

# Govt Gets in on the Act to Prepare LIC for FY22 Listing

Amendments will enable life insurer to comply with listing norms of SEBI and Companies Act

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**Mumbai:** The government has proposed sweeping changes to several critical clauses of the LIC Act of 1956 that pertains to the capital structure, composition of the board, dividend payments to policyholders and the governing norms of the state-owned life insurance behemoth ahead of its much-anticipated public listing.

These statutory amendments, made public in the Finance Bill on Monday after the budget, will enable the life insurer to comply with key listing requirements mandated by the capital market regulator Securities and Exchange Board of India (Sebi) along with requirements detailed under the Companies Act.

The Life Insurance Corp of India is governed through a separate LIC Act of 1956 which currently overrides the Insurance Act and other relevant legislations governing insurance companies in India providing a degree of autonomy to the insurance behemoth in running its daily business. This is expected to change in the event of its IPO.

Experts said that these changes were mandatory in order to facilitate the listing of LIC in FY22 expected to be the largest IPO India has ever seen. While the Finance Bill proposed changes to over a dozen sections of the LIC Act – the critical ones are those proposed to Sections 5, 19, 24, 28 and 37.

These amendments will enable the government to overhaul LIC's Board of Directors, realign its audit and accounting practices, appoint private auditors, pump in Rs 25000 crore as paid-up capital for the issuance of shares, and also pave way to eventually reduce its holding in the life insurer to 51% in the future.

These changes will also include the way LIC treats its reserve and pays policyholders, according to experts. "This is one of the most anticipated IPOs and the govern-

ment would want to get it absolutely right," said Zulifiquar Memon, managing partner at MZM Legal.

"The company after listing would require the company to be transparent in their disclosures, like being put in a glasshouse with scrutiny from regulators, public stakeholders and analysts," Memon added.

Finance minister Nirmala Sitharaman on Monday said LIC's IPO is expected to be in the fiscal year 2022 where the government will divest around 10% of its 95% stake in the Corporation.

"Since we have not done this exercise before, we are not able to put a timeline. We are working on it and the process itself is more important as we need to get the valuation correct," MR Kumar, the chairman of LIC, told ET recently.

"If the valuation is good then we can see the depth of the Indian mar-

ket participate in the offering. The other part is how much the government would want to divest. All this is currently being worked on," Kumar added.

While LIC is still in the process of calculating its embedded

value, the proposed divestment is expected to pay for the bulk of the government's budgetary deficit according to experts. However, the timeline set by Sitharaman might be an ambitious one, they suggested.

"Looking at the track record of divestments, don't assume LIC IPO is a done deal in FY22, it's not easy," said Suresh Ganapathy, associate director, Macquarie Capital. "When SBI Life IPO was about to be done, it took them almost a year to do valuation, assessments etc. and get it off the ground and this a far simpler IPO to do. Does one understand the complexity in doing an LIC IPO? This will take time."

A substantial – more than 50% of disinvestment proceeds of ₹1.7 trillion – is expected to be from LIC IPO. The proposed amendments in the Finance Bill are set to kick in from April 1 of 2021, if it gets parliamentary approval in the ongoing budget session.



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