

# India slashes size of biggest IPO

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People walk past a promotional poster for the Life Insurance Corporation of India in Mumbai.

India has slashed the size of an initial public offering by insurance giant LIC but the share issue will still be the country's largest to date, with a targeted windfall of \$2.7 billion, regulatory filings showed Wednesday.

Prime Minister Narendra Modi's government is desperate for proceeds from the IPO by Life Insurance Corporation of India and the sale of other state assets to help fix tattered public finances.

The long-awaited IPO—originally slated for March—will open next week, the filing seen by AFP showed, after the government chose to wait out recent market volatility triggered by the Russian invasion of Ukraine.

"While global sentiments are weak, Indian markets are resilient," finance ministry official Tuhin Kanta Pandey told reporters.

"This is an opportunity for the Indian consumer to participate in the wealth creation of one of India's most valuable corporations," he said.

But the adverse market conditions did force the government to substantially cut its stake sale to 3.5 percent, down from five percent.

The government will sell 221 million shares within a price band of 902 to 949 rupees, the prospectus showed.

This implies an IPO size of between 200 and 210 billion rupees (\$2.61 billion to \$2.74 billion), overtaking that of payments firm Paytm, which raised \$2.5 billion in November in India's largest public share sale to date.

The offer values LIC at \$78 billion, and follows a years-long effort by bankers and bureaucrats to appraise the mammoth insurer and ready it for listing.

Founded in 1956 by nationalising and combining 245 insurers, LIC was for decades synonymous with life insurance in post-independence India, until the entry of private companies in 2000.

It continues to lead the pack with a 61 percent share of the life insurance market in a country of 1.4 billion people, with its army of 1.3 million "LIC agents" giving it huge reach, especially in rural India.

LIC's market share has, however, declined steadily in the face of competition from net-savvy private insurers offering specialised products.

The firm warned in its regulatory filing that "there can be no assurance that our corporation will not lose further market share" to private companies.

The insurer is also India's largest asset manager, with 39.55 trillion rupees under management as of September 30, including significant stakes in Indian blue chips like Reliance and Infosys.

## **'Monetise and modernise'**

The government hopes LIC's IPO will attract legions of first-time investors to the stock market, in a country where less than five percent of people have trading accounts.

It will be a crucial step in Modi's policy to "monetise and modernise" state-run companies and plug an estimated 16.6 trillion rupee fiscal deficit this financial year.

Going public will demand the insurance behemoth submit itself to a greater degree of operational transparency.

"The next two quarters will be an acid test," independent markets commentator Srinath Sridharan told AFP.

"They're not used to this kind of scrutiny or being asked

questions—except by the Ministry of Finance."

LIC's real estate assets include vast offices at prime urban Indian locations, including a 15-storey office in Chennai that was once India's tallest building.

The firm is also believed to own a large collection of rare and valuable artwork that includes paintings by M.F. Husain—known as the Pablo Picasso of India—although the value of these holdings has not been made public.

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