

"Evolving Horizons: The Journey And Impact Of LIC's Landmark IPO"

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Abstract

The Initial Public Offering (IPO) of the Life Insurance Corporation of India (LIC) in May 2022 marked a pivotal transition for one of India's largest financial institutions from a state-owned entity to a publicly listed company. This move was part of the government's broader strategy to divest its stakes in public sector enterprises, aiming to enhance operational efficiencies, improve transparency, and maximise shareholder value. Navigating through a series of legislative amendments and complex valuation challenges, the IPO drew substantial attention from both domestic and international investors, reflecting strong confidence in LIC's market fundamentals. This paper provides a detailed review of the IPO process, the subsequent market response, and its impact on LIC's business operations and governance structure. It discusses the strategic motivations behind the IPO, the execution challenges, and the implications for future economic reforms in India. By analysing LIC's performance post-IPO, the study highlights the critical role such transformative events play in modernising state-owned enterprises and integrating them with global financial markets, projecting significant implications for similar entities considering public offerings.

Keywords: life Insurance Corporation of India (LIC), Initial Public Offering (IPO) Financial Markets

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I. Introduction

The Life Insurance Corporation of India (LIC) is a state-owned insurance and investment corporation, which has played a pivotal role in India's financial services sector since its establishment in 1956. LIC's journey toward its Initial Public Offering (IPO) represents a significant milestone in the Indian financial market, illustrating the transition of one of the country's oldest and largest financial institutions into a publicly traded entity. This move was not only aimed at aligning LIC with global practices but also at unlocking value for the government and the corporation itself.

LIC's IPO Journey

The IPO of the Life Insurance Corporation of India (LIC) was a key part of the Indian government's plan to sell off parts of state-owned businesses. It aimed to raise substantial capital given LIC's size. To prepare, the government amended laws to allow LIC to restructure and go public, with efforts made to reassess finances, value the company, and get the necessary approvals. Valuing LIC was complex due to its large assets and varied investments, crucial for setting the IPO price to attract investors while meeting government goals. The IPO drew widespread interest, despite concerns about its high valuation. Upon listing, LIC's performance sparked debate but was seen as a success in widening its investor base and improving transparency and governance. The IPO is expected to drive LIC towards better efficiency and customer focus, signalling growth and innovation ahead.

Table 1 captures the essence of each phase in LIC's IPO journey, from the initial background and significance through to the impact and prospects following the IPO. Table 2 presents the LIC's IPO timeline.

Table 1: LIC's IPO journey

Aspect	Details
Background and Significance	Part of the government's agenda to privatize and divest stakes in state-owned enterprises. A crucial step due to LIC's size and potential capital.
Preparatory Steps	Legislative changes to facilitate listing, including amendments to the LIC Act. Extensive preparations like financial restatements and regulatory approvals.
Valuation and Pricing	Complex process due to LIC's large assets and diverse investments. Crucial for balancing investor interest with government objectives.
Market Response and Subscription	Drew significant attention despite market volatility. High subscription levels indicated strong confidence in LIC's fundamentals.

Aspect	Details
Listing and Performance	Landmark event in Indian capital markets. Post-listing performance sparked debates but was seen as successful for broadening shareholder base and enhancing governance.
Impact and Future Prospects	Significant implications for LIC, including operational efficiency and customer service. Expected to drive future growth and innovation.

Source: Authors compilation

LIC's IPO journey is a testament to the evolving landscape of India's financial services sector and reflects broader economic reforms. The success of this IPO is seen not just in financial terms but as a significant step towards enhancing transparency, governance, and efficiency in one of India's key state-owned enterprises.

Table 2: LIC's IPO timeline

LIC IPO Timeline (Tentative Schedule)	
LIC IPO opens on May 4, 2022, and closes on May 9, 2022.	
IPO Open Date	Wednesday, May 4, 2022
IPO Close Date	Monday, May 9, 2022
Basis of Allotment	Thursday, May 12, 2022
Initiation of Refunds	Friday, May 13, 2022
Credit of Shares to Demat	Monday, May 16, 2022
Listing Date	Tuesday, May 17, 2022
Cut-off time for UPI mandate confirmation	5 PM on May 9, 2022

Source: Authors compilation

The LIC IPO stood out as the largest in India's stock market history at the time of its launch, marking a significant milestone. It was a key component of the government's divestment strategy, involving the sale of a portion of its stake in the Life Insurance Corporation of India (LIC). This move not only demonstrated the government's dedication to its disinvestment plans but also necessitated a series of regulatory and legislative adjustments to facilitate the process. The IPO garnered substantial attention from both domestic and international investors, underscoring the strong brand value and trust that LIC commands among the public. This massive investor interest highlighted the widespread recognition of LIC's stature and reliability in the market.

Table 3 encapsulates the share distribution across different categories of investors for the IPO.

Table 3: Share distribution of LIC's IPO across different categories

Investor Category	Shares Offered	Percentage of Total	Maximum Allottees
Anchor Investor Shares Offered	59,296,853	26.79%	NA
QIB Shares Offered	39,531,236	17.86%	NA
NII (HNI) Shares Offered	29,648,427	13.39%	-
Retail Shares Offered	69,179,663	31.25%	4,611,977
Employee Shares Offered	1,581,249	0.71%	NA
Total Shares Offered	221,374,920	100%	-

Source: <https://www.tickertape.in/stocks/life-insurance-corporation-of-india-LIC>

Pricing and Performance of LIC's IPO

The stock experienced significant volatility during the observed period, with notable fluctuations in price and trading volume. This volatility reflects changes in investor sentiment, market conditions, and possibly the company's operational performance. Table 4 outlines the monthly movement in share price for LIC over a span from June 2022 to April 2024

Periods of decline

The most significant drop occurred from June 2022 to July 2022, when the share price fell from ₹673.9 to ₹677.8, despite the closing prices suggesting a mild increase, the opening prices and the percentage change highlight a substantial period of decline in the months leading up to this.

Between February 2024 and March 2024, the share price saw a sharp decline from ₹1,022.80 to ₹916.15, which was one of the steepest monthly decreases in percentage terms (-10.43%). This could be attributed to market corrections, negative news, or disappointing financial results.

Table 4: Monthly movement in share prices

Year	Month	Price	Open	High	Low	Volume	Chg%
2024	Apr-24	992.75	926.65	1,016.00	926.65	2.43M	8.36%
	Mar-24	916.15	1,027.20	1,049.00	865	70.92M	-10.43%
	Feb-24	1,022.80	956.9	1,175.00	926	161.07M	7.69%
	Jan-24	949.75	831.5	971.9	819.3	103.70M	14.08%
2023	Dec-23	832.5	685	843.9	667.15	117.49M	22.52%
	Nov-23	679.5	603.85	699	598.25	46.87M	12.83%
	Oct-23	602.25	648.1	651.85	597.35	15.32M	-7.31%
	Sep-23	649.75	645.3	691	643.05	27.33M	0.69%
	Aug-23	645.3	644	679	634	27.83M	0.84%
	Jul-23	639.95	635	642.9	614.25	16.85M	1.22%
	Jun-23	632.25	595	654	593.95	25.55M	6.23%
	May-23	595.15	552	615.5	549.1	34.24M	8.23%
	Apr-23	549.9	540	556.4	537.6	13.94M	2.91%
	Mar-23	534.35	581.3	625	530.05	26.56M	-7.62%
	Feb-23	578.4	660	665.4	566	35.96M	-11.46%
	Jan-23	653.3	685	746	639.2	33.94M	-4.57%
2022	Dec-22	684.6	638	754.25	638	70.08M	7.59%
	Nov-22	636.3	608.95	684.9	603.1	30.69M	5.36%
	Oct-22	603.95	622	635.8	588	16.98M	-2.85%
	Sep-22	621.65	673	678	617	31.52M	-7.70%
	Aug-22	673.5	680	706.6	667.2	27.53M	-0.63%
	Jul-22	677.8	675	724.4	669	28.46M	0.58%
Jun-22	673.9	811.4	817.45	650	75.46M	-16.94%	

Source: <https://www.tickertape.in/stocks/life-insurance-corporation-of-india-LIC>

Significant Growth Phases

From November 2023 to April 2024, the stock showed a strong upward trajectory, starting from ₹679.5 in November 2023 and peaking at ₹992.75 by April 2024. This growth phase indicates a period of positive investor sentiment and potentially favourable company developments or market conditions. Once again, from July 2023 to December 2023, there was another notable growth phase, with the price moving from ₹639.95 to ₹832.5, marking a substantial increase. This period likely reflects improving fundamentals or market perception of the stock. The trading volume varied significantly throughout the period, with peaks often corresponding to periods of significant price movement. For instance, February 2024 saw a high trading volume of 161.07M alongside a substantial price increase, indicating strong buying interest.

Recovery and Corrections

The stock's journey from June 2022 to April 2024 illustrates a series of recoveries and corrections. The initial decline from the highs of June 2022 was followed by a recovery phase starting in November 2022, with the stock then entering a period of volatility with alternating gains and losses before experiencing substantial growth towards the end of the observed period.

The fluctuations in the stock's price and volume indicate varying investor confidence influenced by external factors (such as market conditions and economic indicators), the company's performance, and possibly news or events directly related to the company or its industry. The periods of growth may align with positive developments within the company, such as strong earnings reports or successful initiatives, while the declines could reflect broader market downturns, less favourable company news, or profit-taking after the stock's price increases.

In summary, the movement in share price from June 2022 to April 2024 highlights the dynamic nature of the stock market, where a combination of company performance, investor sentiment, and external factors can lead to significant fluctuations in a stock's price and trading volume.

II. Conclusion And Future Prospects

LIC's IPO was the biggest public issue in India. It has been nearly two years since the LIC shares were listed on the domestic stock exchange after the completion of its Rs 21,000 crore net worth. However, the listing

of India's largest IPO has received mixed results. In the first year the LIC's shares fell around 35% from the listing price and 40% from the upper band price of the IPO price. The performance in the second year improved substantially with the stock bouncing back and soaring to unprecedented heights in January and February this year. LIC turned attractive due to factors that included strong sentiments towards public sector stocks, a marginal increase in dividends and an expected buoyancy in the equity market by the investors. This helped to increase the confidence of the investors who have steadfastly held on to their investments. The marginal decrease observed in its stock price this year was the announcement to raise wages by around 17% for its 1.10 lakh employees. LIC now commands a higher market capitalisation than other major giant companies.

With LIC showing a decent financial performance this year along with bullish sentiments towards public sector stocks and prospects of a higher dividend pay-out have all combined to ensure that the prospects towards LIC's shares remain positive in the coming years. LIC is a fundamentally strong Company and has the capability and capital to compete with any company in the market.

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