

INSURE

## LIC IPO news: Cabinet allows up to 20% FDI in LIC, sources say



According to the current FDI policy, 74 per cent foreign investment is permitted under the automatic route in the insurance sector. However, these rules do not apply to the LIC, which is administered through a separate LIC Act.

### Synopsis

The Indian union cabinet has approved a policy amendment allowing foreign direct investment of up to 20% in Life Insurance Corp of India (LIC), a government source said. This move is aimed at easing the much anticipated listing of the state-run in...

By ET Online

Last Updated: Feb 26, 2022, 03:49 PM IST



The **Union Cabinet** has permitted up to 20 per cent foreign direct investment (**FDI**) under automatic route in IPO-bound **LIC** with an aim to facilitate disinvestment of the country's largest insurer, sources said on Saturday.

The decision in this regard was taken by the cabinet, chaired by Prime Minister **Narendra Modi**.

India's biggest insurance company plans to float a stake of 5% to raise about \$8 billion next month for the south Asian nation's largest initial public offering (**IPO**) by far.

The amendment would allow foreign direct investors to buy up to 20% of LIC's shares through an automatic route, said the government source, who spoke on condition of anonymity after the **cabinet** meeting.

As per Sebi rules, both FPI and FDI are permitted under public offer. However, since the LIC Act has no provision for foreign investments, there is a need to align the proposed **LIC IPO** with Sebi norms regarding foreign investor participation.

The Cabinet had in July last year approved the initial public offering (IPO) of LIC and the stake sale is being planned for the current March quarter.

Setting the stage for the country's biggest-ever public offering, Life Insurance Corporation on February 13 filed draft papers with capital market regulator Sebi for the sale of 5 per cent stake by the government for an estimated Rs 63,000 crore.

Although the DRHP does not disclose the market valuation of LIC, as per industry standards it would be about three times the embedded value or around Rs 16 lakh crore.

The LIC public issue would be the biggest IPO in the history of the Indian stock market. Once listed, LIC's market valuation would be comparable to top companies like RIL and TCS.

So far, the amount mobilised from IPO of Paytm in 2021 was the largest ever at Rs 18,300 crore, followed by Coal India (2010) at nearly Rs 15,500 crore and Reliance Power (2008) at Rs 11,700 crore.