

Hyundai's IPO may further boost valuations of Indian automakers

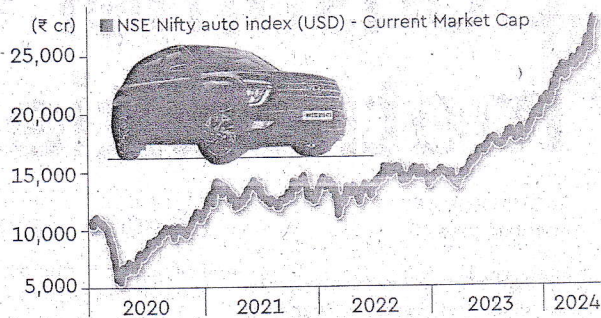
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HYUNDAI MOTOR INDIA'S plan for one of India's largest share sales may further boost valuations for the nation's already-buzzing automakers. The listing may value the South Korean carmaker's Indian unit at \$25 billion, Bloomberg News reported previously. That would make it the nation's 4th biggest automaker by market value, a milestone analysts say bodes well for the nation's auto sector.

Hyundai's share sale "will lift the valuation for the sector as it's a big IPO and boosts the sector's charm as a play on global sourcing from India," said Deven Choksey, managing director at DRChoksey FinServ.

The implied valuation for the IPO, based on the company's latest annualised profit, works to about 25 times earnings, said Devi Subhakesan, an analyst on Smartkarma. That's similar to market leader Maruti Suzuki India's one-year forward estimated earnings. Tata Motors Ltd., the owner of Jaguar Land Rover, trades at nearly 15 times, leaving room for expansion.

AUTO INDEX ADDED \$70-BN VALUE IN 2024



Source: Bloomberg

Local auto stocks have already added \$70 billion in market value so far this year, rising nearly 40% — over four times the advance in the country's equity benchmark. The rally is being fueled by rising demand for new vehicles in the world's fastest-growing major economy.

"One more global player in India market means higher allocation and larger funds getting attracted to the Indian auto sector," said Choksey. Hyundai's guidance on electric vehicles has added to the optimism about the industry's sales outlook. The share of EVs in India is

expected to swell about nine-fold to as much as 20% by 2029, according to the IPO filing. Both Mahindra & Mahindra and Tata Motors, among the oldest players in the sector, are also focusing on EVs.

Consumers are "looking for lifestyle upgrade, which means there's going to be a persistent demand for products that meet this expectation," said Abhishek Banerjee, founder and chief executive officer (CEO) of Lotusdew Wealth and Investment Advisors. Demand for electric vehicles and hybrids will continue to drive shares higher, he said. —BLOOMBERG