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BHAKTI MAKWANA (/AUTHOR_ARTICLES_ALL.CMS?QUERY=%22BHAKTI MAKWANA%22&AUTHOR=BHAKTI MAKWANA&PAGE=1) | MAY 17, 2022, 16:43 IST



There is a strong case to go long on LIC say analysts and macroeconomic indicators



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- The listing of the most awaited issue was disappointing though widely expected. Its stock fell over 8% today.**
- However, analysts believe investors need not feel dejected and end up selling in losses as the long term view for life insurance products remains strong.**
- India's highly underpenetrated life insurance space is still at a nascent stage and LIC is attractively positioned to capture the huge growth opportunity, say analysts.**

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Almost one in every two retail investors who applied for the initial public offering of Life Insurance Corporation of India (LIC) has been allotted the shares. This is because 13.77 crore retail investors bid for 6.91 crore shares reserved for this category of investors.

However, the listing of the most awaited issue was disappointing though widely expected. Its stock fell over 8% today on listing to ₹867.20 while the price band was fixed at ₹902 - ₹949 per share.

Hold LIC for the long term, recommend analysts

But there is no case to feel dejected and go on a selling spree, believe analysts. They recommend them to hold them for the long term as demand for life insurance products remains strong.

A report by CareEdge expects the life insurance industry to grow at around 12-14% for the next three to five years.

“Insurance demand is positively correlated with economic growth and grows at a multiple to the GDP. FY23 has started on a strong note, and LIC’s growth momentum over the past few months comes ahead of its initial public offering...Overall, the outlook is expected to be positive in the medium term,” said the report.

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Moreover, stock analysts also believe at the current market prices, LIC’s share price is significantly cheaper compared to listed players. This is despite the fact that LIC is a dominant player with 60% market share in premiums.



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"At current price, LIC is trading at a price-to-earnings P/EV (embedded value) of close to 1.08 times, which is at a significant discount to other listed private life insurance companies like HDFC Life, ICICI Pru Life, and SBI Life," said Yash Gupta, equity research analyst at Angel One.

"As expected given the adverse market conditions listing has been muted for LIC. However, cheap valuations as compared to other listed players offer comfort, and investors with a longer time horizon can hold on to their positions while retail traders with a short-term view can exit their positions in case there is any upside movement over the next few days," he added.

Life insurers	Share price	Market cap
LIC India	₹901	₹5.68 lakh crore
HDFC Life	₹547	₹1.15 lakh crore
SBI Life	₹1,053	₹1.05 lakh crore
ICICI Prudential Life	₹496	₹71,241 crore



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\$LIC.P plunged early in its debut after a record initial public offering that priced at the top of the range and was oversubscribed nearly 3 times.

Stock is hovering at Rs 904 amid 2.5cr shares traded on NSE. \$LIC.P shares started trading at Rs 865 a piece, 8.65% over its issue price of Rs 949 on BSE.

The share opened at Rs 872 on NSE, 8.8% discount over the premium.

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3

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Listing gains of IPO stocks maybe a thing of the past

LIC is not the only company with a bad listing to its name. LIC is not the only company with a bad listing to its name. On the top of this list is PayTm which lost 60% of its value since it listed in November 2021.

"As observed, the majority of big IPOs have not given strong listing debut gains. Considering previous trends, LIC has continued to take the same path. We believe that personal savings and awareness regarding insurance will increase enabling the sector to outperform in the long run and will indirectly benefit LIC as it is the market leader in this sector. We feel long term investors should continue to hold the scrip while short-term investors can wait to enter at a lower price," said Mohit Nigam, Head - PMS, Hem Securities.

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