

# Paid up capital and Authorised capital of LIC

March 9, 2021

**In news :** Recently, the central govt has proposed to increase authorised capital of LIC to Rs. 25000 crore crore to facilitate its listing slated for the next fiscal.

## Key updates

- Starting with an initial capital of Rs 5 crore in 1956, LIC has an asset base of Rs more than 31 lakh crore.
- The authorised share capital of LIC: It shall be Rs 25,000 crore divided into 2,500 crore shares of Rs 10 each, as per the amendments proposed in the Life Insurance Corporation Act, 1956.
- The government will remain the majority shareholder and will continue to retain management control, safeguarding the interest of policyholders
- **Current status of LIC:** As of now the paid-up capital of the LIC with over 29 crore policies is Rs 100 crore. The government of India owns 100 per cent stake in LIC. Once listed, it is likely to become the country's biggest company by market capitalisation with an estimated valuation of Rs 8-10 lakh crore.

## Recent amendments

- The recent amendment proposed as part of Finance Bill 2021 will lead to the setting up of a board with independent directors in line with listing obligations.
- As per the one of the proposed amends central government will hold at least 75 per cent in LIC for the first five years post the Initial public offering (IPO), and subsequently hold at least 51 per cent at all times after five years of the listing.
- It was also stated that up to 10 percent of the LIC IPO

issue size would be reserved for policyholders

### **What is authorised capital/authorised share capital?**

The authorised capital of a company is the maximum amount of share capital that the company is authorised by its constitutional documents to issue (allocate) to shareholders.

### **What is paid up capital?**

It is the amount of money a company has received from shareholders in exchange for shares of stock. Paid-up capital is created when a company sells its shares on the primary market directly to investors, usually through an initial public offering (IPO)

### **What is free float capital?**

The public float or free float represents the portion of shares of a corporation that are in the hands of public investors as opposed to locked-in shares held by promoters, company officers, controlling-interest