

Go Digit reported a better set of numbers in Q3FY25 than our estimates, on account of higher inward reinsurance business growth and sharp improvement in Group Health (including PA) underwriting. GWP at Rs26.8bn grew 10% YoY and was 6% above our estimate, whereas Combined Ratio at 108.2% (-2.2ppt YoY) was significantly better than our estimate of 111.1%, driven by better than estimated claims and opex ratios. The claims ratio beat was largely on account of sharp improvement in Group Health (including PA) underwriting, better performance in Fire (including facultative reinsurance) in the absence of Nat Cat, and sustained support from Motor TP reserve releases. To bake in the Q3 developments, we have increased our GWP estimates by ~1-2%, building in improvement of 10-90bps in CoR for FY25-26E which results in 10% increase in PAT for FY25E, while FY26-27E PAT changes by ~1%. Given the company's opportunistic approach toward growth mostly in B2B segments, the predictability and sustained profitability improvement with growth looks challenging. We reiterate SELL with a revised up TP of Rs250, implying FY26E P/E of 40.5x.

Go Digit: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Gross written premium	72,430	90,156	102,822	119,201	137,339
Net earned premium	51,637	70,964	78,639	92,468	107,353
Adj. PAT	356	1,817	4,172	5,688	6,558
Adj. EPS (Rs)	0.4	2.1	4.6	6.2	7.1
BVPS (INR)	26.9	29.1	44.4	50.6	57.7
Adj. EPS growth (%)	(111.5)	407.3	119.2	35.3	15.3
BVPS growth (%)	22.1	8.1	52.6	13.9	14.1
NEP growth (%)	51.7	37.4	10.8	17.6	16.1
Combined ratio (%)	107.4	108.7	108.0	106.8	105.6
RoE (%)	1.7	7.4	12.6	13.0	13.1
P/Float (x)	2.0	1.6	1.4	1.2	1.0
P/E (x)	698.8	137.7	62.8	46.5	40.3
P/B (x)	10.6	9.8	6.5	5.7	5.0

Source: Company, Emkay Research

Strong growth in inward reinsurance and sharp uptick in Group Health underwriting drive the PAT beat

During the quarter, GWP at Rs26.8bn grew 10.2% YoY and was 6% above our estimates. The company accepted reinsurance of Rs5.6bn during the quarter which remains facultative in nature. NWP and NEP grew ~5% for Q3FY25 and was ~6% higher than our estimates. The claims ratio at 72.9% (-1.6ppt YoY) was lower than our estimate of 74.6%, largely driven by improvement in claims ratio in the health segment. Expense Ratio including commission stood at 35.2% vs our estimate of 36.5%. Resultantly, driven by better claims and expense ratio, the Combined Ratio saw 2.2ppt YoY improvement to 108.1% as against our estimate of 111.1%. Led by a better combined ratio, the underwriting losses during the quarter reduced to Rs2.25bn vs our estimate of Rs2.7bn. Driven by improvement in underwriting losses and steady investment income, PAT at Rs1.19bn grew 1.76x YoY, better than our estimate of Rs0.73bn.

Agile and opportunistic approach to grow profitably

Go Digit clocked in a 10% GWP growth during Q3FY25 which was driven by Rs5.6bn reinsurance accepted in the Fire, Health, Marine, and Crop segments. The management remains cautious of accepting the reinsurance business while focusing on profitability. The Group Employer-Employee segment continues to witness increased competitive pressure which has resulted in a decline; however, the company continues to grow the Group Non Employer-Employee Health business. Group Health segment saw significant improvement in the claims ratio during the quarter. The Motor OD segment saw healthy growth driven by the renewal book, whereas the Motor TP segment saw slowdown given the nil price hike. The management has changed the portfolio mix in terms of Geography and the type of vehicle in the Motor TP business, thus driving greater profitability. The company saw reserve release to the tune of Rs3.36bn during 9MFY25, and the management expects some reserve release during Q4FY25 as well. While the management continues to focus on profitable pools of business, we note that the regulatory and competitive dynamics are making profitability outlook weaker across segments.

We see challenges in sustained profitable growth; reiterate SELL

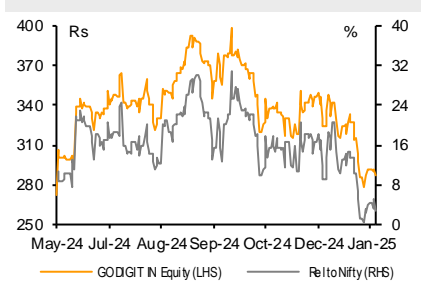
To reflect the Q3 developments, we have tweaked our estimates which results in ~1-2% increase in GWP, while we build in Combined Ratio improvement of 90bps and 10bps for FY25E and FY26E, respectively. Resultantly, PAT increases by 9.6% for FY25E, whereas FY26-27E PAT increases by ~1%. We reiterate SELL on Go Digit, with a revised up TP of Rs250 (from Rs240 earlier), implying FY26E P/E of 40.5x.

Target Price – 12M	Dec-25
Change in TP (%)	4.2
Current Reco.	SELL
Previous Reco.	SELL
Upside/(Downside) (%)	(12.7)
CMP (22-Jan-25) (Rs)	286.5

Stock Data	Ticker
52-week High (Rs)	408
52-week Low (Rs)	277
Shares outstanding (mn)	922.2
Market-cap (Rs bn)	264
Market-cap (USD mn)	3,060
Net-debt, FY25E (Rs mn)	0
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	656.5
ADTV-3M (USD mn)	7.6
Free float (%)	-
Nifty-50	23,155
INR/USD	86.3
Shareholding, Sep-24	
Promoters (%)	73.3
FPIs/MFs (%)	5.5/15.6

Price Performance

(%)	1M	3M	12M
Absolute	(16.2)	(17.5)	-
Rel. to Nifty	(14.6)	(12.8)	-

1-Year share price trend (Rs)

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Exhibit 1: Q3FY25 Financial Results

Income Statement (Rs mn)	3QFY25	3QFY24	%YoY	3QFY25E	%Var	2QFY25	%QoQ
Gross direct premium	21,146	20,460	3.4	21,415	-1.3	20,391	3.7
Gross written premium	26,768	24,280	10.2	25,251	6.0	23,686	13.0
Net written premium	22,424	21,345	5.1	21,211	5.7	19,279	16.3
Net Earned premium	20,841	19,824	5.1	19,698	5.8	18,912	10.2
Total expense	23,089	22,416	3.0	22,437	2.9	21,361	8.1
Underwriting result	-2,247.5	-2,592	-13.3	-2,738.6	-17.9	-2,448.3	-8.2
Investment PH account	2,876.5	2,320	24.0	2,969.6	-3.1	2,842.0	1.2
Operating profit	629	-273	NM	231	172.3	394	59.8
Net results from shareholders' account	556	701	-20.7	498	11.7	501	11.0
Profit before tax	1,185	429	176.5	729	62.6	895	32.4
Profit after Tax	1,185	429	176.2	729	62.6	895	32.4
Key ratios (%)	3QFY25	3QFY24	ppt YoY	3QFY25E	Var	2QFY25	ppt QoQ
Claims ratio	72.9	74.5	-1.6	74.6	-1.7	70.6	2.4
Commission ratio	24.2	24.1	0.1	24.5	-0.3	29.7	-5.5
Opex ratio	11.0	11.7	-0.8	12.0	-1.0	11.9	-0.9
Combined ratio	108.1	110.3	-2.2	111.1	-3.0	112.1	-4.0
RoE	11.4	6.6	4.8	7.4	4.0	8.8	2.6
Retention ratio	83.8	87.9	-4.1	84.0	-0.2	81.4	2.4
Solvency ratio	222.0	159.0	63.0	-	222.0	218.0	4.0
Investment leverage (x)	4.7	5.9	-1.2	4.7	-0.1	4.7	-0.0
Claims Ratio (%)	3QFY25	3QFY24	ppt YoY			2QFY25	ppt QoQ
Motor OD	69	64	5			67	2
Motor TP	65	61	4			67	-2
Health, Travel, PA	83	106	-23			81	2
Fire	63	103	-40			54	9
Marine	21	113	-92			54	-33
Engineering	188	252	-64			111	77
Other	91	89	2			81	10
Total	73	74	-1			71	2

Source: Company, Emkay Research

Exhibit 2: GODIGIT – Economic Value-Added Method valuation

(Rs mn)	Value
Cost of Equity	12.5%
FY24-29E Earnings CAGR	42%
FY29-39E Earnings CAGR	16%
Terminal growth	8.0%
FY25E Networkth (Rs mn)	40,945
FY26-39E discounted residual earnings (Rs mn)	50,547
Terminal Value (Rs mn)	121,332
FY25E Fair value gains - post tax (Rs mn)	1,426
Fair Value (Rs mn)	214,251
No of shares (mn)	922
Mar-25E Fair value per share (Rs)	232
Dec-25E Target price (Rs)	250

Source: Company, Emkay Research

Exhibit 3: GODIGIT – Implied Valuation Multiples

Valuation multiple at current price	Rs287
FY26E P/E	46.5x
FY26E P/B	5.6x
FY26E RoE	13.0%
Valuation multiple at target price	Rs250
FY26E P/E	40.5x
FY26E P/B	4.9x
FY26E RoE	13.0%

Source: Company, Emkay Research

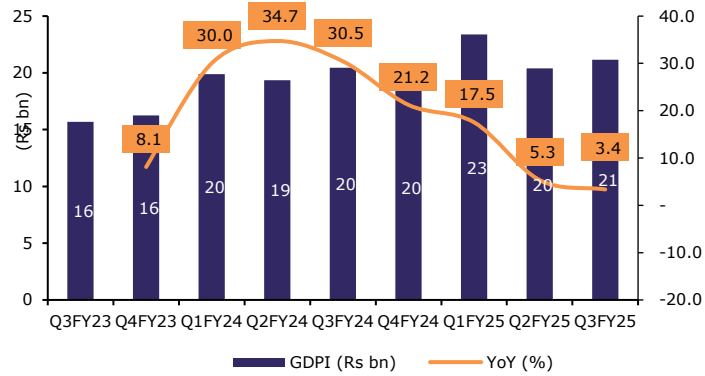
Exhibit 4: Changes in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	Old	Revised	%Change	Old	Revised	%Change	Old	Revised	%Change
GWP	100,430	102,822	2.4	118,093	119,201	0.9	136,303	137,339	0.8
U/W Result	-9,410	-8,707	-7.5	-9,465	-9,014	-4.8	-9,466	-9,041	-4.5
Oper Profit	1,895	2,323	22.6	3,822	4,077	6.7	5,771	5,909	2.4
PAT	3,806	4,172	9.6	5,626	5,688	1.1	6,525	6,558	0.5
Combined Ratio (%)	108.9	108.0	-0.9ppt	106.9	106.8	-0.1ppt	105.7	105.6	0.0ppt
RoE (%)	11.5	12.6	1.0ppt	13.0	13.0	0.0ppt	13.2	13.1	-0.1ppt

Source: Company, Emkay Research

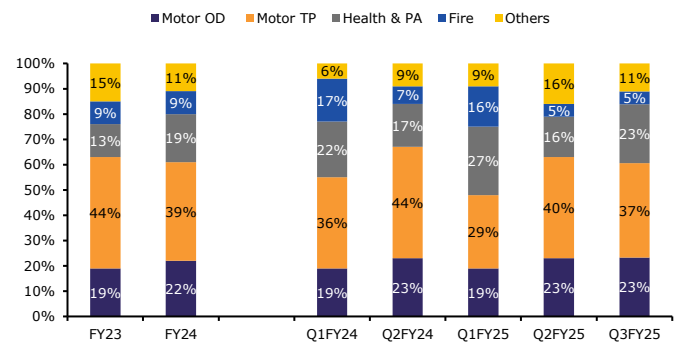
Story in Charts

Exhibit 5: Go Digit's GDPI grew at a muted 3.4% during Q3FY25



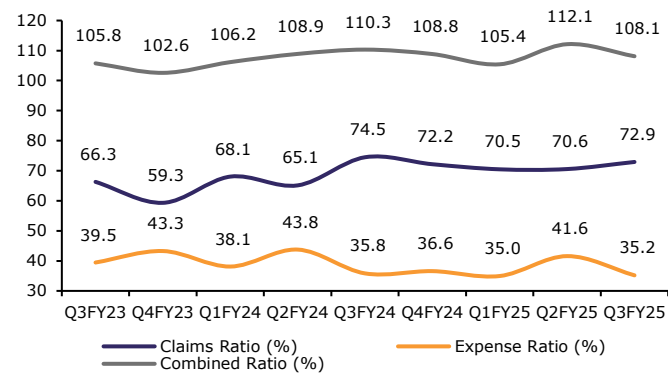
Source: Company, Emkay Research

Exhibit 6: The share of Motor TP segment in the GWP mix declines



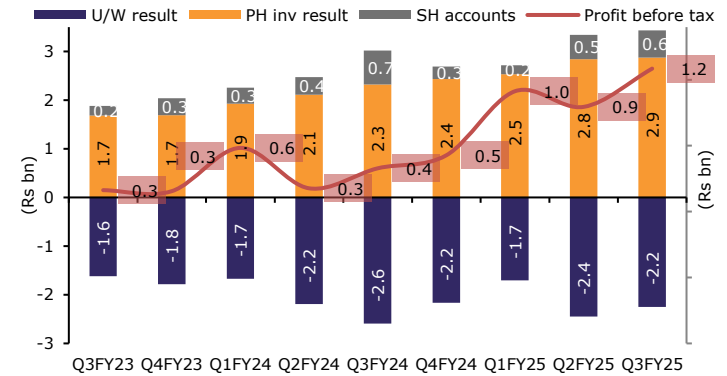
Source: Company, Emkay Research

Exhibit 7: CoR improves YoY to 108.1% during Q3FY25



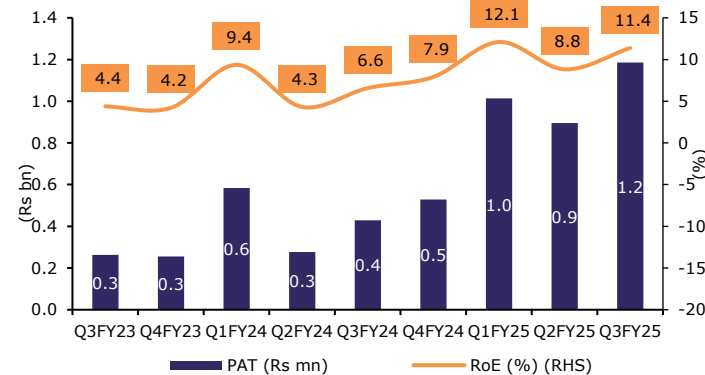
Source: Company, Emkay Research

Exhibit 8: Go Digit reports PBT of Rs1.2bn during Q3FY25



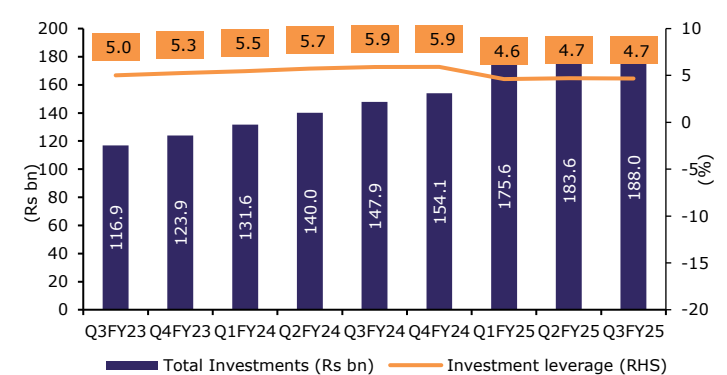
Source: Company, Emkay Research

Exhibit 9: Go Digit's PAT for Q3FY25 stands at Rs1.2bn

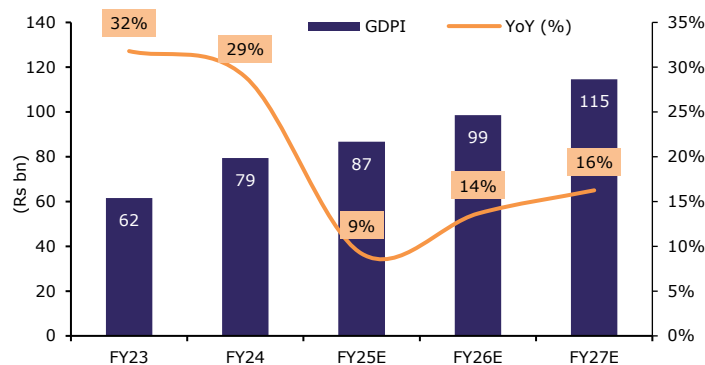


Source: Company, Emkay Research

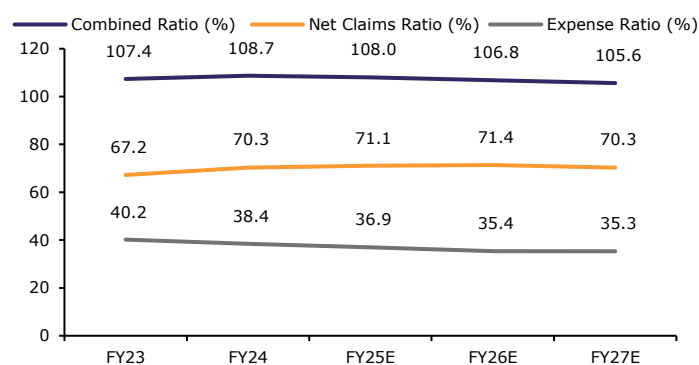
Exhibit 10: Investment leverage reported at 4.7x during Q3FY25



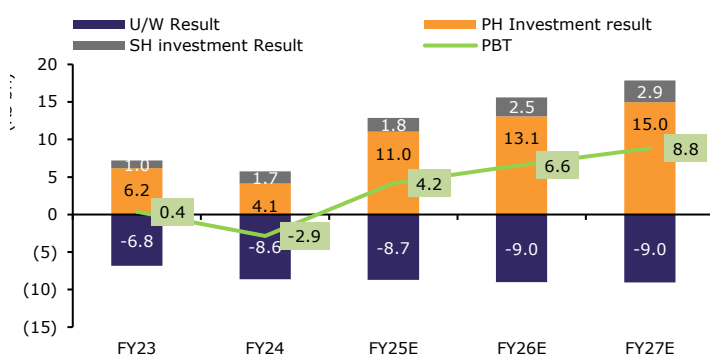
Source: Company, Emkay Research

Exhibit 11: We expect Go Digit's GDPI to grow 9% in FY25E

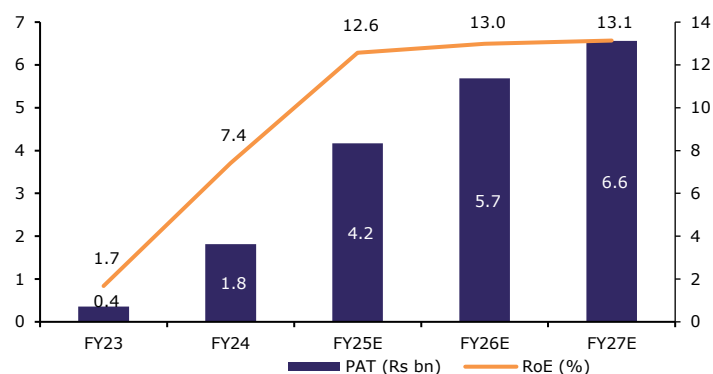
Source: Company, Emkay Research

Exhibit 12: CoR is expected to improve to 105.6% in FY27E

Source: Company, Emkay Research

Exhibit 13: We expect Go Digit's PBT to improve to Rs4.2bn in FY25E

Source: Company, Emkay Research

Exhibit 14: We expect Go Digit's PAT to grow to Rs6.6bn by FY27E

Source: Company, Emkay Research

Earnings Conference Call Highlights

- There is no impact on profitability despite implementation of the 1/n regulation.
- Total Reserve Release was Rs5.77bn for FY24, with Q4FY24 release of only Rs0.78bn. 9MFY25 reserve release was Rs3.36bn. The management believes that there will be no extra reserve release (a change of 5%) in Motor TP compared with last year.
- Loss Ratios have improved substantially in the Health segment. The company has seen intense price competition in the Group Employer-Employee segment. If the company would have seen growth in the Group Employer-Employee segment, then loss ratio would have increased in the Health Segment.
- Some pricing discipline was seen in the Fire business from an industry perspective. A rate discipline will be positive from the growth and profitability perspective.
- In the Inward business, the company underwrites a Facultative business. The regulations also encourage increasing retention. The management underwrites the reinsurance inward in the Fire, Health, Marine, and Crop segments. Of the 100 cases, the management would be accepting only 40.
- The team has done good work on preparing the pricing engine for the health segment. Last year, while underwriting the Corporate Health business, the pricing was not correct, given the lower amount of data available. In the last 9 months, the company has been disciplined in the Group Health business by not underwriting the low quality and price aggressive business. Much effort has gone into improving claims and reducing instances of fraud.
- New vehicles have the lowest loss ratio, but commissions are higher. In the renewal business, loss ratios are higher and commissions are low. Hence the management mentioned that the Motor OD Loss ratios should move up slightly, given the higher contribution of renewals. However, the commission would go down.
- For the company, Motor OD is increasing and Motor TP is going down. The company has seen a change in the portfolio mix in the Motor TP business, in terms of the Types of Vehicles, based on the geography and on the PV-CV mix.
- There is no significant improvement in the reduction of competitive intensity in the Group Employer-Employee business.
- The company has a huge network of inhouse TPAs for operating the Retail business. The group business has a combination of in-house TPA and any other TPA.
- The management remains cautious in the Retail health segment. On a small base, growth is similar to the industry's, but the company is not seeing significant growth in the business.
- In H2FY24, the company took considerable corrective action in the Motor TP business, to reach the targeted loss ratio.
- In the Motor TP business, the management believes ~40% of the book is rightly priced for the industry, whereas ~10% of the book could witness some reduction. However, ~50% of the book needs some price increase.
- The company has been granted forbearance by the regulator for complying with EoM regulation for FY23-24, while the company has also been asked to submit a glide path for FY25-26. The management has not received any communication from the regulator for the glide path, given the change in 1/n regulation.

Go Digit: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
GDPI	61,601	79,411	86,706	98,550	114,565
Gross written premium	72,430	90,156	102,822	119,201	137,339
Net written premium	59,093	77,309	85,187	100,196	115,820
Net earned premium	51,637	70,964	78,639	92,468	107,353
Net incurred claims	34,714	49,902	55,883	65,995	75,485
Net commission	1,437	18,885	22,094	24,466	27,474
Operating expense	22,314	10,799	9,371	11,022	13,435
Total expense	58,465	79,585	87,347	101,483	116,394
Underwriting profit	(6,828)	(8,621)	(8,707)	(9,014)	(9,041)
Investment income	6,166	8,788	11,031	13,092	14,950
Operating profit	(663)	166	2,323	4,077	5,909
Shareholder results	1,018	(3,025)	1,844	2,508	2,908
PBT	356	1,817	4,172	6,596	8,827
Extraordinary items	0	0	0	0	0
Tax expense	0	0	0	907	2,269
Reported PAT	356	1,817	4,172	5,688	6,558
PAT growth (%)	(112.0)	411.1	129.6	36.3	15.3
Adjusted PAT	356	1,817	4,172	5,688	6,558
Diluted EPS (Rs)	0.4	2.1	4.5	6.1	7.0
Diluted EPS growth (%)	(111.3)	412.5	119.2	35.3	15.3
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
Effective tax rate (%)	0	0	0	14	26
Shares outstanding (mn)	874.0	875.2	922.2	922.2	922.2

Source: Company, Emkay Research

Miscellaneous Metrics					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Operating metrics (%)					
Retention ratio	81.6	85.8	82.8	84.1	84.3
Incurred claims ratio	67.2	70.3	71.1	71.4	70.3
Net commission ratio	2.4	24.4	25.9	24.4	23.7
Opex ratio	37.8	14.0	11.0	11.0	11.6
Combined ratio	107.4	108.7	108.0	106.8	105.6
RSM-to-NWP	22.0	22.8	22.3	22.7	22.5
Solvency ratio	178.0	161.2	231.6	219.0	215.8
Claims ratio (%)					
Motor TP	68.6	60.5	65.5	65.0	65.0
Motor OD	69.3	66.1	66.0	66.0	65.0
Health	80.9	98.4	86.0	86.0	84.0
Fire	38.2	85.7	65.0	63.0	60.0
Crop	97.9	93.0	90.0	95.0	95.0
Others	47.2	50.4	58.2	51.3	45.9
GWP mix (%)					
Motor TP	43.5	39.0	35.2	32.5	30.4
Motor OD	19.0	21.7	22.3	23.1	24.0
Health	11.1	15.9	17.5	18.8	19.6
Fire	9.3	8.9	8.1	8.0	7.8
Crop	0.9	6.0	6.8	6.8	6.8
Others	16.2	8.4	10.1	10.8	11.3
Total	100.0	100.0	100.0	100.0	100.0

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	8,740	8,752	9,222	9,222	9,222
Reserves & surplus	23,836	23,951	34,787	37,411	43,969
Net worth	32,576	32,703	44,010	46,633	53,192
Fair value gains	891	1,729	1,902	2,092	2,301
Borrowings	0	3,500	3,500	3,500	3,500
Total liabilities & equity	33,468	37,932	49,412	52,225	58,993
Policyholder investments	102,175	133,694	155,315	178,977	210,194
Shareholder investments	21,715	20,383	35,953	41,430	48,656
Other assets	1,620	1,628	1,709	1,794	1,884
Cash & bank balances	2,793	3,561	3,739	3,926	4,122
Other current assets	6,592	10,320	10,593	19,528	30,108
Claims outstanding	56,232	72,752	84,314	101,321	123,605
Unearned premium	30,528	36,873	42,733	51,353	62,647
Other current liab.	23,592	29,116	33,743	40,549	49,467
Provisions	30,657	37,022	42,905	51,559	62,899
Net current assets	(101,096)	(125,009)	(146,629)	(169,976)	(201,742)
Total assets	33,468	37,932	49,412	52,225	58,993
BVPS (Rs)	26.9	29.1	44.4	50.6	57.7
Investment leverage (x)	5.3	5.9	4.6	4.7	4.8
Net investment yield (%)	6.7	7.6	7.7	7.7	7.5
PH investment yield (%)	6.9	7.5	7.6	7.8	7.7
SH investment yield (%)	5.6	8.2	6.9	7.0	6.9
NWP/Networth (x)	2.4	2.8	2.0	2.1	2.1
Required Solvency [RSM]	12,979	17,589	19,011	22,696	26,079
Available Solvency [ASM]	23,103	28,361	44,025	49,713	56,272

Source: Company, Emkay Research

Valuation & Key Metrics					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/B (x)	10.6	9.8	6.5	5.7	5.0
P/E (x)	698.8	137.7	62.8	46.5	40.3
P/Float (x)	2.0	1.6	1.4	1.2	1.0
P/GWP (x)	3.5	2.8	2.6	2.2	1.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Dupont-RoE split (%)					
NEP/avg assets	47.7	51.1	45.5	44.9	44.8
Net incurred claims	32.1	35.9	32.4	32.1	31.5
Commission + Opex	22.0	21.4	18.2	17.2	17.1
Underwriting profit	(6.3)	(6.2)	(5.0)	(4.4)	(3.8)
PH investment income	5.7	6.3	6.4	6.4	6.2
Operating profit	(0.6)	0.1	1.3	2.0	2.5
Shareholder results	0.9	(2.2)	1.1	1.2	1.2
Tax expense	0.0	0.0	0.0	0.4	0.9
RoA	0.3	1.3	2.4	2.8	2.7
Leverage ratio (x)	5.3	5.9	4.6	4.7	4.8
RoE	1.7	7.4	12.6	13.0	13.1
Growth rates (%)					
GDPI	31.8	28.9	9.2	13.7	16.3
Gross written premium	37.5	24.5	14.0	15.9	15.2
Net written premium	41.4	30.8	10.2	17.6	15.6
Net earned premium	51.7	37.4	10.8	17.6	16.1
Claims incurred	37.8	43.8	12.0	18.1	14.4
Operating profit	(82.3)	(125.1)	1,296.2	75.5	44.9

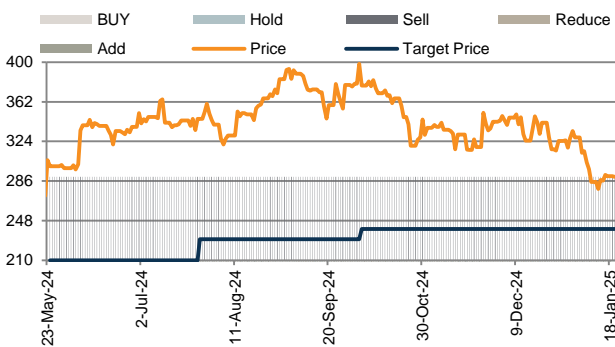
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
19-Jan-25	291	240	Sell	Avinash Singh
27-Oct-24	320	240	Sell	Avinash Singh
17-Oct-24	361	240	Sell	Avinash Singh
04-Oct-24	378	240	Sell	Avinash Singh
01-Sep-24	384	230	Sell	Avinash Singh
27-Jul-24	346	230	Sell	Avinash Singh
23-Jul-24	339	210	Sell	Avinash Singh
18-Jun-24	334	210	Sell	Avinash Singh
24-May-24	300	210	Sell	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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