

# LIC IPO Analysis

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# LIC IPO – 5 Point Analysis

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# 1. About the Company

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Largest insurance player in India with a market share of 61.4% in New Business Premium

Fifth largest Insurer globally

Third largest global brand and tenth most valuable global insurance brand

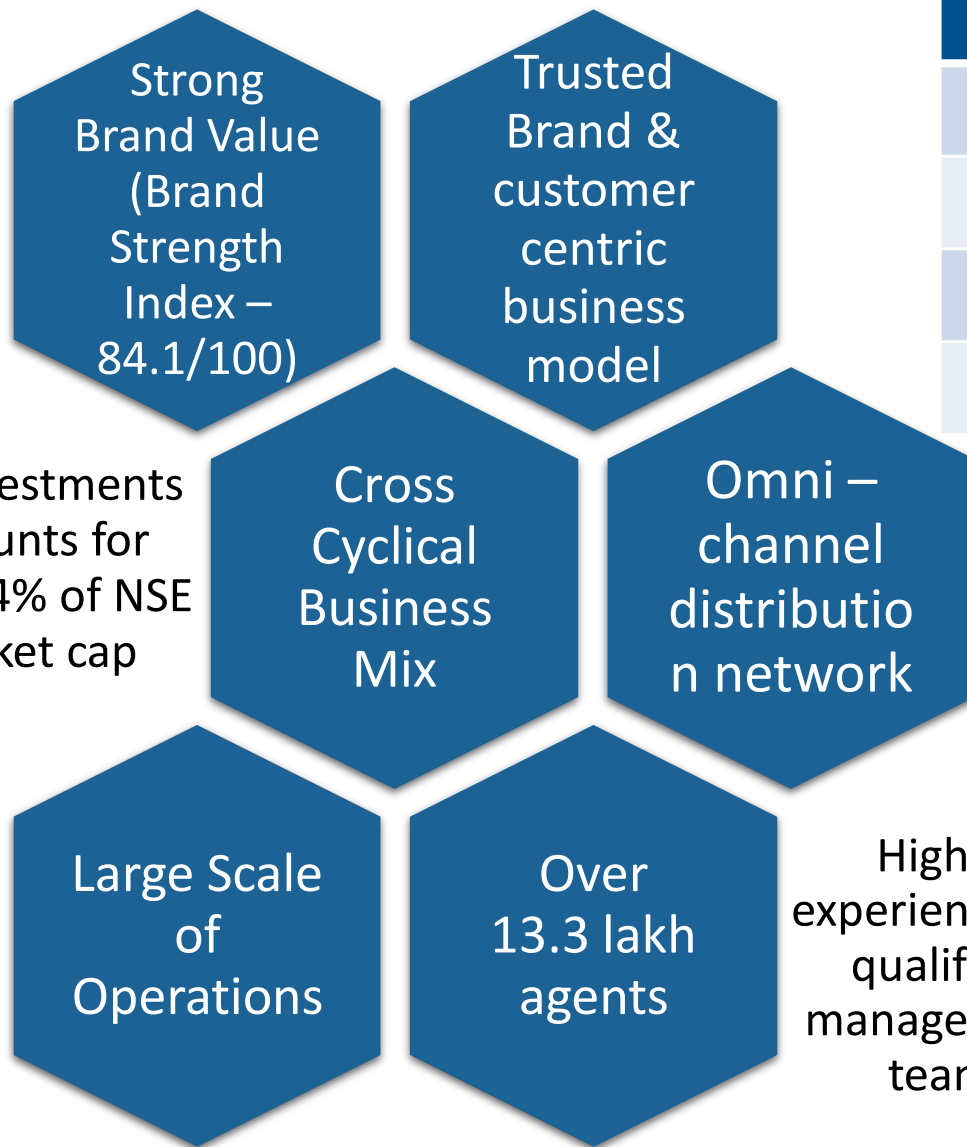
Diversified product portfolio - participating insurance products and non-participating insurance products like ULIPS, savings insurance, term insurance, health insurance, annuity and pension

AUM– Rs.40 lakh Cr as of Dec-21 (1.1 times MF AUM and more than 3.2 times AUM of all private insurers)

No. of individual agents comprised 55% of all individual agents

Operates globally in Fiji, Mauritius, UK and subsidiaries in Bahrain, Bangladesh, Nepal, Singapore and Sri Lanka

# About the Company

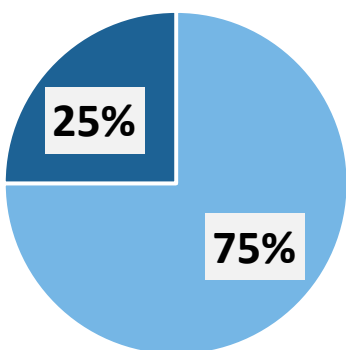


Parameter	Market Share
Premiums	61.6%
New Business Premium	61.4%
No of individual policies issued	71.8%
No of group policies issued	88.8%

- 13.3 lakh individual agents
- 70 bancassurance partners
- 215 alternate channel
- Company's portal for digital sale
- 2,128 active micro insurance agents
- 4,769 Point of Sales Persons – Life Insurance Scheme

## LIC Investments

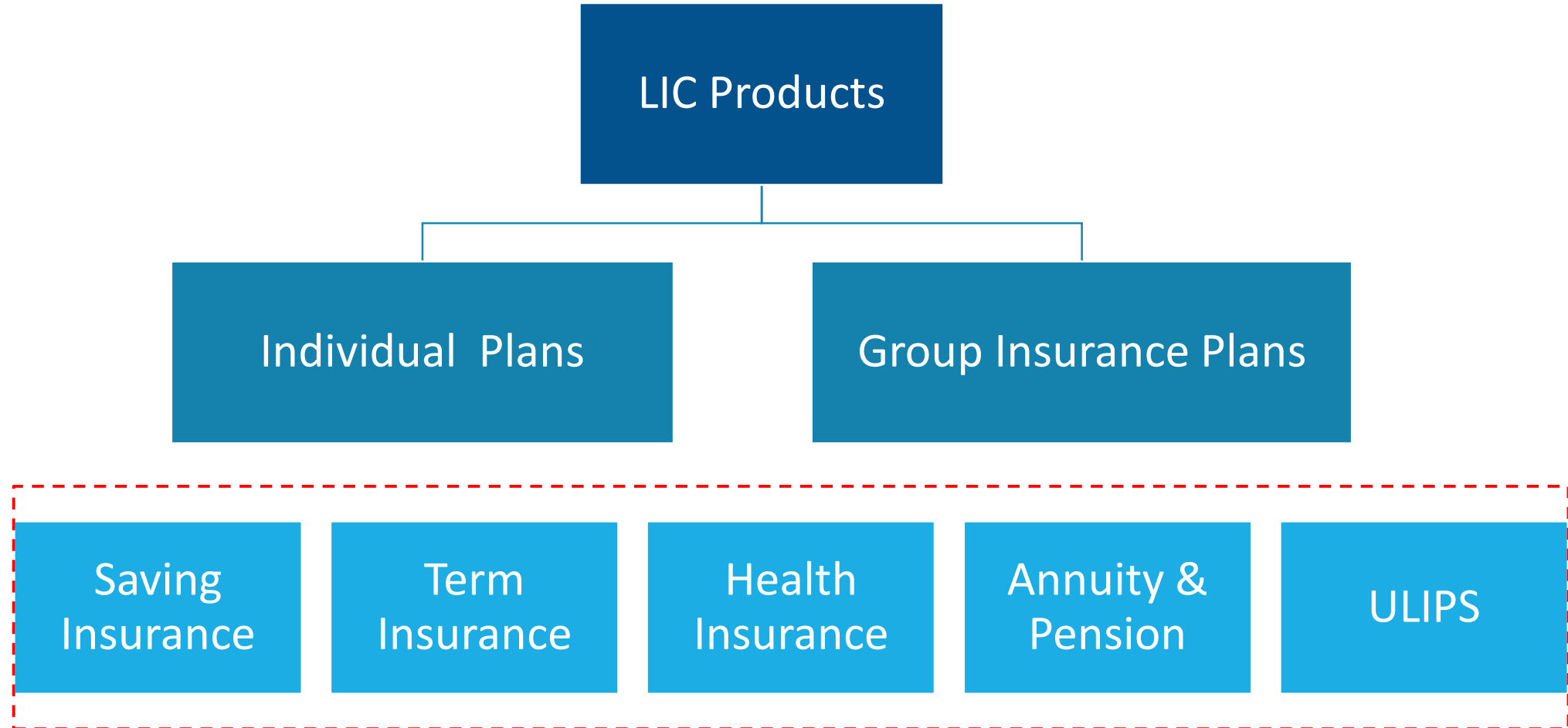
■ Debt ■ Equity



LIC investments accounts for about 4% of NSE market cap

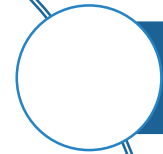
# Products

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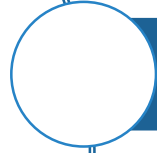


## 2. Key Growth Drivers

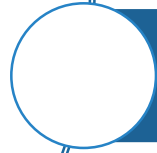
### Company



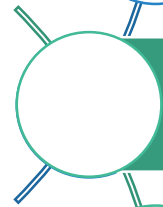
Omni-channel distribution network



Shift towards high margin non-participating plans



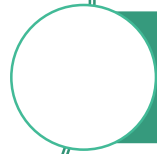
Increasing sales mix of direct and corporate channel



Rising Income Level



Rising Urbanization



Growing Awareness



Government focus on financial inclusion

### Industry

# 2. Key Risks

- Competition with private players, declining market share
- Change in interest rates
- Lower VNB margin
- Lower profitability and revenue growth
- Short term persistency ratios
- Weak digital presence
- Even after listing, Government will be the major shareholder (96.5% stake)

Market share of private players and LIC (Group - NBP)



Source: LI Council New business premium report, CRISIL Research

Market share of private players and LIC (Individual - NBP)



Source: LI Council New business premium report, CRISIL Research

Source : DRHP

### 3. IPO Details

Issue type	Book built (complete OFS)
IPO Size	Rs.21,000 Cr (Listing at BSE, NSE)
Price Band	Rs.902 - 945 per Equity Share
Face Value	Rs.10 per Equity Share
IPO Date	May 4 to May 9, 2022
Lot Size	15 shares in 1 Lot (in multiple thereof up to 14 Lots)
Investor Quotas	Retail: 35%, HNIs: 15%, QIBs: 50%, Employee Quota up to 5%, Policyholders Quota: up to 10%
Objective	Achieve benefits of listing and carry out OFS

- LIC policy holder can apply using 2 IPO applications
  - Policyholder + Retail
  - Policyholder +HNI
- Discount
  - Policyholders – Rs.60 per share
  - Retail & Employees – Rs.45 per share
- Eligibility for policyholders
  - Policy should be bought on or before 13 Feb, 2022
  - PAN should be linked with insurance policy as of 28 Feb, 2022
  - Annuity policyholder is eligible but no the beneficiary



# Peer Comparison

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## 4. Peer Comparison - Parameters

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1. Asset Mix

2. Product Mix

3. NBP Market Share, Investment Yield, Expense Ratio, Other Key Ratios

4. Return on Equity

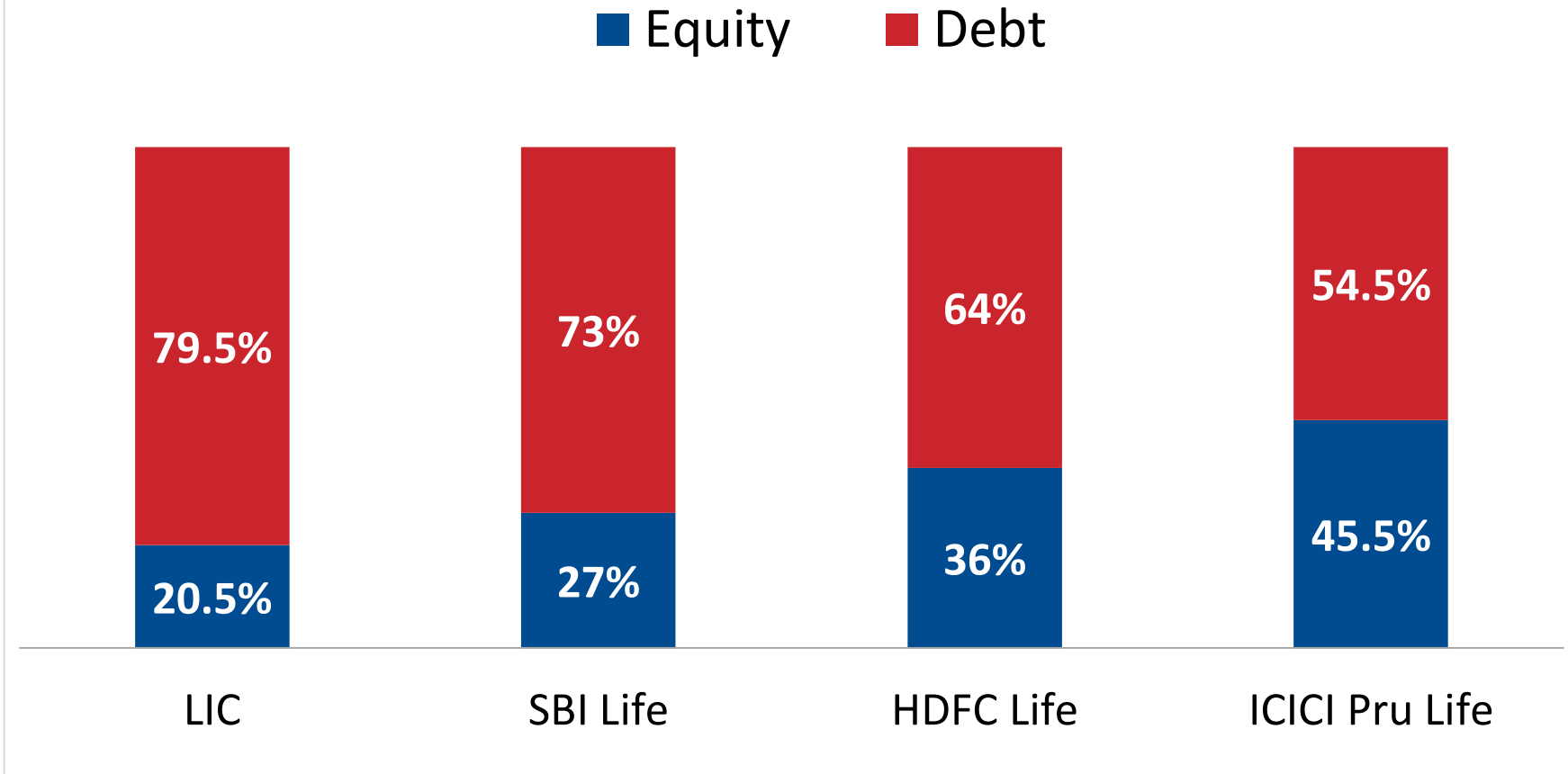
5. Strong Network of Agents

6. Channel Mix - High Dependency on Agency Force

7. Non-Performing Assets (NPA)

# Peer Comparison – 1. Asset Mix (As of FY21)

LIC's Asset Mix is skewed towards Debt, while Private Peers are having significant Exposure to Equity

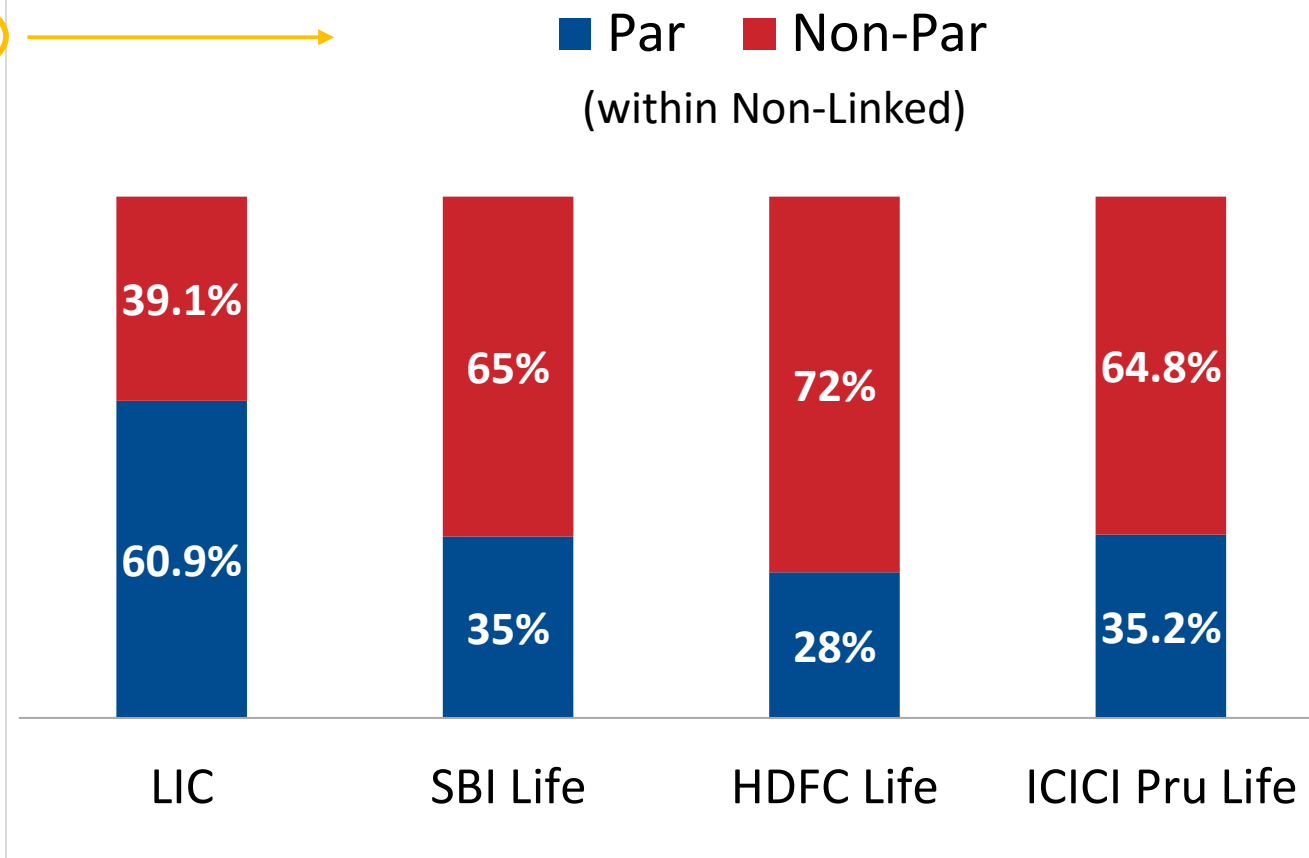


## Peer Comparison – 2. Product Mix (As of FY21)

### Product Mix (based on Total Premium FY21)

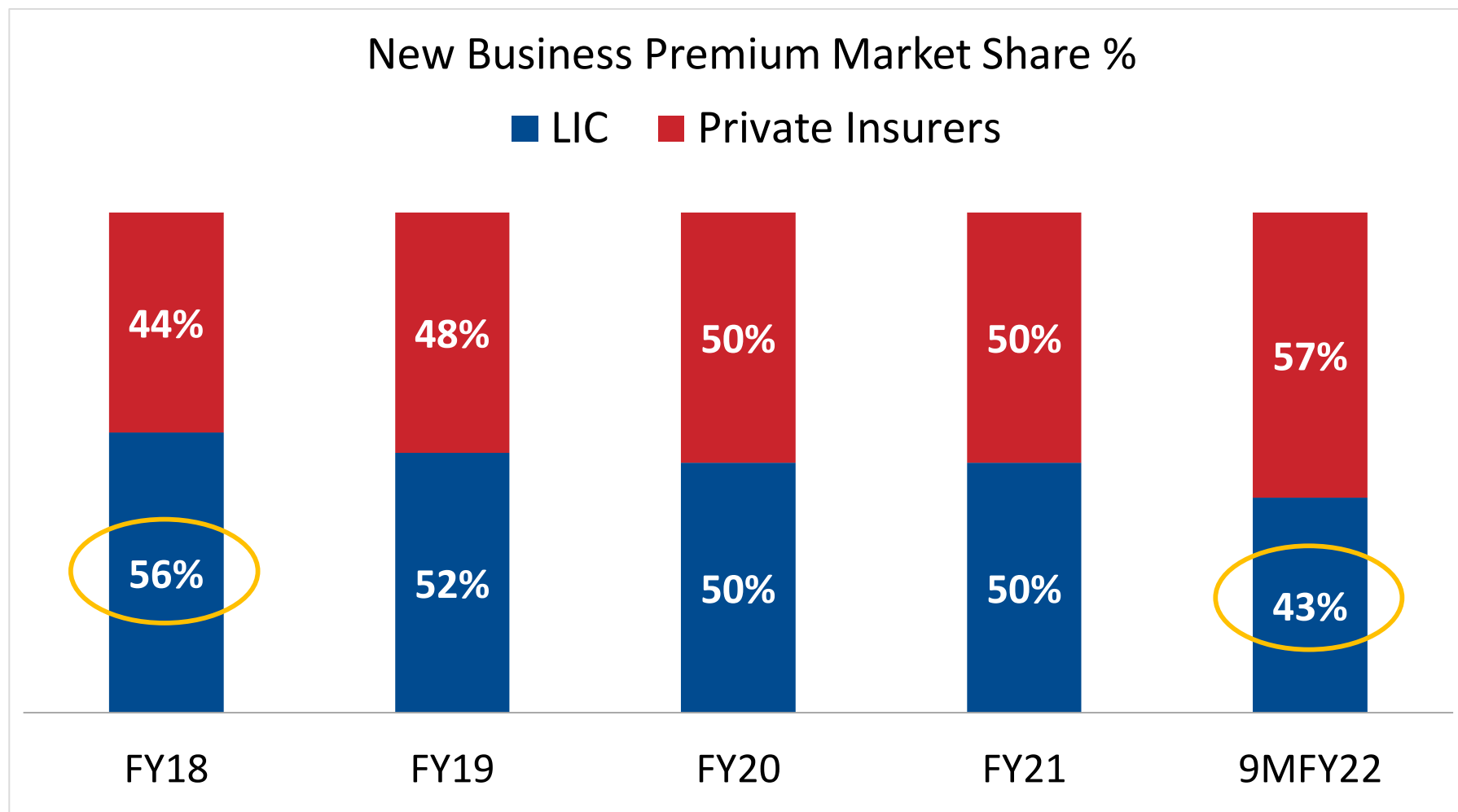
%	Linked	Non-Linked
LIC	0.3%	99.7%
SBI Life	56.6%	43.4%
HDFC Life	29.1%	70.9%
ICICI Pru Life	63.4%	36.6%

LIC's Product Mix is Packed with Participating Plans, while Private Insurers are stronger in High Margin Linked Products



## Peer Comparison – 3. NBP Market Share in Individual Plans (As of FY21)

LIC's Market Share in NBP Individual Plans Eroded due to Poor Product Mix & Limited Omni-channel Presence



# Peer Comparison

## Total Premium

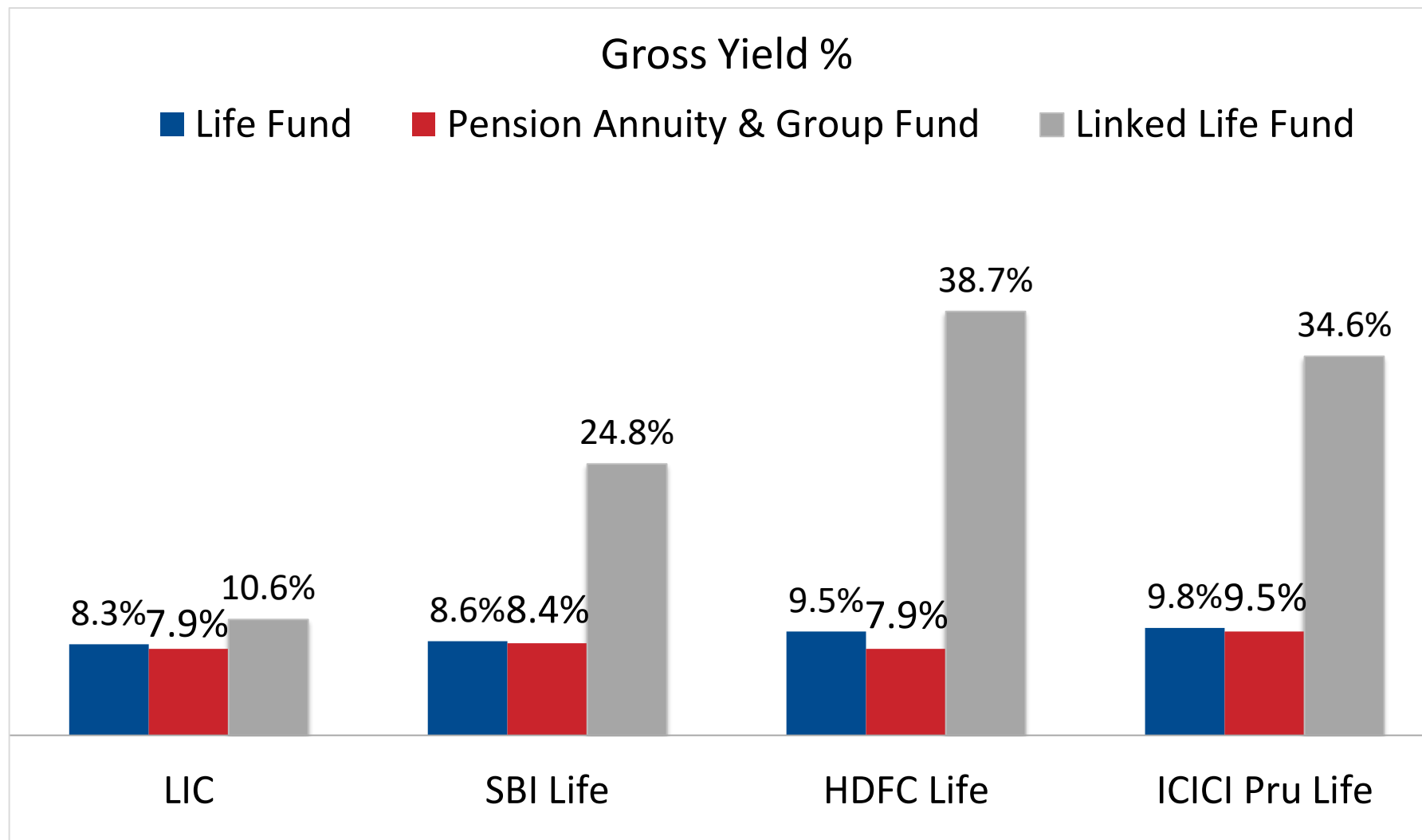
Total Premium – FY21	Total Premium (INR billion)	Customer Mix (Basis total premium)	
		Individual	Group
LIC	4,032.9	66.5%	33.5%
SBI Life	502.5	81.7%	18.3%
HDFC Life	385.8	73.7%	26.3%
ICICI Prudential Life	357.3	85.2%	14.8%

## New Business Premium

New Business Premium – FY21	NBP (INR billion)	Customer Mix (Basis NBP)	
		Individual	Group
LIC	1,841.7	30.6%	69.4%
SBI Life	206.3	60.6%	39.4%
HDFC Life	202.4	50.0%	50.0%
ICICI Prudential Life	130.3	60.2%	39.8%

# Peer Comparison – 3. Investment Yield (As of FY21)

Focus on Savings Plans Restricts LIC's Ability to take Risk for extra Yield



## Peer Comparison – 3. Expense Ratio (As of FY21)

Expense ratios (as % of total premium)-FY 21	Commission ratio	Operating expense ratio	Total Cost Ratio
LIC	5.5%	8.7%	14.2%
SBI Life	3.5%	4.8%	8.3%
HDFC Life	4.4%	11.9%	16.3%
ICICI Prudential Life	4.2%	7.5%	11.7%



# Peer Comparison – Key Ratios

## Persistency Ratio

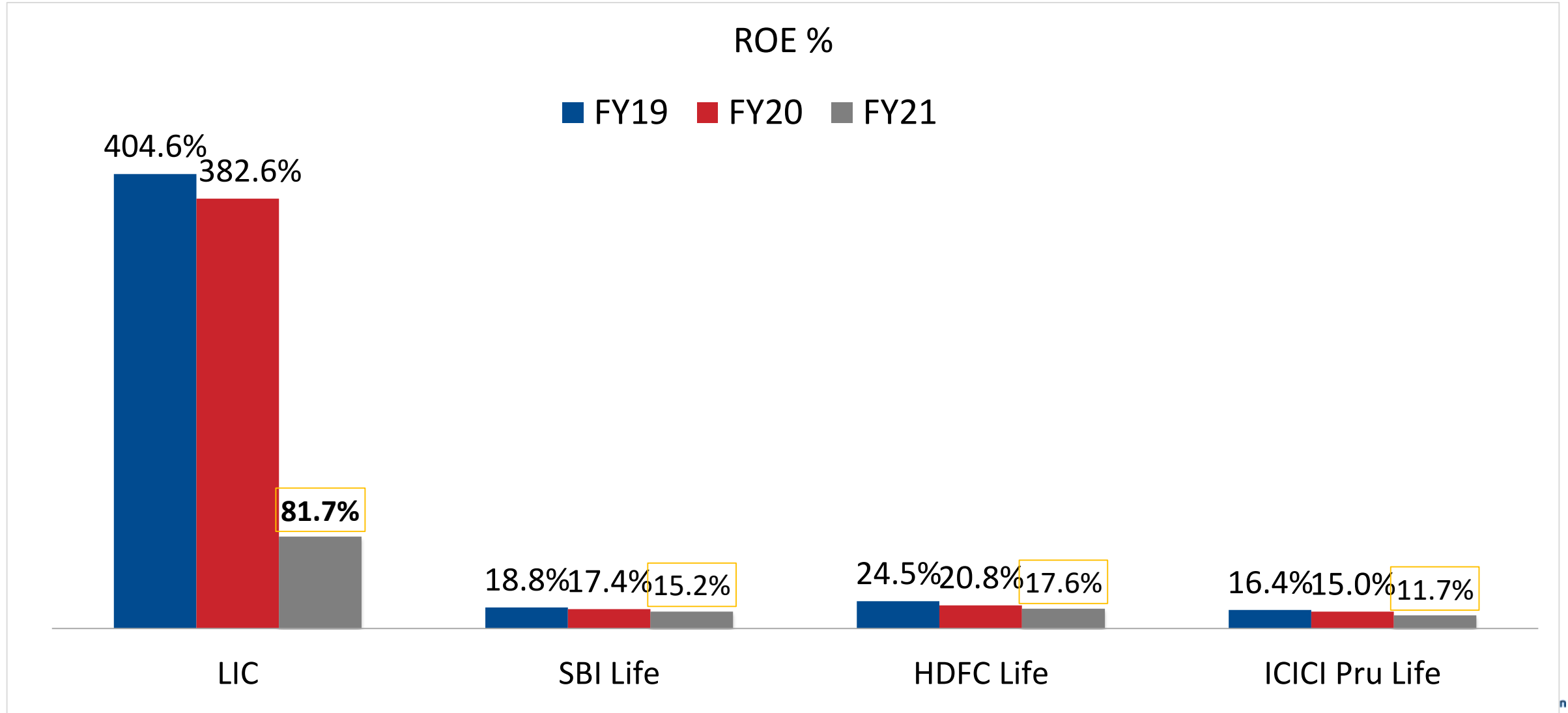
Persistency ratio 9M FY22	13th	25th	37th	49th	61st
LIC	76.8%	71.7%	67.8%	65.0%	61.9%
SBI Life	83.5%	77.0%	71.5%	68.0%	49.8%
HDFC Life	86.6%	76.9%	66.9%	62.8%	53.2%
ICICI Prudential Life	84.5%	76.1%	66.5%	59.1%	53.3%

## Other Ratios

Parameters (FY21)	ROE (%) (3-year average ended FY21)	Dividend payout ( %) (3-year average ended FY21)	Retention ratio ( %) (3- year average ended FY21)	Solvency ratio
LIC	289.6%	33.0%	67.0%	1.76
SBI Life	17.2%	11.8%	88.2%	2.15
HDFC Life	21.0%	10.3%	89.7%	2.01
ICICI Prudential Life	14.4%	37.5%	62.5%	2.17

# Peer Comparison – 4. Return on Equity (As of FY21)

LIC's boasts High ROE but due to Lower Equity Capital Base



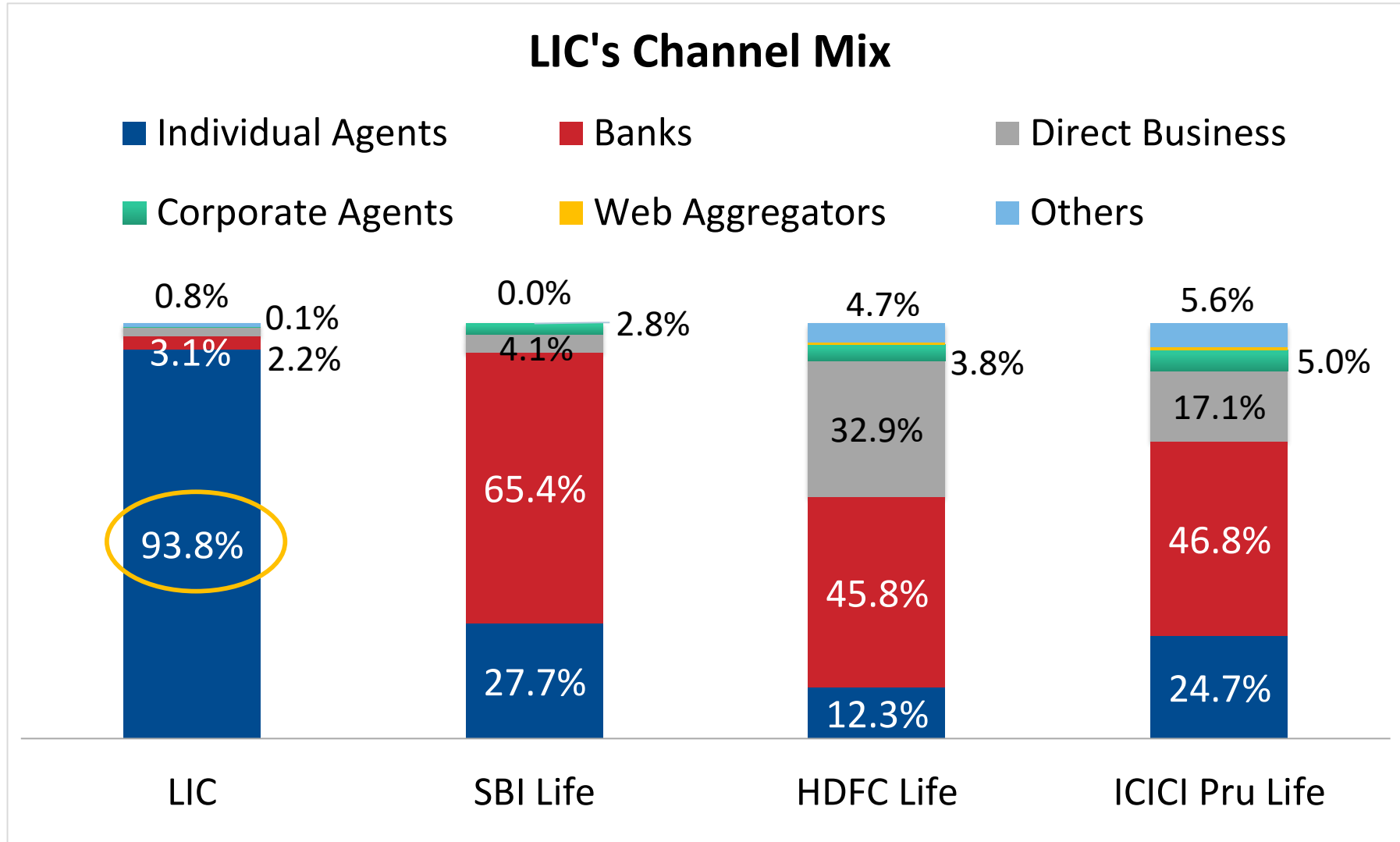
# Peer Comparison – 5. Agent Network & Productivity

LIC Agents are more Productive than Private Insurers

	9M FY22			FY21		
%	No. of Individual Agents	Policies Sold per Individual (Rs.)	New Business Premium for Individual	No. of Individual Agents	Policies Sold per Individual (Rs.)	New Business Premium for Individual
LIC	13.29 Lakh	2,60,069	9.0	13.53 Lakh	4,12,934	15.3
SBI Life	1.35 Lakh	2,25,740	3.1	1.70 Lakh	2,30,140	3.9
HDFC Life	1.13 Lakh	90,033	0.9	1.12 Lakh	1,12,714	1.3
ICICI Pru Life	1.97 Lakh	90,952	0.6	1.87 Lakh	1,02,356	0.9

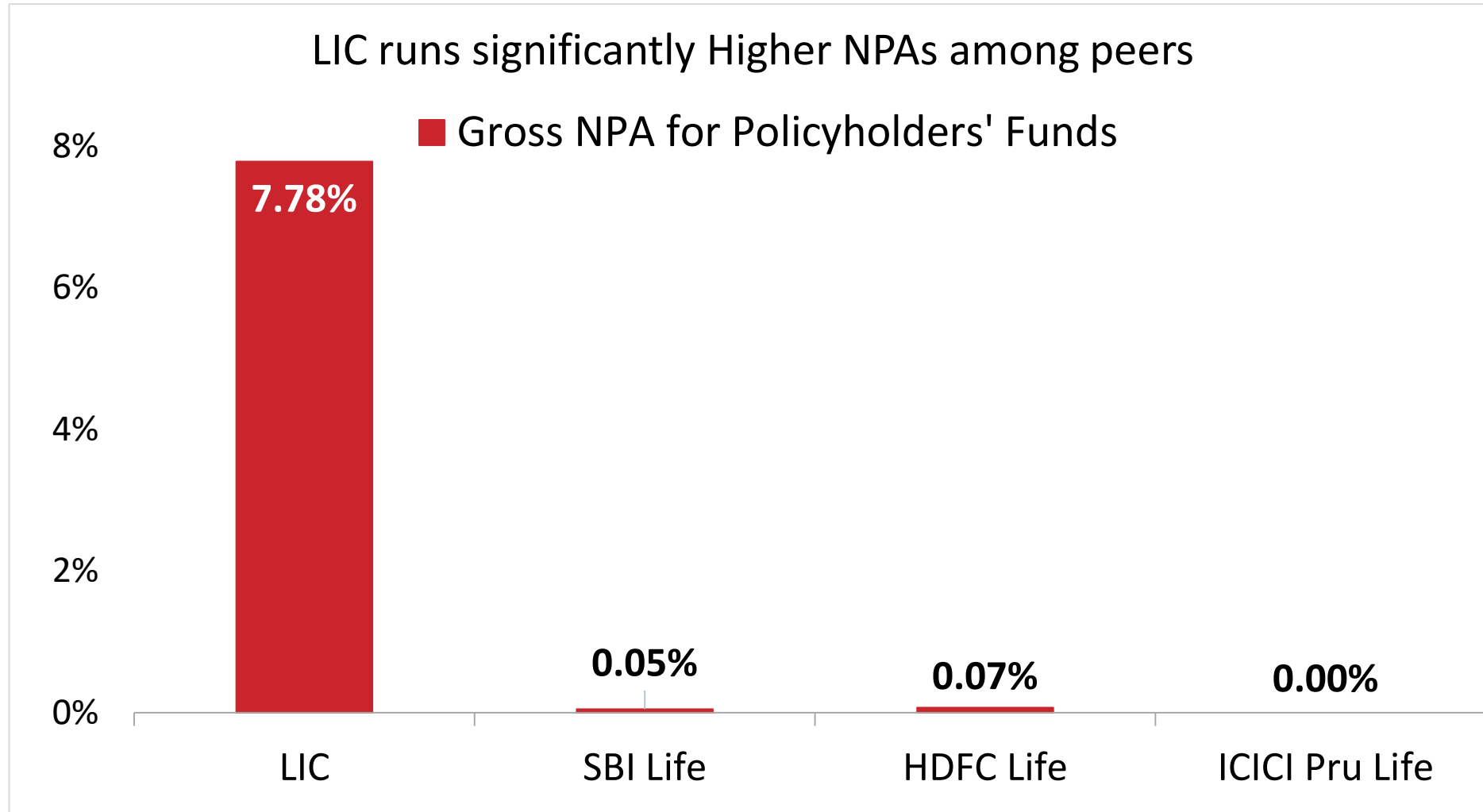
# Peer Comparison – 6. Channel Mix

LIC is having High Dependence on Agency Force,  
Also, LIC Lags in Banking & Direct-to-Customer Channel



# Peer Comparison – 7. NPAs

Government Dictated Actions Hurt LIC Finances,  
LIC's Value of Investment has Halved in firms like New India Assurance, HAL, IDBI Bank



# Peer Comparison

Name of the entity	Face value per equity share (₹)	P/ E	Total Premium (₹ in billion)	Net Profit (₹ in million)	EPS (Basic) (₹)	EPS (Diluted) (₹)	Net worth (₹ in million)	RoNW (%)	NAV/ Equity Share (₹)	Closing Price per share as on April 22, 2022	Indian Embedded Value (₹ in billion)	Market capitalization <sup>@</sup> to Indian Embedded Value (x)
Life Insurance Corporation of India	10	At the Floor Price: 191.82  At the Cap Price: 201.91	4,058.5	29,741.39	4.70*	4.70*	65,146.44	45.65	10.30*	N.A.	5,396.86 <sup>^</sup>	[●]
<b>Other listed players in India in the same industry</b>												
SBI Life Insurance Company Limited	10	78.16	502.5 <sup>#</sup>	14,558.49	14.56	14.55	104,004.36	14.00	103.99	1,137.25	302.0 <sup>^#</sup>	3.77
HDFC Life Insurance Company Limited	10	82.33	385.8 <sup>#</sup>	13,608.72	6.74	6.73	86,377.22	15.75	42.75	554.05	295.4 <sup>\$#</sup>	3.96
ICICI Prudential Life Insurance Company Limited	10	78.81	357.3 <sup>#</sup>	9,561.55	6.66	6.65	91,194.20	10.48	63.51	524.10	302.0 <sup>^#</sup>	2.49

## 5. Valuation – Market Cap to Embedded Value

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Company	Market Cap to Embedded Value
HDFC Life Insurance	4.7x
SBI Life Insurance	2.9x
ICICI Pru Life Insurance	2.58x
Life Insurance Corporation of India	<b>1.1x</b>



# Thank You

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