

# Small investors push LIC IPO over the line

Move to have a separate quota for policyholders proves a game-changer, say experts

## BIG DRAW

The average applications for IPOs in the past one year is 1.34 million

|                       | Size (₹ cr) | Applications (in mn) |
|-----------------------|-------------|----------------------|
| LIC                   | 20,557      | 8                    |
| Glenmark Life Science | 1,514       | 3.41                 |
| Devyani International | 1,838       | 3.28                 |
| Latent View Analytics | 600         | 3.21                 |
| Rolax Rings           | 731         | 3.08                 |
| Paras Defence & Space | 171         | 3.07                 |
| Tega Industries       | 619         | 3.05                 |
| Fsn E-Commerce        | 5,350       | 2.97                 |
| Tatva Chintan         | 500         | 2.85                 |
| CE Info Systems       | 1,040       | 2.73                 |

Source: Prime Database



## SAMIE MODAK

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Usually, large share sales bank on foreign portfolio investors' (FPIs) backing to sail through. However, the Life Insurance Corporation of India's (LIC's) over ₹20,500-crore initial public offering (IPO) managed to pull through with support of the country's retail investors.

In LIC's maiden offering, FPIs invested less than ₹4,000 crore — less than a fifth of the issue size and only 5 per cent of the total subscription garnered. On the other hand, individual investors poured in over ₹25,000 crore — even more if one adds the indirect investments through the mutual fund route.

The IPO garnered over 8 million retail applications with several of them being first-time investors. This is over two times the recent record for most applications in an IPO at 3.4 million, in the initial offering of Glenmark Life Science last year. To put this into perspective, the 69 IPOs that hit the market in 2021 saw average applications of 1.3 million. In 2008, Reliance Power's IPO attracted 4.8 million applications. However, the rules around IPO funding and applications were different back then.

Industry players say the move to have a special "policyholder quota" in LIC's IPO was a masterstroke by the government. The process of empanelling policyholders began months ahead of the IPO through a mass advertisement campaign. The government also doled out an additional discount of ₹60 per share

for those applying in the policyholder quota, which boosted investor sentiment. The discount was higher than ₹45 offered to retail investors.

"A lot of senior citizens, who are typically averse to equity investing, participated in large numbers. LIC's initiative to give a special treatment to policyholders proved magical," said an investment banker.

Industry players said participation by small investors will benefit the market ecosystem as a whole.

"Participation from tier-2, -3 cities was high for the LIC IPO. We can attribute this to the deeper policyholder penetration of LIC. The IPO has got a good number of applications from the newly formed union territories as well. We are sure this will pave the way for larger retail participation in the secondary markets as well as the accounts opened for applying to LIC IPO will be used for larger investments in the equity markets," said Girirajan Murugan, chief executive officer of FundsIndia.

In financial year 2021-22, the number of demat accounts opened with brokerages jumped 60 per cent to nearly 90 million. LIC's IPO will help reach the 100 million milestone, said industry players.

"The move to have a policyholder quota is akin to the Jan Dhan (zero-balance savings bank account) moment. It has brought a lot of investors at the bottom of the pyramid into the market fold. This will help boost future disinvestments and also other IPOs," said Arun Kejriwal, founder of Kejriwal Research & Investment Services.

## LIC IPO shares to be allocated on May 12

Shares will be allocated to the bidders in LIC IPO on May 12, while the insurance behemoth will be listed on stock exchanges on May 17, Department of Investment and Public Asset Management (DIPAM) Secretary Tuhin Kanta Pandey said on Monday. Briefing reporters after the closing of the issue, Pandey said the LIC IPO has met with tremendous success across

all the segments. "Domestic investors have successfully pulled off the LIC IPO. It is an example of Aatmanirbhar Bharat," he said, adding we are not dependent on foreign investors only.

According to the DIPAM secretary, LIC IPO will help deepen the capital markets. The government sold a 3.5 per cent stake in the insurance giant through the IPO.

AGENCIES