

Hyundai's IPO advisors could laugh all the way to the bank with \$40-m fee

WINDFALL. Automaker will pay banks including JPMorgan, Citigroup and HSBC, 1.3% of the IPO size

Reuters
Mumbai

The banks advising South Korean automaker Hyundai on its India IPO are set to make as much as \$40 million in fees, three sources said on the condition of anonymity, a windfall in a market where banks struggle to make money given cost-conscious clients and fewer big deals.

This would be the second-highest fee pot ever for investment banks working on an initial public offering (IPO) in India; it comes amid a sharp surge in equity deals, a bright spot in dull Asia.

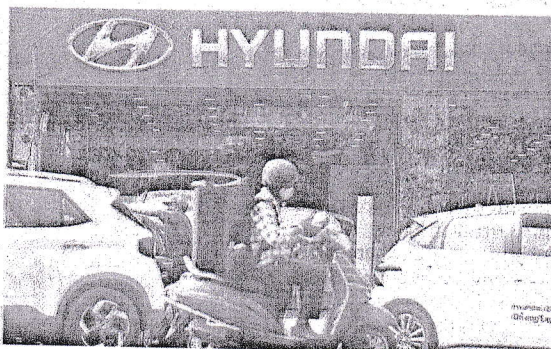
Hyundai Motor's India unit this month filed for regulatory approval for a listing, which could be the nation's biggest and will see the South Korean parent raise around \$2.5-3 billion at

a valuation of up to \$30 billion.

THE BANKS

Hyundai India will pay banks, including JPMorgan, Citigroup and HSBC, 1.3% of the IPO size, the sources added. Citi and JPMorgan declined to comment, while Hyundai India and HSBC did not reply to requests seeking comment.

That translates to \$40 million for a single deal at the top end of the deal size, making it the second best payday for banks after fintech Paytm's 2021 IPO yielded \$44 million for its seven advisers, Dealogic data showed. Banks in India get between 1 per cent and 3 per cent of an IPO size as fees, with larger deals giving more bargaining power to the issuers. An IPO worth about \$3 billion would see banks in New York earning 3



JACKPOT. Historically, most big equity deals in India have come from state-owned companies that 'offer very low fees' REUTERS

per cent - 3.5 per cent in fees, while it could be 2-3 per cent in Hong Kong.

Historically most big equity deals in India have come from state-owned companies that, bankers say, offer very low fees.

Western bankers privately complain about

the Indian market's low revenue potential, but they expect that to change in the coming years.

A \$40 million payout from the Hyundai India IPO would represent a fourth of India's total IPO fee income of \$164 million in 2023, according to Dealogic. Indian

brokerages IIFL and Kotak Mahindra, and Jefferies topped the country's IPO fee league table last year, London Stock Exchange Group data showed.

India's IPO fee rose 55 per cent to hit \$164 million last year, with a record 234 companies listing. Banks in New York earned \$890 million while Hong Kong IPO fees totalled \$135 million last year, per Dealogic data.

FEE SPLIT

The fee split among advising banks has not been decided yet, but typically lead managers get the lion's share. JPMorgan, Citi and HSBC are the lead banks on the Hyundai India IPO.

Other banks on the deal include Morgan Stanley and India's Kotak, they said.

Morgan Stanley and Kotak did not reply to a Reuters request for comment.