

LIC eyes investments from corporate treasuries in IPO

Insurance behemoth has over 1% holding in 47 Nifty50 firms

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Mumbai, 28 April

Life Insurance Corporation of India (LIC) is pulling out all stops to ensure its ₹21,000-crore initial public offering (IPO) is a success. The insurance behemoth is hopeful that the country's large corporate and bank treasuries will submit bids in its IPO, which will hit the market on Wednesday.

LIC is the largest non-promoter shareholder in several Indian companies. In fact, the state-owned insurer holds more than 1 per cent stake in 47 Nifty50 companies. LIC's cumulative holding in these 47 companies is over ₹7.4 trillion.

"Most of the companies that we have invested in have done well. Many of them are good dividend paying stocks. We have a buy and hold strategy and don't churn as much. Not necessarily all of them will pitch in for LIC IPO. But there are some good names, some with good treasuries. If you take any listed banks, they also have their treasury segment, equity segment. We believe they will act," said MR Kumar, LIC chairman.

NII quota

Corporates are allowed to invest in the so-called non-institutional investor (NII) portion of any IPO. About 15 per cent of the shares are reserved for NIIs. Individuals placing bids in excess of ₹2 lakh are also clubbed into this category — commonly referred to as high networth individual (HNI) quota.

For LIC's IPO, about 29.65 million shares worth ₹2,814 crore at the upper end of the price band are available in the NII quota, according to the offer document.

The company and the investment banks assisting in its IPO are hopeful that banks and corporate treasuries will subscribe to over a third of the shares available



DIVERSIFIED PORTFOLIO

Top Nifty holdings	LIC stake (%)	Value of holdings (₹ cr)
RIL	6.31	1,18,580
ITC	15.84	50,264
TCS	3.69	48,084
ICICI Bank	7.92	40,570
Infosys	5.77	37,701
SBI	8.4	37,258
L&T	12.04	28,365
HDFC Bank	3.22	24,515
HUL	4.75	23,931
Axis Bank	8.15	19,173

Note: Sorted on the basis of value of holdings; Source: Capitaline

12 mn LIC policyholders have demat a/cs

PRESS TRUST OF INDIA
Bengaluru, 28 April

Ever since the Life Insurance Corporation (LIC) announced launching the initial public offering (IPO), 65 million LIC policyholders have shown interest to get the much-touted share of the largest insurance company in the country, an official said. Of them 12 million have dematerialised accounts, the official added.

The LIC has set a price band of ₹902-₹949 per equity share. The government intends to raise ₹21,000 crore through the issue.

The officer said 10 per cent reservation is given to the policyholders in the IPO, whose shares have been earmarked.

"Whosoever is the policyholder, if they have linked their PAN with the policy details by February 28, they are eligible to

participate in the LIC IPO through reservation category," Jain said.

Explaining, the DIPAM director said any policyholder can invest up to ₹2 lakh in the reservation category and also ₹2 lakh in the retail category. The LIC policyholders would get ₹60 discount, he added. According to Jain, the 65 million policyholders can participate if they open their demat account.

"As of now, through the depositories we could make out that around 12 million demat accounts have been opened by the policyholders," Jain said. The bid opens on May 4 and closes on May 9.

Jain said the government wishes to bring corporate governance to LIC and "to share the good stories." "The true value of the company is determined in the capital market. So you have to start with the capital market," Jain said.

in the NII quota. However, given the volatility in the secondary market and the large issue size, they are expecting contributions from across investor categories and not just relying on any single category.

The breakdown

Shares worth about ₹9,379 crore will be available under the so-called qualified institutional buyer (QIB) segment. Of this, nearly ₹5,600 crore can be allotted to anchor investors. Meanwhile, shares

worth ₹6,565 crore are reserved for retail investors (those investing up to ₹2 lakh); ₹2,100 crore for policyholders and another ₹150 crore for employees.

"The investor interest has been quite good. It is especially good as far as the domestic investors are concerned. Foreign institutional investors (FIIs) have concerns. But long-only funds don't mind because they know they are not parking money to take it out next year. So, they are going to put in money for the long haul,"

Kumar said.

At the end of the December quarter, LIC had equity ownership of over a per cent in 278 listed companies worth ₹9.53 trillion, according to Prime Database. Given LIC's large and diverse equity shareholding, Kumar likens the company to an exchange-traded fund (ETF).

"I would sell my stock by saying that every share of LIC is more like an ETF, or balanced fund. Most of our investments have done well," he said.