Hyundai raises ₹8,315 cr from anchor investors

42.4 mn shares allotted to 225 funds at ₹1,960 apiece

SAMIE MODAK
Mumbai, 14 October

Hyundai Motor India Ltd (HMIL) raised ₹8,315 crore from anchor investors on Monday, setting the stage for the country's biggest-ever maiden share sale. The Indian arm of the South Korean carmaker Hyundai Motor Company (HMC) allotted 42.4 million shares to 225 funds at ₹1,960 apiece, the higher end of its price band.

Among the investors receiving allotments were the Singapore government's sovereign wealth fund (GIC), New World Fund, and Fidelity. The allotment included 21 domestic mutual funds (MFs), such as ICICI Prudential MF, SBI MF, and HDFC MF, which applied through 83 schemes.

While HMIL's initial public offering (IPO) is the country's largest ever, its anchor issue size is lower than that of digital payments firm One97 Communications (Paytm), which launched a ₹18,300 crore IPO in 2021. Since Paytm was a loss-making company, it had to reserve a higher portion of shares for qualified institutional buyers, allowing for a larger anchor allotment.

Anchor allotments are made to marquee investors a day before the IPO to instil confidence and provide cues to other investors.

HMIL's IPO — opening for all categories of investors on Tuesday and closing on Thursday — is seen as a pivotal test for gauging the depth and attractiveness of the domestic equity markets.

	Year	Anchor size (₹ cr)	Issue size (₹ cr)	Anchor as % of total IPO size
Hyundai India	Oct '24	8,315	27,870	30
LIC	May '22	5,627	21,008	27
Paytm	Nov '21	8,235	18,300	45
Vodafone Idea*	Apr '24	5,400	18,000	30
Yes Bank*	Jul '20	4,099	15,000	27

*FPO

Sources: Exchanges, PRIME Database

Through the IPO, Seoul-headquartered HMC is divesting its 17.5 per cent stake and will raise ₹27,870 crore at the top end. The IPO does not include any fresh fundraising.

The price range for the issue is ₹1,865 to ₹1,960 per share, setting a valuation of ₹1.51 trillion to ₹1.59 trillion for the country's second-largest passenger carmaker. In its IPO, HMIL seeks a valuation of 26.3 times its FY24 earnings, which is about 10 per cent lower than the market leader, Maruti Suzuki India (MSIL).

Some analysts believe that HMIL can command a similar or higher premium to MSIL, given its superior margins and returns profile, even though its volumes, market share, and distribution reach are about a third of MSIL. At the same time, they caution that the stock may not generate eye-popping returns immediately after listing.

"We believe that the outlook for Hyundai remains strong due to its strong parentage, leveraging of parent technology, and research and development capabilities, as well as a solid balance sheet. However, at the upper price band, Hyundai is available at a rich valuation of 26 times its FY24 earnings per share, leaving little on the table for investors," observed Aditya Birla Capital, which recommends that investors with a longer holding period subscribe to the issue.

ICICI Securities has also issued a 'subscribe' rating; however, the brokerage suggests that there may be limited listing gains, considering the large issue size and competitive landscape. The brokerage believes the company is poised to deliver healthy double-digit portfolio returns over the medium to long term.