

LIC to buy Rs 40,000 crore worth shares in current fiscal

Life Insurance Corporation (LIC), the country's largest life insurer, will buy shares of around Rs 40,000 crore in the current financial year, a one-third increase over the previous year, partially blunting the impact of recent FII outflows from Indian stocks.

"We are contrarian players and for us it is never a bad time. The last one month was not good for the markets in the conventional sense, so it gave us a good opportunity to buy. We will invest Rs 40,000 crore in the stock markets this year," LIC Chairman SK Roy told ET in his first media interview after assuming charge earlier this month.

The insurer has already invested Rs 14,000 crore in stocks in the first quarter of 2013-14, nearly half the Rs 30,000 crore it invested in the whole of last year.

The Sensex is down 4.7% from mid-May, although it has rebounded 4.2% from the lows of last month. FIIs have sold shares worth around \$1.7 billion in the last five weeks, but net inflows remain positive during the current calendar year.

Roy, a 32-year LIC veteran, said the insurer took a long-term investment perspective and remained bullish about the Indian economy. "From investment point of view, our perspective will be 15 years plus. What happens in two or six months does not impact us. We are very bullish on the economy and we are certain this will turn out to be a very good India story."

LIC has come in for criticism from several quarters for its role in salvaging the share sales of several state-owned companies. Its last year's 11th-hour intervention in the auction of ONGC shares is the most controversial.

LIC is also believed to have invested heavily in MMTC and Hindustan Copper disinvestment programmes.

Roy, however, refuted this criticism. "I believe that this word 'salvaging' is not correct. The corporation takes a call on any investment opportunity after a series of due diligence checks at various levels. If we find value in an OFS, we participate," he said.

The LIC chairman said his primary task was to ensure that the insurer generated good returns from its investment, and that he had not been asked by the government to play a more active role in the board of companies where it had sizeable exposures.

"I agree that LIC should play an effective role in the governance of the company, but my first task is that I should ensure I get good returns on my investment in

this company, that is my primary role there," he said, adding if it requires greater participation on boards or any other role, it should be done.

The insurer is in advanced discussions with the sector regulator, the Insurance Regulatory and Development Authority, to wrest some flexibility in investment norms applicable to it. Present guidelines restrict it from holding more than 15% in the total bond sale of a company.

"We have sought a relaxation of another 10-15% in terms of investment in a company's bond. It makes my present task easier. The bond gives me the comfort which I may not get in other instruments," said Roy.

The LIC chairman said the insurer's non-performing assets are at a comfortable level and they are working to bring it below 1%. "Our net NPAs are at 1.18%, we will like to be below 1% level," he said.

On the issue of LIC Housing Finance seeking a banking licence, Roy said the subsidiary was a board-driven company. "Our mandate does not permit us to do banking. LIC Housing Finance is a board-run company. If the board of the company considered it and came to a conclusion that banking will be good for the company, then that's a call the board of that company has taken," he said.

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