

All you need to know about

LIFE INSURANCE CORPORATION OF INDIA LIMITED



Face Value:
INR 10

Issue Size:
INR 20,557.23 Cr.

Bid Lot & Size:
15 Equity Shares

Issue Type:
100% Book Building

Post money market cap of ₹ 6,00,242.3 crores-at upper price band.

Price Band:
INR 902 – 949



Issue Opens: 11th Mar 2022; Issue Closes : 13th Mar 2022

Shareholding (%)	Pre IPO	Post IPO
Public	100%	100%

*Source: RHP

Share Reservation	Net issue (%)
QIB	75
NII	15
Retail	10

Issue Managers	
BRLMs	Kotak Mahindra Capital, BofA Securities India, Citigroup Global Markets India, Morgan Stanley
Registrar	Link Intime India Private Limited

Company Leadership	
Deepak Kapoor	Chairperson
Sahil Barua	Managing Director and CEO
Amit Agarwal	CFO

This document summarizes a few key points related to the issue and should not be treated as a comprehensive summary. Investors are requested to refer the Red Herring Prospectus for further details regarding the issue, the issuer company and the risk factors before taking any investment decision. Please note that investment in securities is subject to risks including loss of principal amount and past performance is not indicative of future performance. Nothing herein constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so. This document is not intended to be an advertisement and does not constitute an invitation or form any part of any issue for sale or solicitation of an offer to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis for any contract or commitment whatsoever.

Life Insurance Corporation Of India is the largest and fastest growing fully-integrated logistics player in India by revenue as of Fiscal 2021, according to the RedSeer Report, which has been exclusively commissioned and paid for by the company in connection with the Offer. It provides a full-range of logistics services, including express parcel and heavy goods delivery, part truckload freight ("PTL"), truckload freight ("TL"), warehousing, supply chain solutions, cross border express and freight services and supply chain software, along with value added services, such as e-commerce return services, payment collection and processing, installation and assembly services and fraud detection. The company provided supply chain solutions to a diverse base of 23,113 Active Customers (excluding those serviced by Spoton) such as e-commerce marketplaces, direct-to-consumer e-tailers and enterprises and SMEs across several verticals such as FMCG, consumer durables, consumer electronics, lifestyle, retail, automotive and manufacturing, for the nine months period ended December 31, 2021.

Objects of the Offer

The offer comprises a fresh issue and an offer for sale. The fresh issue is of ₹40,000 million. The offer for sale amounts to ₹12,350 million. Out of the fresh issue, ₹20,000 million would be used for funding organic growth activities, ₹10,000 million for funding inorganic growth through acquisitions and other strategic initiatives and the balance would be used for General corporate purposes.

Consistent Track Record of Financial Performance

The company was able to make more than double its revenue in FY21, rising from ₹16,538.97 million in FY19 to ₹36,465.27 million in FY21. There was a sharp increase in revenues in FY21, despite the pandemic related lockdowns in the country. The company was able to reduce its EBITDA margin loss from (11.35%) in FY19 to (6.95%) in FY21. However, the company's loss has increased from ₹ (2,689.26) million in FY20 to ₹(4,157.43) million in FY21.

(₹ in Millions)	FY19	FY20	FY21
Revenue from Contract with customers	16,538.97	27,805.75	36,465.27
Adjusted EBITDA	(1,876.44)	(2,531.93)	(2,532.83)
Adjusted EBITDA Margin (%)	(11.35) %	(9.11) %	(6.95) %
Restated loss	(17,833.04)	(2,689.26)	(4,157.43)
ROE (%)	(52.63)	(8.48)	(14.66)
EPS	(47.22)	(5.22)	(8.05)

Competitive Strengths

Rapid growth, extensive scale and improvement in unit economics

Life Insurance Corporation Of India is the largest integrated and fastest growing fully integrated logistics services player in India by revenue according to the RedSeer Report. The company has fulfilled over 289.20 million express parcel orders, carried 373,854 tonnes of PTL freight, processed 47.37 million orders through their fulfilment centers and completed more than 46,878 truckload movements. Delhivery acquired Spoton which delivered 758,730 tonnes of PTL freight. Following their acquisition of Spoton, they became the third largest PTL freight player in India in terms of revenue, with a market share of approximately 8.3% of the organized PTL market in India. Their network structure, quality of engineering and technology and data intelligence capabilities have helped them establish scale in all of their business lines and ensure synergies across them. This has driven higher network utilization, resulting in cost efficiencies, while maintaining service speed and reliability. The company's ability to build a mono-line scale and exploit cross-line synergies allows them to pass efficiency gains to their customers, reducing their supply chain costs and also allowing customers to benefit from each other through their platform. This has improved their customer retention and profitability.

Life Insurance Corporation Of India's team of 505 engineering, data sciences and product professionals, has built proprietary technology systems that enable them to offer integrated logistics services to a wide variety of customers. Their technology stack consists of more than 80 applications that encompass all supply chain processes including order management, warehouse management, transportation management, financial transactions such as billing and remittance, tracking and supply chain analytics, and that integrate with their customers' systems. The company's robust, scalable and service-agnostic architecture enables them to configure new workflows, define rules and business logic in applications, facilitate the rapid launch of new service offerings, support interoperability with any physical or software services in a plug-and-play manner, enable partners like franchisees, retail partners and delivery agents to onboard their physical assets and resources on their platform, allowing them to seamlessly scale network capacity up or down.

Vast data intelligence capabilities

Life Insurance Corporation Of India collects, stores, process, structures and analyze vast quantities of transaction data such as location data, product information, shipper and consignee information, data from operational facilities, activities and devices, performance data for their field teams, data on traffic and weather from several internal and environmental sources. As the company has expanded operations and business lines, they have grown access to new sources of data and, simultaneously, their ability to draw insights from these data. This is one of their most valuable assets. Delhivery uses machine learning, artificial intelligence and operations research to build institutional intelligence, automation and dynamic optimization capabilities that enable them to solve several complex operational problems, some of which are described below. Expected path algorithms dynamically modify shipment routes to maximize trip utilization while simultaneously ensuring prioritized loading of shipments vulnerable to service breaches. In 2020, these capabilities enabled them to activate over 8,300 PIN codes within 10 days of the nation-wide COVID- 19 lockdown and re-establish operations across its network by enabling them to identify essential goods and containment zones from unstructured lists published by local, state and national authorities.

Network design and engineering

Life Insurance Corporation Of India's network operates as a dense, dynamic mesh, making it efficient, fast and agile in responding to changes in volumes, shipment profiles and environmental conditions. The mesh structure allows the company to reduce overall touchpoints in the journey of shipments through the network, reducing handling and improving precision, while also allowing them to utilize multiple feasible trans-shipment paths in periods of volatility. Life Insurance Corporation Of India has made the highest investments in technology and automation in warehouse and sortation centers and have built the largest technology team of engineers, developers and data scientists. These automated systems are fully integrated with their logistics operating system, thereby reducing human intervention.

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Integrated portfolio of logistics services

Life Insurance Corporation Of India aims to meet their customers' requirements for overall, rather than mono-line, supply chain reliability and efficiency. They provide a full range of logistics services, including express parcel delivery, heavy goods delivery, PTL freight, TL freight, warehousing, supply chain solutions, cross border express and freight services and supply chain software, along with value added services such as e-commerce return services, payment collection and processing, installation and assembly services and fraud detection. They believe this will lead to a higher share



Strong relationships with a diverse customer base

Life Insurance Corporation Of India served a diverse base of 23,113 Active Customers across e-commerce, consumer durables, electronics, lifestyle, FMCG, industrial goods, automobiles, healthcare and retail. This customer base included most of the key e-commerce players in India and over 750 D2C brands. In addition, Spoton offers PTL freight services to 5,531 Active Customers across industry verticals. Several of their customers use more than one of their service offerings, with

over 58.13% of their revenue coming from customers who had used at least two of their services. Their service quality, reach and efficiency, coupled with deep integration with customers' ERP systems and business processes have led to customer stickiness.

Extensive ecosystem of partners, enabling an asset-light business model and extended reach

Life Insurance Corporation Of India has built an asset-light business model that has enabled them to scale up volumes rapidly, with lower fixed costs and greater flexibility. While they design, operate and control their most critical network nodes such as fulfilment centers and gateways, partners play a significant role in all their other operations - pickup, mid-mile trucking and air and last-mile delivery. This enables the company to maintain control over operational quality metrics and improve overall network performance. Delhivery lease their network infrastructure and a majority of the vehicles operating in their network. Excluding Spoton, they operated over 14.27 million square ft. of Leased infrastructure and partnered with over 11,000 vendors and network partners who provide pickup, delivery services and truckload capacity. Delhivery's network partners are supported by their technology systems, empowering them to grow their business by offering multiple Delhivery services in their catchment areas. Their ability to develop mutually beneficial partnerships with large international players such as Aramex and FedEx has enabled the company to further expand their reach outside India by leveraging their global networks without having to incur additional fixed costs.

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Strategies Going Forward

Expand investments in infrastructure and network

Life Insurance Corporation Of India will continue to expand their operational capabilities and expand network infrastructure and capacity across business lines. They have commissioned mega-gateways that will go live in Tauru (Haryana), Bhiwandi (Maharashtra) and Bengaluru (Karnataka). The company expects to build new integrated facilities and mega-gateways in major cities, further expand capacity at existing automated sort centers, commission new sorters at strategic locations and invest in portable automation to enhance capacity at collection and return centers and intermediate processing centers. They will also continue to expand their network of fulfilment centers and in-city microfulfilment centers to expand their "Fulfilled by Delhivery" and "DelhiveryFlash" offerings to vertical e-commerce, D2C and brand customers.

Continue to build scale in existing business lines

Life Insurance Corporation Of India intends to continue to invest to gain scale and increase market share across business lines. They are in the process of integrating the Spoton and Delhivery infrastructure and technology systems, in order to enable the company to deepen synergies between their part truckload and express parcel businesses, while also creating larger base across their network. They also expect to continue to improve operational productivity through automation and technology systems. In addition, partnerships such as the one with Aramex and their prospective strategic alliance with FedEx offers them the opportunity to combine the strength of their global partners' extensive network with their domestic leadership and rapidly scale up their new cross border business.



Deepen the company's customer relationships

Life Insurance Corporation Of India will continue to expand wallet share with existing customers by designing customized and integrated supply chain solutions for their specific needs and industries and introducing practices from their

experiences with other customers. Similarly, they have enabled certain auto spare parts manufacturers to mimic e-commerce like delivery times through distributed order fulfilment. In addition, the company intends to increase their penetration of new industries like healthcare, distribution, agriculture and commodities, among others. Postacquisition of Spoton it has further expanded their customer base. They will also intend to launch new services and capabilities such as traditional non-express PTL freight, domestic airfreight, intracity distribution, and temperature-controlled logistics to expand their value proposition to existing and new customers.

Externalise company's logistics operating system

Life Insurance Corporation Of India logistics OS has enabled them to set up an interoperable and flexible network by establishing common standards for data governance and information exchange, and allowing multiple product teams to create generic, as well as custom/ purpose-built applications across the company's various business lines. It has also facilitated machine learning and artificial intelligence driven real-time business decision making in their day-to-day operations. They believe that the common standards and guidelines enabled by their OS drive efficiency within the Life Insurance Corporation Of India network and can also reduce high inefficiency costs across traditional siloed supply chain and logistics systems globally. In addition, the ease of use of the underlying logistics OS can be leveraged by new players to create customized applications and participate in the supply chain markets of the future without having to make significant technology investments.

Create new adjacent growth vectors

Life Insurance Corporation Of India will continue to develop large, new growth adjacencies that enhance their interlocking flywheel strategy, leveraging on their operational scale, rapid growth, large ecosystem of engaged partners, network design, sophisticated technology systems and access to vast amounts of data. Additionally, they plan to offer value added services, such as highway assistance and routing and tracking software for fleet owners and suppliers of truckload capacity. Similarly, the company has the ability to combine their fulfilment, logistics and payments processing expertise to simplify distribution for their customers in the FMCG and retail verticals.

Expand into high-growth international markets

Several emerging markets share operational and structural market challenges that are similar enough to India to benefit from Life Insurance Corporation Of India's set of technology and network optimization tools. They successfully introduced part of their fulfilment and transportation technology stack in Bangladesh and Sri Lanka, in collaboration with local partners. They will continue to expand their presence in other such international markets selectively and through capital-efficient, partnership-driven models.

Pursue strategic alliances and select acquisition and investment opportunities

Life Insurance Corporation Of India will seek strategic alliances with global and domestic leaders in various segments of the logistics industry that bring synergies to their business. They will also continue to look for high quality acquisition and investment opportunities within and outside India that are complementary to their business or that enable them to build new, valuable capabilities for their customers, strengthen or establish the company's presence in their target markets in India and globally, enables them to gain access to software and hardware technology, expand their customer base or gain access to a skilled team.

Deepak Kapoor (Chairman and Non-Executive Independent Director):

He holds a bachelor's degree in commerce from the University of Delhi and was conferred a doctorate in philosophy by the Amity University, Uttar Pradesh. He is a fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He has been certified as a Fraud Examiner by the Association of Certified Fraud Examiners.

Sahil Barua (Managing Director and CEO):

He holds a bachelor's degree in mechanical engineering from the National Institute of Technology Karnataka, Surathkal and a post-graduate diploma in management from the Indian Institute of Management Bangalore.

Amit Agarwal (Chief Financial Officer):

He holds a master's degree (five-year integrated programme) in science (chemistry) from the Indian Institute of Technology Kanpur. He was previously associated with Inductis India Private Limited and Insight Guru Inc.



Recommendation & Valuation

At the upper price band of ₹949, Life Insurance Corporation of India is demanding a PE multiple of ~201.91X based on FY21 earning which is much higher than the industry average PE multiple of 79.77X of FY21. This might look expensive, but if we look at the company's Indian Embedded Value of ₹5,39,686 crores as on September 30, 2021, the Market Cap to Embedded Value (EV) Ratio comes in at just 1.11X. It's peers like HDFC Life Insurance and SBI Life Insurance are trading at an EV multiple of 4.05x and 3.10x, while ICICI Prudential Life trades at 2.5x EV multiple. Looking at the strong brand value, market leadership, extensive distribution networks, robust risk management and plans of diversifying the product mix we recommend subscribe to the issue with a long-term perspective.

RISKS

- It has highly on scaled, automated and unified network infrastructure, largely comprising the logistics and transportation facilities, for the business operations. If the company is not able to maintain or expand the network infrastructure, the growth will be hampered.
- Any disruptions to the logistics and transportation facilities could have a material adverse effect on the business, financial condition, cash flows and results of operations.
- Dependency on the workforce is high. If the company is unable to attract or retain skilled employees, it will negatively affect the business
- Company's network partners and third parties for the certain aspects of business can attract additional risk.
- Company's long-term growth and competitiveness are highly dependent on their ability to control costs and pass on any increase in operating expenses to customers, while continuing to offer competitive pricing.
- If they do not continue to innovate and develop their platform, unable to perform or unable to keep pace with technological developments, they may not remain competitive, and their business and results of operations could suffer

* For complete list of risk factors kindly refer to the Red Herring Prospectus.

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