



Company Overview

Life Insurance Corporation of India ("LIC") was established on September 1, 1956, under the LIC Act by the Government of India by merging and nationalizing 245 private life insurance companies in India. LIC has been providing life insurance in India for more than 65 years and was the sole provider for more than 40 years. It is the largest life insurer in India, with a 61.6% market share in terms of premiums, a 61.4% market share in terms of New Business Premium (NBP), as well as by the number of individual agents, which comprised 55% of all individual agents in India as at December 31, 2021. LIC is the largest Asset manager in India as at 31 December, 2021 with an AUM of INR 40 trillion. LIC has a broad, diversified product portfolio covering various segments across individual products and group products. LIC is the 5th largest insurance company globally and is identified as by IRDA as Domestic Systemic Important Insurer

Objects of the issue

The IPO aims to utilize the net proceed towards the following purposes;

- ⇒ To carry out an offer for sale of 221,374,920 shares by selling shareholders.
- ⇒ To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

Investment Rationale

Largest and most trusted brand in an underpenetrated Indian Life Insurance Sector

LIC is the largest life insurer in India in terms of GWP, NBP, number of individual policies issued and number of group policies LIC's market share in the Indian life insurance industry was 66.2% based on NBP, and NBP was 1.96 times the total private life insurance sector and 8.9 times the NBP for the 2nd largest player in the Indian life insurance industry. In addition the brand 'LIC' was recognized as the 3rd strongest and 10th most valuable global insurance brand in 2021, as per the "Insurance 100 2021" report released by Brand Finance. This all will tremendously aid the growth of the customer centric business model of LIC in the coming decade as the penetration of Insurance business is expected to turbocharge in India

Presence across India through an omni-channel distribution network with an unparalleled agency force

LIC employs omnichannel distribution platform for its individual products consisting of agents partners, digital sales etc. But the products are primarily distributed through agents. LIC's agent network is the largest in India with around 55% of the total agent network. In addition the number of LIC's agents in India is increasing at a CAGR of 7% between March 31, 2019 and March 31, 2021 compared to 5% of the nearest competitor. This agent network is also the most productive as evidenced by the fact that for the 9 months ended December 31, 2021 and Fiscal 2021, LIC's agents had an average NBP of ₹260,069 and ₹412,934 per agent, respectively, compared to the average NBP of ₹108,888 and ₹124,892 per agent for the median of the Top-5 private players. This agent network is also distributed across India covering 91% of all districts. This network gives LIC a massive competitive advantage as Insurance business in India remains an agency centric business and is expected to continue doing the same in the future

Valuation and Outlook

LIC has the leading market position in the sector with the strong rebound of business traction in an underpenetrated market with improving the financialization of savings. LIC's massive scale of operations and concomitant operating leverage, cost efficiencies, and stellar track record it has established over the decades have allowed it to emerge as a market leader and sustain its position despite the liberalization of the last 20 years. In addition, the management also has plans to improve its VNB margins in the future through a focus on the sale of Non-Participating and group products. At the upper hand of the price band, the IPO is valued at 1.1 P/EV, which is attractive as it is much lower than the listed private life insurance companies that trade at P/EV of 2.5-3.9x. Hence, we recommend a "SUBSCRIBE" rating on this issue for the long term.

Issue Details

Offer Period	4 th May - 9 th May 2022
Price Band	INR.902 to INR.949
Bid Lot	15
Listing	BSE&NSE
Issue Size (no. of shares in mn)	221.37.
Issue Size (INR. in bn)	210
Face Value	10

Issue Structure

QIB	50 %
NIB	15 %
Retail	35 %

BRLM	Kotak Mhaindra Capital, BofA Securities, Citigroup Global, Goldman Sachs, ICICI Securities, JM Financial, J.P. Morgan, Nomura Financial, SBI Capital Markets
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Registrar	KFin Technologies Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter	100.0%	96.5%
Public	0.0%	3.5%
Total	100%	100%

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Income Statement (In mn)

Particulars	FY19	FY20	FY21	9MFY22
Amounts transferred from/to the Policyholders A/c	25,995	26,955	29,626	16,378
Income from Investments:				
Interest, Dividends & Rent - Gross	374	352	178	975
Profit on sale/redemption of investments	126	21	61	227
(Loss on sale/redemption of investment)	(45)	(19)	(9)	(6)
Other Income	-	-	-	-
Total	26,450	27,310	29,856	17,574
Expenses other than those directly related to the Insurance business	4	5	5	4
Contribution to Policyholders' Account towards others	22	61	48	-
Provisions (Other than taxation):				
For diminution in the value of investments (net)	-	59	-	-
Provision for doubtful debts	-	-	-	-
Others	-	-	-	-
Total	26	124	52	4
Profit/(Loss) before tax	26,423	27,185	29,803	17,569
Provision for Taxation	149	80	62	416.5
Profit/Loss after tax	26,274	27,105	29,741	17,153
Appropriations				
Balance at the beginning of the period/year	20,274	686	633	1,129
Interim Dividends paid during the period / year (5% Valuation surplus paid to Central Government)	-	-	-	-
Proposed final dividend	27,254	26,997	151	-
Dividend distribution on tax	33	-	606	-
Transfer to General Reserve	279	150	29,006	288
Transfer to Other Reserve	95	11	82	6
Profit carried forward to the Balance Sheet	686	633	1,129	17,988
EPS- Basics	4	4	5	3
Diluted EPS	4	4	5	3

Source: RHP, BP Equities Research



Balance Sheet (In mn)

Particulars	FY19	FY20	FY21	9MFY22
Shareholders' Funds				
Share capital	1,000	1,000	1,000	63,250
Reserve and surplus	7,984	8,917	67,055	24,986
Credit/(Debit) Fair Value Change Account	(888)	102	785	1,408
Minority Interest (Shareholders)	878	963	993	1,019
Sub-Total	8,974	10,981	69,832	90,663
Borrowings	26,94,006	25,34,136	37	37
Policyholders' Funds				
Credit/(Debit) Fair Value Change Account	21,66,953	(43,166)	27,29,450	38,21,598
Policy Liabilities	2,80,56,931	3,10,28,155	3,42,07,270	3,66,00,694
Minority Interest (Policyholders)	1,88,364	1,71,332	209	43
Funds for Discontinued Policies				
Discontinued on account of non payment of premium	327	333	337	552
Others	191	185	170	169
Insurance Reserves	1,30,959	1,14,148	1,27,114	1,48,768
Provision for linked Liabilities	4,16,509	3,25,353	3,29,592	2,34,274
Sub-Total	3,36,54,239	3,41,30,478	3,73,94,178	4,08,06,134
Funds for Future Appropriations	133	287	33	11,070
Total	3,36,63,346	3,41,41,745	3,74,64,044	4,09,07,867
Application Of Funds				
Investments				
Shareholders'	3,694	4,008	4,264	51,867
Policyholders'	2,87,76,867	2,95,79,078	3,49,84,407	3,84,36,173
Assets held to cover linked liabilities	3,35,669	3,21,699	3,29,750	2,34,670
Loans	24,98,803	23,74,347	10,87,637	11,11,411
Fixed Assets	34,631	34,740	1,45,718	1,45,676
Current Assets:				
Cash and Bank Balances	6,78,995	6,31,526	3,60,783	2,18,273
Advances and Other Assets	18,32,788	19,41,965	14,93,661	15,01,465
Sub-Total Current Assets	25,11,784	25,73,491	18,54,444	17,19,738
Current Liabilities	4,02,823	6,50,317	6,81,715	5,31,147
Provisions	2,06,323	2,06,278	1,49,483	1,49,476
Sub-Total Current Liabilities	6,09,146	8,56,595	8,31,197	6,80,623
Net Current Assets	19,02,638	17,16,896	10,23,247	10,39,115
Miscellaneous Expenditure				
Debt Balance in profit & Loss A/c (Shareholders' Account)				
Total	3,36,63,346	3,41,41,745	3,74,64,044	4,09,07,867

Source: RHP, BP Equities Research

Key Risks

- ⇒ The company reputation and perception are critical in maintaining their leading position in the Indian life insurance industry and any unfavourable publicity concerning us could have an adverse effect on the company's brand name and consequently adversely affect their business, financial condition, results of operations and cash flows
- ⇒ Adverse persistency metrics or an adverse variation in persistency metrics could have a material adverse effect on the company's financial condition, results of operations and cash flows.
- ⇒ A company individual agent procures most of their individual new business premiums. If they are unable to retain and recruit individual agents on a timely basis and at reasonable cost, there could be a material adverse effect on the company's results of operations.



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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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