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India | Equity Research | Company Update

Go Digit General Insurance

General Insurance

Industry leading PAT growth outlook to help command valuation premium

Despite lower-than-expected industry growth and an increase in the industry loss ratio in key segments such as motor and health, Go Digit (Digit) has been able to gain overall market share and lift profits from INR 0.4bn in FY23 to INR 4.2bn in FY25. While growth/profitability headwinds in the industry lead to a cut in our estimates, Digit will likely still be able to clock ~30% earnings CAGR between FY25–28E driven by: 1) higher-than-industry premium growth, 2) improvement in AUM and 3) decline in its combined ratio. Maintain **ADD** based on 35x FY28E EPS of INR 10.6 (earlier 40x FY27E EPS); TP unchanged at INR 372. **Risks** include weaker than expected growth-profitability balance (currently we are estimating healthy growth along with improvement in COR).

Earnings growth to remain high, justifying higher multiples

Digit has reported a strong performance over the past years with CAGRs of 22%/25%/33% in GDPI/GWP/NEP between FY22–25. Underlying growth is even higher, considering FY25 was impacted by a change in its accounting method.

Claim ratio (claims dividend by net earned premium)/combined ratio (claim ratio plus expense ratio) improved from 74%/112.7% in FY22 to 72.8%/109.3% in FY25. Expense ratio (commissions and operating expenses divided by net written premium) improved from 38.6% in FY22 to 36.5% in FY25.

Investment yield gradually expanded from ~6% in FY22 to 7.6% in FY25. This resulted in Digit reporting profit of INR 355mn in FY23, which has grown swiftly over the years to INR 4.25bn in FY25.

Strong earnings levers exist, including: 1) higher-than-industry premium growth, 2) improvement in AUM and 3) decline in combined ratio. These levers should help Digit aim for ~INR 10bn PAT in FY28. We expect a PAT trajectory of ~INR 5.5bn/7.1bn/9.8bn in FY26E/FY27E/FY28E for Digit, implying ~32% CAGR between FY25–28E. We elaborate these growth levers ahead in this report.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
NEP (INR mn)	80,460	89,386	1,05,970	1,28,979
PAT (INR mn)	4,249	5,508	7,077	9,813
EPS (INR)	4.6	6.0	7.7	10.6
% Chg YoY	133.9	29.6	28.5	38.7
P/E (x)	77.2	59.5	46.3	33.4
P/BV (x)	8.1	7.1	6.2	5.2
Combined Ratio (%)	109.3	107.9	106.8	106.0
Net worth (INR mn)	40,654	46,162	53,239	63,052
Return on Inv(%)	7.6	7.7	7.9	8.0
RoE (%)	12.9	12.7	14.2	16.9

Ansuman Deb
ansuman.deb@icicisecurities.com
+91 22 6807 7312
Shubham Prajapati
shubham.prajapati@icicisecurities.com
Sanil Desai
sanil.desai@icicisecurities.com

Market Data

Market Cap (INR)	328bn
Market Cap (USD)	3,810mn
Bloomberg Code	GODIGIT IN
Reuters Code	GODG.BO
52-week Range (INR)	408 /265
Free Float (%)	27.0
ADTV-3M (mn) (USD)	4.7

Price Performance (%)	3m	6m	12m
Absolute	21.9	12.2	7.3
Relative to Sensex	15.9	6.8	1.3

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.
Source: SES ESG, I-sec research

Previous Reports

24-01-2025: [Q3FY25 results review](#)
27-09-2024: [Initiating Coverage](#)

FY25–28E ~30% earnings CAGR expectation – key levers

- Digit has been able to outperform industry growth with GWP CAGR of 35% between FY20–25 and also 14% in FY25 (private multiline GDPI growth has been 5% in FY25). We factor in a 16% GWP CAGR between FY25–28E, which remains open to positive surprise. NEP to NWP ratio was at 92%/98% in FY24/FY25, which is also driven by a change in its accounting method; hence, we expect NEP/NWP at an average of ~95%. This results in NEP growth of 11%/19%/22% in FY26E/FY27E/FY28E.
- We factor in COR [claim ratio (% of NEP) plus expense ratio (% of NWP)] improvement on trajectory of 107.9%/106.8%/106% in FY26/FY27/FY28E. In terms of NEP, we expect this COR [claim ratio (% of NEP) plus expense ratio (% of NEP)] to be 110.1%/108.8%/107.5% for FY26E/FY27E/FY28E.
- We expect investment AUM CAGR of 18% between FY25–28E with investment leverage trending ~5x. We assume investment yield to improve steadily, from 7.6% in FY25 to 7.7%/7.9%/8% in FY26E/FY27E/FY28E.

Based on the above assumptions, we expect PAT of INR 5.5bn/INR 7.1bn/INR 9.8bn in FY26E/FY27E/FY28E. PAT growth is lower in FY27 due to tax impact, which comes in FY26 onwards, after adjusting for accumulated losses.

Exhibit 1: Profit & loss statement and assumptions taken for FY26E/FY27E/FY28E

GO Digit (INR mn)	FY24	FY25	FY26E	FY27E	FY28E	Assumptions	FY24	FY25	FY26E	FY27E	FY28E
Profit and loss statement											
GDPI	79,411	84,722	97,430	1,13,019	1,31,102	GDPI growth	29%	7%	15%	16%	16%
Add Reinsurance accepted	10,745	18,100	21,435	23,734	28,842	RI accepted as % of GDPI	14%	21%	22%	21%	22%
GWP	90,156	1,02,821	1,18,864	1,36,753	1,59,944	GWP growth	24%	14%	16%	15%	17%
Less Reinsurance ceded	12,847	20,514	23,773	24,615	25,591	RI Ceded as % of GWP	14%	20%	20%	18%	16%
NWP	77,309	82,307	95,092	1,12,137	1,34,353	NWP growth	31%	6%	16%	18%	20%
Less: Change in URR	6,345	1,848	5,705	6,168	5,374	NEP to NWP ratio	92%	98%	94%	95%	96%
NEP	70,964	80,460	89,386	1,05,970	1,28,979	NEP growth	37%	13%	11%	19%	22%
Claims	49,902	58,590	64,984	76,298	92,865	Claim ratio (% of NEP)	70.3%	72.8%	72.7%	72.0%	72.0%
Commission	18,885	22,284	24,760	28,930	33,534	Commission ratio (% of NWP)	24.4%	27.1%	26.0%	25.8%	25.0%
Expenses	10,799	7,776	8,670	10,039	12,188	Expense ratio (% of NWP)	14.0%	9.4%	9.1%	9.0%	9.1%
Others						Combined ratio	108.7%	109.3%	107.9%	106.8%	106.0%
Total Opex	79,585	88,650	98,414	1,15,267	1,38,588						
Underwriting profit	-8,621	-8,190	-9,028	-9,297	-9,609	Claim ratio (% of NEP)	70.3%	72.8%	72.7%	72.0%	72.0%
						Commission ratio (% of NEP)	26.6%	27.7%	27.7%	27.3%	26.0%
Total Investment income	10,515	13,256	16,218	19,608	23,594	Expense ratio (% of NEP)	15.2%	9.7%	9.7%	9.5%	9.5%
Income from investments - Policyholders	8,788	11,096	13,575	16,413	19,749	Combined ratio (% of NEP)	112.1%	110.2%	110.1%	108.8%	107.5%
Income from investments - Shareholders	1,726	2,160	2,643	3,196	3,845						
Total	1,893	5,066	7,190	10,311	13,985						
						Investment income yields (%)	7.6%	7.6%	7.7%	7.9%	8.0%
Other expenses	76	817	833	849	866	Investment leverage (x)	5.9	4.7	4.8	5.0	5.0
PBT	1,817	4,249	6,357	9,461	13,119	Investment AUM (INR mn)	1,54,076	1,94,640	2,26,606	2,69,804	3,20,051
Tax			849	2,384	3,306	Investment AUM Growth	24%	26%	16%	19%	19%
PAT	1,817	4,249	5,508	7,077	9,813						

Source: I-Sec research, Company data

Exhibit 2: Shareholding pattern

%	Sep '24	Dec'24	Mar'25
Promoters	73.3	73.2	73.1
Institutional investors	21.1	21.6	21.8
MFs and others	6.8	6.9	6.8
FIs/Banks	0.0	0.0	0.0
Insurance	0.2	0.1	0.1
FIIIs	14.1	14.6	14.9
Others	5.6	5.2	5.1

Source: Bloomberg, I-Sec research

Exhibit 3: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Gross Direct Premium Income (GDPI)	84,722	97,430	1,13,019	1,31,102
Add: Reinsurance Accepted	18,100	21,435	23,734	28,842
Gross Written Premium (GWP)	1,02,821	1,18,864	1,36,753	1,59,944
Less: Reinsurance ceded	20,514	23,773	24,615	25,591
Net Written Premium (NWP)	82,307	95,092	1,12,137	1,34,353
Less: Adjustment for unexpired risk reserve	1,848	5,705	6,168	5,374
Net Earned Premium (NEP)	80,460	89,386	1,05,970	1,28,979
Incurred Claims (Net)	58,590	64,984	76,298	92,865
Commission expense	22,284	24,760	28,930	33,534
Operating expenses related to Insurance	7,776	8,670	10,039	12,188
Underwriting profit/losses	(8,190)	(9,028)	(9,297)	(9,609)
Total Investment Income (Policyholder)	11,096	13,575	16,413	19,749
Operating Profit/Loss	2,906	4,547	7,115	10,140
Total Investment Income (Shareholder)	2,160	2,643	3,196	3,845
Other expenses (including provisions)	817	833	849	866
PBT	4,249	6,357	9,461	13,119
Tax	-	849	2,384	3,306
PAT	4,249	5,508	7,077	9,813

Source Company data, I-Sec research

Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Share Capital	9,230	9,230	9,230	9,230
Reserves & Surplus	31,424	36,932	44,009	53,821
Shareholders' Funds	40,654	46,162	53,239	63,052
Share Application Money	-	-	-	-
Fair Value Change Account	2,483	502	502	502
Borrowings	3,500	3,500	3,500	3,500
Total Sources of Funds	46,637	50,164	57,241	67,054
Investments	1,94,640	2,26,606	2,69,804	3,20,051
Fixed Assets	1,616	1,939	2,326	2,792
Deferred tax Assets	-	-	-	-
Current Assets (Inc. Cash)	18,354	34,556	66,745	1,30,887
Claims Outstanding Inc. IBNR & IBNER	1,29,041	1,64,656	2,23,777	3,17,266
Provision for unexpired risk reserve	42,136	48,180	57,758	69,310
Other liabilities	(3,204)	100	100	100
Total Application of funds	46,637	50,164	57,241	67,054

Source Company data, I-Sec research

Exhibit 6: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Growth ratios (%)				
GDPI Growth	6.7	15.0	16.0	16.0
GWP Growth	14.0	15.6	15.0	17.0
NWP Growth	6.5	15.5	17.9	19.8
NEP Growth	13.4	11.1	18.6	21.7
Shareholders' funds growth	59.6	13.5	15.3	18.4
Investment growth	26.3	16.4	19.1	18.6
PBT growth	133.9	49.6	48.8	38.7
PAT growth	133.9	29.6	28.5	38.7
Profitability Ratios				
Loss ratio (%)	72.8	72.7	72.0	72.0
Operational expenses ratio (%)	9.4	9.1	9.0	9.1
Commission Ratio (%)	27.1	26.0	25.8	25.0
Combined Ratio (%)	109.3	107.9	106.8	106.0
Underwriting Profit/Loss Ratio (%)	(10.2)	(10.1)	(8.8)	(7.4)
Investment Returns as a % of NEP	16.5	18.1	18.5	18.3
Other Opex as a % of NEP	1.0	0.9	0.8	0.7
PBT as a % of NEP	5.3	7.1	8.9	10.2
Taxes as a % of NEP	-	1.0	2.2	2.6
PAT as a % of NEP	5.3	6.2	6.7	7.6
NEP to Average Net Worth (x times)	2.4	2.1	2.1	2.2
Return on Equity (%)	12.9	12.7	14.2	16.9
Analytical Ratios				
Net Retention Ratio (%)	80.0	80.0	82.0	84.0
GDPI to Net Worth ratio (x)	2.1	2.1	2.1	2.1
Operating profit ratio (%)	3.6	5.1	6.7	7.9
Capital Structure				
Investment Leverage (net of borrowings)	4.7	4.8	5.0	5.0
Return ratios				
RoAE (%)	12.9	12.7	14.2	16.9
RoAE (%) - including fair value change	14.2	7.9	14.1	16.7
Payout Ratio (%)	-	-	-	-
Return on avg Investments (%)	7.6	7.7	7.9	8.0
Valuation Ratios				
No. Of Shares (mn)	923	923	923	923
Basic EPS	4.6	6.0	7.7	10.6
Diluted EPS	4.6	6.0	7.7	10.6
Price to Earnings	77.2	59.5	46.3	33.4
Price to Earnings (fully diluted)	77.2	59.5	46.3	33.4
Book Value/share (INR)	44.0	50.0	57.7	68.3
Book Value/share (INR) - including fair value change	46.7	50.6	58.2	68.9
Price to Book	8.1	7.1	6.2	5.2
Price to Book - including fair value change	7.6	7.0	6.1	5.2
DPS	-	-	-	-
Dividend yield (%)	-	-	-	-

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address :** complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Bhavesh Soni](#) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
