

# LIC begins roadshows to woo global investors. Will the move help stock recover to IPO levels?

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## Investing

By [Kumud Das](#) Jun 30, 2023, 04:30 AM IST



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People walk past Life Insurance Corporation of India (LIC) signs ahead of the company's listing ceremony at the Bombay Stock Exchange (BSE) in Mumbai on May 17, 2022. (Photo by Indranil MUKHERJEE / AFP) (Photo by INDRANIL MUKHERJEE/AFP via Getty Images)

## Synopsis

**Kickstarted on June 23, LIC is holding international roadshows in Hong Kong, Singapore, the UK, and other nations to create awareness among global investors post-listing of shares. The**

**stock is currently down more than a third of its value compared to the issue price of INR949. The non-deal roadshows will offer investors a comprehensive look at the company's story.**

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'Once bitten, twice shy' that's how one would describe the investors of Life Insurance Corporation (LIC). As the shares of the country's life insurance behemoth struggle to gain their issue price — down more than a third of their value compared to the issue price of INR949 — the finance ministry is busy conducting roadshows overseas to attract global investors. The move is aimed to help improve LIC's market performance.

The insurance company is currently fighting a losing market share against the private sector. Its investments in companies like Adani Enterprises are clouded with controversy, and more importantly, its embedded value growth has fallen to 9.8%. The same for the private sector is higher at 16.3% (HDFC Life), 14.4% (ICICI Pru) and 19.8% (SBI Life).

The stock is currently trading at 0.5x its embedded value as compared to 75% discount to its peers. However, the government wants to tell the world that LIC is a classic value stock and almost looking like SBI of the past. Also, the year has been good so far with the company's profits being up 5x.

Is LIC a good bet for investors who want to buy into the country's growth?

### **The insurance play**

Presently, India is the fastest-growing country in terms of GDP and insurance has a big role to play. India has a total premium-to-GDP ratio of 4.2%. The same rate for USA is 11.7%, while that of UK is 11.1%. The business is competitive and LIC has a 60% market share.

"Reaching out to potential investors through roadshows is a decision in the right direction. I think investor awareness campaigns should be launched in the domestic as well as in the foreign market," says Kamalji Sahay, former managing director and CEO, Star Union Dai-ichi Life, and former executive director, LIC of India.

According to Sahay, LIC has always been an 'introverted organisation'. "The erosion in the NAV of its listed shares is directly linked to the lack of awareness among investing public or institutions about the strengths of this very rich and well-managed organisation," he adds.

Kickstarted on June 23, LIC is holding international roadshows beginning in Hong Kong, followed by Singapore and the UK. There has already been one conducted in the US in the first leg.

These roadshows are aimed at creating awareness among global investors post-listing of LIC shares, sources say.

It has been a little over one year since LIC was listed on the stock exchanges. The non-deal roadshows will offer investors a comprehensive look at the company's story. It also aims at fostering effective communication between the executive team and investors.

## Recommendations for listed insurers

Company	Recommendation	Target price (in INR)
HDFC Life	Buy	560
ICICI Prudential	Buy	500
SBI Life Insurance	Buy	1,350
LIC	Buy	750

Source: Investec

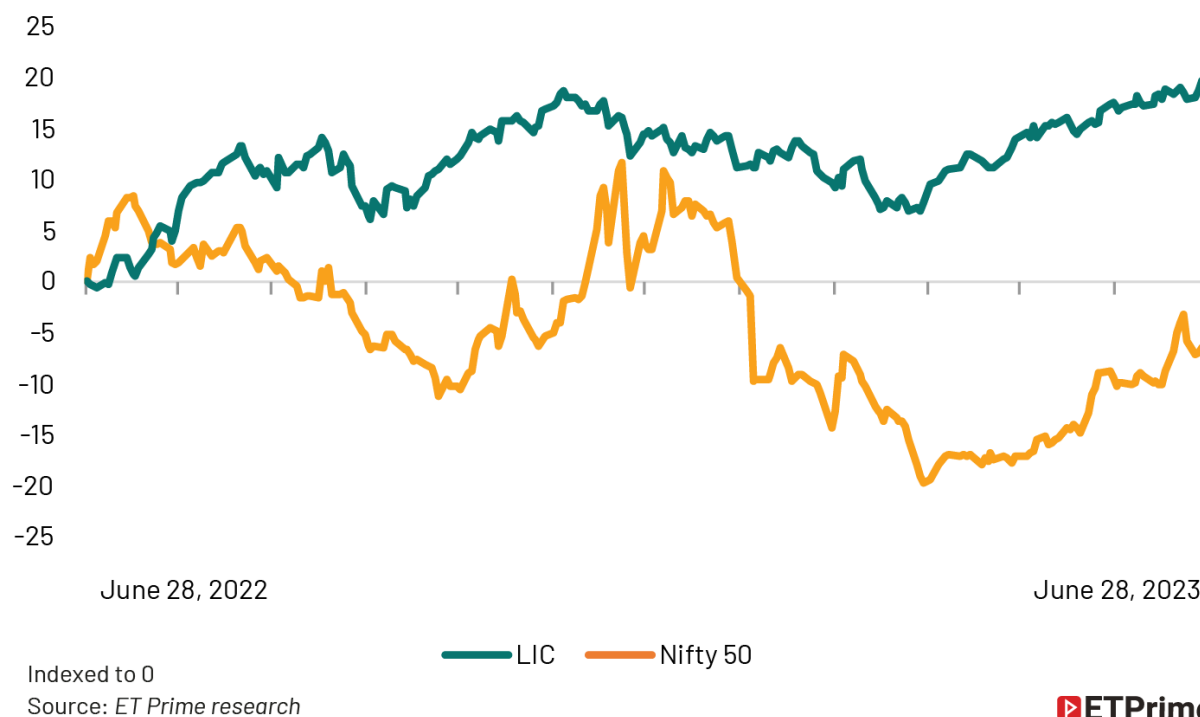
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### The market dynamics

Last year, the government raised INR20,557 crore by diluting its 3.5% stake in LIC through initial public offering (IPO). However, here's the catch.

LIC shares were listed on May 17, 2022, at a discount of 8.62% at INR867.20 apiece on BSE over the issue price of INR949. The stock is now down around 40% from its issue price, taking the total erosion of market capitalisation to about INR2.5 lakh crore. The price band of the issue was INR902 - INR949. Shares were allocated to investors on May 12, 2022, at the upper end of the price band.

## LIC vs. Nifty 50: one-year returns



Whatever be its performance on the bourses, LIC accounts for 63% of the new business premiums as of March-end.

Still, there are challenges before it. The month gone by was not good for LIC. Its retail annual premium equivalent (APE) continued to decline in May at 1.4%, resulting in a drop of 2.8% for FY24 as of date. However, the private sector reported retail APE growth of 10.4% for May post a decline in April, leading to a 5.1% growth for FY24 so far.

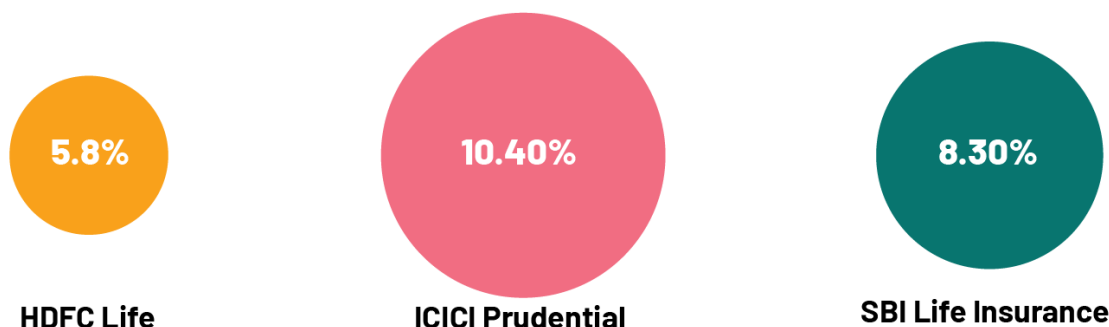
It is at a time when the industry, as per Emkay report, has witnessed a significant decline in group APE at 18% YoY for May, largely owing to moderation in group term insurance (GTI) pricing and slowdown in the group fund management business.

The decline in group APE resulted in the overall APE for the industry deteriorating by 2.6% for May. LIC's APE declined by 7.4% as against the growth of 1.2% witnessed by its 23-odd private-sector peers.

Macquarie has downgraded HDFC Life, ICICI Prudential Life, and SBI Life to 'neutral' from 'outperform'.

"We cut our FY25E VNB estimates by 2%-6% and target price by 15%-17%. We now forecast a lower value of new business (VNB) CAGR at 9%-15% for FY23-26E vs. 16%-22% for FY22-25E. Near term-catalysts are missing. Unless growth picks up meaningfully, sector performance will lag. Valuation support implies limited downside," it said. This development will surely help investors to reignite their interest in LIC.

## Value of new business (VNB) of life insurers in FY23



Source: Macquarie Research

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### To invest or not?

“LIC is a large company which has investments in lots of listed entities. For them to do roadshows abroad, is a very significant event as it not only talks about LIC and its performance, but also about India Inc,” says Arun Kejriwal, founder at Kejriwal Research & Investment Services.

“The investment cannot be better than the basket of stocks that LIC has invested in. I believe that remarketing of LIC will be a boon for the company and Indian stock market,” he adds.


The series of the ongoing events include interactions between the top brass of the Corporation along with a few senior officials of the finance ministry with a host of global investors during the period. The roadshows, non-deal in nature, are aimed at highlighting the strength of LIC and urging investors to invest in the company's shares.

LIC posted a more than five-fold jump in consolidated net profit to INR13,191 crore for the fourth quarter ended March 2023 against INR2,409 crore in the year-ago period. For the entire FY23, LIC registered a multi-fold rise in net profit to INR35,997 crore from INR4,125 crore in the preceding fiscal.

The board of LIC has recommended a final dividend of INR3 per equity share with a face value of INR10 each for the year ended March 31, 2023.

## LIC's quarterly financials

PAT	13,198
Total income	2,00,928
Total expenses	19,56,86
Net profit margin (%)	6.56%
Basic EPS (INR)	20.86



Figures in INR crore unless specified

Data as on March 31, 2023

Source: ET Prime research

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LIC is doing lot many other things so as to strengthen its balance sheet. For example, its arm, LIC Mutual Fund (LICMF), will acquire all the schemes of IDBI Mutual Fund. LICMF will manage, operate, and administer all of IDBIMF's schemes. Of the total 20 schemes of IDBI Mutual Fund, 10 schemes will be merged with LIC MF schemes. The AUM of LICMF currently stands at INR19,700 crore while IDBI Mutual Fund manages assets worth INR3,800 crore.

This year, LIC has started the process of going to the potential foreign investors early, because the company is supposed to dilute its stake further. The amount of dilution, though there is no official word yet, is likely to be the same at 3.5%, feel analysts.

"Last year when LIC had gone for IPO, they were not fully prepared and the situation was full of chaos. This is why the investors also gave a lukewarm response," says Deven Choksey, founder and promoter, KRChoksey Holdings.

Keeping in view LIC's size, it would require very large investors like sovereign, insurance, and pension funds. The company has started the process as it wants to educate investors about the Corporation and possibilities. Secondly, investors may also be scouting for stability, Choksey adds.

As regards the share price of the Corporation, it has not seen its issue price level as on date.

Talking about how to improve share price, Choksey says that has to happen on two counts — performance and perception. The performance of the Corporation has been far better than earlier. Similarly, perception also needs to improve accordingly.

"I believe the ongoing roadshow will be in order to build up perception. To be precise, performance and perception are the two sides of the same coin," Choksey says.

However, DIPAM secretary Tuhin Kanta Pandey has indicated earlier this month that the government is in 'no hurry' to bring in follow-on public offer for LIC.

“Companies, especially the large ones, undertake roadshows on a regular basis. It is critical for companies to communicate how they have performed, good or bad, and what their future plans are, with existing shareholders and prospective investors,” says Pranav Haldea, managing director, Prime Database.

### **The outlook**

Markets always reward future potential more than past achievements. In the case of LIC, while it has a dominant market share, the concern is more on how it is declining, he adds.

On the other, LIC has been working on a multi-pronged strategy to improve its performance. First, it is trying to increase its dependence on non-participating insurance policies where it needn't provide any dividend benefits or payouts based on the company's profit in any given year. This will finally help the company increase its profitability in the future.

Currently, over 94% of policies are participatory. In contrast, in the case of its private sector listed peers like HDFC Life, ICICI Prudential, and Bajaj Finserv, the proportion of participating policies are merely between 5% and 20%, says an Ambit Research report.

LIC has successfully been able to come out from the controversy, which was created post-Hindenburg revelations early this year. Except for its investments in Adani Enterprises, where it holds nearly 4% stake, LIC has been booking profits in all other Adani ventures.

The rally in the Adani Group company share price sometime back has come as a great relief for LIC as the market value of its investment has appreciated significantly.

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