



Script Details

BSE Group	A
BSE Code	543526
NSE Code	LICI
ISIN NO	INE0J1Y01017
Implied Market Cap (INR Cr.)	600,242
Free Float (%)	3.5%
Listing date	May 17, 2022
Face Value (INR)	10
Total Issued Share (Mn)	6324

Share Holding Pattern (%)

Promoters	Public	Others
96.5%	3.5%	—

Company	Mcap (Rs Cr)
LIC	600,242
HDFC Life	116,050
SBI Life	104,474
ICICI Pru. Life	71,960

Life Insurance Corporation of India Ltd

Sector

Life Insurance

May 16, 2022

Life Insurance Corporation of India (“LIC”) was established on September 1, 1956, under the LIC Act by merging and nationalizing 245 private life insurance companies in India. Corporation’s incorporation until 2000, LIC was the only life insurer in India. LIC has been providing life insurance in India for more than 65 years and is the largest life insurer in India with a 61.6% market share in terms of premiums, 61.4% market share in terms of New Business Premium, 71.8% market share in terms of number of individual policies issued, 8.8% market share in terms of number of group policies issued for the nine months ended December 31, 2021.

WAY FORWARD

- ◆ **LIC IPO Listing:** Life insurance corporation of India is set to trade in secondary market on bourses from May17,2022 at 10:00 AM. the Company had fixed Rs 949 as issue price for its primary market bidders. Its implied market cap at upper price band comes at Rs 600,242 Cr., this makes LIC to comprise in Top 10 most valued listed companies in India.
- ◆ **Total Subscription at Glance:** LIC’s issue size of ~Rs 21,000 Cr was highest in Indian equity market history. The Big ticket IPO came in a dicey market conditions amid Russia Ukraine Conflict and heightened fear of Interest rate hikes among market participants, even after that the IPO subscribed by 2.95 times with 6.12x response from policyholders, 4.40x from employees, 1.99x from retailers and 2.83x, 2.91x from QIB’s & NIB’s respectively. The response to primary market bidding can be attributed to the IPO application window which was kept open for 6 Day.
- ◆ **FPO Highlights:** The LIC received its ‘INDIA’S MEGA IPO’ caption by just introducing 3.5% stake to public. As per regulatory norms the minimum public holding for any listed entity should be 25%. Post IPO Govt. will control over 96.5% stake in LIC. Which it will have to bring down to 75% to meet norms. For companies valued less than Rs 1,00,000 Cr the timeline to meet the criteria is 3 years and for companies above Rs 1,00,000 Cr the same is 5 Yrs. LIC falls in later. However there was discussion among market participants and media about Govt. to discuss with SEBI in order to exempt LIC from above criteria and extend the deadline of 5 yr. On the Follow public offer (FPO), The LIC’s management address the question in Pre-IPO press conference and said LIC has not planned any FPO at least till completion of FY23.
- ◆ **What market sentiments are suggesting about Listing?** : As of May 16,2022. The pre Listing market are suggesting a muted discount listing of LIC on May17, 2022. The shares were exchanging hands at a discount of Rs 15-20 apiece, This indicate traders should trim the hopes of strong listing Pop-Up. The reasons could be attributable to the ongoing selloff and volatility in the equity market.
- ◆ **What we expect on Listing?:** We expect the LIC IPO to list at par or a slight premium, given that the issue was amply oversubscribed if the market stays normal. The Issue was handled by the elite merchant bankers, which in our view have worked well to promote and distribute shares in primary markets, as the India’s largest IPO subscribed by 2.95x in such a volatile market.

Source: Company Data, Ace Equity, GEPL Research

Price and Yield Representation for LIC

Sr. No	DISCOUNT LISTING						AT PAR	PREMIUM LISTING					
	800	825	850	875	900	930		949	1000	1050	1100	1150	1200
Price	800	825	850	875	900	930	949	1000	1050	1100	1150	1200	1250
Yield	-15.7%	-13.1%	-10.4%	-7.8%	-5.2%	-2.0%	0.0%	5.4%	10.6%	15.9%	21.2%	26.4%	31.7%
Mcap/EV	0.94	0.97	1.00	1.03	1.05	1.09	1.11	1.17	1.23	1.29	1.35	1.41	1.46

WHAT SHOULD INVESTORS DO

- ◆ **If Lists at Discount :** As of may 16,2022, the grey market price are indicating listing of shares around Rs 929 which is -2.10% on issue price, however the issue was comprise with a discount which reduces the break even prices for Employee, Retailers and Policyholders. The breakeven prices for shareholders are presented in a table. **We advised investor should hold on to the shares if lists at discount and accumulate more** as the Mcap/EV ratio of 1.1x will be attractive more than what is was in the primary market and it may also attract new participant after listing cheaper.
- ◆ **If Lists on Premium:** The yield of premium listing and Mcap/ EV ratio is mentioned in above table. The premium listing of Rs 1250 yield 31.7% on the issue price and the Mcap/ EV ratio will be stretched to 1.46X from 1.11X however the Mcap/EV ratio of 1.46x at price of Rs 1250 will be again at significant discount to the peers. As mentioned in the table, The average Mcap/EV for peers is 2.92. Hence we advise long term investors should not trade LIC stock for Listing Pop-up and hold for value realization by equity markets.

Breakeven Prices for Shareholders

Category	Issue Price	Discount	Break Even Price	From Issue Price
QIB, NIB	949	0	949	0%
Employee, Retail	949	45	904	-5%
Policyholders	949	60	889	-6%

LIC's Peer Comparison of Mcap/EV

Company	EV (Rs Cr)	Mcap (Rs Cr)	Mcap/EV (x)
LIC	539,686	600,242	1.11
HDFC Life	30,048	116,050	3.86
SBI Life	39,630	104,474	2.64
ICICI Pru. Life	31,615	71,960	2.28
HDFC, SBI, ICICI Life Avg. Mcap/ EV			2.92



Name	Designation	Email	Contact
Mr. Harshad Gadekar	Research Analyst, Fundamental Desk	harshadgadekar@geplcapital.com	+91 (22) 66142685

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