

### Issue Highlights

Issue Open	May 04, 2022
Issue Close	May 09, 2022
Issue Price	Rs. 902 - Rs. 949 Per Share
Total Issue Size	Rs. 20,557 Cr
Of which	
Offer for Sale	Rs. 20,557 Cr
Employee/Retail Discount	Rs. 45 per share
Policyholder Discount	Rs. 60 per share
Face Value	Rs. 10 Per share
Market Lot	15 Equity Shares
Issue Type	Book Built Issue

### Offer Structure

QIB Category	50%
Retail category	35%
Non-Institutional	15%

### Lead Book Running Managers

⇒ Kotak Mahindra Capital Company Ltd.
⇒ J.P. Morgan India Pvt. Ltd.
⇒ Axis Capital Ltd.
⇒ BofA Securities India Ltd.
⇒ Citigroup Global Markets India Pvt. Ltd.
⇒ Goldman Sachs (India) Securities Pvt. Ltd.
⇒ ICICI Securities Ltd.
⇒ JM Financial Ltd.
⇒ Nomura Financial Advisory and Securities (India) Pvt. Ltd.
⇒ SBI Capital Markets Ltd.

### Registrar To The Offer

⇒ KFin Technologies Pvt. Ltd
------------------------------

### Research Analyst

Nirvi Ashar, MBA	Rohit Khatri, MBA
nirvi.ashar@religare.com	rohit.khatri@religare.com

### Key Highlights

- ❑ **Insurance behemoth enters Dalal Street:** The most awaited IPO is finally here where India's largest Insurance company **Life Insurance Corporation (LIC)** look to raise **~Rs. 20,557 cr** through offer for sale route at a price band of **Rs. 902-949 per share**. It has offered a **discount of Rs. 45 for retail shareholders & employees and a discount of Rs. 60 for policyholders**.
- ❑ **Unmatched leadership in insurance industry:** LIC is the largest life insurer in India with **market share of 61.4%** in terms of new business premium (NBP). This is **~1.59x** of the total private life insurance sector and **~6.7x the NBP** for the second-largest player in the industry. It is the largest Asset manager in India with an **AUM of Rs. 40.1 trillion** which is 1.1x more than the AUM of the Indian mutual fund industry.
- ❑ **Trusted Brand & Unparalleled agency force:** The trust in the brand 'LIC' is evidenced by the **27.91 cr** in force policies under individual business being serviced in India. LIC enjoys unparalleled agency force with **1.33 mn individual agents** which sources **~96.2%** of its NBP.
- ❑ **Promising growth prospects:** The under penetration of life Insurance in India coupled with favourable demographic tailwinds would drive **multi-decadal growth** in the life insurance industry registering a CAGR 14-16% over FY21-32. LIC stands to benefit given its leadership position, combined with continued focus on diversifying product mix, strengthen its distribution network and leverage technology to aid growth and achieve operational efficiencies.
- ❑ **Reasonable Valuations:** At upper price band, LIC is valued at **1.1x Price to Embedded value** implying a post issue **market cap of Rs. 6 Lakh cr**. When compared to listed peers like HDFC Life (4x P/EV), SBI Life (3x P/EV), and ICICI Prudential Life (2.5x P/EV) the valuations of LIC seems reasonable given that it is the largest player in the industry and has strong and sticky customer base.
- ❑ **Low Free-Float:** Given that the government is offloading only **3.5% of its 100% stake**, the free-float would be low which could create demand-supply mismatch.
- ❑ **Key Risks:** i) Loss in market share ii) Any adverse regulatory changes

### Financial Summary

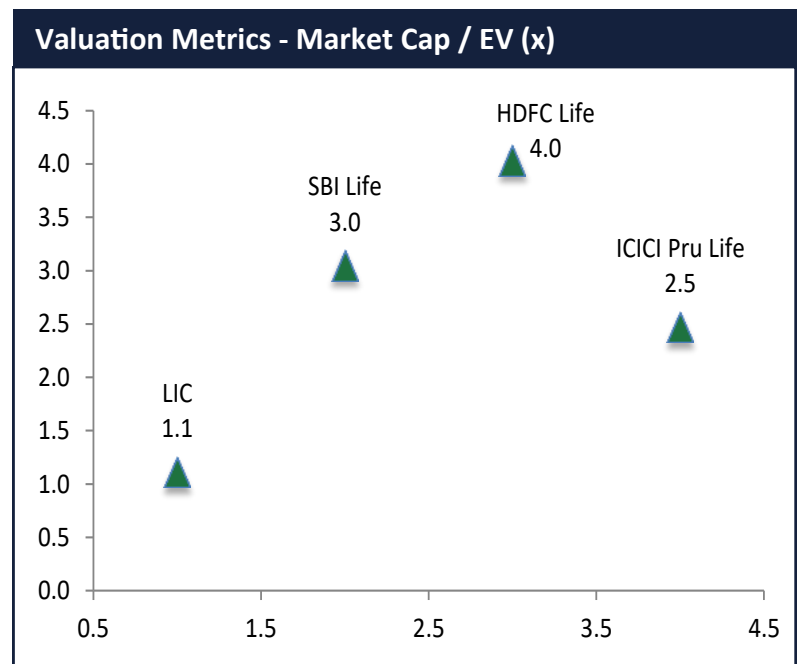
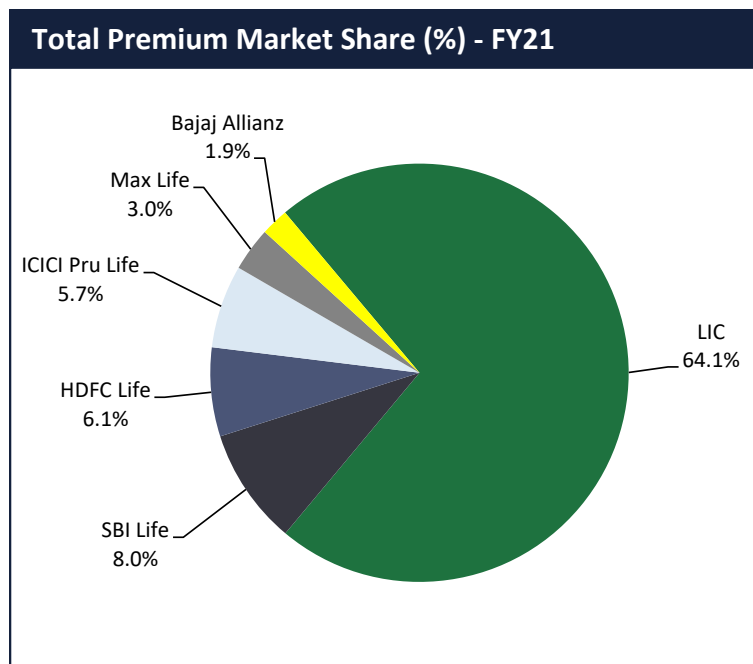
Particulars	9MFY22	FY21	FY20	FY19
Share Capital	6,325	100	100	100
Reserves and Surplus	2,499	6,705	892	798
Premium Earned	2,85,342	4,05,398	3,82,476	3,39,972
Income from Investments	2,26,254	2,85,520	2,42,836	2,25,044
PAT	1,715	2,974	2,710	2,627
EPS (x)	2.7	4.7	4.3	4.2
Average Return on Net-worth (%)	20.8	45.7	317.1	322.3
NAV per Equity Share (Rs)	13.0	10.3	1.4	1.3

Source RHP : RBL Research

## Life Insurance Corporation of India

Peer Analysis						
Particulars	LIC	SBI Life	HDFC Life	ICICI Pru Life	Max Life	Bajaj Allianz
<b>Business Metrics (FY21)</b>						
Total number of products	45	39	48	39	27	40
Share of annuity products in new business premium	21.1%	6.0%	19.5%	3.5%	7.8%	NA
New Business Premium (INR Bn)	1,841.7	206.3	202.4	130.3	68.3	63.1
Renewal Premium (INR Bn)	2,188.6	296.3	184.8	225.1	121.9	57.2
Total Premium (INR Bn)	<b>4,032.9</b>	<b>502.5</b>	<b>385.8</b>	<b>357.3</b>	<b>190.2</b>	<b>120.2</b>
<b>Market Share (%)</b>						
Total Premium	64.1%	8.0%	6.1%	5.7%	3.0%	1.9%
New Business Premium	66.2%	7.4%	7.2%	4.7%	2.4%	2.3%
Renewal Premium	62.5%	8.5%	5.2%	6.5%	3.5%	1.6%
No. of Policies - Individual	74.6%	5.9%	3.5%	2.4%	2.3%	1.5%
No. of Policies - Group	81.1%	1.3%	0.7%	7.4%	1.0%	0.6%
<b>Valuation Metrics</b>						
ROE % (FY21)	81.7%	15.2%	17.6%	11.7%	18.7%	5.7%
Embedded Value (EV) (INR Bn)	5,397	353	287	302	130	166
Market Cap / EV (x)	1.1	3.0	4.0	2.5	-	-

Source RHP : RBL Research



Source RHP : RBL Research

## Life Insurance Corporation of India

### Management Meet Update

#### On IPO

- ❑ LIC IPO is the largest IPO in Indian Capital Markets raising nearly Rs. 21,000 cr
- ❑ Strong commitment of the government to list LIC and enable wealth enhancing opportunity for investors
- ❑ Given the current capital market environment, IPO size and price is appropriate and it would not crowd out private investment

#### On Business

- ❑ Largest life insurer in India with market share of 61.4% in terms of New Business Premium
- ❑ It is the fifth largest insurer globally by Gross Written Premium and 10th globally in terms of total assets
- ❑ It has cross-cyclical product mix that caters to diverse consumer needs
- ❑ Strong distribution network with 1.33 mn individual agents
- ❑ Build digital capabilities right from acquisition to claim settlement
- ❑ **COVID Impact:** Growth in new business premium declined 19% YoY in the Q1FY21 as lockdowns disrupted operations. However, the life insurance industry has adopted more digital ways of selling products and services in the past one year amid the pandemic. New Business Premium witnessed YoY growth of 7% in FY21 as compared to 21% in FY20
- ❑ To regain market share, the company would focus on increasing its non-participating portfolio
- ❑ It would continue leveraging technology to aid growth and drive operating efficiencies

## Life Insurance Corporation of India

Research Team	
Siddarth Bhamre	Head of Research
Equity Research	
Ajit Mishra	Technical
Suhanee Shome	Technical
Rohit Khatri	Fundamental
Nirvi Ashar	Fundamental
Manoj M Vayalar	Derivatives
Gaurav Arora	Derivatives
Commodity, Currency and Agri Research	
Sugandha Sachdeva	Metals, Energy & Currency and Agri
Amandeep Singh	Currency
Vipul Srivastava	Metals & Energy
Sagar Chaudhary	Metals & Energy
Gaurav Sharma	Metals & Energy
Abhijeet Banerjee	Agri

# Life Insurance Corporation of India

Before you use this research report , please ensure to go through the disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 and Research Disclaimer at the following link : <https://www.religareonline.com/disclaimer>

Specific analyst(s) specific disclosure(s) inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 is/are as under:

## Statements on ownership and material conflicts of interest , compensation– Research Analyst (RA)

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below , are given separately]

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No

	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No

	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

Nature of Interest ( if answer to F (a) above is Yes :

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

Copyright in this document vests exclusively with RBL. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose, without prior written permission from RBL. We do not guarantee the integrity of any emails or attached files and are not responsible for any changes made to them by any other person.

Disclaimer: <https://www.religareonline.com/disclaimer>