21 March 2025

Update | Sector: Auto Ancillary

Hyundai Motor

BSE Sensex	S&P CNX
76,906	23,350

Bloomberg	HYUNDAI IN
Equity Shares (m)	813
M.Cap.(INRb)/(USDb)	1379.4 / 16
52-Week Range (INR)	1970 / 1551
1, 6, 12 Rel. Per (%)	-8/-/-
12M Avg Val (INR M)	2903

Financial Snapshot (INR b)

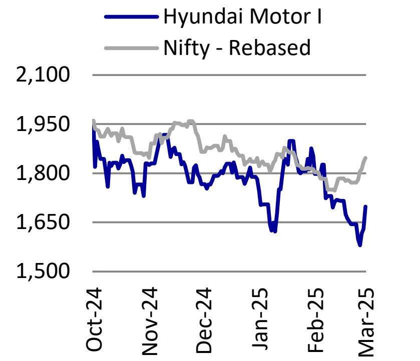
Y/E MARCH	FY25E	FY26E	FY27E
Sales	682	718	801
EBITDA	85	90	103
Adj. PAT	53	55	63
EPS (INR)	66	68	78
EPS Gr. (%)	(12)	3	15
BV/Sh. (INR)	180	228	282
Ratios			
RoE (%)	42.1	33.2	30.5
RoCE (%)	37.9	29.6	27.2
RoIC (%)	113.5	82.4	80.6
Valuations			
P/E (x)	25.9	25.0	21.8
P/BV (x)	9.4	7.4	6.0
EV/EBITDA (x)	15.0	13.8	11.8
Div. Yield (%)	1.0	1.2	1.4

Shareholding Pattern (%)

As On	Dec-24
Promoter	82.5
DII	7.1
FII	6.7
Others	3.7

FII includes depository receipts

Stock Performance (1-year)



CMP: INR1,698 TP: INR1,960 (+15%) Buy

New model launches planned after the new plant SOP

Well-positioned to benefit from the improving UV mix in PVs

We met with Hyundai's (HMI) management to understand the current industry landscape and the company's strategic direction. The overall demand environment remains muted, with the PV segment expected to grow modestly at 1-4% in FY26E. SUVs are likely to continue to drive growth, and hence HMI appears to be well-positioned to benefit from this trend. Its recently launched EV variant of Creta is witnessing a healthy response, and the company expects this to contribute to about 10% of overall Creta sales going forward. Management has indicated that it would continue to explore alternate powertrains, including EVs, hybrids, flex fuels, et al., and would be ready to launch the same in the Indian market with the backing of its parent, as and when the market is ready. For EVs, HMI would like to build a long-term sustainable model that is profitable and hence is gearing up with aggressive localization plans. While exports have remained weak in 3QFY25, management expects the same to stabilize in 4Q and report growth in CY25. HMI is likely to time its new model launches once its Pune plant begins production, SOP for which is scheduled in 4QCY25. Given its SUV-heavy portfolio, HMI is well-positioned to benefit from India's premiumization trend. We reiterate our BUY rating on HMI with a TP of INR1,960, premised on 26x Dec'26E.

Following are the key takeaways from our interaction:

Demand outlook remains bleak; premiumization trend to continue

- The overall demand environment remains weak. During the recent SIAM conclave, industry experts have projected the PV industry to grow at 1-4% in FY26E. UVs are likely to continue to outperform while demand for cars is likely to continue to slide down.
- SUVs continue to be the key growth driver, with even rural markets showing a similar contribution to SUV sales as urban regions. For HMI, rural market contribution has now increased to 21.2% in 3QFY25 from 19.7% YoY. In addition, almost 67.6% of its rural sales are from SUVs.
- The first-time buyer ratio has shown a significant improvement over the years, indicating growing aspirations and purchasing power. For HMI, the first-time buyer mix has increased to 40.1% as of 3QFY25 from 33.6% in 1QFY24. Specifically, models such as the Exter and Venue have witnessed an even higher proportion of first-time buyers, reaching 47%.
- Further, the premiumization trend is clearly visible in the industry. For HMI, sunroof penetration has increased to 53.5% in 3QFY25 from 47% YoY. Similarly, ADAS penetration has increased to 12.9% in 3Q from 3.4% YoY.
- Given the rising aspirations of the Indian consumer, HMI believes that the improvement in the UV mix is here to stay. Given the lack of material traction in the hatchback segment, HMI discontinued the Santro a couple of years back.
- The powertrain mix for HMI is 65% gasoline, 19% diesel, and 15% CNG (up from 11% YoY). CNG mix has improved after the dual-cylinder variant was introduced last year. In Exter, CNG penetration has sharply increased to 36.5% of the mix in 3QFY25 from 17.7% in 3QFY24. Similarly, CNG penetration in Aura is the highest at 90%. The same for i-10 is 20.3%.

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Powertrain strategy

- Management has indicated that it would continue to explore alternate powertrains, including EVs, hybrids, flex fuels, etc., and would be ready to launch the same in the Indian market with the backing of its parent as and when the market is ready.
- HMI does not see a challenge in launching hybrids in India if need be, as HMC globally has a strong hybrid portfolio. However, tax rates remain high for hybrids in India, and management does not see the same coming down to make this a viable option in India.
- Within EVs, HMI has recently launched the EV variant of its best-selling model, Creta. Management is currently witnessing a healthy response to the same.
- While management has not provided any order book data, it expects the EV variant to contribute to about 10% of overall Creta volumes going forward. The company does not expect the diesel variant to see material cannibalization due to the EV launch as it has positioned the two differently. Further, management has indicated that EV margins are likely to be lower than ICE in the initial years.
- HMI looks at EVs as a long-term priority and hence, is focused on EVs not just for gaining volumes and share but would like to make this a profitable solution in India. Hence, it is considering aggressive localization of components in India, including battery pack assembly, cells (tie-up with Exide), power electronics, drivetrains, et al.
- After the commencement of the new Pune plant, HMI would look to launch two more EVs in the Indian market.

New model launches to coincide with new capacity additions

- The SOP for the new Pune plant is likely to be scheduled by 4QCY25 for the first phase of 170k units p.a. capacity. The remaining 80k units would be added once the first phase ramps up, taking the total capacity to 1.1mn units p.a.
- HMI is aiming to time its new launches with the new plant ramp-up.
- While the timeline is not known, it targets to launch two more EVs in the Indian market. In addition, HMI would look to tap product gaps below and above the Creta segment.

Exports to stabilize in 4Q; revival likely from next year

- Exports contribute to about 20% of HMI's volumes. However, recent quarters have presented challenges, particularly due to disruptions in the Red Sea, which impacted shipments to the Middle East. To mitigate this, HMI increased the volume of shipments to Africa in 3Q, albeit this came at the expense of offering higher discounts.
- The Middle East, which contributed 37% of HMI's exports, declined 10% YoY. In contrast, Africa, which contributed ~28% of the mix, witnessed 15% YoY growth.
- HMI exports Verna to the Middle East and Nios, Aura, and Exter to Africa and Latin America. It has recently started exporting Exter to South Africa.
- Going forward, the company is evaluating export options for Creta EV.
- HMI expects export stability in 4QFY25 and anticipates marginal growth in CY25 following a decline over the past two quarters.
- The company aims to strengthen its position as a manufacturing hub for emerging markets. Management is actively exploring new export destinations and evaluating potential new products for export feasibility.

Focus on localization

- Localization at HMI has improved to 76.8% as of 3QFY25 from 73.5% YoY.
- The company has a dedicated team that works on options to improve localization periodically.
- The company continues to import electronics, including semiconductors, as the supply chain for the same is not developed in India.
- As highlighted in the previous section, HMI has an aggressive localization plan for EV components, including battery pack assembly, cells (tie-up with Exide), power electronics, drivetrains, etc.

Margins likely to improve from 3Q levels

- Margins in 3Q were hit by: 1) an export push to Africa with the help of pricing levers; 2) high discounts in the domestic market; and 3) one-time compensation given to employees post-IPO – a 60bp impact.
- In 3QFY25, HMI received INR1b worth of incentives from the Tamil Nadu government. The same was INR620m in 2Q as it was approved towards the end of the quarter. A similar incentive is expected in 4Q as well.
- Post-3QFY25, raw material costs have remained stable QoQ.
- Margin levers from hereon include: 1) the 1% price hike taken in Jan'25; 2) discounts in exports, which are likely to normalize; and 3) a one-time hit in employee expenses, which would not recur in 4QFY25.
- As a result, we have now factored in the margin to improve to 12.2% for 4Q.

KTAs from our interaction with a dealer of HMI

We interacted with one of the dealers of HMI based in Mumbai. At the dealership, there was no bias in promoting the Creta EV or ICE models. For the Creta EV, the primary concern was whether the buyer's residential society permits charging infrastructure. If approved, Hyundai conducts a survey and manages installation. Government incentives reduce registration charges to INR5k, providing a benefit of INR190-200k per vehicle. The top-end EV variant is about INR180k more expensive than the top-end diesel variant (refer to the table below). Neither model has official discounts, though dealer-end offers may be available for the ICE variant. Financing terms differ, with the Creta ICE having a 90% LTV, while the EV's LTV varies based on the CIBIL score.

Exhibit 1: Price comparison of Creta's models across different powertrain

Price on-road Mumbai (INR m)	Base variant	Top-end variant (like-to-like)
Petrol	1.37	2.29
Diesel	1.59	2.50
EV- 42kWh	2.00	2.31
EV- 51.4kHh	2.37	2.68

Source: MOFSL

Story in charts

Exhibit 2: Volume CAGR of ~6% over FY25-FY27E…

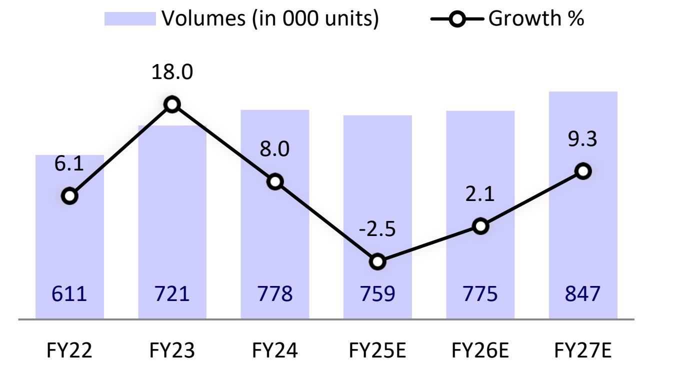


Exhibit 3: …coupled with ASP growth due to a better mix…

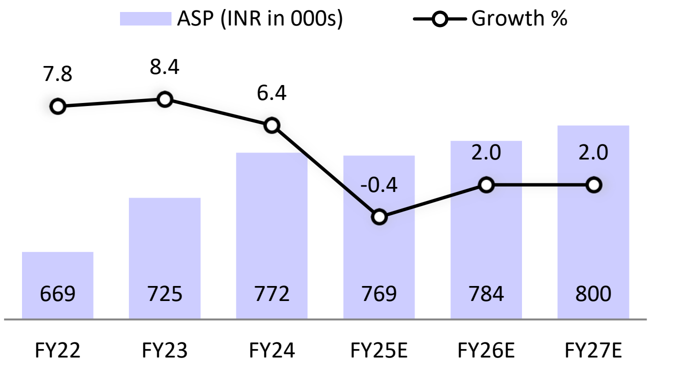


Exhibit 4: …leads to a healthy revenue CAGR of ~8%

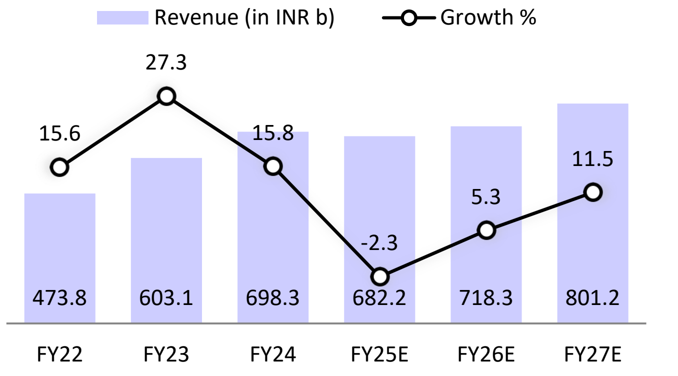


Exhibit 5: EBITDA margin to expand ~30bp over FY25-27E

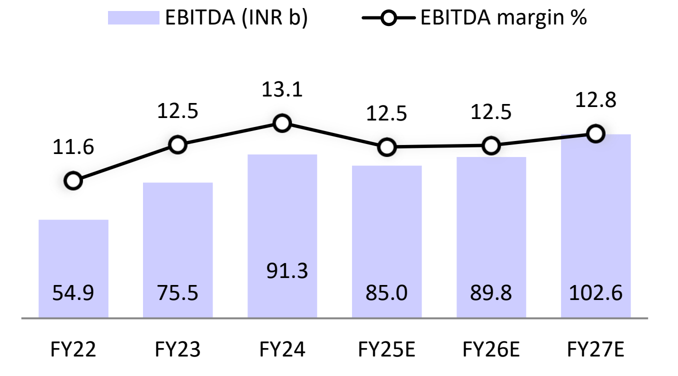


Exhibit 6: Expect earnings CAGR of ~9% over FY25-27

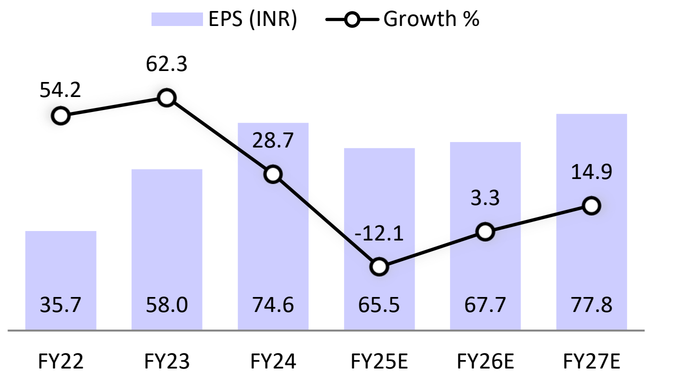
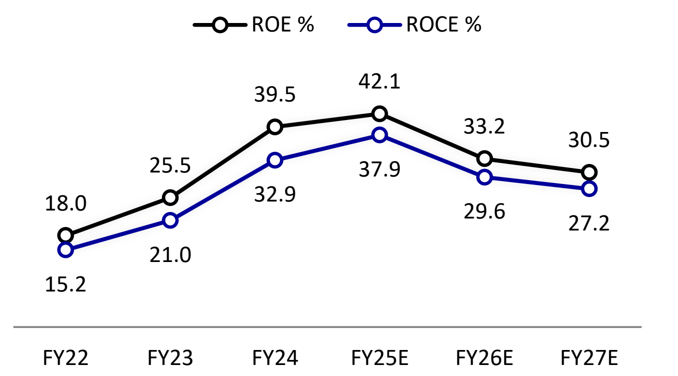


Exhibit 7: HMI would continue to post healthy return ratios



Financials and valuation

Consol Income Statement							(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Volumes	**5,75,877**	**6,10,760**	**7,20,565**	**7,77,872**	**7,58,732**	**7,74,877**	**8,46,653**
Change (%)	***(12)***	***6***	***18***	***8***	***(2)***	***2***	***9***
ASP	7,11,476	7,75,729	8,36,949	8,81,762	8,99,071	9,27,043	9,46,306
Change (%)	*8*	*9*	*8*	*5*	*2*	*3*	*2*
Net Op Income	**4,09,723**	**4,73,784**	**6,03,076**	**6,98,291**	**6,82,154**	**7,18,344**	**8,01,193**
Change (%)	*(5)*	*16*	*27*	*16*	*(2)*	*5*	*12*
EBITDA	**42,457**	**54,861**	**75,488**	**91,326**	**84,962**	**89,793**	**1,02,553**
Change (%)	*-0.9*	*29.2*	*37.6*	*21.0*	*-7.0*	*5.7*	*14.2*
EBITDA Margins (%)	*10.4*	*11.6*	*12.5*	*13.1*	*12.5*	*12.5*	*12.8*
Depreciation	19,732	21,696	21,899	22,079	21,031	24,020	26,687
EBIT	**22,725**	**33,165**	**53,589**	**69,247**	**63,931**	**65,774**	**75,866**
% of revenue	*5.5*	*7.0*	*8.9*	*9.9*	*9.4*	*9.2*	*9.5*
Interest	1,646	1,319	1,424	1,581	1,208	1,083	1,042
Other Income	4,324	5,876	11,291	14,733	8,942	9,655	10,604
PBT	**25,402**	**37,722**	**63,456**	**82,399**	**71,665**	**74,345**	**85,428**
Tax	**6,591**	**8,706**	**16,363**	**21,798**	**18,418**	**19,330**	**22,211**
Effective tax Rate (%)	*25.9*	*23.1*	*25.8*	*26.5*	*25.7*	*26.0*	*26.0*
Adj. PAT	**18,812**	**29,016**	**47,093**	**60,600**	**53,247**	**55,016**	**63,217**
Change (%)	*-20.1*	*54.2*	*62.3*	*28.7*	*-12.1*	*3.3*	*14.9*

Consol Balance Sheet							(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Share Capital	8,125	8,125	8,125	8,125	8,125	8,125	8,125
Reserves	1,44,988	1,60,437	1,92,423	98,531	1,38,467	1,76,978	2,21,229
Net Worth	**1,53,113**	**1,68,563**	**2,00,548**	**1,06,657**	**1,46,592**	**1,85,103**	**2,29,355**
Loans	13,539	11,777	11,893	8,332	8,332	8,332	8,332
Deferred Tax Liability	(4,494)	(6,157)	(8,266)	(9,478)	(9,478)	(9,478)	(9,478)
Capital Employed	**1,62,159**	**1,74,183**	**2,04,176**	**1,05,511**	**1,45,447**	**1,83,957**	**2,28,209**
Gross Fixed Assets	1,66,175	1,81,084	1,96,380	2,31,918	2,66,447	3,05,447	3,45,447
Less: Depreciation	93,296	1,14,372	1,34,876	1,55,774	1,76,805	2,00,825	2,27,511
Net Fixed Assets	**72,878**	**66,712**	**61,504**	**76,144**	**89,642**	**1,04,622**	**1,17,936**
Capital WIP	8,175	5,291	13,366	6,528	7,000	8,000	8,000
Investments	-	-	-	-	-	-	-
Curr.Assets, Loans	**1,81,758**	**2,05,420**	**2,62,597**	**1,71,342**	**1,92,451**	**2,27,704**	**2,75,178**
Inventory	25,633	28,811	34,224	33,156	33,276	35,425	39,511
Sundry Debtors	24,649	21,824	28,972	25,100	26,288	27,553	30,731
Cash & Bank Balances	1,15,676	1,41,388	1,77,411	90,173	1,11,277	1,41,970	1,79,556
Loans & Advances	255	155	659	-	-	-	-
Others	15,544	13,242	21,330	22,912	21,610	22,756	25,381
Current Liab & Prov.	**1,00,653**	**1,03,241**	**1,33,292**	**1,48,503**	**1,43,646**	**1,56,369**	**1,72,905**
Sundry Creditors	60,654	54,054	74,408	74,931	73,850	78,723	87,802
Others	28,230	37,417	46,307	60,577	56,800	64,651	72,107
Provisions	11,769	11,770	12,577	12,996	12,996	12,996	12,996
Net Current Assets	**81,105**	**1,02,179**	**1,29,305**	**22,838**	**48,805**	**71,335**	**1,02,274**
Appl. of Funds	**1,62,159**	**1,74,183**	**2,04,176**	**1,05,511**	**1,45,447**	**1,83,957**	**2,28,209**

E: MOSL Estimates

Financials and valuation

Consol Financial Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
Adjusted EPS	**23.2**	**35.7**	**58.0**	**74.6**	**65.5**	**67.7**	**77.8**
EPS Growth (%)	-	54.2	62.3	28.7	(12.1)	3.3	14.9
Cash EPS	47.4	62.4	84.9	101.8	91.4	97.3	110.6
Book Value per Share	188	207	247	131	180	228	282
DPS	17	18	57	133	16	20	23
Div. payout (%)	72.3	51.5	98.8	177.9	25.0	30.0	30.0
Valuation (x)							
Adj. P/E	73.2	47.5	29.2	22.7	25.9	25.0	21.8
Cash P/E	35.7	27.2	20.0	16.7	18.5	17.4	15.3
EV/EBITDA	30.0	22.7	16.1	14.2	15.0	13.8	11.8
EV/Sales	3.1	2.6	2.0	1.9	1.9	1.7	1.5
P/BV	9.0	8.2	6.9	12.9	9.4	7.4	6.0
Dividend Yield (%)	1.0	1.1	3.4	7.8	1.0	1.2	1.4
Return Ratios (%)							
RoIC	22.3	45.5	92.1	177.3	113.5	82.4	80.6
RoE	13.2	18.0	25.5	39.5	42.1	33.2	30.5
RoCE	11.1	15.2	21.0	32.9	37.9	29.6	27.2
Turnover Ratios							
Debtors (Days)	18	18	15	14	14	14	14
Inventory (Days)	24	21	19	18	18	18	18
Creditors (Days)	48	44	39	39	40	40	40
Work. Cap. (Days)	-6	-5	-4	-7	-8	-8	-8
Asset Turnover (x)	2.7	2.7	3.2	3.3	2.7	2.5	2.5
Leverage Ratio							
Net Debt/Equity (x)	-0.7	-0.8	-0.8	-0.8	-0.7	-0.7	-0.7

Consol Cash Flow Statement — INR m

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before Tax	25,402	37,722	63,456	82,399	71,665	74,345	85,428
Interest	1,646	1,319	1,424	1,581	1,208	1,083	1,042
Depreciation	19,732	21,696	21,899	21,989	21,031	24,020	26,687
Direct Taxes Paid	-9,233	-7,668	-21,328	-22,998	-18,418	-19,330	-22,211
(Inc)/Dec in WC	20,129	3,303	9,838	22,149	-4,863	8,162	6,648
Other Items	-3,451	-4,989	-9,646	-12,601	-8,942	-9,655	-10,604
CF from Oper.Activity	**54,225**	**51,384**	**65,643**	**92,520**	**61,682**	**78,626**	**86,989**
CF after EO Items	**54225.23**	**51,384**	**65,643**	**92,520**	**61,682**	**78,626**	**86,989**
(Inc)/Dec in FA	-25,785	-12,535	-22,493	-32,318	-35,000	-40,000	-40,000
Free Cash Flow	**28,441**	**38,849**	**43,150**	**60,202**	**26,682**	**38,626**	**46,989**
Interest/dividend received	0	3,482	8,378	8,451	8,942	9,655	10,604
(Pur)/Sale of Invest.	3,817	0	-1	-77,038	0	0	0
CF from Inv. Activity	**-21968.06**	**-9,053**	**-14,116**	**-1,00,905**	**-26,058**	**-30,345**	**-29,396**
Inc/(Dec) in Debt	1,875	-2,799	-529	-4,648	0	0	0
Interest Paid	-441	-228	-329	-294	-1,208	-1,083	-1,042
Dividends Paid	0	-13,594	-14,935	-1,54,358	-13,312	-16,505	-18,965
CF from Fin. Activity	**1434.47**	**-16,620**	**-15,792**	**-1,59,301**	**-14,520**	**-17,588**	**-20,007**
Inc/(Dec) in Cash	**33,692**	**25,711**	**35,734**	**-1,67,686**	**21,104**	**30,693**	**37,586**
Exchange rate fluctuation	12	1	289	7	0	0	0
Add: Op. Balance	81,973	1,15,676	1,41,388	2,57,853	90,173	1,11,277	1,41,970
Closing Balance	**1,15,676**	**1,41,388**	**1,77,411**	**90,173**	**1,11,277**	**1,41,970**	**1,79,556**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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