

LIFE INSURANCE CORPORATION OF INDIA

Sensex	56,975.99
Nifty	17,069.10

ISSUE DETAILS

IPO Opening Date	04-May-22
IPO Closing Date	09-May-22
IPO Listing date	17-May-22
IPO Size	₹19,517-20,557Cr
Issue Details	OFS of upto 221,374,920 Equity Shares
Face Value	₹10 per share
Bid Lot	15 shares and in multiples thereof
IPO Price band	₹902-949

Special Quota

LIC Employees	15,81,249 Equity Shares – Discount of ₹45/- per share
LIC Policy Shareholders	22,137,492 Equity Shares- Discount of ₹60/- per share
BRLMs	Axis Capital, Kotak Mahindra Capital, BOFA Securities, Citigroup Global, Goldman Sachs
Registrar	Kfin Technologies

Key Financials	FY21	9MFY22
Total Premium	4,05,851	2,85,730
New Business Premium	1,85,523	1,26,778
Renewal Premium	2,20,378	1,58,952
Total Annualised Premium Equivalent	45,588	29,923
Individual APE	32,771	20,904
Value of new business	4,167	1,583
Embedded Value	95,605	5,39,686
PAT	2,974	1,715
AUM	36,92,967	40,32,170

Source: RHP

About Company

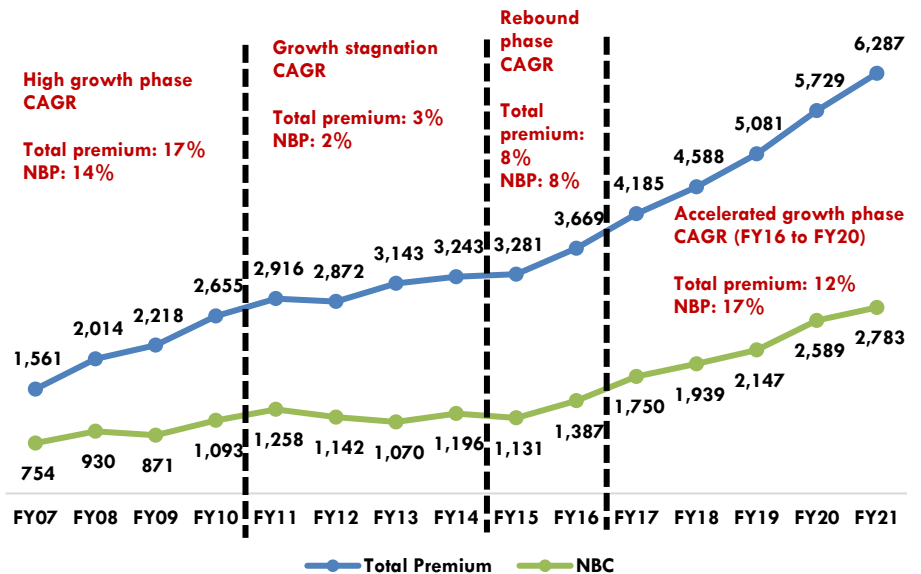
LIC is the largest insurance provider company in India. It has a market share of above 66.2% in new business premium. The company offers participating insurance products and non-participating products like unit-linked insurance products, saving insurance products, term insurance products, health insurance, and annuity & pension products.

As of 30 Sep 2021, it has a total AUM of ₹39 lakh Cr. LIC operates through 2048 branches, 113 divisional offices, and 1,554 Satellite Offices. It operates globally in Fiji, Mauritius, Bangladesh, Nepal, Singapore, Sri Lanka, UAE, Bahrain, Qatar, Kuwait, and the United Kingdom.

Industry Overview

The Indian life insurance industry had only one player – LIC – from CY1956 to CY2000. However, post – privatisation in CY 2000, private players started entering the industry and by 2000-01, four private players had setup operations. HDFC Standard Life was the first private company to enter the industry in 2000-01, followed by ICICI Prudential Life, Max Life Insurance and Aditya Birla Sunlife Insurance in the same year. Only four new private players entered between 2002 to 2005, post which there was a surge again, with eight players setting up businesses till CY 2009. Edelweiss Tokio Life Insurance was the last entrant in the industry in 2011. Out of the 23 private players registered with IRDAI as of March 31, 2021, 20 players have joint ventures (JVs) with foreign partners. Also, in September 2021, HDFC Life announced that it will acquire Exide Life Insurance.

Trend in Total Premium for Overall Industry (₹ bn)



Source: IRDAI Annual Report, company report, CRISIL Research

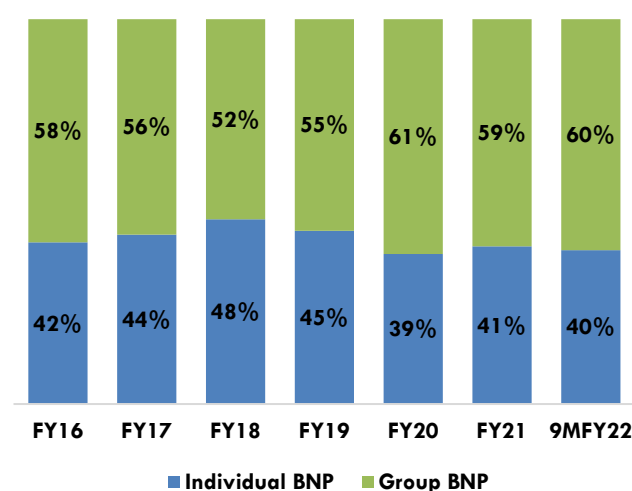
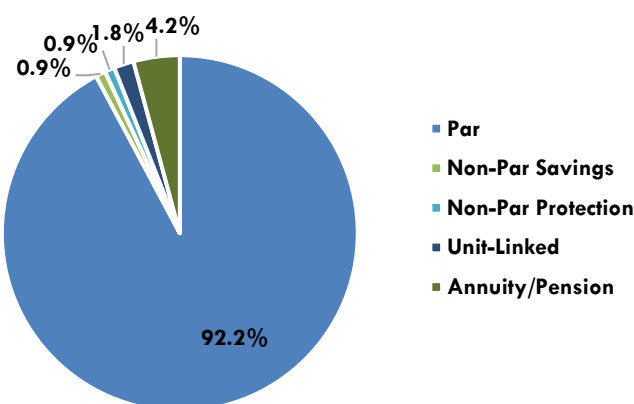
Insurance Behemoth

- LIC enjoys the pole position despite the life insurance sector was opened to private players way back in 2001.
- LIC has market share of 66 percent in the industry's new business premium as of end FY21.
- LIC is a monolith with an asset under management of over ₹40 lakh Cr, which is more than the total AUM of the entire mutual fund industry.

Leader in Group Business

- In terms of segments, the share of group NBP in total NBP has increased from 58% in FY16 to 60% in December 31, 2021. LIC continues to dominate the group NBP segment with 78% market share in FY21. On the other hand, private players have increased their market share in individual NBP from 44% in FY16 to 50% in FY21 and further to 57% in December 31, 2021.
- LIC is losing market share (31%) in Individual Business Premium to private players who have gained strong ground.
- The reason being poor presence in products such as ULIP and non-par products such as pure protection where private players are aggressive.
- LIC's individual business is dominated by par products (endowment plans) and annuities/pension products.

Product Mix by Individual APE



Source: RHP

Solid Distribution Network

LIC's agency network is a force to reckon with that contributed over 96 percent of its individual NBP in FY21 while the listed players rely heavily on banks as distribution partners and the share of the bancassurance channel in overall individual premium has grown over the years.

Distributor	Distribution Network
Individual Agents	1.33 million individual agents;
Bancassurance partners	70 bancassurance partners (comprising: 8 Public Sector Banks, 5 Private Sector Bank, 1 Foreign Bank, 14 Regional Rural Banks and 42 Co-operative Banks);
Alternate channels	215 alternate channel partners (comprising 63 insurance marketing firms, 83 brokers and 69 corporate agents);
Digital sales	A portal on LIC's website for digital sales;
Micro Insurance agents	2,128 active Micro Insurance agents;
Point of Sales Persons	4,769 Point of Sales Persons-Life Insurance scheme.

Source: RHP

Customers can also approach their branch offices and satellite offices and purchase products through their intermediaries. As at December 31, 2021, LIC had 2,048 branch offices and 1,559 satellite offices in India.

Why should you apply for this IPO?

- LIC is the fifth largest life insurer globally by GWP and the largest player in the fast growing and underpenetrated Indian life insurance sector. The Indian life insurance market is the 10th largest life insurance market in the world and the fifth largest in Asia in terms of life insurance premium. Indicators such as insurance penetration, insurance density and protection gap point to the fact that the Indian life insurance market is still underinsured thereby presenting a huge growth potential.
- LIC brand is a trusted brand with a customer-centric business model. The trust in the brand 'LIC' is evidenced by the 27.91 crore in force policies under individual business being serviced in India end of December 2021.
- LIC has a broad, diversified product portfolio covering various segments across individual products and group products and caters to diverse consumer needs. The cross-cyclical business mix is also dominated by participating life insurance policies.
- The company has presence across India through an omni-channel distribution network with an unparalleled agency force.
- LIC has developed technological capabilities that help to provide a great customer experience and drive operating efficiencies.
- LIC is the largest asset manager in India having AUM of ₹40.1 lakh Cr with an established track record of financial performance and profitable growth.
- The company also has a risk management framework where risk identification, risk measurement and risk mitigation are undertaken through structured procedures and various Board-approved policies and controls.

Risks

- Potential government interference in LIC's operations and investment decisions
- Slower technology adoption to stiff competition from private players
- Low value of new business margins
- Future stake sale by the government to abide by SEBI regulations

View

- LIC's IPO is priced at a huge valuation discount to private peers despite significant business strengths and capabilities.
- LIC's embedded value (EV), which is the sum of the present value of all future profits from existing business plus the adjusted net worth is ₹5,39,686Cr as on Sep'21.
- The IPO is priced at 1.1 times the EV as of Sep'21, which is more than a 50 percent discount compared with the average valuation of listed private peers.
- **Considering the large scale of operations built over last six decade the IPO valuation subsumes most of the risk factors and prices in most of the concerns, the issue appears to be suitable for long term investors.**

Peer Comparison

	LIC**	SBI Life	HDFC Life	ICICI Prud
AUM [Cr]	40,32,170.0	2,67,410.0	2,04,170.0	2,40,492.0
Market cap (Cr)#	6,00,242.3	1,10,831.0	1,23,060.0	75,645.70
Net premium earned (Cr)	2,85,730.0	58,432.30	45,396.50	36,321.30
Net profit	1715.3	1,506.60	1,207.70	754.1
Annualised premium equivalent (Cr)	29,923.30	14,300.00	9,758.00	7,733.00
Value of new business(VNB, Cr)	3,166.00	3,700.00	2,675.00	2,163.00
VNB margin* (%)	9.3	25.9	27.4	28.0
Indian embedded value* (IEV,Cr)	5,39,686.0	39,630.00	30,048.00	31,625.00
P/Annualised VNB	189.6	30.0	46.0	35.0
P/IEV	1.1	2.8	4.1	2.4
Solvency ratio (%)	1.77	2.05	1.76	2.04
Commission ratio (9-mth Dec'21,%)	5.4	3.5	4.2	4.3
Total cost ratio (9-mth Dec'21,%)	15.0	8.6	16.2	13.6
13th month persistency (%)	88.0	85.2	87.5	85.7
61st month persistency (%)	79.0	49.5	54	54.4

** For nine months to December'21 unless stated otherwise .

*Six months ended Sep'21.

Source: RHP

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Name of the Security	LIFE INSURANCE CORPORATION OF INDIA
Name of the analyst	Harshil Gandhi
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst:	No
Analyst's Relative: Yes / No	No
Analyst's Associate/Firm: Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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