

LIC's Second Act Smarter Price Tag

Pragmatic GoI move, better investor deal

Life Insurance Corporation's (LIC) offer for sale is set to become the biggest on record with GoI exercising the greenshoe option to divest an additional 4% stake beyond the 2.5% base lot. The floor price has been set at ₹382 per share. At the floor price, the 6.5% stake would be valued at ₹314.1 bn (\$3.29 bn). GoI is on the right divestment course, testing investor appetite for the country's largest insurer before committing the extra stake. At a 10% discount to Monday's closing price, the institutional response was strong, and with the sale of the entire 6.5%, India pushes ahead with its divestment programme, having set a divestment and asset monetisation target of ₹800 bn for fiscal 2027. It also attains the primary objective of raising the public shareholding in LIC to 10%, a commitment given to Sebi at the time of its IPO when a



3.5% stake was sold because of the size of the issue. GoI will now not be under any deadline to offload more LIC stock and can time its divestment strategy for the company in accordance with market conditions.

In effect, the LIC IPO in 2022 was split into an upfront stake sale and a follow-on offer by 2027 to make up for the public shareholding shortfall. In the process, GoI has had an opportunity to get the share price right in the second leg of the divestment. The LIC IPO was sold aggressively and the current LIC share price is trading at an over 50% discount to the listing price. The LIC OFS is informed by the experience and has been priced in a more restrained fashion, at a slight discount to the current price. Since almost twice as much stake as the IPO is being offloaded in the OFS, the overall effects on investor returns will be muted.

GoI is within its rights to seek better divestment realisations. Yet, the experience with the LIC issues should provide it a marker on arriving at the 'right' price for divestment. It will help if some value is left on the table for investors. That's some nifty thinking.