February, '25, a Presentation was also uploaded on the Stock Exchange websites, BSE and NSE the same day.

The three points which we had covered there, and I just wanted to quickly take them:

- The first was to say, combined ratio, we have always said ideally combined ratio does not have any link to ROE. So we had said that combined ratio on net earned premium basis makes most sense. The only caveat in this is that insurance companies which give a lot of reinsurance, especially long term, and book the commission upfront, the results can actually look better compared to companies who do not take this long-term reinsurance commission upfront. And we had actually shown an example of a company whose results are in this direction, that if Digit had done this, what the impact on combined ratio and profitability has been. In this same spirit, we will now start declaring our combined ratio on NEP basis, net earned premium basis. So our combined ratio in Financial Year '23-'24 on NEP basis was 112.2%. When we see this for '24-'25, this combined ratio would be 110.8. So basically, you can see, there is an improvement of 1.4% on the combined ratio. On a quarter-by-quarter basis, the combined ratio in Q4 F '24 on a NEP basis would be 110.9%, while in Q4 FY '25 the combined ratio is 110%, an improvement of 0.9%. And when you will compare and we will come to that later, when you compare this on a combined ratio on IRDA basis, you actually do not see an improvement at all, while the profits have increased quarter-on-quarter from Rs. 53 crores to about Rs. 116 crores this year. So this was the first point.

- The second point which we had showed was that lower combined ratio with high commission is worse from ROE perspective compared to lower commission and higher COR business. And higher COR business typically will come from third party business. This is really true for third party business. And in this case, we had also mentioned, we had shown an example, a clear-cut example as to how this plays out. And we had also briefly mentioned that the company is consciously, wherever they are finding new opportunities, they are trying to go towards the business where the commission is a bit lower, and claims might be a bit higher. So on COR it might look worse, but from the ROE perspective this is better. And I think, to some extent, this gets shown in terms of lower expenses and slightly higher loss ratio in our Q4 Result.

- The third point we had said was that our industry, lot of companies have actually relied in the last four to six quarters on booking, realizing capital gains from equity portfolio that the market was fairly robust. And that in a tough market, the February '25 market was going through a bit of turmoil at that time, that this would not be possible. I think in the case of Digit, if we look at in our entire year, which is the whole Financial Year '24-'25, we actually have no capital gains. In fact, we have a capital loss of Rs. 3.4 crores. You might recall, this had come in the first quarter when we had booked some losses in fixed income where we sold some mark-to-market losses in the fixed income to increase the duration on the bond portfolio. Economically, it made sense to do that, but in the short term it obviously had a loss. So I think that also, I would say, seems to be playing out today, when you look at the results of companies which have declared, there are no realized gains on the equity to the extent they were booking in the earlier year.

Now coming back to our slide deck, all of you are familiar with this deck. So the premium is Rs. 10,282 crores, this is including 1/n, and we will actually come back without 1/n also a bit later. Market share on GWP basis is 3.3%, Motor is 5.92%. Number of partners has now increased to 71,870. And the assets under management are now closer to Rs. 20,000 crores. And our customer satisfaction score in claims continues to be quite high.

Moving to the next sheet, if you look at, these are IGAAP numbers. If you look at here, the premium without, I would say, 1/n would actually be Rs. 10,419 crores. You can see that at the bottom in bold. And for Q4, the premium would actually be Rs. 2,652 crores compared to Rs. 2,576 crores, which is mentioned. Combined ratio, including 1/n is 109.3% for the year and Q4 is 111.3%. And compared to the full Financial Year last year it was 108.7%. So as I mentioned, for the full year the combined ratio has improved a lot on a NEP basis but not on an IRDA basis.

But as soon as we move to 1/n, you can actually see the combined ratio has improved. And the reason is that there is about Rs. 30 crores of commission which is there on account of the long term business. But that Rs. 30 crores, the premium has not been accounted for in GWP, but that Rs. 30 crores in our case is already, like Q3 is already provided for. So the combined ratio with 1/n and without 1/n actually economically is having the same outcome. So this, again, is I think a point I just wanted to say that IRDA combined ratio from that perspective looks a bit strange.

Overall profit for the year increased to Rs. 425 crore, for the quarter Rs. 116 crores, ROE in the 4th Quarter is 3.5%, for the entire year it is about 13%. Net worth has crossed Rs. 4,000 crores for the first time, and the solvency ratio is now 2.24, which has also improved, if I remember correctly, from 222% in Q3 to 224%. So that's really the result.

Now moving on to the growth parameters:

If you look at GWP for the entire year, without 1/n, our growth rate would be 15.6%, with 1/n growth rate for the year is 14%. And for the quarter, the growth rate is 13.5%. So that really is the growth rate. You can also see on the right-hand side the GWP mix quarter-on-quarter on that basis, and you can also see in the middle the overall growth rate of the industry. For the Financial Year, the overall growth rate for the industry with 1/n is 6%, and in the case of Digit this growth rate is about 14%. In terms of mix, if you actually see, there is a slight increase in the mix overall on the Health, travel and PA segment, and the TP has reduced. Otherwise, the mix is also more or less similar. The only thing, again, I would just repeat is that Rs. 30.7 crores of acquisition cost for Rs. 136 crores of premium which was not accounted for, has already been provided for in the books. So the premium is not accounted for but acquisition cost has already been provided for.

Now, in TP, as I already mentioned, the market share last year for the whole year was 5.96%. This year, the market share is 5.92%. I think we had said that, especially in the first quarter last year when market share in TP had actually dropped from 6.2% to 5.96%, we had said that we would expect the year to have a similar sort of market share. And I think it seems to be in that direction. We will see how Motor business moves now in Q1 of new year.

Moving on to the next slide, now here again if you look at, we have already discussed the numbers. You can also see the number without 1/n. So, overall, there is an improvement for the year. For Quarter 4 compared to last year there is a slight increase in the combined ratio on the 4th Quarter without 1/n. PAT for the year has more than doubled from Rs. 182 crores to Rs. 425 crores. At this stage we are still not paying any taxes. I think the taxes should start coming in the year ’25-’26. For Quarter 4 our profit is Rs. 116 crores, which is more than 2x the profit. And again just to repeat, this profit has no capital gains booked in, in fact, it has a capital loss of about Rs. 3 crores. So this is core profitability from the insurance operations. And I think this is also something which we had discussed on February 17th.

Now moving to the next slide, I think here again you can see the AUM movement. This year if you look at, we have generated close to about Rs. 2,850 crores, which is similar to Rs. 2,750 crores of AUM generated in the previous year. And overall, if you again look at our yield, our yield in Quarter 4 purely is coming in from fixed income without any capital gains is about 1.8%, annualized basis you get at 7.2%. And I think if you will compare this yield with other insurance companies, I think in Quarter 4 the yield will actually look better because other companies would not have capital gains.

Now moving on to the next one. I think in our calls we have been saying that we have now sufficient solvency margin. And given the market opportunities, we would actually like to increase our equity allocation up to 10% of our assets. I think in this quarter, Quarter 4, especially in the month of February, we got some opportunity to increase our allocation. So as of December 31st, if you see the note below, the bottom most line, our equity allocation was only 2.9%, and as of 31st March equity allocation has actually now moved to 6.4%. So we have been able to now come to within two-third of our initial target of 10% in the equity. So this quarter in the investment this has been a big change. Other than that, all our allocations in investments have actually been similar.

Maybe one point I can mention on the investment is that, in equity investments we bought in Q4, they actually had a small mark-to-market gain as of 31st March. So I think this seemed to have played well. Our thought process, why we did not move to 10% was, we felt that the market was very volatile, especially due to this tariff and geopolitical situation. So we felt that if the market drops, comes to another level, we will actually then go for the balance 3.5% to go totally up to 10%. That opportunity did not come, which I would say is expected. Because we felt that even at 6.4%, if the market runs up from here, at least we have been able to increase our equity allocation at a decent valuation.

Now moving to the loss ratios:

I think we always say that the loss ratios should be seen from a three-years perspective. So if you look at loss ratio in OD and, again, if you look at a three-years average for almost all lines of business, and I will cover each line. Motor is, from a three-years perspective, it's at that average level. TP also from a three-years perspective would probably be 1% or 2% higher, and we have explained this in the past in detail that FY '24 the TP loss ratio looked lower, especially due to a slightly higher increase as a percentage of premium in results.

In Health, I think we have seen a good development in growth as well as on the loss ratio, which is 83.8%. And here I may say that since now long term premium is being declared separately by all companies, if you think that attachment products only have a loss ratio of 15%, retail Health has a loss ratio of 70%, and if you take a loss ratio of 95%, 97% in employer-employee, and if you plan to take a weighted average based on this portfolio mix of different companies, you will actually find that our Health loss ratio overall is quite competitive.

So, the only point I want to bring across here is that in terms of both underwriting as well as from a claims settlement capability, I think we are rightly positioned. Despite relatively a smaller size, our loss ratios in underwriting looks good. As and when we see an opportunity in the market where the pricing looks decent, we would be able to increase this business substantially, because all this looks good. So that's the point I wanted to bring across.

In fire our loss ratio, again, over a three-years period would be more or less in this range. What happened in Q4 was, again, we had some bigger losses which increased the loss ratio in Q4 to 81%. But in fire, last year, our net premium was only about 18%, 19%. So the net is relatively small. The combined ratio, everything will still be very, very good, highly profitable. And if we just see it from a perspective of loss ratios of our reinsurers, we should look at loss ratio on a gross basis, in previous year '23-'24 gross loss ratio in fire was 84% due to various five nat cat events which we have covered in the past in detail.

This year, the loss ratio, on a gross basis, is only 56.8%. So, just wanted to bring across the overall profitability of this commercial line of business is driven more around gross loss ratios. You also get profit commission on that. You also get reinsurance commission. The Net though increasing each year, but still is small, so one or two losses can actually move the loss ratio up. And I think the good news for us this year was that we have been able to increase our capacities in our reinsurance treaties, in general, across almost all kinds of treaty, but especially in property and our terms have also become slightly better.

When we look at marine, I would say, loss ratio is continuously improving. I think the book is also increasing year-by-year, and our focus now in marine is also to move towards more retail portfolio. Engineering, again, on that basis, as for fire as I said, in engineering when you write a project which takes three or four years to complete, if losses come in between the premium has not come in. So engineering has that peculiar situation, and the loss ratios can be very volatile. And you can actually see in Quarter 4 the loss ratio is only 40.3%, but overall for the year it was 103%, but on FY '24 it was only 130%. But on a gross basis, this business also profitable. In others, the loss ratio increased slightly due to a bit of a mix change.

So on the loss ratio, again, if you look at total, our loss ratio, I would say, on a three-years is around 70%. And if we are able to move for towards this direction where we can reduce the commission and the loss ratio slightly goes up, this would be positive. And I think we will, obviously, keep you posted every quarter as the results come.

This is normally a slide which we show every time, so this is something where I think we continue to move more and more business through APIs. Some new relationships were also started, their APIs would take a bit of time, but there we use bots for policy issuance.

Now we will go a bit further, this is the IFRS results. We have said that once a year we will get the results audited, so these are the IFRS audited results. Later, I think if anyone wants to discuss, they can reach out to Piyush if they want to have a discussion on that.

I wanted to move to triangles in that case, because triangles, as you know, are only published once a year. This is the whole account, which means every single line of business is included in this. Digit had issued its first policy I think in October or November 17th, so the business was really small. And if you look at each year, we have reserve release coming in in every single year on the whole account. The next table shows you only for TP.

Again, I think to refresh memory, first year the earned premium was very small. We had got one large claim where, I believe, the claim amount was close to was Rs. 4.5 crores or Rs. 5 crores. The claim is still not settled. So overall, if you actually look at, the reserves have come down, but we still have a small Rs. 60 lakh of unfavorable development coming in only from one claim. But each subsequent year if you look at, we have been having more than adequate results and you can also see this trend.

Actually, for '17-'18 NEP was only Rs. 7.5 crores and we had two large losses coming out of one claim. So that was the reason. Once the claim gets settled, we will see whether even this Rs. 60 Lakhs will stay or this will go away.

The next triangle is whole account excluding Motor TP. So this also gives you an idea that, again, if we exclude TP also, we are more than adequately reserved in every single year. So like whole account excluding TP I think reserving is something which is comfortable from a Digit's perspective. And for us, reserving is something which is very, very important from that basis.

So that was a brief from my side. We will now be more than happy to answer any questions that you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Supratim Datta from AMBIT Capital. Please go ahead.

Supratim Datta: Thanks for the opportunity. My first question was on the growth front. So wanted to understand that going into next year how are you looking at the growth? I understand that you have made investments in certain areas, but from the data it suggests that Motors could see a slowdown going into next year, so just wanted to understand which are the categories you are looking at which could offset any further slowdown on the group Motor side? And if you could give us some color on how the group Health business is playing out, it was very competitive this year, but given the April renewals are now over, if you could give us some color on that, how that category is tracking that would be very helpful.

My second question is on the Motor PT losses. Now, if I remember correctly, in the 3rd Quarter you had indicated that the reserve releases till the 3rd Quarter was lower as compared to last year, and hence there was a potential of higher reserve releases in the 4th Quarter versus last year. But from the looks of it, that has not played out. So if you could help us understand what has happened there, what am I missing, that would be very helpful. Yes, those are my two questions. Thank you.

Kamesh Goyal: Sure. So I think that the Motor, I would say that if you look at our trend for January, February, March, I think it will give you a bit of an idea as to what's happening on Motor growth. Supratim, since we do not give a guidance, so I do not want to exactly speak as to what we are looking at. But if you look at February and March, it should give you some indication on the Motor. I think our sense in April, in whatever days we have seen, and I would say this is too early to see this as a trend. But I think it seems that Motor in the first fortnight has been okay for us, from a growth perspective.

On GMC, I think, again, this is a very dynamic portfolio. And based, again, on what the discussions I have, and this is the qualitative feedback I am giving both on Motor and GMC, not really looking at the data. What I am hearing is that on April 1 when the big renewals were due, we have actually seen, I would say, that we have seen very high competition on April 1. But I think the smaller policies which were due now, say, during the month, not exactly on 1st of April, there I would say we have seen some improvement in the pricing. And I believe it has been slightly better from that perspective.

My personal view is, and I explained this in our Health loss ratio, if you look at even companies which have a higher proportion of non-employer/employee business, attachment business which comes at a very low loss ratio, you will actually see that their overall loss ratios are not looking as good. So, we feel that we are now positioned, from underwriting and claims perspective, that if there is a bit of correction in the GMC market, we will actually be able to increase this business.

Now, coming in for TP, I think, Supratim, last year if I give you exact proportion, previous year we had the higher reserve release in Quarter 2. So I think if you look at for the Quarter 2, the reserve release was about 37% of the NEP. And for the whole year, if we look at, TP impact on loss ratio, last it was about 8.1%. This year on TP reserve release, on the overall loss ratio the impact is about 5.3%. And if you look at one more large P&C player, last year they were at about 4.6% and this year was 4.6%. So if we remove that Quarter 2, which had about 37% of the yearly reserves, I would say, in the 4th Quarter only had 14%. This year our reserve release in terms of proportion has been around 25% for all the four quarters. Quarter 4 is 21%, all the other three quarters were 26%, 25%, 28%. So on the TP, I would say, the trend line for us is actually fine, other than that outlier in '23-'24 in Quarter 2.

Supratim Datta: Alright, understood. Thank you.

Kamesh Goyal: Thank you, Supratim.

Moderator: Thank you. Next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Thanks for the possibility, sir. Sir, the first question is on again on the growth front. If you look at till FY '24, we were growing significantly faster than the industry. But in FY '25, the growth has broadly converged with the industry on GDPI basis. So I understand that we have also slowed down Motor TP consciously, but from a medium let's say three to five-year perspective, how should we think about our growth, not in absolute percentage but relative to the industry?

Kamesh Goyal: So, thanks. So if we look at, I think in our case we always focus on GWP, not really on the GDP, because the simple reason is that revenue is revenue. Some lines of business you want to write more on an inward fac basis, some you want to write more on a direct basis. And wherever you see an opportunity or a better risk reward mechanism, that is where you go on. And if you look at on a GWP basis, our growth rate would be, even if you include the GWP of all the companies and the information should come in the next three months, my sense is, we would still be about 1.7 times, 1.8 times of the industries' GWP growth.

So, growth from a relative perspective I would say is decent. I think last year if we look at, what changed obviously was there was a price competition on fire, which I think was not really expected. There is no increase in TP rates. So these were the two reasons. This year, I think I am a bit optimistic about the industry's growth rate, because in fire premium rates have increased especially from January, but from February we have seen the impact. The real impact of this will start coming in more from July onwards, because last year, July to December is when the industry had seen intense competition in fire.

And secondly, I think we would also expect some increase in the third-party premium rates. We would not hazard a guess whether this would happen from July or September, but there should be some increase in the third-party rates. So assuming the economic growth rate in the country stays similar to what last year is, I would still expect the growth rate of the industry to be about 3% to 4% higher compared to last year. Does that answer your question?

Nidhesh Jain: Yes, sure, sure. And second is, market share in the Motor segment has been pretty Healthy by around 5% to 6% range. Which are the other segments where we think we will be able to reach similar sort of market share, again, from a medium-term perspective?

Kamesh Goyal: So, again, since we do not give any guidance, but I would say this year, again, you should be looking at, on quarter-by-quarter basis, what is happening on the fire, what sort of growth rate we can have in fire compared to the industry. So I would say that definitely is one area. And within Motor also, I would say, I would be curious to see month-on-month how the growth rate plays out, especially in both OD and TP side. Because here also last year due to a certain confusion in the third-party obligation, where a lot of companies assumed that if you pick up renewals of other companies, it will actually go towards meeting the third-party obligation quota, and this got clarified by IRDA sometime in February that you only will get credit for your quota if there is a gap of 30 days. So we feel that last year a lot of companies in this misunderstanding and trying to meet the TP quota went a bit more aggressive. We would expect slightly less aggression even on the TP side. New own damage is a bit difficult to hazard a guess in terms of new vehicle sales. But I think the trajectory of interest rates continues to be down, maybe that is a segment which can also pick up.

Nidhesh Jain: Sure. And lastly, a bookkeeping question. Can you share the mix of Motor in terms of new versus old?

Kamesh Goyal: We do not track new versus old, but what maybe we can do is that we have said this already in our, I think, earlier conversation if I remember. But Motor actually if you look at, overall, if Motor is 100% of the portfolio, then we had said that typically car would be about 40%- 41%- 42% of the business, and the two-wheeler and commercial vehicle will be around 30% - 30% each. So that is really a portfolio. And within two-wheeler and commercial vehicles, I would say, within two-wheeler most of the portfolio would be new vehicles because this is 1+5. CV I would say would be more like 80% would be more towards older vehicles. These are not exact numbers; I am giving based on my understanding of the business. And in private car, I think our mix will keep improving towards non-new because every year non will have a substantial renewal base. So, our renewals will keep increasing. So the hope is that this should actually change our mix more and more towards older vehicles in Motor business.

Nidhesh Jain: Sure. And that will automatically lead to lower expense ratio and higher loss ratio, which you had alluded at the start of the call.

Kamesh Goyal: I would not say that. I think that is more pronounced towards CV and two-wheeler business. Private car, obviously, a higher share will reduce your expenses. In two-wheelers, if I just give an example, in two-wheeler our proportion of businesses relatively higher than most companies. Now, since you are writing 1+5 and you have to pay full commission, 1% mix change actually reduces your ROE. So I think two-wheeler business also plays an important role from an expense perspective. So, until this, every company has accounting from that perspective, and which is only possible in IFRS, it is difficult to reach this.

But what you said is true, between all the three lines; private car, two-wheelers and commercial vehicles, private car has the lowest expense ratio. In terms of own damage loss ratio, CV would have the highest own damage loss ratio than private car and two-wheelers. And I would say, even TP loss ratio would also be similar, CV highest, then private car and then two-wheelers. So that is how this business is placed. Private cars normally would not have a higher TP loss ratio or OD loss ratio than commercial vehicles, that would be my understanding; commercial vehicle as a whole block and private car as a whole block and two-wheelers as a whole block.

Nidhesh Jain: Sure. Thank you. That's it from my side.

Kamesh Goyal: And we have also discussed this in the past that as private car keeps the renewal book keeps getting older. So you have third year renewal, you have fourth year renewal, you have fifth year renewal, your loss ratios also improve. Now, obviously, that benefit to us will start coming, I would say, more in the next three-years when we can say a decent part of our book is now more than five years old renewals. So we are still three, four, five years away from maturity from that perspective. We can take the next question.

Moderator: Yes, sir. Next question is from the line of Dipanjan Ghosh from Citigroup. Please go ahead.

Dipanjan Ghosh: Hi, good evening, sir. So I was just asking that, since the public disclosures are not out for the 4th Quarter, just wanted to get some sense of the business that you have underwritten through inward feeding. Is it more on the government Health or group Health or crop? So that will be the first question. Second, on the commercial lines you mentioned that while on the April initial renewals or lumpy renewals, there was significant competition. Going ahead, on the smaller lines of businesses the competition has kind of been relatively behind. So maybe if I were to just look at, let's say, for the year FY ‘26 of going ahead, what would be your ambitions in terms of kind of increasing that line of business? And third, on your overall Health portfolio, if you can split the claims ratio number between retail and employer-employee.

Kamesh Goyal: Sorry, the last one I did not get it.

Dipanjan Ghosh: The last question was, if you can split the claims ratio number for the Health business between employer-employee and others.

Kamesh Goyal: Sure. So Dipanjan, I think as I said that, in GMC most of our business would be employer-employee last year even, in Quarter 4. The loss ratios what I have given, I have said attachment products is typically 15%, employer-employee would be significantly higher, it could be anywhere between 85% to 90%. I am talking more from industry’s perspective. And retail Health would be closer to about 70% for the industry. So since all these numbers would come and it's also available in the public disclosures, and the point I was making there is to say, if you look at the loss ratios of different companies on this basis and you look at their actual mix, our Health loss ratios will look fairly good. That is the point we were actually making.

Now your second point in terms of commercial lines, yes, we expect commercial lines to grow for the industry as well as for Digit. Last year, if you look at, industry had a slightly negative growth rate in fire portfolio. This already changed in Quarter 4 when the industry saw a little growth. So our sense is that commercial lines of business should grow. And commercial line is beyond fire, it also includes marine and liability and others. And our expectation based on where we are today, no real guidance, that since we have also increased our treaty capacities, we would expect slightly better growth in commercial lines. Our mix in the last four or five years in terms of Motor and non-Motor has actually been moving anyway more and more towards non-Motor. Did I answer all your questions?

Dipanjan Ghosh: Yes. Sir, just one follow-up, if I may.

Kamesh Goyal: Please.

Dipanjan Ghosh: Yes. So sir, for the 4th Quarter if you could give the inward seeding mix, is it more tilted towards the government Health or crop or anything else?

Kamesh Goyal: I said more towards employer-employee, not government Health.

Dipanjan Ghosh: Got it. Thank you sir. And all the best.

Kamesh Goyal: Thank you so much.

Moderator: Thank you. Next question is from the line of Anirudh Agarwal from Value Quest Investment Advisors. Please go ahead.

Anirudh Agarwal: Yes. Thanks for the opportunity. First question was on the P&L. So just trying to do some math, and correct me if I am wrong, but if I add up the underwriting loss, the investment income, and then try to correlate that with the reported PAT, there seems to be a Rs. 50-odd crores gap. What is that on account of?

Kamesh Goyal: Sorry, Anirudh your voice wasn't, now I can't hear you at all. You said there's gap?

Anirudh Agarwal: Yes. So I was saying, I was adding up the underwriting loss of Rs. 180 crores, the overall investment income of about Rs. 350 crores. So that adds up to a net profit of about Rs. 165 crores - Rs. 170 crores. However, reported PAT is like Rs. 50 crores lower than this. So couldn't fully understand the reason for that differential.

Kamesh Goyal: So Anirudh, our CFO is answering it.

Ravi Khetan: So Anirudh, Rs. 180 crores number what you are taking is not correct, that you can reconcile, it should be around Rs. 220 crores, then your numbers will reconcile with the net profit.

Anirudh Agarwal: Okay, I will.

Kamesh Goyal: So Anirudh, Ravi is saying, maybe after the call you can connect with Piyush and just reconcile the numbers.

Anirudh Agarwal: Sure, sure. Sounds good. And the second question was on the OPEX side. So, again, reported OPEX seems to be materially lower, is that to do with some reclassification or anything more to read into that?

Kamesh Goyal: So, I think, overall you will see the details here, overall, there has been a reduction in the overall OPEX expansion. Towards commission to GWP, once the full results get published, you will be able to see that the commission to gross written premium would have reduced in Quarter 4.

Anirudh Agarwal: Got it. And Kamesh, finally on the EOM glide path, so how do you think we are placed in terms of you know meeting our FY ‘26 quarterly commitments on EOM incremental?

Kamesh Goyal: Sure. So I think I will give some numbers on the EOM, but I will put one caveat. Every quarter after the board meeting, we are supposed to update IRDA. So the details of that letter will go in the next 15 days to IRDA, but I will share some numbers. So last year, as per EOM, our expense ratio was 36.3%. This year, on the same basis, that is without 1/n, our expense ratio is reduced to 33.4%. So there is a reduction of 2.9% on the overall expenses for the whole year. If we do this ‘24-’25 with 1/n, then this 33.4% will become 33.9%. Based on what we have seen, the trend in the first three quarters of the industry, our sense is that there would only be four or five companies at best who would have reduced the EOM compared to the previous year. And within that, to have a reduction of close to about 3%, in EOM my sense is, it would actually be there.

Now this year, obviously, we have to reduce the EOM further, and that is what we try and do. The full update will go to IRDA, every quarter it goes, it will again go to IRDA this year. And as we had also said in the initial earlier calls, I think it was after Q2 if I remember, we had said that this IRDA’s objective of coming out with EOM guidelines was to reduce commission expenses. And I think everyone would agree that this is very much required. It is in customers’ benefit, and commissions should actually go down.

However, in reality, since in both ‘23-’24 and ‘24-’25 commissions actually went up. Now, IRDA obviously would be very serious about this, and this is my personal opinion, that I would expect IRDA to take some corrective actions on EOM so that they can actually achieve the objective of lower commissions. So I think we are on the path of reducing EOM, reduction has been decent, industry’s trend is otherwise, especially with 1/n, a lot of companies would actually be seeing increase in EOM, bigger or smaller ones both. So I think on that relative basis, I would say, we are on a good path.

Anirudh Agarwal: Got it. Final question was on overall underwriting, as you look at it next year, obviously, we are not looking at the reported combined ratio et cetera, but what are the levers that you see across different lines in terms of further improvement on the underwriting front on an NEP basis?

Kamesh Goyal: So, I would say, two, three things here, Anirudh. So one is that when the rate itself goes up for the same risk, so that itself will lead to improvement in the loss ratio. So, I am not talking more from a perspective of property business. The second thing is, as the renewal book increases, especially in private car, that should be good from an overall profitability perspective. Third, we should see some increase, even if the increase is only 5%, 6% in TP rates and we obviously have no ideas to what the increase will be. But I think the newspapers seem to suggest that there will be some increase and IRDA and government and ministry of road transport are in discussion. So even if the increase is only 4%, 5% also, that should also help on the profitability side.

Besides that, we have taken some other steps in terms of looking at flood exposure, which is very important in property. And overall, I think, we keep on taking different initiatives, which also shows in the loss ratio, whether you look at Motor OD or you look at Health. So if you look at Motor OD and Health where the competition has been very intense, if you look at last three years our trend line has also been decent on that. So these are the things which the company is doing in terms of looking at overall profitability.

The last thing I would say is that which I think have repeated in every call and I will repeat here now also, that our profits have actually doubled when the combined ratio improvement was about 1.8% on NEP basis. So in our business model where the leverage AUM to net worth is still 4.9 times, which is the highest in the industry, actually in our business model we do not need very substantial improvement in combined ratio to increase profitability. And I am not saying that we will not improve, like this year already improved by 1.8% on NEP. So every small improvement actually adds up to the profit, and the leverage is anyway quite decent. And we are not dependent, again to repeat, we are not dependent on capital gains from that perspective.

Anirudh Agarwal: Perfect. Thanks and all the best.

Kamesh Goyal: Thank you.

Moderator: Thank you. Next question is from the line of Satvik from Jefferies. Please go ahead.

Satvik Kanabara: Hi Kamesh, thank you for the opportunity. Just two questions from my side. So, we understand that the PSU insurers have become more competitive in the Motor and the Health segment, especially on commissions and as well as pricing. Some of the larger players actually pointed this out during 4Q. So can you please share your views on this and impact on the Digit? And the second question, any clarity on EOM, whether any change in timelines or reference to whether it will be allowed with or without one by 1/n? Thank you. .

Kamesh Goyal: On the EOM, actually we do not know what the changes will be, if any. So, we do not really want to second guess here. I think on the Motor and Health, I have already actually said this and maybe I will say it again. If you look at our loss ratios, in OD we I think still grew more than the industry, loss ratios are pretty good. In TP, our market share overall remained similar, so from 5.96% in previous year this year it was 5.92%. And despite whatever competition we are talking about, we still could maintain market share, loss ratios decent there. In Health, we could actually grow this business, and despite the market being very competitive we also reduced our loss ratio. So I think, again, even in Health, and I am sorry to repeat this, please look at the mix of each company. Group Health 85% to 90% loss ratio, retail Health at 70%, attachment or long-term products at 15%.

And you will actually see your Health loss ratio is pretty good. And we have never ever spoken about that, we are big here, we get discounts from the hospital and this and that. Without doing any of this. I am not saying we are not doing any of this. I am just saying that because of what we have now executed on the fraud side, how we are looking at claims now being held from a leakage side, how we are actually underwriting, especially groups. In retail we have always been fairly conservative. We actually feel, I would say, comfortable with this competitive intensity.

And if now somebody might say PSUs shoes are getting aggressive, if you go back to Quarter 1 of ‘24-’25, when you look at the market share in the first four months of last financial year, the market share gain was by some large private companies at the cost of PSUs. So we actually do not really, Satvik, look at PSU private from that perspective. We actually see what is it that one can do, and then drive business from that perspective. I already mentioned that the competition on Health was terrible on April 1. We lost lot of our own renewals in group Health, large ones. But when we look at on the retail side, smaller, we are actually seeing some changes and our renewal ratios are better post 1st of April in the month of April.

So, towards it seems that the higher Health loss ratios which companies are seeing, almost all of them, it is biting them. And there should be some improvement relating to this. But we know at what profitability we are ready to write a business, and if it does not come we will not write, as simple as that. And the Health business especially does not add much to your AUM also. So it's not that you can increase the AUM and write business from that perspective. So, whatever the situation, Satvik, is, I wouldn't say as of now we are concerned about it, because it seems, and all this is again very early to say, this April seems to be better than April ‘24, but it's not over yet.

Satvik Kanabara: Very, very clear. Thank you so much and all the best.

Kamesh Goyal: Thank you.

Moderator: Thank you. Next question is from the line of Rachna from SRMPL PMS. Please go ahead.

Rachna: Hello. Thank you for the opportunity. I have a bookkeeping question and a data related question. And correct me if I am wrong. If I look at the break up of commission for the nine month FY ‘25, FY ‘24 and FY ‘23, there is a high increase in the reward component. For example, in FY ‘23 it was around Rs. 74 crores, in FY ‘24 it was around Rs. 1,000 crores, and as per nine months FY ‘25 it is Rs. 966 crores. So, I just wanted to understand the reason behind the reward component increasing so much. And how does this reward component align with the goal of maintaining a control cost structure from a long-term perspective? And could you also tell that this dependency on rewards might hold a risk to the sustainability of premium growth? Yes, that's it.

Kamesh Goyal: So, Rachna, I would suggest that you please look at the commission as an overall block and not really look at it divided between rewards and things like that, because the way commission is steered and discussed is on an overall basis. Now the components of them can be different, but you should look at commission on an overall basis. And that too commission as a percentage of gross written premium, that will actually give you the right picture than anything else. What was the second question?

Rachna: Just wanted to understand the reason behind the increase in the rewards.

Kamesh Goyal: As I said, I would say, if you talk to some other people also, till '22-'23 there were certain ways in which rewards had to be given and there was something which was to be given on commission. Now all of that actually went away from '23-'24 onwards. So if you see it for anyone in the industry, you will actually see those commission components have changed a lot. So till '22-'23 you should look at the overall expenses, even including management expenses as a percentage of gross written premium. '23-'24 onwards, you can actually look at it as commission separately and management expenses separately. Within that, do not look at the component because, I would say, it would not have much logic based on that, so look at overall commission.

Rachna: Okay. Thank you.

Kamesh Goyal: Thank you. We can take maybe one or two more questions.

Moderator: Yes, sir. The last question is from the line of Sanketh Godha from Avendus Sark. Please go ahead.

Sanketh Godha: Yes. Thank you for the opportunity. Kamesh, your EOM at 33.9% probably was because of the lower Motor contribution in the current year, because you intentionally slowed down the TP business because of the pricing or competitive environment. So tomorrow for example growth comes back in this particular segment, and we will not hesitate to grow that segment, then are you confident that your EOM for '26 will be still better than '25? If yes, what are the likely levers you have?

Kamesh Goyal: Sanketh, I think overall if I look at, so as you know that we do not really want to predict what the mix will be this year. And we have said this in the past that the EOM actually depends on the mix. So, government Health, employer/employee Health have the lowest commission in the EOM. Then you come to fire business, which also has lower EOM compared to others. So it is difficult for us to hazard a guess. But what one can say as a thumb rule is that the commission or EOM is lower in non-Motor compared to Motor, because Motor has a higher EOM and Motor is typically retail. So that is one thumb rule and as is obvious from our number, our non-Motor business or proportion has been increasing, I would say, quarter-by-quarter or year-by-year for the last four or five years.

Now, the second is, if you look at commissions per say, commissions are a function of the competition intensity. And even if you look at maybe the largest companies in the sector, the top two, top three private companies also, even this also we had discussed this on February 17th and we had uploaded it also in our disclosures, that if you actually look at just Motor EOM we were, if I remember offhand, only 4% higher than maybe a very large Motor insurer. And within that, if we actually have their mix of private car, commercial vehicle and two-wheelers, then difference would have actually come down to less than 2%.

So basically, commission will always be a function of the market. No one can substantially pay more than the market, and no one can substantially pay less than the market. So, as long as we see that market intensity reduces, this actually should not change things. Secondly, also as I said that the intention of IRDA was to reduce commission, which has not happened. So I am personally, I would say, very hopeful that IRDA will take steps to ensure that the market commissions actually go down because they are coming at the cost of the retail customers. And if that happens, then it will benefit everyone in the industry and then automatically Digit's own EOM will actually come down on Motor, too.

Sanketh Godha: But Kamesh, if I look at your loss ratio, last three-years, that is '23, '24, '25, it kept on increasing by almost 200-odd basis point or 250 basis point every year. But the counter to that was, it was an improvement in the expense ratio because the mix moved away from retail. So just to understand that if the mix goes wholesale or more commercial, then is it fair to say that your new normal in loss ratios are more 70% to 73% rather than being 68%, 70% what you used to report?

Kamesh Goyal: Not really, Sanketh. I think if you look at in own damage, we have been growing more than the market, which is a retail business, our loss ratio in '24-'25 is actually lower than '22-'23. And you know that price competition has been there compared to '22-'23, compared to '24-'25. Now, in fact if you look at, we know that in '24-'25 our loss ratios went up because of five major events, this has come down to 68%. But even in 68% Quarter 4 was bad. I also explained that the net loss ratio in commercial lines, especially fire liability etc. has much lesser impact on profitability. Now, if you look at marine, our loss ratios have improved. Engineering has been volatile, as I said. And others, we have seen a bit of an increase. So, we have always said that the loss ratio at which we are writing business is around 70%. Now, it will move, Sanketh, in the range of plus/minus 2% based on what the catastrophic event and some large losses etc. are like.

But again, I think, as we said that when we explained this in February 17th and I also said this at the beginning that even if combined ratio goes and your ex-commissions is lower, it actually improves the ROE, it improves the profit. And if you also look at from an AUM increase perspective, from a business side though the growth was slower this year compared to the earlier year, on Slide 8 you actually see we have grown the AUM and by Rs. 2,856 crores compared to Rs. 2, 746 crores in the previous year. So, my sense is that one should look at profitability on a NEP basis. And if one can also moderate it along with the reinsurance commission which people are taking especially on long term Motor, as an example, that could actually give you the right perspective on profitability. And there, as I said, we have improved our NEP combined ratio by 1.8% compared to the previous year.

Sanketh Godha: Got it. The last two ones. See, the insurance acceptance for, obviously, the year '25 grew by almost 70% year-on-year. If you look at GDP growth, it is 7%, and the reinsurance accepted led to that growth of 14%. So, now the base is very big, so just wanted to check that on such a big base, which is 80% of your total portfolio, how confident are you that this growth will continue? That's the one question I had. And second, I think Anirudh asked this question, maybe if you can respond, the Rs. 53 crores additional expense in shareholder account, which explains the difference between the investment income and the underwriting profit, what the Rs. 53 crores in 4th Quarter is related to?

Kamesh Goyal: So, I think if you look at on the Anirudh's question, this Rs. 53 crores is from a profitability perspective, this is anyway accounted for from the shareholders.

Sanketh Godha: It is recognized in shareholder account. Just wanted to understand this Rs. 53 crores is related to what line items, because it seems to be a substantially big number.

Kamesh Goyal: Yes, I was just coming to that, Sanketh. So I would, it has two major components. One is that we as a company have now decided to spend a bit of money on the brand, and that is in general on the brand. It is not from a perspective of one line of business and things like that. So the idea is that the company wants to invest in the brand and the board felt that we can continue to spend this money without allocating it to the policyholders. Second is, it also includes some cost relating to ESOPs where when you award ESOPs, it has a certain cost. And then, again, that is seen from a long term perspective, because in our case ESOPs also get vested after four years. So we had decided, the board decided to get these costs also allocated to the shareholders account. It actually does not change anything on the P&L perspective. And as I also said earlier, even Rs. 30 crores of future commission, which is not booked against the advanced premium, even if that is also included in the P&L. So that is really on this.

On the other hand, on the reinsurance side, Sanketh, I think if you look at, everyone knows that retaining more premium in India is what the regulator and the government have always intended to do. Reinsurance guidelines have also undergone changes this year because of the requirement of collateral, etc. So, our sense is that for the entire industry we should actually see more premium being written in inward fact this year, because dealing with cross-border reinsurers has become more tedious and it is also difficult for the cross-border reinsurers. Because if you retain the premium with yourself and do not give them the premium, then they have loss of investment income. So then they would want to change the terms and conditions to compensate for that. And as soon as they do that, and by each slip basis, then writing business within India becomes more attractive from the company who's giving reinsurance also.

So based on that, Sanketh, we do not really see that as a challenge. In fact, I personally foresee that almost all large companies would actually be writing more inward fac business. Now, obviously, one will have to see does your treaty allow that? Maybe in fire they might not be able to write that much, they might write more on the Health side where they do not have a requirement of a treaty. But in commercial lines, people will still write a bit more. They will be handicapped definitely by reinsurance treaty. And non-corporate lines or non-property liability lines, I definitely foresee them writing more reinsurance business because that is in their own hands, they do not really have to depend on the reinsurers for that.

Sanketh Godha: Got it. Perfect, Kamesh.

Kamesh Goyal: So I think I will just take maybe two minutes to brief with the closing remarks. Our overall performance and profitability has improved on NEP basis. When we look at our investment income, our investment income, unlike anyone else, is actually without any capital gains. And this now has investment yield of 7.2%. In Quarter 4, we could actually increase from 2.9% to 6.4% our asset allocation towards equity. The amount invested in Q4 has, as of 31st March, has given a small surplus. So it seems that, in hindsight, it seems that what we did is right.

Combined ratio without 1/n and with 1/n has actually no economic difference because Rs. 30 crores of commission has already been accrued. And when we look at combined ratio, last year which was also the IRDA combined ratio which was without by 1/n, there again on a full year basis we have seen an improvement. Though, as I said always that this combined ratio has no impact on profitability. In fire business, we are seeing recent trades. Our reinsurance treaties' capacities have increased. For all commercial lines of business terms have become slightly better. In group Health 1st April was tough, but post that we have started seeing some semblance of changes.

Our reserving continues to be very strong across the whole account, separately for TP and whole account excluding third party so the reserving is robust, very comfortable with that. And we are likely to see some increase in TP increase premium rates this year. On EOM, we have reduced our EOM as to GWP by close to 3%. We feel that this would be amongst the highest decrease in EOM by any company. And most companies, including big ones, have actually seen an increase in the EOM rather than reduce. And here again we expect IRDA to take some action to reduce the commission which is being paid on retail lines of business. And I think it is very much required. And if that happens, that will also help us. Our ROE on the entire year basis was 13%. And please remember that this was only our seventh full year of starting the company from scratch.

So thanks everyone for joining. If you have any additional questions, please do reach out to our colleagues in investor relations, that is Piyush. Thanks a lot for joining and look forward to your participation in our future events, too. Thank you so much.

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