



Hype of uncovering the truth behind LIC's IPO

K. Sathish¹, Nara Ashwini²

¹Assistant Professor, Department of Master of Business Administration, CMR Institute of Technology, Medchal, India

²Student of Master of Business Administration, CMR Institute of Technology, Medchal, India

Received: 08 Jun 2025; Received in revised form: 27 Jun 2025; Accepted: 03 Jul 2025; Available online: 08 Jul 2025

Abstract – A study on an initial public offering (IPO) of the Life Insurance Corporation of India (LIC). As one of the most significant public listings in India's history, LIC's transition from a state-owned enterprise to a publicly traded company offers a unique case study to explore the interplay between market sentiment and financial performance. The study aims to determine whether pre-market indicators – such as the unofficial Grey Market Premium, subscription levels among diverse investor groups, and media narratives – accurately forecast the company's post-IPO performance. It reviews LIC's financial data spanning the pre- and post-IPO periods, focusing on metrics like revenue, profitability, and cash flow, while also considering shifts in investor confidence and corporate Governance. Structured into distinct sections, the report begins with an executive summary to provide an overview of the main findings. This is followed by an introduction that contextualizes the IPO process and outlines the specific environment surrounding LIC's market debut. The subsequent sections detail the study's objectives, research Methodology, and data analysis before drawing conclusions that offer insights for investors, analysts, and policymakers.

Keywords – Life Insurance Corporation of India, Initial Public Offering, Public Sector Disinvestment, Grey Market Premium (GMP), Investor Confidence.

I. INTRODUCTION

IPO:

An Initial Public Offering (IPO) is the process through which a private company offers its shares to the public for the first time, thereby becoming a publicly traded entity. This transition allows the company to raise capital from investors in exchange for ownership stakes. IPOs mark a significant milestone in a company's growth journey, enabling them to expand operations, reduce debt, or fund new projects. Once a company is listed, its shares are traded on stock exchanges, making them accessible to a broader investor base.

Capital Raising: An Initial Public Offering (IPO) enables a company to raise significant capital, which can be utilized for business expansion, acquisitions, research and development, or improving overall operations.

1. Increased Market Visibility and Credibility: A publicly listed company gains greater Recognition and trust among investors, customers, and financial institutions, enhancing its reputation in the marketplace.
2. Liquidity for Shareholders: An IPO provides existing shareholders, including founders, early-stage investors, and employees, with an opportunity to convert their equity holdings into liquid assets.
3. Stronger Corporate Governance: Public companies are required to comply with strict regulatory standards, which improves transparency, accountability, and boosts investor confidence.

IPO Procedure:

The IPO process is carried out through several key stages:

- **Appointment of Investment Bankers:** Companies engage investment banks, also known as underwriters, to oversee the IPO process. These banks assist in structuring the issue, setting the price range, and marketing the offer.
- **Regulatory Documentation:** The Company files a Draft Red Herring Prospectus (DRHP) with the securities regulator—such as SEBI in India—which contains detailed financial information, risk factors, and strategic business plans.
- **Regulatory Approval and Roadshows:** Once the DRHP is reviewed and approved, the company, along with its underwriters, organizes roadshows and investor presentations to generate interest among institutional and retail investors.

Where is an IPO launched:

An IPO is launched on recognized stock exchanges such as the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) in India, or globally on exchanges like the New York Stock Exchange (NYSE) and NASDAQ. The listing location depends on the company's operational base, investor demand, and regulatory preferences.

What is the Pre-Market of an IPO:

The pre-market phase of an IPO includes all activities and discussions that take place before the actual listing. It consists of analyst reports, media coverage, subscription data, and market speculation. Investors closely monitor these signals to gauge demand and potential listing performance. Pre-market buzz can significantly impact investor sentiment, influencing subscription rates and initial stock price movements.

What is the Grey Market Premium (GMP) of an IPO?

Grey Market Premium (GMP) refers to the premium at which IPO shares are traded in unofficial markets before their official listing. It reflects investor demand and expected performance on the listing day. A high GMP indicates strong market interest, while a negative or low GMP suggests weak demand. However, GMP is unofficial and not regulated by stock exchanges, making it a speculative indicator rather than a definitive predictor of IPO performance.

II. REVIEW OF LITERATURE

2.1 Theoretical Framework:

This study is based on the Efficient Market Hypothesis (EMH), which suggests that all available information is reflected in market prices, helping assess the accuracy of LIC's IPO valuation. Behavioral finance is used to understand the influence of investor psychology, media narratives, and market sentiment on IPO decisions. Signaling theory explains how pre-market indicators like the Grey Market Premium and institutional subscription levels shape investor expectations. Corporate governance theories are relevant in evaluating LIC's transition from a state-owned enterprise to a publicly listed company and its impact on transparency and accountability. Agency theory further supports the analysis of evolving ownership structures and investor trust post-IPO. These frameworks collectively guide the study in linking pre-market signals to post-listing financial and market performance.

2.2 Empirical Studies:

- Aggarwal, Prabhala, and Puri (2002) found that investor sentiment and oversubscription levels often act as strong predictors of short-term IPO returns.
- Research by Madhusoodanan and Thiripalraju (2015) emphasizes how media narratives and institutional investor interest can significantly impact the listing day performance of IPOs. Additionally, empirical evidence from the post-2008 period suggests that IPOs of state-owned enterprises tend to be more influenced by government pricing policies than by pure market dynamics. These studies provide a foundation for analyzing LIC's IPO.

III. DATA COLLECTION

This study is primarily based on secondary data, gathered from a variety of sources including LIC's financial reports, IPO-related publications, market databases, and investor sentiment platforms.

3.1 Financial Statements (2020–2024):

To understand how LIC performed before and after the IPO, key financial statements were analyzed for

a five-year period:

- **Income Statements:** Revenue growth, profitability, and overall financial stability before and after the IPO.
- **Balance Sheets:** Assets, liabilities, and changes in shareholder equity to assess LIC's financial health.
- **Cash Flow Statements:** Movement of funds, investment patterns, and any shifts in operational efficiency.

Comparing LIC's financials from pre-IPO (2020-2021) and post-IPO (2022-2024) allows for a clear understanding of whether the IPO had a meaningful impact on the company's financial trajectory.

3.2 Objective of the study:

- To evaluate the financial performance of LIC pre- and post-IPO

- To analyze the influence of Grey Market Premium (GMP) on different investor perception
- To study IPO subscription patterns across investor segments
- To draw practical insights for future IPO investors and market participants.

3.4 Need for the Study:

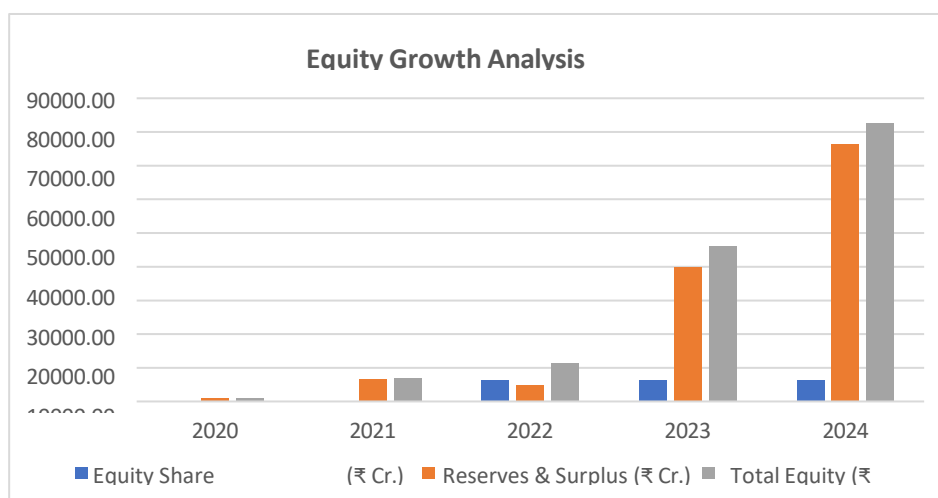
Understanding how investor behavior, media sentiment, and informal market signals influenced its post-listing performance is essential for:

- Retail investors who often rely on sentiment and GMP cues.
- Regulators and policymakers interested in refining IPO processes and investor protections.
- Academics and analysts seeking to build valuation and behavioral models in IPO markets.

IV. DATA ANALYSIS AND INTERPRETATION:

4.1 Equity Growth Analysis: -

| Year | Equity Share Capital (₹ Cr.) | Reserves & Surplus (₹ Cr.) | Total Equity (₹ Cr.) |
|------|------------------------------|----------------------------|----------------------|
| 2020 | 100.00 | 899.86 | 999.86 |
| 2021 | 100.00 | 6782.00 | 6882.00 |
| 2022 | 6325.00 | 5010.00 | 11335.00 |
| 2023 | 6325.00 | 39905.00 | 46230.00 |
| 2024 | 6325.00 | 76419.00 | 82744.00 |



Graph 4.1

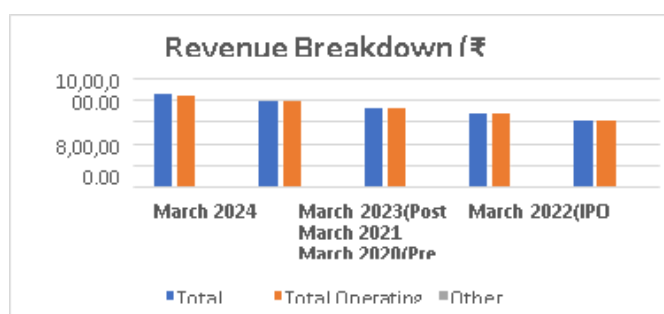
Interpretation: LIC's Total Equity has seen a significant rise post-IPO, growing from ₹11,335 Cr in 2022 (IPO year) to ₹82,744 Cr in 2024. The Equity Share Capital jumped in 2022 due to the IPO but remained unchanged afterward, indicating no further share issuance. The real driver of growth is Reserves & Surplus, which surged from ₹5,010 Cr in 2022 to

₹76,419 Cr in 2024, reflecting strong retained earnings and reinvestment. This suggests LIC's financial strength has significantly improved post-listing, primarily through internal profit accumulation rather than external fundraising.

4.2 Income Statement Analysis: - Revenue Trend Analysis:

| Metric | March 2024 | March 2023 (Post IPO) | March 2022 (IPO launch) | March 2021 | March 2020 (Pre IPO) |
|-------------------------|-------------|--------------------------|----------------------------|------------|----------------------------|
| Total Revenue | 8,57,369.47 | 7,89,203.40 | 7,21,304 | 6,82,228 | 6,15,912 |
| Total Operating Revenue | 8,42,708.13 | 7,81,542.56 | 7,20,515 | 6,81,628 | 6,14,443 |
| Other Income | 14,661.34 | 7,660.84 | 789 | 600 | 1,469 |

Table 4.2



Graph 4.2

Interpretation: LIC's revenue has shown consistent growth over the years, with Total Revenue rising from ₹ 6,15,912 Cr in 2020 (Pre-IPO) to ₹8,57,369 Cr in 2024. The IPO year (2022) saw moderate growth, but post-IPO (2023-2024) revenue surged significantly, indicating strong financial performance. Other Income spiked sharply post-IPO,

suggesting improved investment gains or strategic financial moves. Overall, LIC's financials have strengthened post-listing, reflecting positive business momentum.

4.3 LIC's Net Profit and EPS Growth: Pre-IPO vs. Post-IPO Analysis

Table 4.3

| Metric | Mar 24 (₹Cr.) | Mar 23 (₹Cr.) | Mar 22 (₹Cr.) | Mar 21 (₹Cr.) | Mar 20 (₹Cr.) |
|------------------|------------------|------------------|------------------|------------------|------------------|
| Net Profit (PAT) | 40,675.79 | 36,397.39 | 4,043.12 | 2,900.57 | 2,712.71 |
| Basic EPS (₹) | 64.69 | 57.55 | 6.39 | 4.59 | 271.27 |
| Diluted EPS (₹) | 64.69 | 57.55 | 6.39 | 4.59 | 271.27 |

Interpretation: LIC's Net Profit (PAT) saw a massive jump post-IPO, rising from ₹4,043 Cr in 2022 to

₹40,675 Cr in 2024, indicating significant profitability improvement. Earnings Per Share (EPS) also surged,

stabilizing at ₹64.69 in 2024, compared to just ₹6.39 in 2022, reflecting stronger earnings distribution. The sharp rise post-IPO suggests improved financial management, profit retention, and business

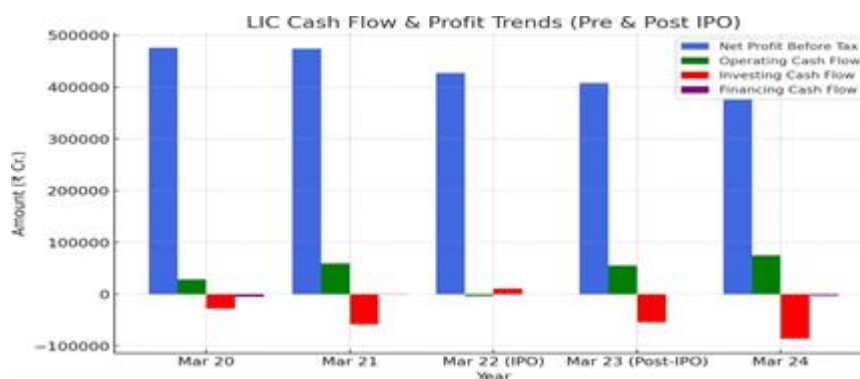
expansion. The chart shows LIC's net profit and earnings per share (EPS) for the past five financial years (from March 2020 to March 2024).

4.4 Subscription and GMP Analysis:

| Day | Investor Category | Subscription (times) | Shares Offered* | Shares bid for | Total Amount (Rs Cr.)* | GMP |
|-----|---------------------------|----------------------|-----------------|----------------|------------------------|-----|
| 1 | Anchor Investors | 1 | 5,92,96,853 | 5,92,96,853 | 5,627.27 | 60 |
| 2 | Qualified Institutions | 2.83 | 3,95,31,236 | 11,20,68,960 | 10,635.34 | 63 |
| 3 | Non- Institutional Buyers | 2.91 | 2,96,48,427 | 8,61,93,060 | 8,179.72 | 50 |
| 4 | Retail Investors | 1.99 | 6,91,79,663 | 13,77,84,060 | 13,075.71 | 40 |
| 5 | Employees | 4.4 | 15,81,249 | 69,49,965 | 659.55 | 21 |
| 6 | Others | 6.12 | 2,21,37,492 | 13,53,70,965 | 12,846.70 | 8 |
| | Total ** | 2.95 | 16,20,78,067 | 47,83,67,010 | 45,397.03 | |

4.5 Cash Flow Analysis:

| Metric | Mar 24 (₹Cr.) | Mar 23 (₹Cr.) | Mar 22 (₹Cr.) | Mar 21 (₹Cr.) | Mar 20 (₹Cr.) |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Profit Before Tax | 4,75,797.74 | 4,73,770.67 | 4,26,995.36 | 4,07,534.71 | 3,75,994.12 |
| Net Cash from Operating Activities | 28,484.36 | 59,718.01 | (-3,135.49) | 55,723.07 | 74,768.69 |
| Net Cash used in Investing Activities | (-27,702.65) | (-58,196.10) | 10,485.93 | (-54,185.87) | (- 85,762.59) |
| Net Cash used in Financing Activities | (-4,427.20) | (-948.59) | 0 | 0 | (-2,608.25) |
| Net Increase/ (Decrease) in Cash | (-3,645.49) | 573.32 | 7,350.44 | 1,537.20 | (- 13,602.15) |



Graph 4.5

Interpretation: LIC's Net Profit Before Tax has shown steady growth, rising from ₹3,75,994 Cr in 2020 to ₹4,75,798 Cr in 2024, reflecting strong earnings expansion. However, cash flow trends have fluctuated significantly:

Operating Cash Flow was negative in 2022 (₹-3,135 Cr) but rebounded strongly post- IPO, indicating improved financial efficiency.

5. STATISTICAL TOOL FOR ANALYSIS:

Mean:

| Net Profit | |
|------------|------------|
| Year | Net Profit |
| 2020 | 2712.71 |
| 2021 | 2900.57 |
| 2022 | 4043.12 |
| 2023 | 36397.39 |
| 2024 | 40675.79 |

Mean = $(2,712.71 + 2,900.57 + 4,043.12 + 36,397.39 + 40,675.79) / 5 = 17,345.916$

| Year | Profit | Deviation from Mean | Squared Deviation |
|------|----------|---------------------|-------------------|
| 2020 | 2712.71 | -14633.21 | 21,41,04,284.10 |
| 2021 | 2900.57 | -14445.35 | 20,85,97,894.10 |
| 2022 | 4043.12 | -13302.8 | 17,69,51,280.80 |
| 2023 | 36397.39 | 19051.47 | 36,39,57,683.40 |
| 2024 | 40675.79 | 23329.87 | 54,42,41,081.30 |

Variance = $n \sum (\text{Squared deviations})$

Variance = $(214104284.1 + 208597894.1 + 176951280.8 + 363957683.4 + 544241081.35)$

Variance = $1,507,852,223.75 / 5 = 301,570,444.7$

Calculate the Standard Deviation:

Standard Deviation = $\sqrt{301,570,444.7} \approx 17,368.08$

Median = 4,043.12 Cr (Middle value when sorted)

Interpretation: This mean represents the average value of the five data points you provided. However, in this specific case, two of the values (36,397.39 and 40,675.79) are much larger than the others (2,712.71, 2,900.57, 4043.12)

Interpretation: The standard deviation of approximately 17,368.08 indicates a very high spread in the data. This large value means the data points are widely dispersed from the mean (17,345.92). The presence of high outliers (36,397.39 and 40,675.79) significantly inflates both the variance and standard deviation. As a result, the dataset shows high variability and inconsistency. In such cases, using the median may better represent the typical value than the mean.

V. FINDINGS AND CONCLUSION

6.1 FINDINGS:

- **Equity Expansion:** LIC's Total Equity experienced a remarkable increase from ₹11,335 Cr in 2022 to ₹82,744 Cr in 2024. This surge was primarily driven by a significant rise in Reserves & Surplus, highlighting how profit retention post- IPO has strengthened the company's financial foundation.
- **Revenue and Profitability Trends:** Total revenue grew steadily – from ₹6,15,912 Cr in 2020 to ₹8,57,369 Cr in 2024. More striking was the substantial jump in Net Profit (PAT) from ₹4,043 Cr in 2022 to over ₹40,675 Cr in 2024,
- **Demonstrating that LIC not only capitalized on its market debut but also optimized its core business operations after listing.**
- **EPS Improvement:** The notable increase in Earnings Per Share (EPS) from ₹6.39 in 2022 to ₹64.69 in 2024 underscores the enhanced profitability and value distribution to shareholders following the IPO.
- **The case of LIC's IPO provides valuable insights into the dynamics of market performance and investor behavior during a transition from a government-owned entity to a publicly listed company.**

6.2 CONCLUSION

1. **Strategic Catalyst for Growth:** The IPO emerged as a transformative event for LIC, acting as a catalyst for accelerated financial growth. The marked increase in equity, revenue, and net profits post-IPO demonstrates that the public offering provided not

just additional capital, but also a Mandate to enhance operational efficiency, ramp up profitability, and improve investor confidence through disciplined profit retention and strategic reinvestments.

2. **Mixed Signals from Pre-Market Indicators:** While the pre-market buzz—including high subscription ratios and notable GMP levels—generated significant attention and investor interest, it did not uniformly predict long-term market performance. The negative correlation observed between subscription intensity and GMP highlights the complexity of market sentiment. The findings underline that investment decisions should not rely solely on pre-market excitement; instead, a deeper analysis of fundamental financial health and operational efficiency is crucial.

3. **Investor Behavior and Corporate Governance:** The overwhelming participation from institutional investors, compared to that of retail investors, suggests a critical role for professional market players in steering post-IPO outcomes. LIC's successful navigation of its listing phase confirms that robust corporate governance, transparent financial communication, and effective management practices are essential for converting initial market hype into lasting financial strength.

4. **Implications for Future IPOs:** Future public offerings, LIC's experience serves as a case study that emphasizes the for importance of balancing market sentiment with solid fundamentals.

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