

We initiate coverage on Hyundai Motor India (HMIL) with REDUCE (TP of Rs1,750, at ~23x core Sep-26E PER, similar to MSIL) amid a lackluster ~5% EPS CAGR over FY24-27E. HMIL has established a strong franchise in India; however, lack of major launches (key growth driver historically in PVs) over the next 12-18M, muted ~5% capacity CAGR, higher royalty, and lower treasury income are likely to restrict EPS growth. While MSIL (REDUCE) also faces similar near-term growth challenges, we prefer it over HMIL given its catch-up on operational and financial metrics (even on lower SUV mix) with a much diversified product and powertrain mix and a higher growth optionality (potential small-car recovery, aggressive 8% capacity CAGR, 7-seater SUV launch in H2FY26E, and 10 new models by 2030) driving a superior 6%/10% revenue/EPS CAGR over FY24-27E.

Hyundai Motor India: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	603,076	698,290	701,748	771,184	833,838
EBITDA	75,488	91,326	92,037	102,686	112,697
Adj. PAT	47,093	60,600	58,158	64,470	69,256
Adj. EPS (Rs)	58.0	74.6	71.6	79.3	85.2
EBITDA margin (%)	12.5	13.1	13.1	13.3	13.5
EBITDA growth (%)	37.6	21.0	0.8	11.6	9.7
Adj. EPS growth (%)	62.2	28.6	(4.0)	10.9	7.4
RoE (%)	25.5	39.5	52.2	52.9	51.7
RoIC (%)	180.0	328.9	276.3	181.1	141.8
P/E (x)	33.8	26.3	27.4	24.7	23.0
EV/EBITDA (x)	18.9	16.5	16.5	14.9	13.6
P/B (x)	7.9	14.9	13.7	12.5	11.4
FCFF yield (%)	3.0	4.1	2.0	2.7	2.9

Source: Company, Emkay Research

HMIL's strong parentage, India-focus have created an enviable India franchise

HMIL is the only major foreign OEM (along with its group company Kia) to have effectively established itself at scale in India, riding the perfect interplay of a) strong global parentage with successful operations in multiple markets, b) sharp India-focus with proactive technology/feature-rich launches capturing the timely shift in consumer preferences (eg SUVs), c) extensive product portfolio with high SUV-focus, d) high scale and the resultant cost leadership (aided by early exports focus), and e) relatively premium positioning. Thus, despite multiple competitive cycles, HMIL has largely sustained its market position at ~14.6% market share, with 10-year volume/revenue CAGR of ~5%/11%, robust 15%/19% EBITDA/EBIT CAGR, and RoE of >20%.

Lack of new launches, muted capacity addition, high royalty to limit EPS CAGR

New launches have typically driven volume growth in PVs. Based on interaction with industry participants and media articles, we believe HMIL has a muted launch pipeline for the next 12-18 months, barring *Creta EV* (Q4FY25). Moreover, its planned annual capacity expansion to 1,074K units by CY28 implies ~5% CAGR, which appears modest relative to the aggression shown by peers like MSIL (~8% capacity CAGR; aims to launch 10 new models with intent to recapture 50% market share via higher focus on SUVs). We also highlight that Kia seems more aggressive in India (as well as globally) than HMIL, with much higher capacity CAGR (~7%). We note that share of exports out of India within Hyundai Motor Company (HMC) has declined over the years in favor of China.

Initiate coverage on HMIL with REDUCE; we prefer MSIL over HMIL

We forecast 4%/6% volume/revenue CAGR for HMIL, with a stable ~14% market share over FY24-27E. Growth will be restricted due to lack of major launches over the next 12-18 months, together with back-ended capacity addition (2HFY26E; currently operating at ~93% utilization levels). Moreover, higher royalty payments to Parent (1QFY25 onward) and lower treasury income (after a one-time dividend payout in Mar-24) would restrict EPS CAGR to 5% during FY24-27E. We initiate coverage on HMIL with REDUCE, valuing it at 23x Core Sep-26E PER (similar to MSIL). We prefer MSIL over HMIL as it is catching up on operational and financial metrics (despite a relatively lower SUV mix) with higher growth optionality.

Target Price – 12M	Sep-25
Change in TP (%)	NA
Current Reco.	REDUCE
Previous Reco.	Not Rated
Upside/(Downside) (%)	(10.7)
CMP (21-Oct-24) (Rs)	1,960.0

(Note – CMP refers to upper end of IPO price band)

Stock Data	Ticker
52-week High (Rs)	NA
52-week Low (Rs)	NA
Shares outstanding (mn)	813.0
Market-cap (Rs bn)	1,592.6
Market-cap (USD mn)	18,959.3
Net-debt, FY25E (Rs mn)	-70,825
ADTV-3M (mn shares)	NA
ADTV-3M (Rs mn)	NA
ADTV-3M (USD mn)	NA
Free float (%)	17.5
Nifty-50	24,781
INR/USD	84.1
Shareholding, Sep-24	
Promoters (%)	82.5
FPIs/MFs (%)	NA/NA

(Note – Market cap data above is based on upper end of IPO price band of Rs1,960)

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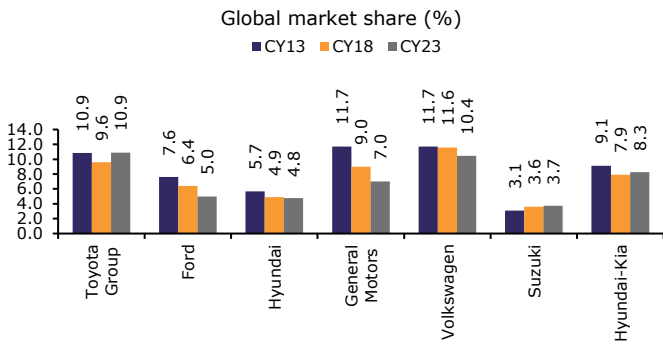
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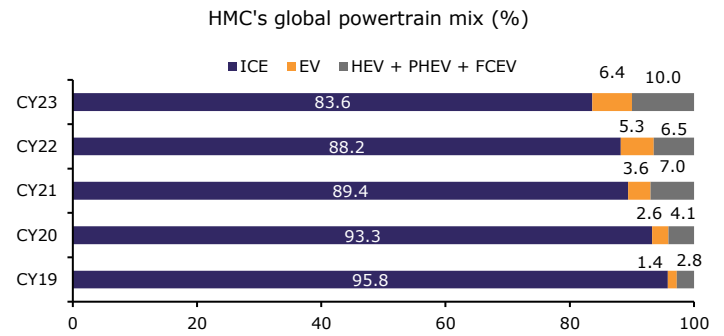
Story in Charts

Exhibit 1: HMC is among the leading PV OEMs globally; including Kia, it ranks among the top-3 players by volume



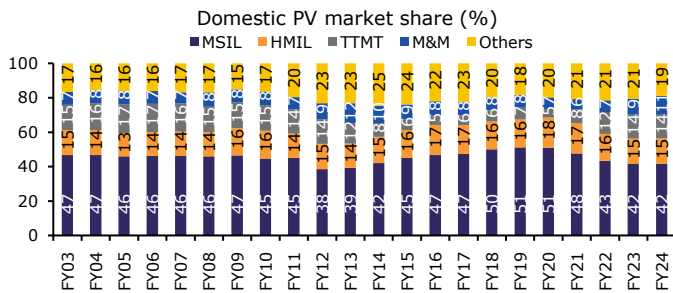
Source: Bloomberg, Emkay Research

Exhibit 2: HMC has presence across multiple powertrains; non-ICE share in mix has expanded 4x since CY19



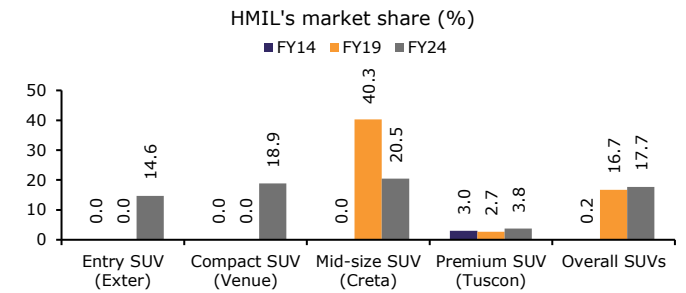
Source: Bloomberg, Emkay Research; Note: HEV = Hybrid, PHEV = Plug-in Hybrid, FCEV = Fuel Cell

Exhibit 3: HMIL has largely sustained its market share despite numerous competitive cycles, albeit seeing a dip in recent years



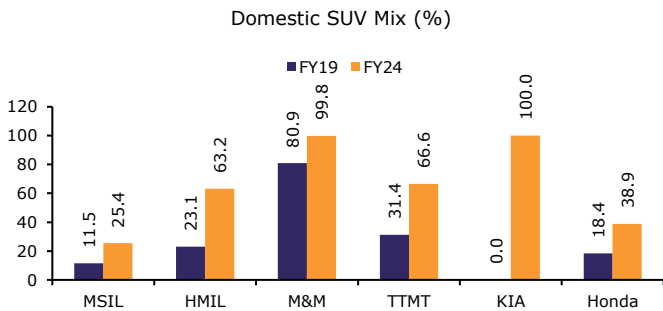
Source: SIAM, Emkay Research

Exhibit 4: HMIL commands ~18% market share in SUVs vs ~14.6% overall, with rising presence across sub-categories over the years



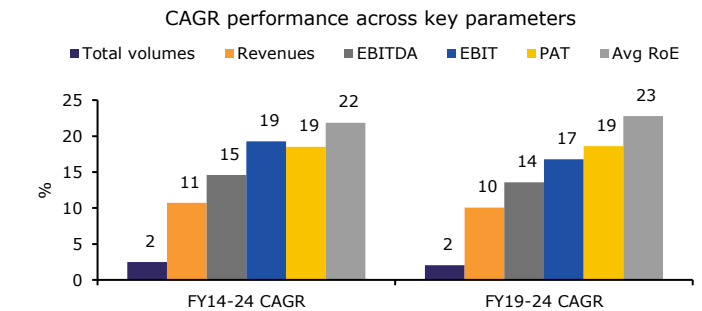
Source: SIAM, Emkay Research

Exhibit 5: HMIL's share of SUVs in overall volumes has risen in the past 5 years, and is ahead of that of several peers...



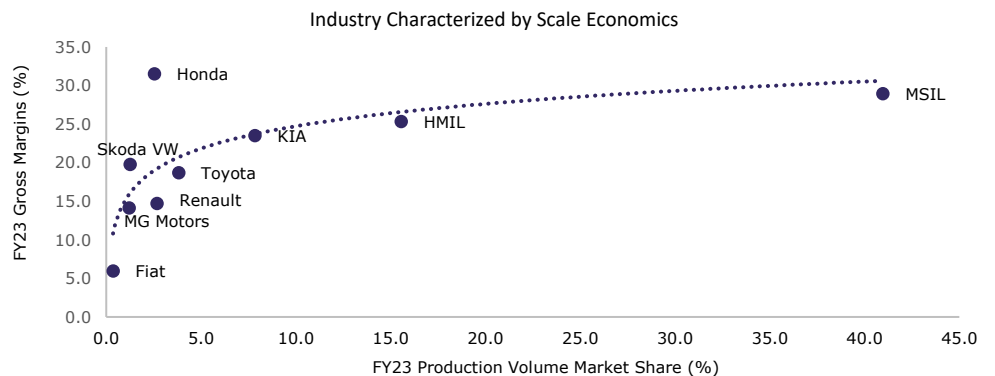
Source: SIAM, Emkay Research

Exhibit 6: ...which reflects in the high growth in profitability and the strong return ratios



Source: Company, SIAM, Emkay Research; Note: RoE is not CAGR basis

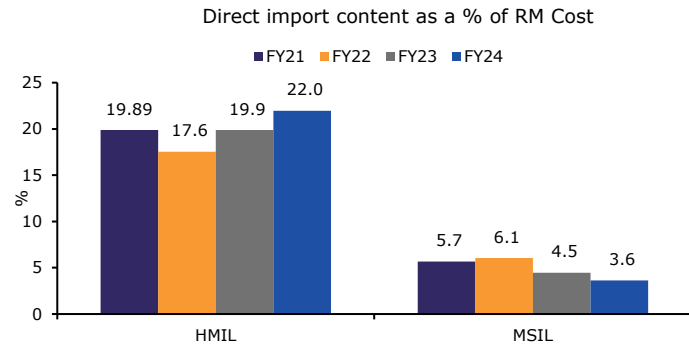
Exhibit 7: PV industry characterized by scale advantages; MSIL's and HMIL's success enables healthy profitability compared with peers



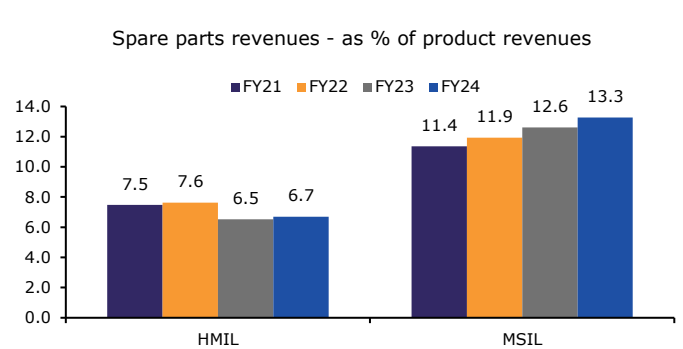
Source: Company, Capitaline, Emkay Research

Exhibit 8: HMIL remains ahead of other foreign OEMs, in terms of localization levels; however, import content is well below MSIL

Exhibit 9: Contribution of margin-accretive spare parts sales is much higher in MSIL; the Hyundai group captures the spare parts business in its unlisted group entity (Mobis)

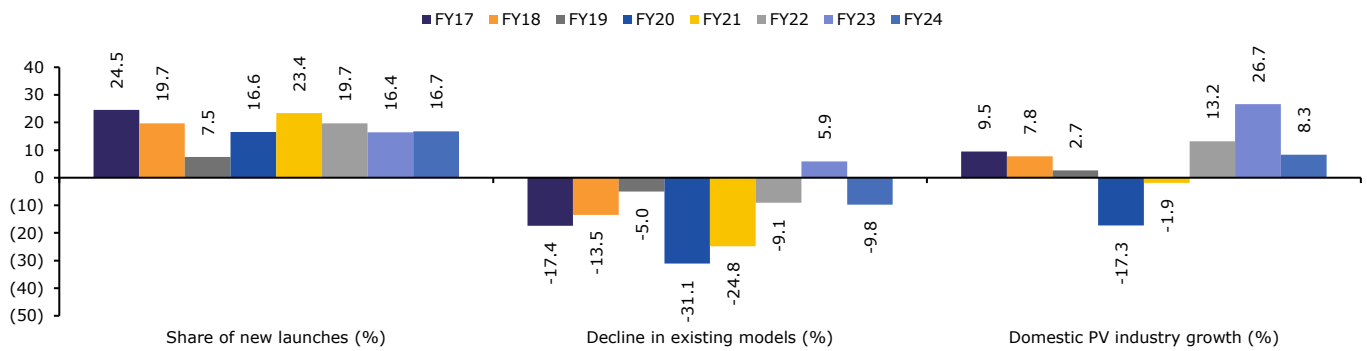


Source: Company, Emkay Research



Source: Company, Emkay Research

Exhibit 10: Historically, new product launches have been a key growth driver for the PV industry



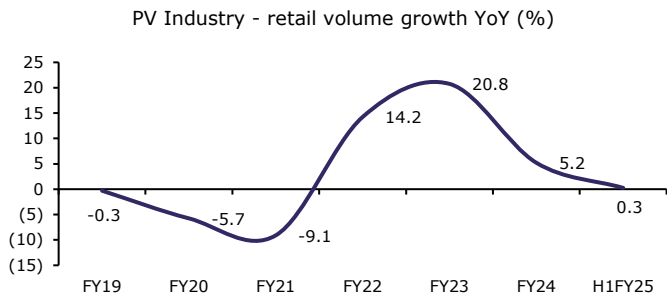
Source: SIAM, Emkay Research

Exhibit 11: Near-term launch visibility limited at HMIL; upcoming launches largely in EVs

Segment	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Entry									
Micro SUV					Exter				
Compact Hatch		i20 facelift							New i10
Premium Hatch									
Entry Sedan	Aura	New Verna							
Compact SUV	Venue			Venue- N Line		Creta EV (Q4FY24)	New Venue (late 2025)	Inster EV (Jun-26) Bayon (2026)	
SUV	Creta Gen 2				Creta - N Line, Ioniq 5 EV	New Kona EV (Dec-24) Alcazar Facelift			
Sedan		Elantra Diesel							
MPV			Alcazar						
Premium SUV									7-seater SUV (competing to XUV700)

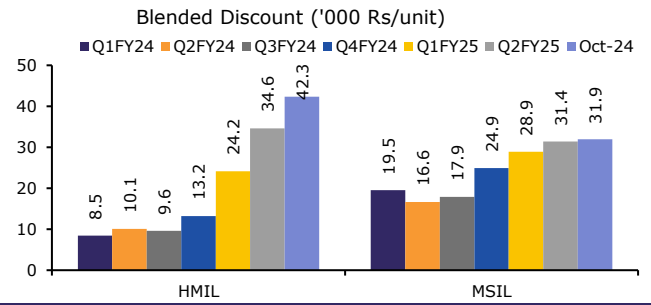
Source: SIAM, Media articles, Emkay Research; Note: Red indicates new name plate, Blue indicates upgrade/variant/facelift, Green indicates EV

Exhibit 12: PV industry retail volume growth slowing down



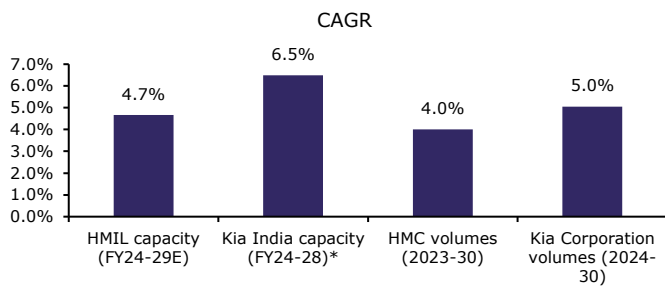
Source: Vahan, Emkay Research

Exhibit 13: Weak demand and high channel inventory lead to sharp spikes in discounts across the PV industry



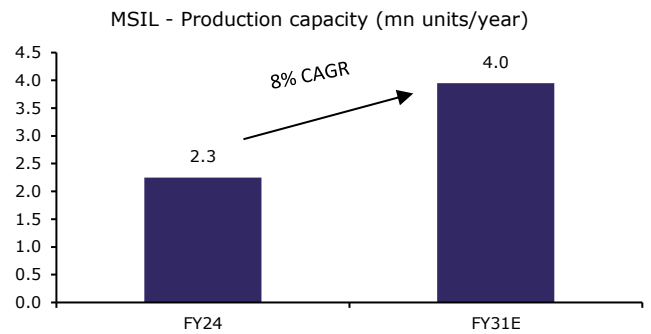
Source: Industry, Emkay Research

Exhibit 14: HMIL's proposed capacity expansion in India is not materially different from global growth ambition; Kia expansion could be higher



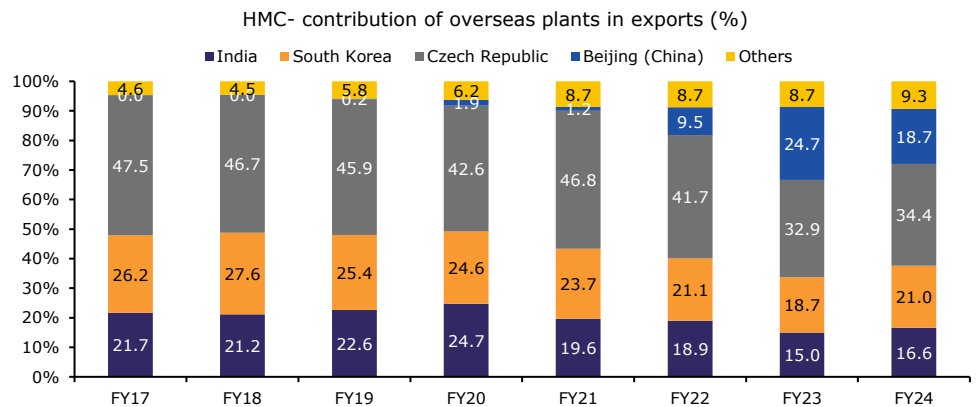
Source: Company, HMC 2024 CEO Investor Day (link), Kia 2024 CEO Investor Day (link), Emkay Research; Note:*= Assumed to be achieved by 2027

Exhibit 15: Also, MSIL's capacity CAGR of ~8% is higher than HMIL's



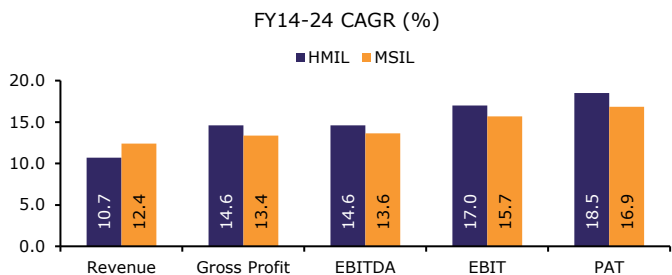
Source: Industry, Emkay Research

Exhibit 16: At HMC, the share of exports from India has declined over the years in favor of China



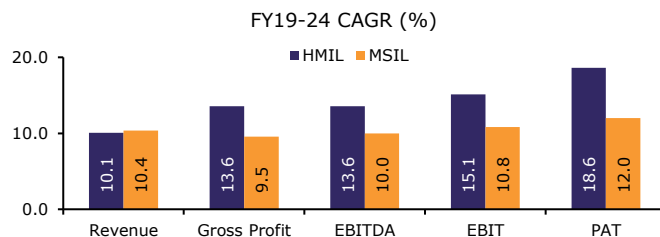
Source: HMC, Emkay Research

Exhibit 17: Over the past 10 years, HMIL’s profitability has been ahead of MSIL’s



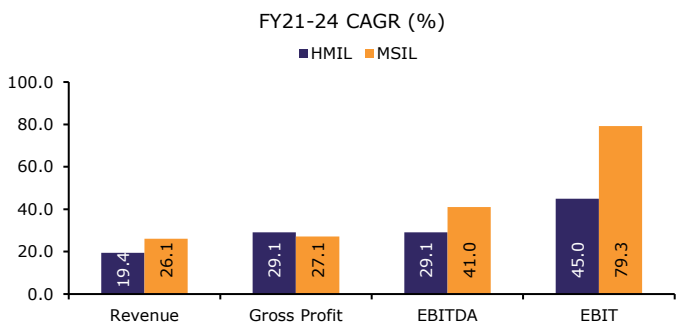
Source: Company, Emkay Research; Note: MSIL’s financials adjusted for Suzuki Motor Gujarat (SMG) operations

Exhibit 18: Acceleration in SUV launches by HMIL, coupled with lack of new SUVs at MSIL, widens the gap between the two players in the past 5 years...



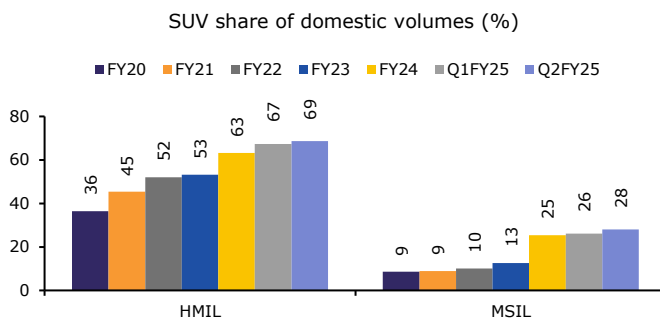
Source: Company, Emkay Research; Note: MSIL’s financials adjusted for Suzuki Motor Gujarat (SMG) operations

Exhibit 19: ...however, the new SUV cycle at MSIL in the past 2-3 years leads to sharp catch-up in its financials vs HMIL



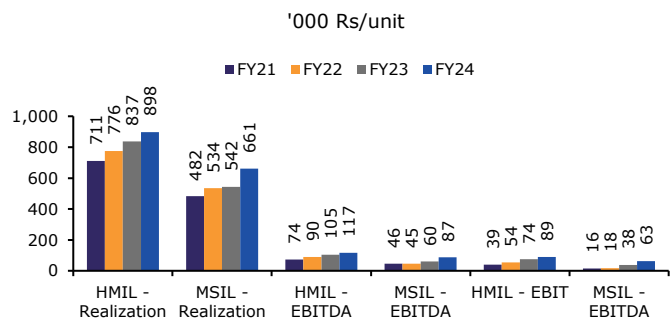
Source: Company, Emkay Research; Note: MSIL’s financials adjusted for Suzuki Motor Gujarat (SMG) operations

Exhibit 20: For MSIL, SUVs now form ~28% of domestic PV volumes; HMIL still far ahead at ~69%



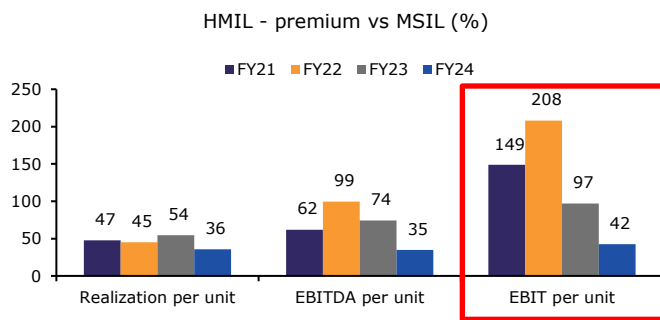
Source: SIAM, Emkay Research

Exhibit 21: Improved salience in SUVs for MSIL in recent years helps improve the per-unit profitability metrics



Source: Company, Emkay Research; Note: EBITDA for MSIL is adjusted for Suzuki Motor Gujarat (SMG)

Exhibit 22: Consequently, HMIL’s premium vs MSIL in per-unit profitability metrics now reducing, even as the SUV mix is lower



Source: Company, Emkay Research; Note: EBITDA for MSIL is adjusted for Suzuki Motor Gujarat (SMG)

Exhibit 23: MSIL offers superior earnings CAGR with relatively cheaper valuations vs HMIL

	FY24-27E CAGR (%)				RoE (%)			PER (x)		Core PER (x)		EV/EBIT (x)	
	Volumes	Revenues	EBIT	PAT	FY25E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
HMIL	3.9	6.1	7.2	4.6	52.2	52.9	51.7	24.7	23.0	25.2	23.4	19.3	18.0
MSIL	6.4	8.1	12.3	10.0	16.7	16.3	16.2	24.0	22.0	24.2	21.6	18.0	16.0

Source: Company, Emkay Research; Note: MSIL not adjusted for SMG’s financials

Exhibit 24: MSIL’s plans on capacity and new launches appear relatively more aggressive than HMIL’s

MSIL	FY24	FY31E	CAGR
Capacity (mn units)	2.3	4.0	8%
No of models	18	28	
ICE share of volume (%)	99	60	
Share of exports (%)	12.6	24.0	10%

Source: Company, Media articles (link), Emkay Research

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MSIL has a stated intent to recapture 50% PV market share going ahead, with actions across models (including rising share of SUVs), capacity, and exports

President's comment

Expansion in India to support Suzuki's growth

We started production in India in 1983 as a partner in India's national car development initiative. To entrench the automobile production industry in India we did not simply supply parts from Japan, but based on the belief of nurturing an industry while valuing the community, invested in plants, built a network of local suppliers and set up a sales network. As a result, the growth of the Indian automobile industry and growth of Maruti Suzuki India aligned firmly and we could achieve steady growth.

However, as the market grew, competition intensified, and now our share of the Indian passenger car market is hovering at 41%. Looking ahead, as a strategy to regain a 50% market share, we will invest in new technology development for mobility production and to expand and augment the production structure. The Indian automobile market is forecast to grow even larger from now on, so Suzuki will need to set up a production scale of 4 million vehicles by 2030. Investment will need to go not only into objects such as plant construction and equipment installation, but it is also important to invest in human resource development such as for the people who will carry out operations, and Suzuki and Maruti Suzuki India are working as one on this.

A change in the production structure announced in July 2023 aims to further enhance competitiveness through more efficient production operations by having Maruti Suzuki India oversee all automobile production in India.

- [Comments in 2023 on Suzuki Motor Corporation \(SMC's\) Growth Strategy for 2030 \(link\)](#)

"We will fight to get back to our 50 per cent market share. How much we succeed only time will tell but we certainly don't intend to walk away and say no we don't want to fight for it. We will fight for our market share"

- [Comments in Aug-22 by RC Bhargava, Chairman, MSIL \(link\)](#)

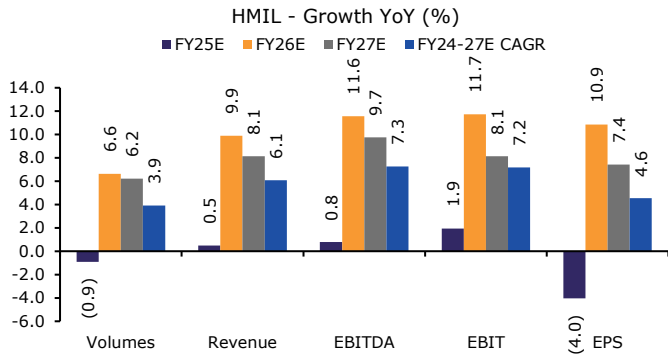
"Since there are no prospects of demand for the smaller entry level car market recovering to the growth rates of the past, we are restructuring our production facilities to conform to the realities and what we are projecting for the future."

The challenge is not only to produce 4 million cars a year, and possibly higher volumes in the subsequent years. We also have to sell this number of cars. By FY 2030-31, your Company could have about 28 different models

Along with the rising domestic demand, the prospects for exports are also expected to continue to improve. Our exports rose to 259,000 units last year. We expect the demand for exports to continue to grow and export volumes are projected at 750,000-800,000 cars by FY 2030-31."

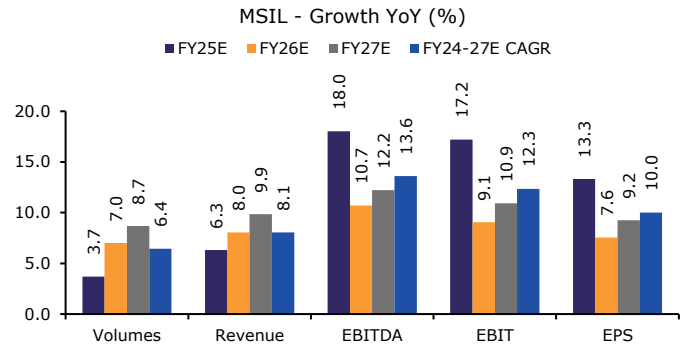
- [Comments in 2023 Annual Report by RC Bhargava, Chairman, MSIL](#)

Exhibit 25: We expect a muted ~6%/5% FY24-27E revenue/EPS CAGR; growth to be back ended



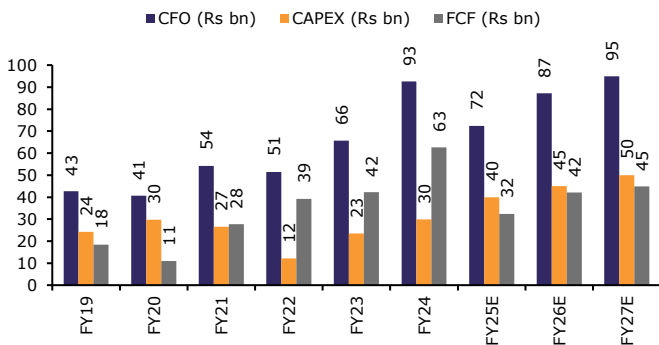
Source: Company, Emkay Research

Exhibit 26: Growth prospects for MSIL appear brighter for now, although the near term remains weak



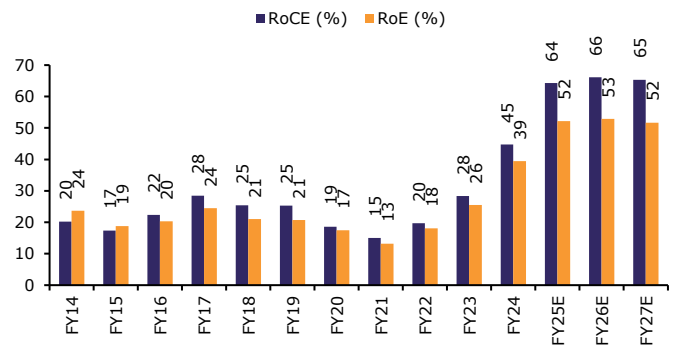
Source: Company, Emkay Research

Exhibit 27: HMIL to generate Rs117bn FCF cumulatively over FY25E-27E



Source: Company, Emkay Research

Exhibit 28: HMIL's return ratios to remain robust



Source: Company, Emkay Research

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Initiate coverage on HMIL with REDUCE

- Strong parentage and India-focus have created an enviable India franchise by HMIL:** HMIL is the only major foreign OEM (along with its group company Kia) to have effectively established itself at scale in India, riding the perfect interplay of a) strong global parentage with successful operations in multiple markets, b) sharp India-focus with proactive technology/feature-rich launches capturing the shifting consumer preferences over time (eg SUVs), c) extensive product portfolio with high SUV-focus, d) high scale and the resultant cost leadership (aided by early exports focus), and e) relatively premium positioning. Thus, despite multiple competitive cycles, HMIL has largely sustained its market position, with 10Y volume/revenue CAGR of ~5%/11%, robust 15%/19% EBITDA/EBIT CAGR, and RoE of >20%.
- Lack of new launches, muted expansion, and higher royalty to restrict EPS CAGR:** New launches have typically driven volume growth in PVs. Based on interaction with industry participants and media articles, we believe HMIL has a muted launch pipeline for the next 12-18 months, barring *Creta EV* (Q4FY25). Moreover, its planned annual capacity expansion to 1,074K units by CY28 implies ~5% CAGR, which appears modest relative to the aggression shown by peers like MSIL (~8% capacity CAGR; aims to launch 10 new models with intent to recapture 50% market share via higher focus on SUVs). We highlight that Kia seems more aggressive in India (as well as globally) than HMIL, with much higher capacity CAGR (~7%).
- Initiate coverage on HMIL with REDUCE:** We forecast 4%/6% volume/revenue CAGR for HMIL, with stable ~14% market share over FY24-27E. Growth is likely to be restricted given lack of major launches over the next 12-18 months, together with back-ended capacity addition (2HFY26E; currently operating at ~93% utilization levels). Moreover, higher royalty payments to Parent (1QFY25 onward) and lower treasury income (following the one-time dividend payout in Mar-24) would restrict EPS CAGR to 5% over FY24-27E. We initiate coverage on HMIL with REDUCE, valuing it at 23x Core Sep-26E PER (similar to MSIL). We prefer MSIL over HMIL as it is catching up on operational and financial metrics (even as its SUV mix remains lower), with higher growth optionality.

Exhibit 29: PV industry – We expect a muted ~4% industry volume CAGR over FY24-27E, with growth likely being back-ended

Particulars ('000 units)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Domestic PV industry	3,017	3,252	3,339	2,760	2,708	3,065	3,882	4,206	4,255	4,508	4,760
Growth (%)	9.5	7.8	2.7	-17.3	-1.9	13.2	26.7	8.3	1.2	5.9	5.6
Cars	2,103	2,174	2,218	1,695	1,542	1,467	1,747	1,549	1,301	1,299	1,377
Growth (%)	3.8	3.4	2.0	-23.6	-9.1	-4.9	19.1	-11.4	-16.0	-0.1	6.0
UVs	557	747	752	724	861	1,243	1,745	2,198	2,414	2,629	2,766
Growth (%)	35.6	34.2	0.7	-3.6	18.9	44.4	40.4	26.0	9.8	8.9	5.2
MPVs and Vans	388	367	407	354	309	359	398	471	541	580	618
Growth (%)	9.6	-5.4	10.8	-13.0	-12.9	16.5	10.7	18.5	14.8	7.1	6.5
Industry Mix (%)											
Cars	69.7	66.9	66.4	61.4	56.9	47.9	45.0	36.8	30.6	28.8	28.9
SUVs	18.4	23.0	22.5	26.2	31.8	40.6	44.9	52.3	56.7	58.3	58.1
MPV and Vans	12.9	11.3	12.2	12.8	11.4	11.7	10.2	11.2	12.7	12.9	13.0

Source: SIAM, Emkay Research

Exhibit 30: HML: We build-in 4%/5% volume/EPS CAGR, respectively, over FY24-27E

(Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Capacity (no of units)	752,000	758,000	770,000	824,000	824,000	909,000	994,000
Utilization (%)	76.6	80.6	93.6	94.4	93.5	90.4	87.8
Avg monthly volume (no of units)	47,990	50,897	60,047	64,823	64,228	68,480	72,732
Growth (%)	-12.1	6.1	18.0	8.0	-0.9	6.6	6.2
Domestic volume (no of units)	471,535	481,500	567,546	614,721	606,766	644,669	681,531
Growth (%)	-2.9	2.1	17.9	8.3	-1.3	6.2	5.7
Export volume (no of units)	104,342	129,260	153,019	163,155	163,971	177,088	191,256
Growth (%)	-38.6	23.9	18.4	6.6	0.5	8.0	8.0
Exports share (%)	18.1	21.2	21.2	21.0	21.3	21.5	21.9
Total Volume (no of units)	575,877	610,760	720,565	777,876	770,736	821,757	872,786
Growth (%)	-12.1	6.1	18.0	8.0	-0.9	6.6	6.2
ASP (Rs/unit)	711,476	775,729	836,949	897,688	910,490	938,457	955,375
Growth (%)	8.5	9.0	7.9	7.3	1.4	3.1	1.8
Revenue	409,723	473,784	603,076	698,290	701,748	771,184	833,838
Growth (%)	-4.7	15.6	27.3	15.8	0.5	9.9	8.1
EBITDA	42,457	54,861	75,488	91,326	92,037	102,686	112,697
EBITDA margin (%)	10.4	11.6	12.5	13.1	13.1	13.3	13.5
EBITDA growth (%)	-0.9	29.2	37.6	21.0	0.8	11.6	9.7
EBITDA/unit (Rs)	73,725	89,824	104,762	117,404	119,415	124,959	129,123
Depreciation	19,732	21,696	21,899	22,079	21,456	23,819	27,419
EBIT	22,725	33,165	53,589	69,247	70,582	78,867	85,278
EBIT margin (%)	5.5	7.0	8.9	9.9	10.1	10.2	10.2
Other income	4,324	5,876	11,291	14,733	8,869	8,930	8,823
Treasury income	3,600	4,459	9,234	12,500	6,875	6,531	6,205
Non-treasure income	724	1,417	2,057	2,232	1,994	2,398	2,618
Interest	1,647	1,319	1,424	1,581	1,225	1,081	948
PBT	25,403	37,722	63,456	82,399	78,226	86,716	93,153
Tax	6,591	8,706	16,363	21,798	20,067	22,245	23,897
Tax Rate (%)	25.9	23.1	25.8	26.5	25.7	25.7	25.7
PAT	18,812	29,016	47,093	60,600	58,158	64,470	69,256
PAT margin (%)	4.6	6.1	7.8	8.7	8.3	8.4	8.3
EPS (Rs)	23.2	35.7	58.0	74.6	71.6	79.3	85.2
Core EPS (Rs)	19.7	32.4	50.3	66.9	66.9	74.7	80.6
DPS (Rs)	16.7	18.4	57.3	132.7	60.0	65.0	70.0
Capex	26,529	12,118	23,457	29,881	42,211	46,092	51,092
FCF	28,440	38,849	43,150	60,202	30,092	41,044	43,749
Net debt/(cash)	(102,137)	(129,612)	(165,518)	(81,841)	(70,825)	(66,903)	(61,649)
Net worth (Rs mn)	153,113	168,563	200,548	106,657	116,063	127,718	140,097
Invested capital (Rs mn)	46,482	32,794	26,764	15,338	35,760	51,338	68,969
ROE (%)	13.2	18.0	25.5	39.5	52.2	52.9	51.7
ROCE - Pre-tax (%)	15.0	19.7	28.3	44.7	64.3	66.1	65.4
ROIC - Pre-tax (%)	42.5	83.7	180.0	328.9	276.3	181.1	141.8

Source: Company, Emkay Research

Exhibit 31: Valuation comparison – Our OEM coverage universe

Player	CMP (Rs)	Target price (Rs)	Mkt cap (Rs bn)	Rating	EPS CAGR (%)	ROE (%)			PER (x)			EV/EBITDA (x)		
						FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
Bajaj Auto	10,501	9,500	2,932.3	Sell	12.5	34.9	38.6	41.0	33.8	30.1	27.1	26.0	22.8	20.3
TVS Motor	2,738	2,600	1,300.6	Add	27.0	33.2	33.2	30.9	44.8	35.5	30.5	28.7	22.6	19.2
Hero Motocorp	5,242	7,000	1,048.3	Buy	10.9	26.0	27.0	28.1	21.4	18.9	16.9	16.6	14.6	13.0
Eicher Motors	4,810	3,750	1,318.4	Sell	21.2	22.8	21.0	20.0	29.6	27.9	25.3	24.1	21.4	19.3
Maruti Suzuki	12,176	12,000	3,828.1	Reduce	9.2	16.8	16.3	16.0	25.7	24.0	22.2	16.1	14.3	12.8
Tata Motors	903	1,175	3,784.3	Buy	-1.3	23.8	23.1	20.6	14.6	12.1	11.1	6.0	5.3	4.8
Mahindra & Mahindra	2,998	3,000	3,728.3	Add	7.0	20.8	19.0	17.7	31.7	29.8	27.9	24.5	21.8	19.5
Hyundai Motors India	1,960	1,750	1,592.6	REDUCE	4.6	52.2	52.9	51.7	27.4	24.7	23.0	16.5	14.9	13.6
Ashok Leyland	218	300	639.6	Buy	13.1	31.9	34.0	33.9	21.4	18.1	16.3	12.2	11.0	9.8
Escorts Kubota	3,743	4,700	418.8	Buy	19.6	12.9	13.6	14.4	33.9	28.3	24.0	25.8	20.5	16.7

Source: Bloomberg, Emkay Research; Note – For HMIL, upper end of IPO price band taken as CMP

Exhibit 32: HMIL vs MSIL – Comparison across parameters

	FY24-27E CAGR (%)				RoE (%)			PER (x)		Core PER (x)		EV/EBIT (x)	
	Volumes	Revenues	EBIT	PAT	FY25E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
HMIL	3.9	6.1	7.2	4.6	52.2	52.9	51.7	24.7	23.0	25.2	23.4	19.3	18.0
MSIL	6.4	8.1	12.3	10.0	16.7	16.3	16.2	24.0	22.0	24.2	21.6	18.0	16.0

Source: Company, Emkay Research; Note: MSIL not adjusted for SMG financials

HMIL vs MSIL: Comparison across parameters

Exhibit 33: HMIL vs MSIL – Comparison across parameters

Area	Weight	Parameter	HMIL rating (out of 5)	MSIL rating (out of 5)	Comment
Global parentage	10%	Market share	★★★	★★★	Hyundai/Hyundai-Kia/MSIL share stands at 4.8%/8.2%/3.6%, respectively
		Market presence/regional mix	★★★★	★★	HMIL: 4-5% market share in North America/Europe; MSIL: ~1% market share in Europe
		Diversified portfolio across powertrain mix	★★★★	★★★	Hyundai/Hyundai-Kia/MSIL share stands at 2.3%/4.6%/0.03%, respectively
India-focus	20%	Relevance of India operations in the group	★★★★	★★★★★	HMIL/MSIL: contribution of ~13%/61% and 9%/50% in volume and PAT terms, respectively
		India's share of future capex within the group	★★★	★★★★	HMIL: contribution of ~4% within the group's capex; MSIL: contribution of ~50% within Suzuki
India positioning	15%	Market position in India	★★★	★★★★	In FY24, HMIL's share was 14.6%, while that of MSIL was 41.8%
		Domestic product mix (SUVs/non-SUVs)	★★★★★	★★★	SUV/non-SUV mix for HMIL is 63%/37%, while that for MSIL is 28%/72%
		Share of exports in overall volumes	★★★★	★★★	HMIL enjoys a higher export share; however, share within the global group is declining
		Diversification across categories/segments	★★★	★★★★	MSIL is far diversified across products and segments
		Powertrain mix	★★★	★★★★	Even on the powertrain front, MSIL is diversified with CNG/hybrid presence
Growth plans	20%	Capacity expansion plans	★★★	★★★★	MSIL targets 8% capacity CAGR by CY30
		Number. of models to be introduced	★★★	★★★★	MSL plans launching another 10 models by CY30
		Market-share-gain ambition/aspirations	★★★	★★★★	MSIL aims to reclaim 50% market share; HMIL aims to grow in line with the industry
Financials	15%	Volume and revenue growth	★★★	★★★★	MSIL offers growth optionality along with competitive capacity / launch plans
		Gross margins	★★★★	★★★★	MSIL enjoys superior margin on higher scale, localization and spare parts despite a lower SUV share
		Stability in profitability across cycles	★★★★	★★★	Superior mix has helped better profitability for HMIL
		Return ratios	★★★★★	★★★	Superior return ratios due to lower net cash in the books for HMIL
Valuation	20%	On Core PER basis	★★★	★★★★	MSIL offers better valuation despite higher growth optionality
		On EV/EBIT basis	★★★	★★★★	Even on EV/EBIT basis, MSIL is cheaper than HMIL
Overall			★★★	★★★★	

MSIL faces similar near-term growth challenges as HMIL; however, we prefer MSIL over HMIL given its catch-up on operational and financial metrics (despite its lower SUV mix), with a much diversified product and powertrain mix and higher growth optionality (potential small-car recovery, competitive capacity CAGR of 8%, 7-seater SUV launch in H2FY26E, and 10 new models by 2030) driving a superior 6%/10% revenue/EPS CAGR over FY24-27E

Source: Company, Emkay Research

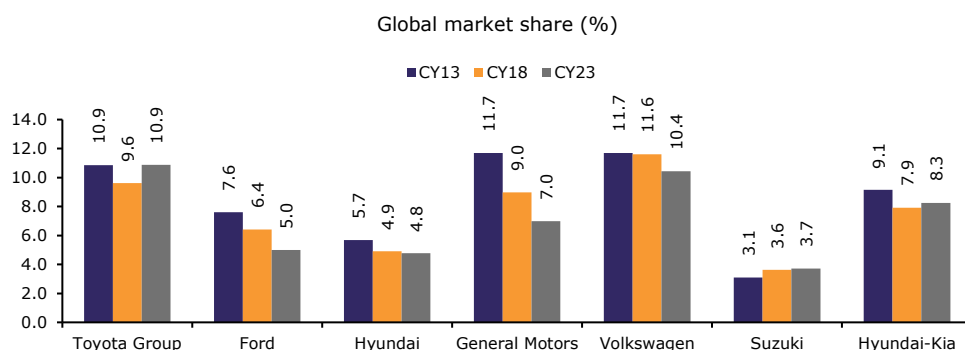
HMIL’s strong parentage, India-focus creates an enviable India franchise

- Hyundai has established a strong franchise globally, with a history of successful presence across multiple geographies, including Europe and North America (~4-5% market share for HMC, ~8-10% market share including group company Kia). Hyundai-Kia jointly is among the top-3 global players by volume.
- The company has successfully replicated its global success in India as well, becoming the only foreign group to have established itself at scale here.
- We believe this is on account of a perfect interplay of a) strong global parentage, b) sharp India-focus with proactive technology/feature-rich launches capturing the shifting consumer preferences over time (eg SUVs), c) extensive product portfolio, d) high scale and the resultant cost leadership (aided by early exports focus), and e) a relatively premium positioning.
- Thus, despite multiple competitive cycles, HMIL has sustained its market position with 10-year volume/revenue CAGR of ~5%/11% and a robust 15%/19% EBITDA/EBIT CAGR with over 20% return ratios.

[A] Hyundai has a strong track record globally

- Hyundai has established a strong franchise globally, given historical evidence of its successful presence across multiple geographies, including Europe and North America.
- The Hyundai Motor Group is the third-largest OEM in the world, based on PV sales in CY23, with ~8-10% market share across markets like Europe and North America.

Exhibit 34: HMC among the leading PV OEMs globally; at the group level including Kia, it ranks among the top-3 players by volume



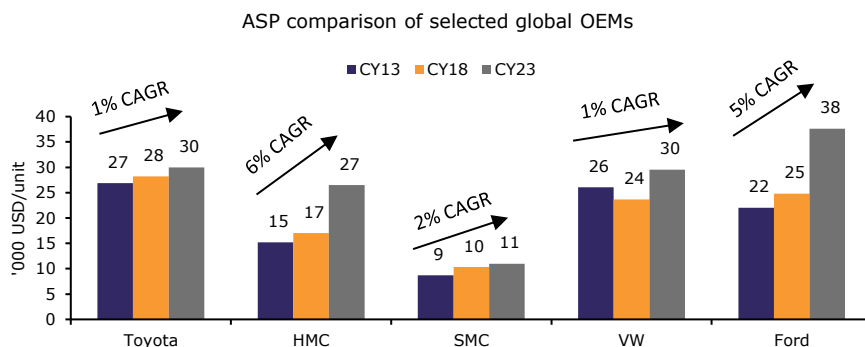
Source: Bloomberg, Emkay Research

Exhibit 35: HMC has, over the years, established itself as a genuine global player, especially with presence across major developed markets

Positioning	HMC	SMC
North America	~5% market share; ~10% including Kia	Exited in 2012
Europe	~4% market share; ~8% including Kia	~1% market share
APAC region	~4% market share; ~6% including Kia	Bigger player than HMC; ~4.8% share

Source: Bloomberg, Emkay Research

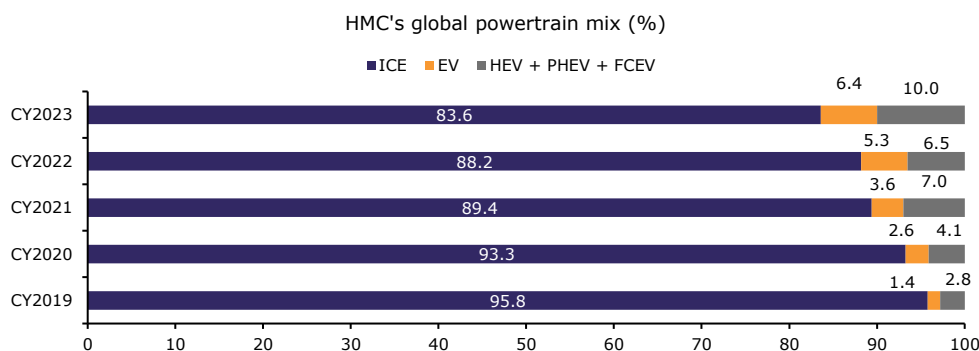
Exhibit 36: HMC's realizations have shown healthy improvement over the past decade (6% CAGR), with price positioning now much improved vs several peers



Source: Company, Bloomberg, Emkay Research

- Globally, Hyundai has developed solutions across multiple powertrains including EVs, hybrids, plug-in hybrids, and fuel cell vehicles. The share of non-ICE vehicles in the product mix has grown 4x since CY19.

Exhibit 37: For HMC, share of non-ICE vehicles has expanded ~4x since 2019



Source: Bloomberg, Emkay Research; Note: HEV = Hybrid, PHEV = Plug-in Hybrid, FCEV = Fuel Cell

Exhibit 38: HMC possesses a wide variety of powertrain solutions

Battery Technology Differentiation
The only OEM in the world with a Full Lineup of Eco-Friendly Batteries

「The only OEM in the World」 with Battery Full Lineup

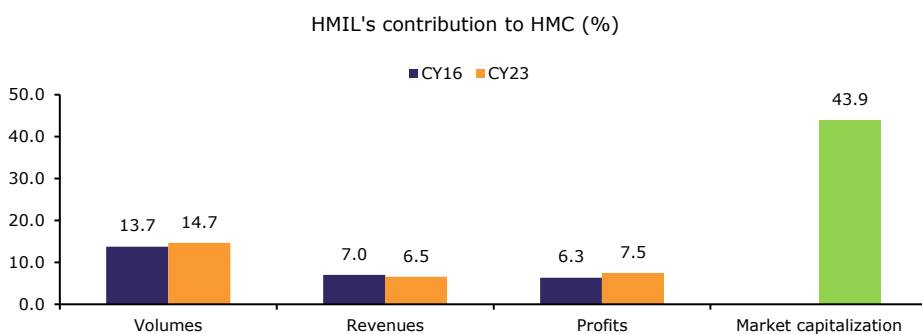
Powertrain Type	Voltages	Vehicle Examples
ICE	12V, 48V	Gasoline cars
HEV / PHEV	270V, 360V	Hybrid SUVs
EV	400V, 800V (Prismatic, Pouch)	Electric cars
FCEV	Fuel cell + Battery	Hydrogen fuel cell cars
CV	800V	Electric buses

Source: HMC's 2024 CEO Investor Day presentation (link), Emkay Research

[B] HMIL has created an enviable franchise in India

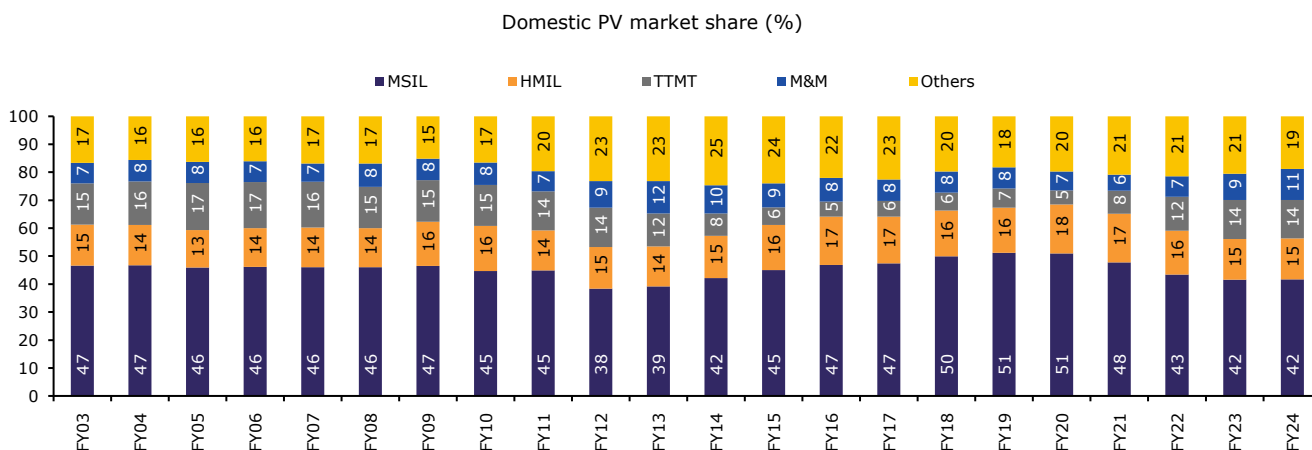
- HMIL benefits from its strong HMC parentage across areas like management, R&D, design, product planning, supply chain, manufacturing, etc. Additionally, the company benefits from the strong global *Hyundai* brand.
- Over the years, Hyundai has replicated its global success in India as well. HMIL has emerged the only global automaker of note to have established itself at scale. We believe this is on account of a perfect interplay of a) strong global parentage, b) sharp India-focus with proactive technology/feature-rich launches capturing the shifting consumer preferences over time (eg SUVs), c) extensive product portfolio, d) high scale and the resultant cost leadership (aided by early exports focus), and e) a relatively premium positioning.
- We note that despite the multiple competitive cycles, HMIL has sustained its market position (~14.6% market share) with 10-year volume/revenue CAGR of ~5%/11% and a robust 15%/19% EBITDA/EBIT CAGR, with over 20% return ratios.

Exhibit 39: India's contribution to HMC's operations, while modest, has risen in the past few years; HMIL, after listing, would form ~44% of HMC's market capitalization



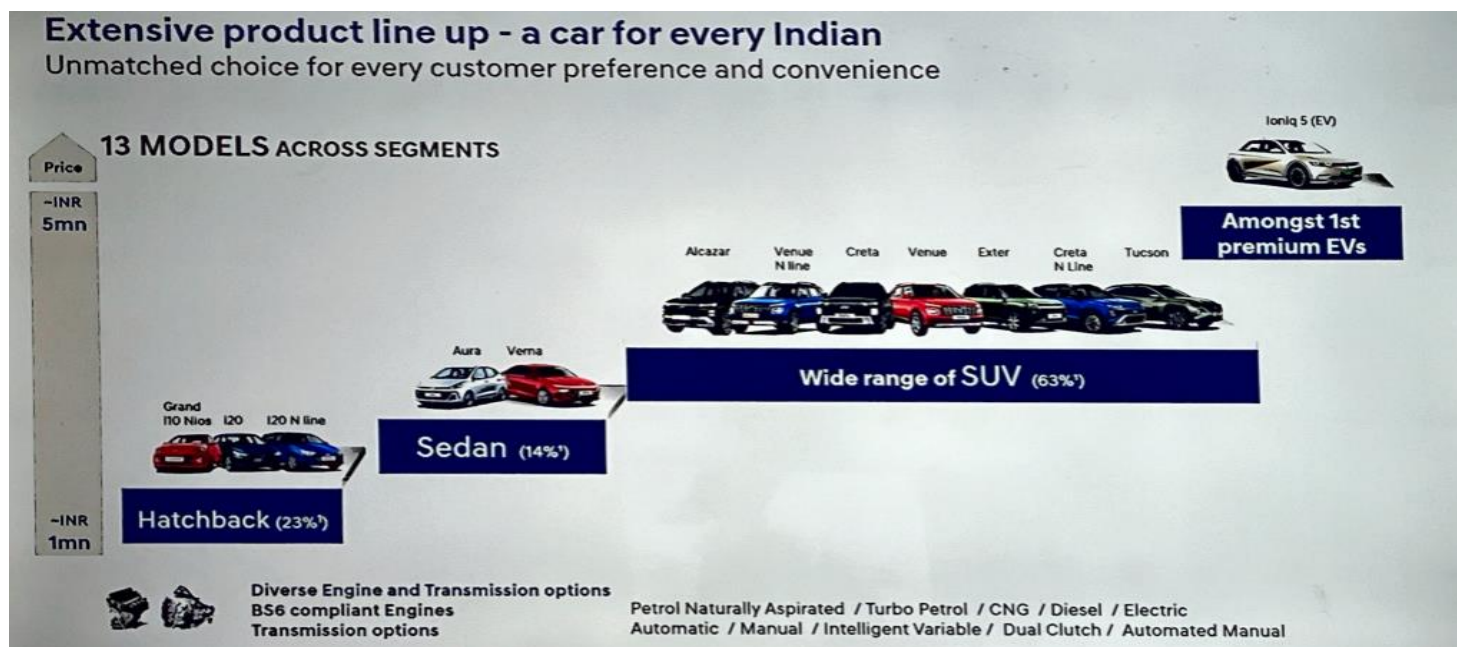
Source: Company, Emkay Research; Note: HMIL's market cap assumed at the upper IPO price band; HMC's market cap as of 19-Oct-2024

Exhibit 40: HMIL has largely sustained its market share despite multiple competitive cycles, albeit having seen a dip in recent years



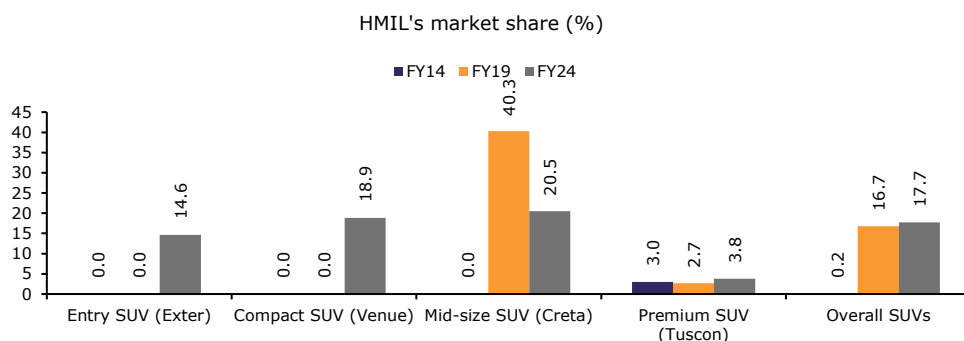
Source: SIAM, Emkay Research

Exhibit 41: HMIL has a wide portfolio of models spanning various categories across multiple price-points



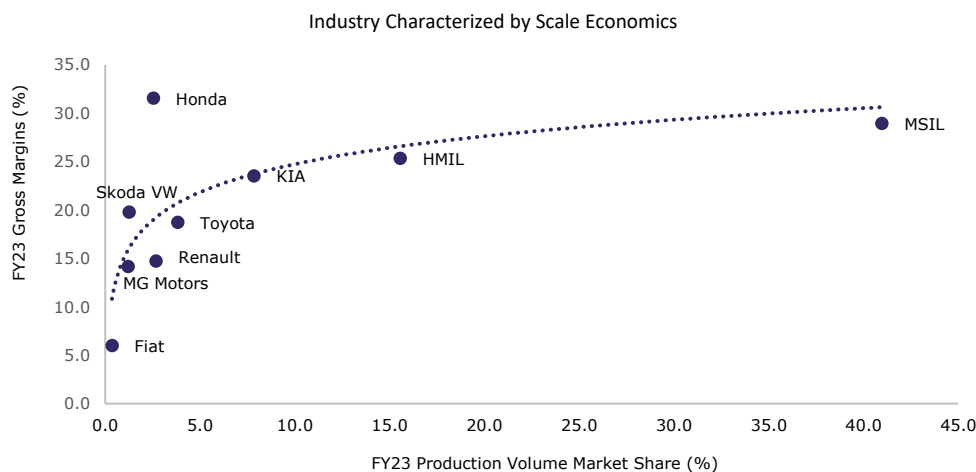
Source: Company, Emkay Research

Exhibit 42: HMIL commands ~18% market share in SUVs vs ~14.6% overall, with rising presence across sub-categories over the years

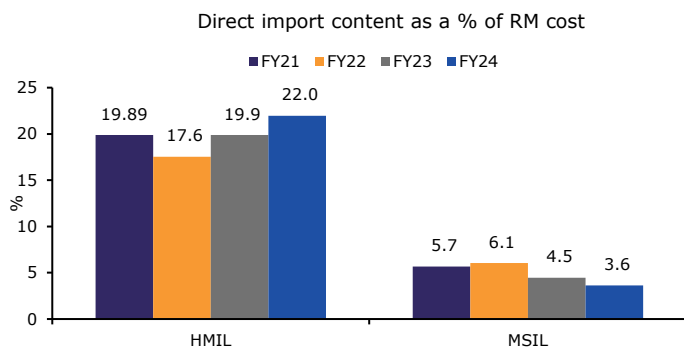


Source: SIAM, Emkay Research

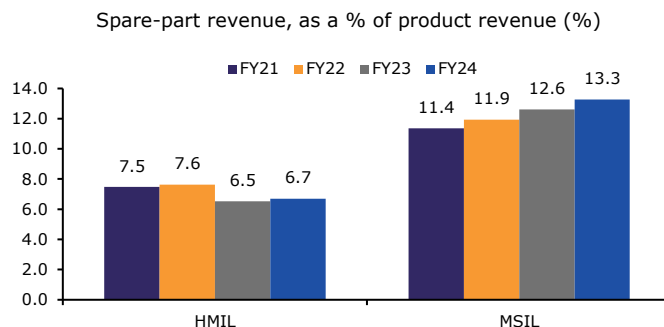
Exhibit 43: PV industry characterized by scale advantages; MSIL/HMIL's success enables healthy profitability vs peers



Source: Company, Capitaline, Emkay Research

Exhibit 44: HMIL remains ahead of other foreign OEMs, in terms of localization levels; however, import content is well below MSIL

Source: Company, Emkay Research

Exhibit 45: Contribution of margin-accretive spare parts sales is much higher in MSIL; the Hyundai group captures the spare parts business in its unlisted group entity (Mobis)

Source: Company, Emkay Research

Exhibit 46: HMIL's share of the industry's profit pool has been the second-highest after MSIL

Revenue (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24
MSIL	860,203	756,106	703,325	882,956	1,175,229	1,409,326
HMIL	432,581	429,786	409,723	473,784	603,076	698,290
M&M (Auto)	346,152	278,083	245,652	359,276	593,028	735,135
TTMT	0	0	167,148	325,722	488,671	526,850
Kia	0	108,380	202,906	253,003	387,803	NA
Honda	164,129	107,528	93,831	124,429	141,901	164,616
MG Motors	0	25,122	45,296	52,557	75,802	NA
Skoda VW	112,383	93,001	67,890	124,105	170,417	189,601
Toyota	196,334	156,662	131,818	195,634	337,337	558,660
Fiat	67,902	56,152	80,197	150,435	205,839	NA
Renault	58,269	65,081	57,374	73,430	84,925	NA
Ford	242,016	201,898	120,568	102,017	70,788	51,708
General Motors	41,606	38,806	20,768	114	40	NA
Total	2,521,575	2,316,605	2,346,496	3,117,463	4,334,856	NA
HMIL's share of industry (%)	17.2	18.6	17.5	15.2	13.9	NA
MSIL's share of industry (%)	34.1	32.6	30.0	28.3	27.1	NA

EBIT (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24
MSIL	79,804	37,769	23,138	29,147	81,844	133,378
HMIL	34,271	26,692	22,725	33,165	53,589	69,247
M&M (Auto)	27,823	16,824	8,320	12,758	28,191	61,995
TTMT	NA	NA	-20,376	-10,709	3,416	12,708
Kia	-3,222	-1,299	10,319	13,153	33,078	NA
Honda	2,348	-7,646	-17,391	2,404	8,514	10,507
MG Motors	-2,804	-7,180	-7,500	-7,734	-7,335	NA
Skoda VW	-4,579	-7,044	-14,934	-9,996	-4,754	-7,712
Toyota	3,010	27	-3,056	5,555	16,955	59,195
Fiat	4,587	3,888	5,814	8,049	10,086	NA
Renault	-4,669	-14,778	-1,779	2,966	2,992	NA
Ford	-30,965	-90,999	-14,388	-72,905	-23,246	-8,870
General Motors	1,777	-427	-10,591	-1,585	-2,287	NA
Total	107,380	-44,175	-19,698	4,269	201,041	NA
HMIL's share of industry (%)	31.9	NA	NA	776.8	26.7	NA
MSIL's share of industry (%)	74.3	-85.5	-117.5	682.7	40.7	NA

Source: Company, Capitaline, Emkay Research; Note: Data not available prior to FY21, for TTMT; M&M refers to the Auto division, including CVs and 3Ws

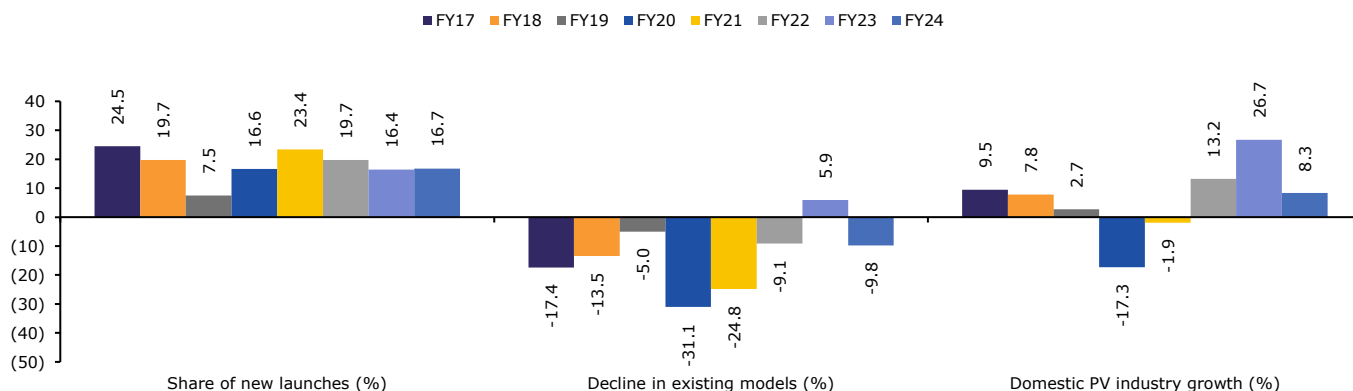
Lack of new launches, muted expansion, higher royalty to restrict EPS CAGR to 5%

- New launches have typically driven volume growth in PVs. Based on interaction with industry participants and media articles, we believe HMIL has a muted launch pipeline for the next 12-18 months, barring Creta EV (Q4FY25).
- Near-term demand outlook is weak for the PV industry; retail growth has been slowing down over the past few quarters, with other health indicators also worsening (rising discounts and inventories across OEMs).
- HMIL’s planned annual capacity expansion to 1,074K units by CY28 implies ~5% CAGR, which appears modest in our view, relative to the aggression shown by peers like MSIL (~8% capacity CAGR; aims to launch 10 new models with intent to recapture 50% market share via higher focus on SUVs).
- We also highlight that Kia seems more aggressive in India (as well as globally) than HMIL, with much higher capacity CAGR (~7%).
- We note that the share of exports out of India within HMC is seen declining over the years, in favor of China.

[A] Limited major new launches ahead for the PV industry, HMIL

- New launches have historically been the key driver of volume growth in the PV industry. In the past few years, backed by multiple major launches across OEMs (particularly in SUVs) and post-Covid replacement demand, the industry has been able to surpass the peak achieved in FY19.
- However, the future launch pipeline across the industry now appears lacking, particularly in ICE, with majority of planned launches till FY26 being EVs. Lack of new launches, normalized supplies, and a high base are contributing to the near-term weakness in PVs, visible in the rising inventory levels and discounts.
- Based on our interaction with industry participants and media articles, we believe HMIL also has a muted launch pipeline for the next 12-18 months, barring Creta EV (Q4FY25).

Exhibit 47: New launches have been a key growth driver for the industry, historically; bulk of the new launch pipeline is now behind



Source: SIAM, Emkay Research

Exhibit 48: PV industry has seen several major new launches over the past 5 years, particularly in SUVs; by comparison, the upcoming pipeline across OEMs appears muted, especially in ICE

Vehicle segment	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Entry			Maruti S-Presso						
Micro SUV					Tata Punch		Hyundai Exter		
Compact Hatch									
Premium Hatch			Tata Altroz Toyota Glanza						
Entry Sedan									
Compact SUV	Tata Nexon	Mahindra XUV300	Hyundai Venue Tata Nexon EV	Kia Sonet Mahindra Thar		Toyota Hyryder Maruti Grand Vitara	Maruti Fronx Maruti Jimny	Tata Altroz EV, Hyundai Creta EV MG Windsor EV	Renault Duster
SUV			Kia Seltos		M&M XUV700, MG Astor		Honda Elevate	Tata Curvv EV Tata Curvv	Maruti 7 Seater SUV
Sedan									
MPV					Hyundai Alcazar, Kia Carens	Toyota Hycross	Toyota Rumion		
Premium SUV	Skoda Kodiaq		MG Hector					Mahindra XUV e8	Hyundai's 7 Seater SUV
Born EVs								Maruti, Tata, Mahindra EVs	Tata, Mahindra Born EVs

Source: SIAM, Media articles, Emkay Research; Note: Red indicates new name plate, Green indicates EV

Exhibit 49: Near-term launch visibility limited at HMIL; upcoming launches largely in EVs

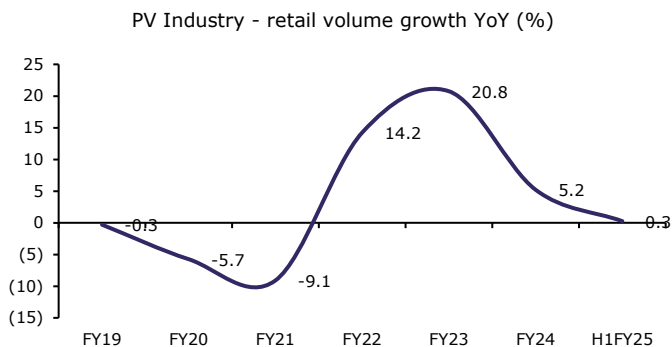
Segment	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Entry									
Micro SUV					Exter				
Compact Hatch		i20 facelift							New i10
Premium Hatch									
Entry Sedan	Aura	New Verna							
Compact SUV	Venue			Venue- N Line		Creta EV (Q4FY24)	New Venue (late 2025)	Inster EV (Jun-26) Bayon (2026)	
SUV	Creta Gen 2				Creta - N Line, Ioniq 5 EV	New Kona EV (Dec-24) Alcazar Facelift			
Sedan		Elantra Diesel							
MPV			Alcazar						
Premium SUV									7-seater SUV (competing to XUV700)

Source: SIAM, Media articles, Emkay Research; Note: Red indicates new name plate, Blue indicates upgrade/variant/facelift, Green indicates EV

[B] Soft near-term outlook for PVs, with fundamentals weakening

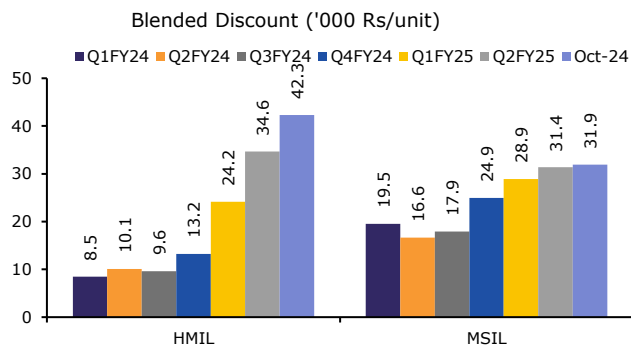
- Near-term demand outlook is weak for the PV industry; retail growth has seen a slowdown over the past few quarters, with other health indicators also worsening (rising discounts and inventories across OEMs).

Exhibit 50: PV industry retail volume growth is slowing down



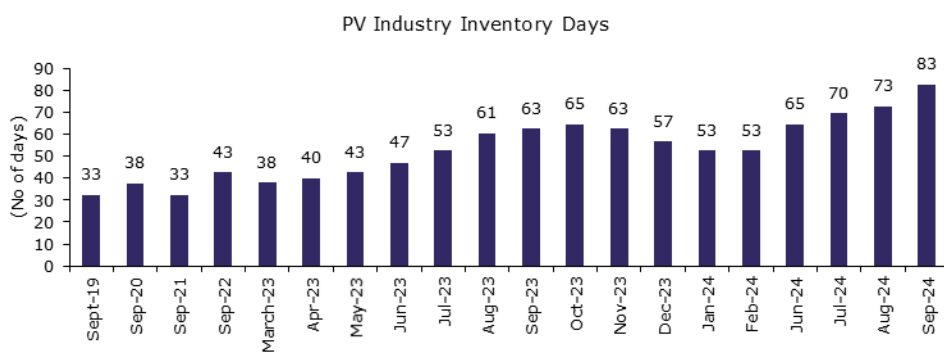
Source: Vahan, Emkay Research

Exhibit 51: Weak demand and high channel inventory leads to sharp spikes in discounts across the PV industry



Source: Industry, Emkay Research

Exhibit 52: PV industry – Inventory days sharply increase in the run up to the festive season

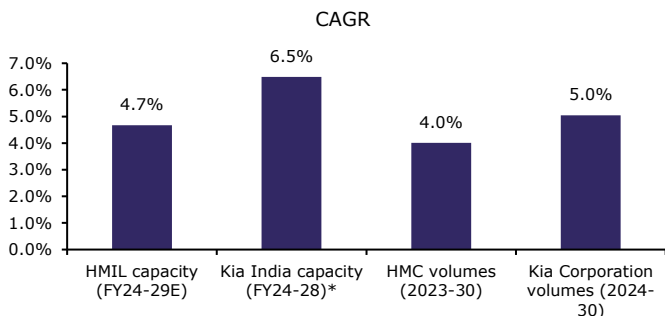


Source: FADA, Emkay Research

[C] MSIL, Kia appear relatively more aggressive on growth in India

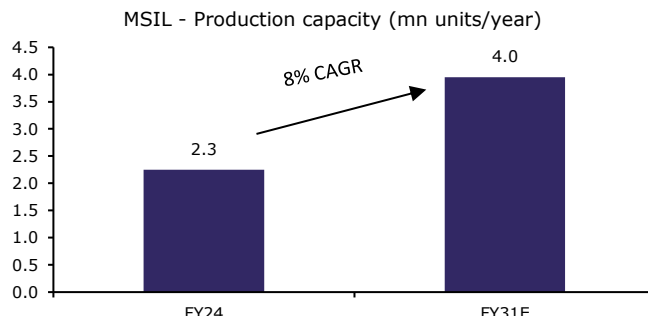
- HMI’s planned annual capacity expansion to 1,074K units by CY28 implies ~5% CAGR, which appears modest relative to the aggression shown by peers like MSIL (~8% capacity CAGR; aims to launch 10 new models with intent to recapture 50% market share via higher focus on SUVs).
- Also, growth plans for the Indian market appear lackluster within Hyundai’s global operations; moreover, Kia seems competitive, with higher capacity expansion CAGR (~7%).
- We note that share of exports out of India within HMC has been declining over the years in favor of China.

Exhibit 53: HMI’s proposed capacity expansion in India not materially higher than the global growth aspiration for parent HMC



Source: Company, HMC 2024 CEO Investor Day (link), Kia 2024 CEO Investor Day (link), Emkay Research; Note: * = Assumed to be achieved by 2027

Exhibit 54: Also, MSIL’s capacity CAGR of ~8% is higher than HMI’s



Source: Company, Emkay Research

Kia India targets production of 430K units by 2030 (8% CAGR from 2023)

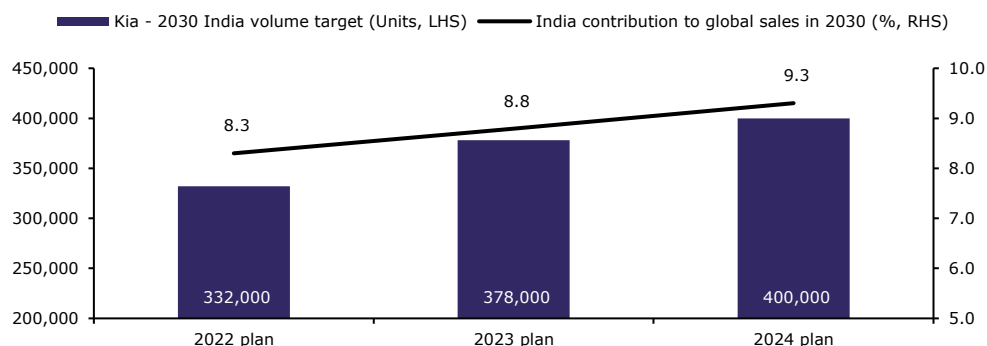
“The growth will come from the SUV segment, which still has a lot of potential to grow”

- Comment in Oct-24 by Gwanggu Lee, MD, Kia India ([link](#))

“We have an aggressive business plan for next year. We are looking to add 100 more sales outlets and enhance installed production capacity by 1 lakh units ... We expect the domestic market to get more competitive and crowded next year, so we are looking at all these measures.”

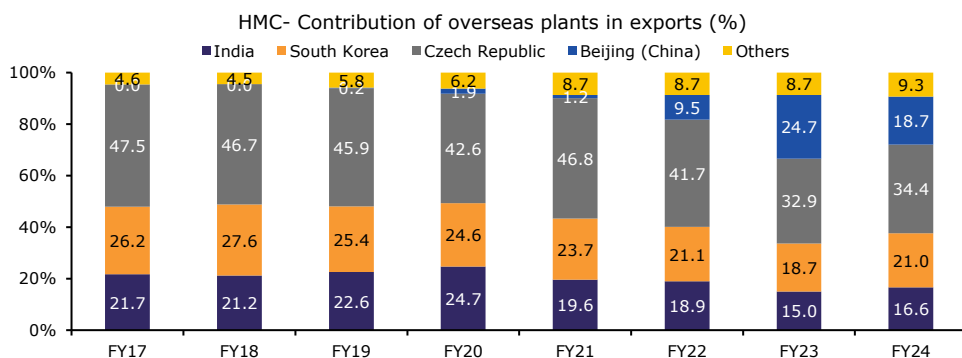
- Comments in Dec-23 by Tae-Jin Park, MD & CEO, Kia India ([link](#))

Exhibit 55: Kia’s expectation from the Indian market for 2030 has risen with each successive annual plan; expectation around India’s contribution to overall volume has also increased



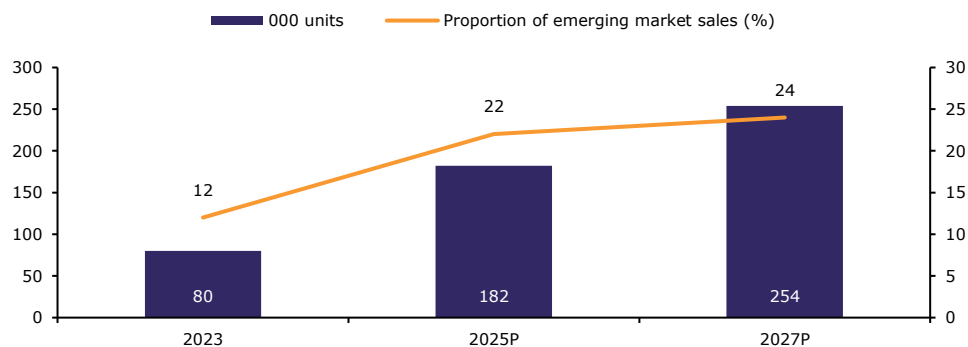
Source: Kia 2024 CEO Investor Day ([link](#)), Emkay Research

Exhibit 56: At HMC, the share of exports from India has declined over the years in favor of China



Source: HMC, Emkay Research

Exhibit 57: Kia aims to increasingly leverage its China production base going ahead



Source: Kia Corporation, Emkay Research

Exhibit 58: Group company Kia also enjoys premium positioning on the back of its exclusive SUV presence; HMIL catching up on profitability metrics

Kia Motor India (Rs)	FY20	FY21	FY22	FY23
ASP/unit	1,018,947	1,034,477	1,064,600	1,092,448
EBITDA/Vehicle	34,603	96,572	97,668	126,771
EBIT/Vehicle	-6,589	57,772	60,155	97,456
KIA (%)				
Gross Margin	22.5	22.7	21.7	23.5
EBITDA Margin	3.4	9.3	9.2	11.6
EBIT Margin	-0.6	5.6	5.7	8.9
PAT Margin	-2.5	6.0	3.7	5.9
Hyundai Motor India (Rs)				
ASP/unit	655,904	711,476	775,729	836,949
EBITDA/Vehicle	65,392	73,725	89,824	104,762
EBIT/Vehicle	40,735	39,462	54,301	74,371
HMIL (%)				
Gross Margin	23.7	23.5	24.4	25.3
EBITDA Margin	10.0	10.4	11.6	12.5
EBIT Margin	6.2	5.5	7.0	8.9
PAT Margin	5.5	4.6	6.1	7.8
Kia premium vs HMIL (%)				
ASP/unit	55	45	37	31
EBITDA/Vehicle	(47)	31	9	21
EBIT/Vehicle	(116)	46	11	31

Source: Company, Capitaline, Emkay Research

MSIL catching up on operational and financial metrics, with higher growth optionality

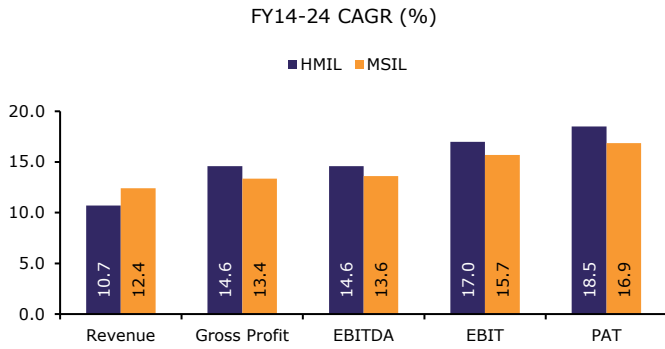
- We highlight that MSIL's performance on operational and financial parameters – adjusted for Suzuki Motor Gujarat (SMG), ie SMG financials – is catching up with HMIL's; MSIL's improved positioning among SUVs in recent years, after the SUV-led launch cycle in the past 2-3 years, has led to reduction in HMIL's premium over MSIL in per-unit profitability metrics.
- MSIL appears relatively more aggressive on growth, as seen in its i) intent to recapture 50% market share, ii) ~8% planned capacity CAGR by 2030 (production capacity to expand to 4mn units vs 2.25mn units in FY24), and iii) multiple planned product launches (number of models to rise to 28 vs 18 now, with rising share of SUVs).
- Separately, launch of new 7-seater SUV in FY26E and optionality from small-car recovery after 2-3 years of struggle (as seen in commuter 2Ws; we expect small cars to start recovering from CY26E) lend relatively greater growth visibility at MSIL, even as near-term challenges are common with HMIL and the overall industry.
- MSIL has consolidated its domestic non-SUV market share (now >65% vs 59% in FY19), and would be an outsized beneficiary of the potential small-car recovery.

Exhibit 59: MSIL's gross margin/EBITDA margin understated by ~2.4%/~1.6%, respectively, due to SMG accounting treatment

MSIL	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Gross Margin (%)	28.5	29.9	32.7	31.3	31.1	30.8	29.7	27.7	25.2	26.6	28.6
Understatement due to SMG (%)	-	(0.0)	(0.1)	(0.3)	(1.0)	(1.5)	(2.6)	(2.6)	(2.3)	(2.3)	(2.4)
Gross Margin (adjusted for SMG, %)	28.5	29.9	32.8	31.6	32.1	32.2	32.3	30.3	27.5	28.9	31.0
EBITDA Margin (%)	11.8	13.4	15.4	15.2	15.1	12.8	9.7	7.6	6.5	9.4	11.6
Understatement due to SMG (%)	-	(0.0)	(0.0)	(0.1)	(0.4)	(0.6)	(1.3)	(1.8)	(2.0)	(1.7)	(1.6)
EBITDA Margin (adjusted for SMG, %)	11.8	13.4	15.4	15.3	15.5	13.4	11.0	9.4	8.4	11.1	13.2

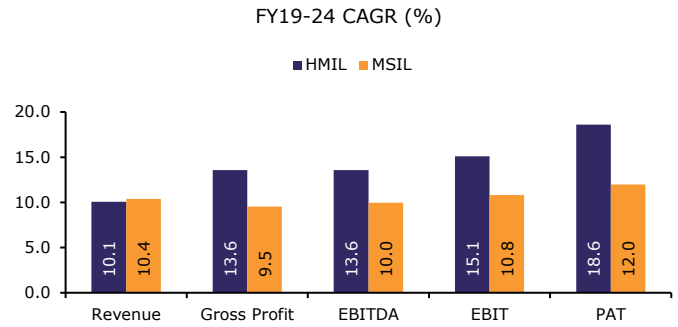
Source: Company, Capitaline, Emkay Research

Exhibit 60: Over the past 10 years, HMIL's profitability has been ahead of MSIL's



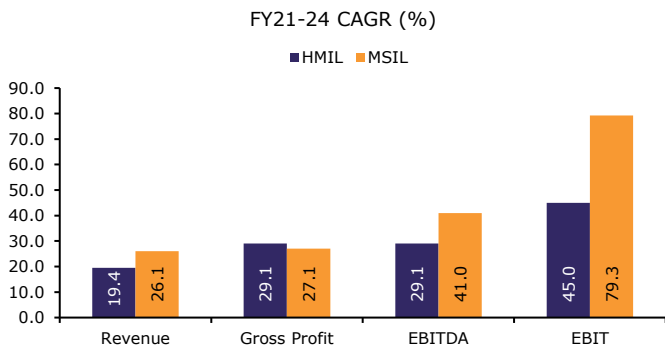
Source: Company, Emkay Research; Note: MSIL's financials adjusted for Suzuki Motor Gujarat (SMG) operations

Exhibit 61: Acceleration of HMIL's SUV launches coupled with lack of new SUVs at MSIL increase the gap between the two players in the past 5 years...



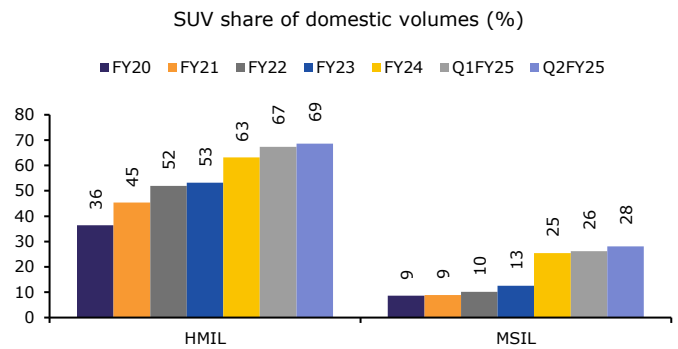
Source: Company, Emkay Research; Note: MSIL's financials adjusted for Suzuki Motor Gujarat (SMG) operations

Exhibit 62: ...however, the new SUV cycle at MSIL in the past 2-3 years has led to a sharp catch-up in financials vs HMIL



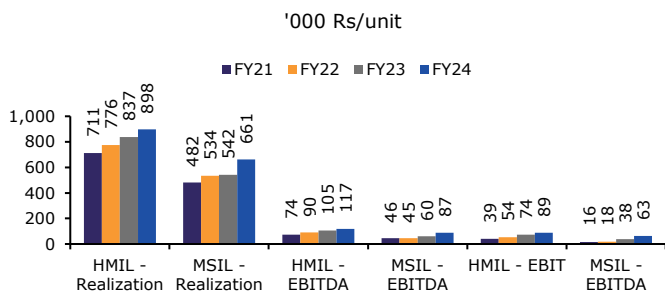
Source: Company, Emkay Research; Note: MSIL's financials adjusted for Suzuki Motor Gujarat (SMG) operations

Exhibit 63: For MSIL, SUVs now form ~28% of domestic PV volumes; HMIL still way ahead at ~69%



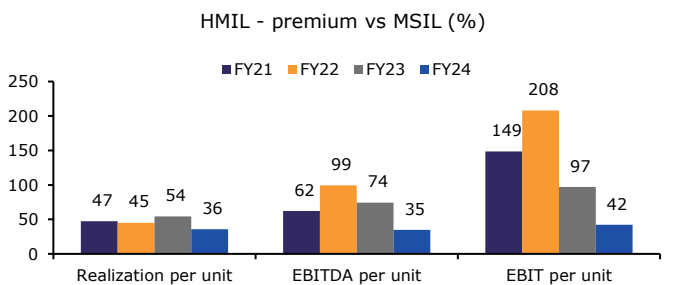
Source: SIAM, Emkay Research

Exhibit 64: Improved salience in SUVs for MSIL in recent years has helped improve the per-unit profitability metrics



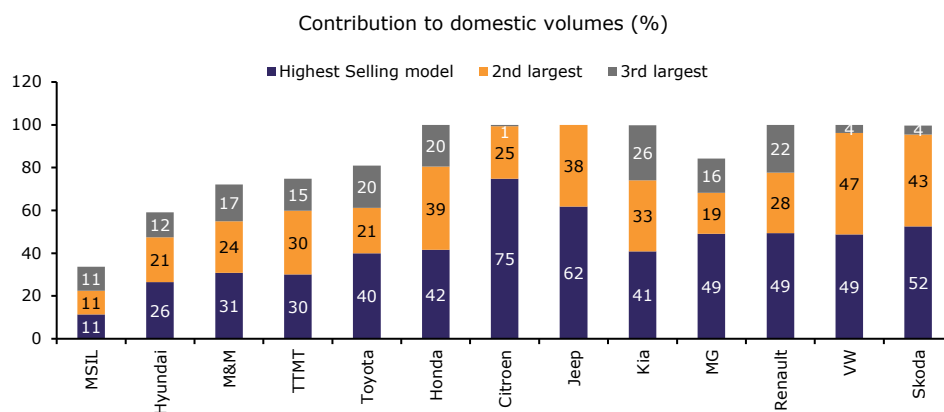
Source: Company, Emkay Research; Note: EBITDA for MSIL is adjusted for Suzuki Motor Gujarat (SMG)

Exhibit 65: Consequently, HMIL's premium vs MSIL on per-unit profitability metrics is now reducing



Source: Company, Emkay Research; Note: EBITDA for MSIL is adjusted for Suzuki Motor Gujarat (SMG)

Exhibit 66: MSIL's model mix is much more diversified compared with HMIL and the rest of the industry; HMIL is largely dependent on models like Creta, Venue, i10, and Exter



Source: SIAM, Emkay Research

Exhibit 67: MSIL's plans on capacity and new launches appear relatively more aggressive than HMIL's

MSIL	FY24	FY31E	CAGR
Capacity (mn units)	2.3	4.0	8%
No of models	18	28	
ICE share of volumes (%)	99	60	
Share of exports (%)	12.6	24.0	10%

Source: Company, Media articles ([link](#)), Emkay Research

MSIL has a stated intent to recapture 50% PV market share going ahead, with actions across models (including rising share of SUVs), capacity, and exports

President's comment

Expansion in India to support Suzuki's growth

We started production in India in 1983 as a partner in India's national car development initiative. To entrench the automobile production industry in India we did not simply supply parts from Japan, but based on the belief of nurturing an industry while valuing the community, invested in plants, built a network of local suppliers and set up a sales network. As a result, the growth of the Indian automobile industry and growth of Maruti Suzuki India aligned firmly and we could achieve steady growth.

However, as the market grew, competition intensified, and now our share of the Indian passenger car market is hovering at 41%. Looking ahead, as a strategy to regain a 50% market share, we will invest in new technology development for mobility production and to expand and augment the production structure. The Indian automobile market is forecast to grow even larger from now on, so Suzuki will need to set up a production scale of 4 million vehicles by 2030. Investment will need to go not only into objects such as plant construction and equipment installation, but it is also important to invest in human resource development such as for the people who will carry out operations, and Suzuki and Maruti Suzuki India are working as one on this.

A change in the production structure announced in July 2023 aims to further enhance competitiveness through more efficient production operations by having Maruti Suzuki India oversee all automobile production in India.

- Comments in 2023 on SMC's Growth Strategy for 2030 ([link](#))

"We will fight to get back to our 50 per cent market share. How much we succeed only time will tell but we certainly don't intend to walk away and say no we don't want to fight for it. We will fight for our market share"

- Comments in Aug-22 by RC Bhargava, Chairman, MSIL ([link](#))

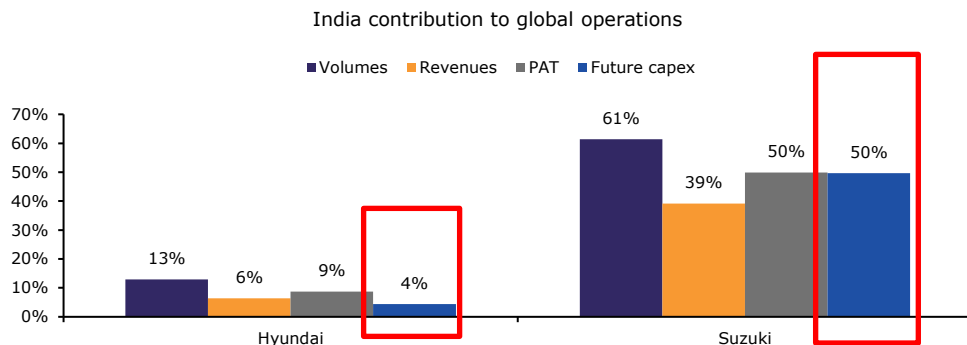
"Since there are no prospects of demand for the smaller entry level car market recovering to the growth rates of the past, we are restructuring our production facilities to conform to the realities and what we are projecting for the future."

The challenge is not only to produce 4 million cars a year, and possibly higher volumes in the subsequent years. We also have to sell this number of cars. By FY 2030-31, your Company could have about 28 different models

Along with the rising domestic demand, the prospects for exports are also expected to continue to improve. Our exports rose to 259,000 units last year. We expect the demand for exports to continue to grow and export volumes are projected at 750,000-800,000 cars by FY 2030-31."

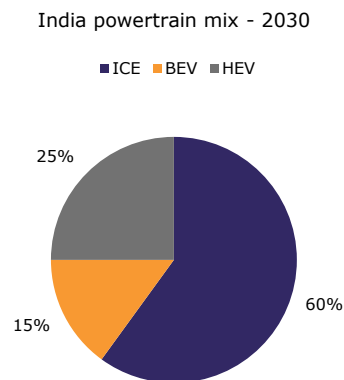
- Comments in 2023 Annual Report by RC Bhargava, Chairman, MSIL

Exhibit 68: While India’s significance within global HMC operations has risen over the years, India holds much more significance at SMC on relative basis, and could constitute ~50% of the company’s upcoming capex as against single-digit capex share for HMIL at HMC



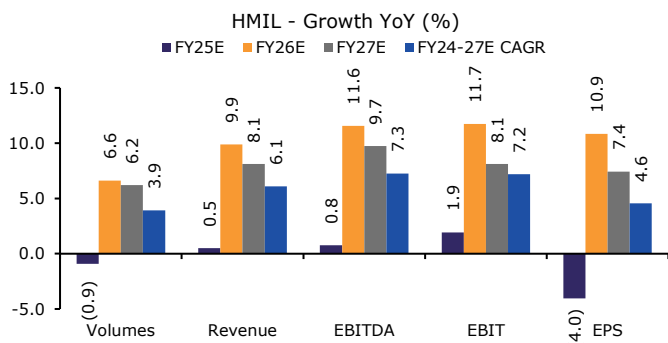
Source: Company, Bloomberg, Emkay Research; Note: Future capex till ~CY31 for Suzuki and till ~CY32 for Hyundai

Exhibit 69: Suzuki targets 15%/25% penetration of EVs/hybrids, respectively, in India by CY30



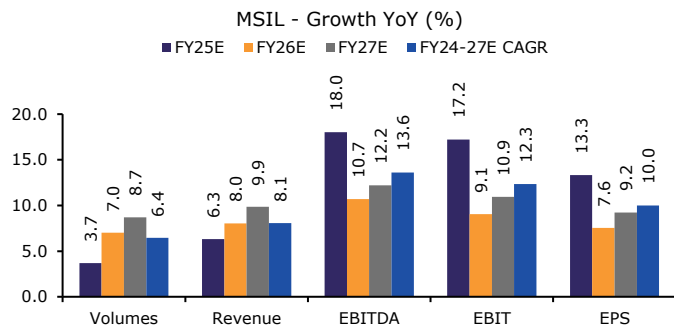
Source: Suzuki Global presentation in Sep-24 (link), Emkay Research; Note: ICE includes CNG, biogas, ethanol fuel, etc

Exhibit 70: We expect a muted ~6%/5% revenue/EPS CAGR over FY24-27E; growth to be back ended



Source: Company, Emkay Research

Exhibit 71: Growth prospects appear brighter for MSIL for now, although the near term remains weak



Source: Company, Emkay Research

Financials: We expect 4%/5% volume/EPS CAGR over FY24-27E

- We expect a muted ~4% PV industry volume CAGR over FY24-27E, amid the new launch pipeline now being largely behind. Moreover, growth is expected to be back-ended (~1% growth in FY25E), including due to the potential recovery in small cars after 2-3 years of struggle, with bulk of the regulatory-led cost increases now in the past.
- We build in a similar ~4% volume CAGR for HMIL, amid i) lack of near-term growth triggers, and ii) modest expansion in capacity (~5% CAGR over FY24-29E). Our revenue expectations for FY24-27E stand at ~6%, on better mix (further increase in SUV share to ~71% in domestic volumes by FY27E vs 63% in FY24).
- We expect limited improvement in EBITDA margin, from 13.1% in FY24 to 13.5% in FY27E, on account of increase in royalty rate to ~3.5% (vs 2.2%/2.75% in FY24/Q1FY25, respectively), and limited scale benefits.
- Owing to muted EBITDA expansion and lower treasury income (due to reduction in cash balance after the large dividend payout in FY24), PAT growth over FY24-27E stands at a modest ~5% CAGR.
- However, we expect HMIL to continue tracking the strong cash-generation path (Rs117bn cumulative FCF generation over FY24-27E), with return ratios remaining robust (over 60% RoCE).

Exhibit 72: PV industry – We expect a muted ~4% industry volume CAGR over FY24-27E, with growth likely being back-ended

Particulars ('000 units)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Domestic PV industry	3,017	3,252	3,339	2,760	2,708	3,065	3,882	4,206	4,255	4,508	4,760
Growth (%)	9.5	7.8	2.7	-17.3	-1.9	13.2	26.7	8.3	1.2	5.9	5.6
Cars	2,103	2,174	2,218	1,695	1,542	1,467	1,747	1,549	1,301	1,299	1,377
Growth (%)	3.8	3.4	2.0	-23.6	-9.1	-4.9	19.1	-11.4	-16.0	-0.1	6.0
UVs	557	747	752	724	861	1,243	1,745	2,198	2,414	2,629	2,766
Growth (%)	35.6	34.2	0.7	-3.6	18.9	44.4	40.4	26.0	9.8	8.9	5.2
MPVs and Vans	388	367	407	354	309	359	398	471	541	580	618
Growth (%)	9.6	-5.4	10.8	-13.0	-12.9	16.5	10.7	18.5	14.8	7.1	6.5

Industry Mix (%)

Cars	69.7	66.9	66.4	61.4	56.9	47.9	45.0	36.8	30.6	28.8	28.9
SUVs	18.4	23.0	22.5	26.2	31.8	40.6	44.9	52.3	56.7	58.3	58.1
MPV and Vans	12.9	11.3	12.2	12.8	11.4	11.7	10.2	11.2	12.7	12.9	13.0

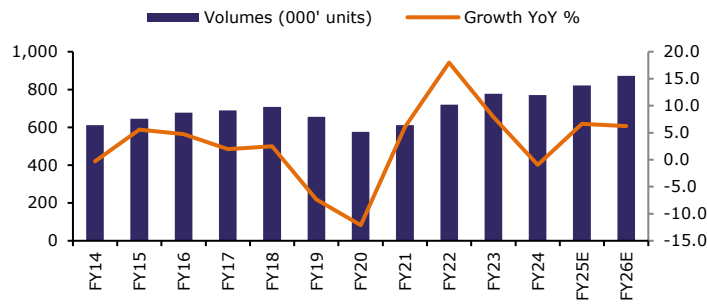
Source: SIAM, Emkay Research

Exhibit 73: HMIL - We build-in 4%/5% CAGR in volume/EPS, respectively, over FY24-27E

(Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Capacity (no of units)	752,000	758,000	770,000	824,000	824,000	909,000	994,000
Utilization (%)	76.6	80.6	93.6	94.4	93.5	90.4	87.8
Avg monthly volumes (no of units)	47,990	50,897	60,047	64,823	64,228	68,480	72,732
Growth (%)	-12.1	6.1	18.0	8.0	-0.9	6.6	6.2
Domestic Volumes (no of units)	471,535	481,500	567,546	614,721	606,766	644,669	681,531
Growth (%)	-2.9	2.1	17.9	8.3	-1.3	6.2	5.7
Export Volumes (no of units)	104,342	129,260	153,019	163,155	163,971	177,088	191,256
Growth (%)	-38.6	23.9	18.4	6.6	0.5	8.0	8.0
Exports share (%)	18.1	21.2	21.2	21.0	21.3	21.5	21.9
Total Volumes (no of units)	575,877	610,760	720,565	777,876	770,736	821,757	872,786
Growth (%)	-12.1	6.1	18.0	8.0	-0.9	6.6	6.2
ASP (Rs/unit)	711,476	775,729	836,949	897,688	910,490	938,457	955,375
Growth (%)	8.5	9.0	7.9	7.3	1.4	3.1	1.8
Revenues	409,723	473,784	603,076	698,290	701,748	771,184	833,838
Growth (%)	-4.7	15.6	27.3	15.8	0.5	9.9	8.1
EBITDA	42,457	54,861	75,488	91,326	92,037	102,686	112,697
EBITDA margin (%)	10.4	11.6	12.5	13.1	13.1	13.3	13.5
EBITDA growth (%)	-0.9	29.2	37.6	21.0	0.8	11.6	9.7
EBITDA/unit (Rs)	73,725	89,824	104,762	117,404	119,415	124,959	129,123
Depreciation	19,732	21,696	21,899	22,079	21,456	23,819	27,419
EBIT	22,725	33,165	53,589	69,247	70,582	78,867	85,278
EBIT margin (%)	5.5	7.0	8.9	9.9	10.1	10.2	10.2
Other income	4,324	5,876	11,291	14,733	8,869	8,930	8,823
Treasury income	3,600	4,459	9,234	12,500	6,875	6,531	6,205
Non-treasure income	724	1,417	2,057	2,232	1,994	2,398	2,618
Interest	1,647	1,319	1,424	1,581	1,225	1,081	948
PBT	25,403	37,722	63,456	82,399	78,226	86,716	93,153
Tax	6,591	8,706	16,363	21,798	20,067	22,245	23,897
Tax Rate (%)	25.9	23.1	25.8	26.5	25.7	25.7	25.7
PAT	18,812	29,016	47,093	60,600	58,158	64,470	69,256
PAT margin (%)	4.6	6.1	7.8	8.7	8.3	8.4	8.3
EPS (Rs)	23.2	35.7	58.0	74.6	71.6	79.3	85.2
Core EPS (Rs)	19.7	32.4	50.3	66.9	66.9	74.7	80.6
DPS (Rs)	16.7	18.4	57.3	132.7	60.0	65.0	70.0
Capex	26,529	12,118	23,457	29,881	42,211	46,092	51,092
FCF	28,440	38,849	43,150	60,202	30,092	41,044	43,749
Net debt/(cash)	(102,137)	(129,612)	(165,518)	(81,841)	(70,825)	(66,903)	(61,649)
Net worth (Rs mn)	153,113	168,563	200,548	106,657	116,063	127,718	140,097
Invested capital (Rs mn)	46,482	32,794	26,764	15,338	35,760	51,338	68,969
ROE (%)	13.2	18.0	25.5	39.5	52.2	52.9	51.7
ROCE - Pre tax (%)	15.0	19.7	28.3	44.7	64.3	66.1	65.4
ROIC - Pre tax (%)	42.5	83.7	180.0	328.9	276.3	181.1	141.8

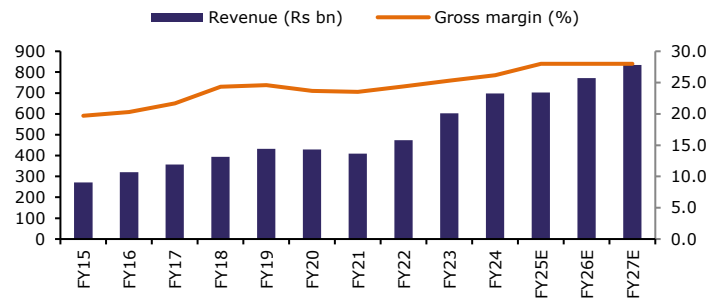
Source: Company, Emkay Research

Exhibit 74: HMIL – We build-in 4% volume CAGR over FY24-27E



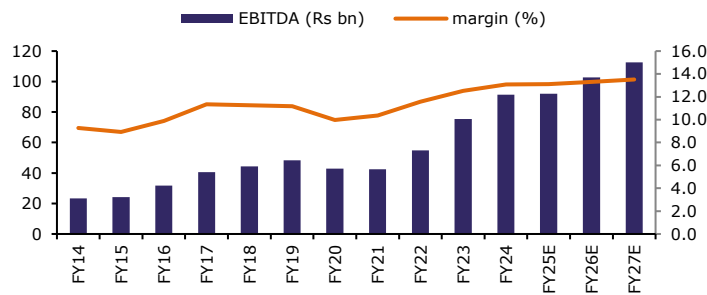
Source: Company, Emkay Research

Exhibit 75: HMIL – Revenue CAGR seen at 6% over FY24-27E



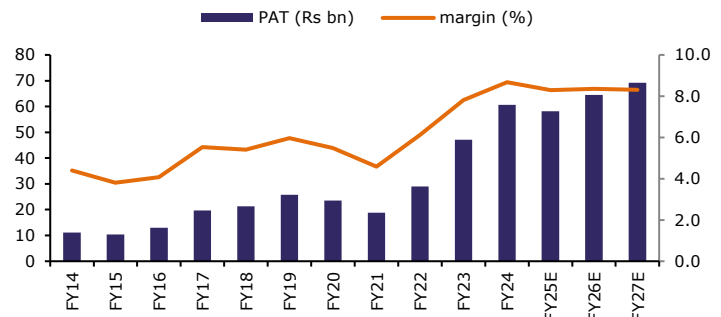
Source: Company, Emkay Research

Exhibit 76: HMIL – We expect EBITDA margin to be impacted by higher royalty payout going forward (effective Q1FY25)



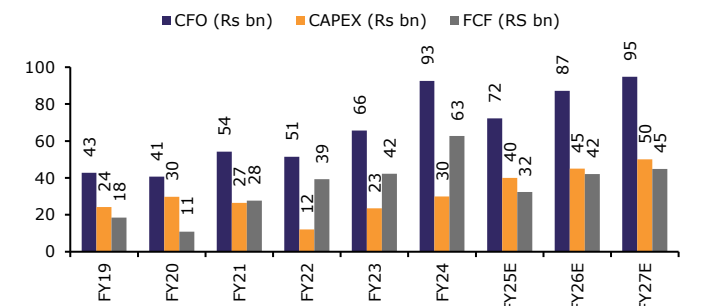
Source: Company, Emkay Research

Exhibit 77: HMIL – We expect a muted ~5% EPS CAGR



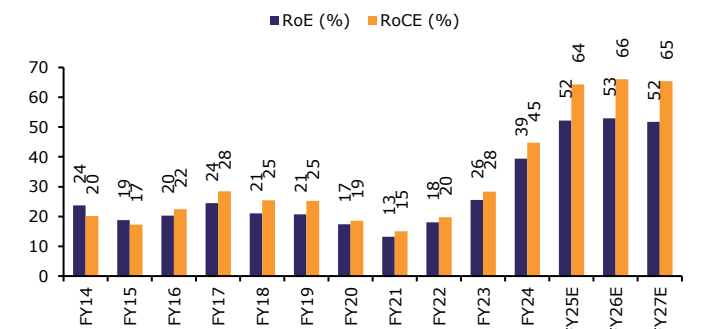
Source: Company, Emkay Research

Exhibit 78: HMIL – Cumulative ~Rs117bn FCF generation over FY25E-27E



Source: Company, Emkay Research

Exhibit 79: HMIL – Return ratios to remain robust



Source: Company, Emkay Research

Exhibit 80: HMIL vs MSIL – Comparison across parameters

	FY24-27E CAGR (%)					RoE (%)		PER (x)		Core PER (x)		EV/EBIT (x)	
	Volumes	Revenues	EBIT	PAT	FY25E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
HMIL	3.9	6.1	7.2	4.6	52.2	52.9	51.7	24.7	23.0	25.2	23.4	19.3	18.0
MSIL	6.4	8.1	12.3	10.0	16.7	16.3	16.2	24.0	22.0	24.2	21.6	18.0	16.0

Source: Company, Emkay Research; Note: MSIL not adjusted for SMG financials

Key risks and concerns

- **Sharp reversal in industry demand:** Near-to-mid-term outlook for the PV industry is muted amid lack of major new ICE launches, slowing retails, and rising inventory/discounts; continued softness in the industry would impact growth across OEMs, including HMIL and MSIL. Any sharp reversal in industry demand would be a key risk for HMIL.
- **New model launches:** As per our interactions with industry and media articles, there are limited upcoming new model launches at HMIL. Acceleration of the launch pipeline, especially in ICE, would potentially lead to return of growth momentum.
- **Continued growth in SUV category:** HMIL has limited salience in the small car segment (rural forms ~20% of demand as against ~40-50% at MSIL); thus, the company would be a limited beneficiary of a potential small-car recovery. The company would benefit from continued growth in the SUV category, given its strong presence here.
- **Commodity price risk:** While commodity price outlook is largely benign for now, any sharp upward movement may impact profitability at HMIL (along with other players).

Hyundai Motor India: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	603,076	698,290	701,748	771,184	833,838
Revenue growth (%)	27.3	15.8	0.5	9.9	8.1
EBITDA	75,488	91,326	92,037	102,686	112,697
EBITDA growth (%)	37.6	21.0	0.8	11.6	9.7
Depreciation & Amortization	21,899	22,079	21,456	23,819	27,419
EBIT	53,589	69,247	70,582	78,867	85,278
EBIT growth (%)	61.6	29.2	1.9	11.7	8.1
Other operating income	0	0	0	0	0
Other income	11,291	14,733	8,869	8,930	8,823
Financial expense	1,424	1,581	1,225	1,081	948
PBT	63,456	82,399	78,226	86,716	93,153
Extraordinary items	38	0	0	0	0
Taxes	16,363	21,798	20,067	22,245	23,897
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	47,130	60,600	58,158	64,470	69,256
PAT growth (%)	62.2	28.6	(4.0)	10.9	7.4
Adjusted PAT	47,093	60,600	58,158	64,470	69,256
Diluted EPS (Rs)	58.0	74.6	71.6	79.3	85.2
Diluted EPS growth (%)	62.2	28.6	(4.0)	10.9	7.4
DPS (Rs)	57.3	132.7	60.0	65.0	70.0
Dividend payout (%)	98.7	177.9	83.8	81.9	82.1
EBITDA margin (%)	12.5	13.1	13.1	13.3	13.5
EBIT margin (%)	8.9	9.9	10.1	10.2	10.2
Effective tax rate (%)	25.8	26.5	25.7	25.7	25.7
NOPLAT (pre-IndAS)	39,770	50,928	52,475	58,635	63,401
Shares outstanding (mn)	812.5	812.5	812.5	812.5	812.5

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	63,456	82,399	78,226	86,716	93,153
Others (non-cash items)	0	0	0	0	0
Taxes paid	(21,328)	(22,998)	(20,067)	(22,245)	(23,897)
Change in NWC	4,908	17,324	250	5,018	4,528
Operating cash flow	65,643	92,520	72,303	87,136	94,842
Capital expenditure	(23,457)	(29,881)	(42,211)	(46,092)	(51,092)
Acquisition of business	0	0	0	0	0
Interest & dividend income	8,378	8,451	6,875	6,531	6,205
Investing cash flow	(13,827)	(100,905)	(33,342)	(37,163)	(42,270)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(529)	(4,648)	(992)	(846)	(861)
Payment of lease liabilities	(98)	(108)	0	0	0
Interest paid	(329)	(294)	(1,225)	(1,081)	(948)
Dividend paid (incl tax)	(14,935)	(154,358)	(48,752)	(52,815)	(56,878)
Others	0	0	0	0	0
Financing cash flow	(15,792)	(159,301)	(50,970)	(54,743)	(58,687)
Net chg in Cash	36,023	(167,686)	(12,008)	(4,769)	(6,115)
OCF	65,643	92,520	72,303	87,136	94,842
Adj. OCF (w/o NWC chg.)	60,735	75,195	72,053	82,119	90,314
FCFF	42,186	62,638	30,092	41,044	43,749
FCFE	49,139	69,509	35,743	46,494	49,006
OCF/EBITDA (%)	87.0	101.3	78.6	84.9	84.2
FCFE/PAT (%)	104.3	114.7	61.5	72.1	70.8
FCFF/NOPLAT (%)	106.1	123.0	57.3	70.0	69.0

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	8,125	8,125	8,125	8,125	8,125
Reserves & Surplus	192,423	98,532	107,938	119,593	131,971
Net worth	200,548	106,657	116,063	127,718	140,097
Minority interests	0	0	0	0	0
Deferred tax liability (net)	(8,266)	(9,478)	(9,478)	(9,478)	(9,478)
Total debt	11,894	8,332	7,340	6,494	5,633
Total liabilities & equity	204,176	105,511	113,925	124,734	136,251
Net tangible fixed assets	57,656	67,136	85,680	106,861	129,442
Net intangible assets	3,270	2,825	2,825	2,825	2,825
Net ROU assets	578	6,183	6,183	6,183	6,183
Capital WIP	13,366	6,528	8,739	9,832	10,924
Goodwill	0	0	0	0	0
Investments [JV/Associates]	0	0	0	0	0
Cash & equivalents	177,412	90,173	78,165	73,397	67,282
Current assets (ex-cash)	85,185	81,168	81,570	89,641	96,924
Current Liab. & Prov.	133,292	148,503	149,239	164,005	177,330
NWC (ex-cash)	(48,107)	(67,335)	(67,668)	(74,364)	(80,406)
Total assets	204,176	105,511	113,925	124,734	136,251
Net debt	(165,518)	(81,841)	(70,825)	(66,903)	(61,649)
Capital employed	204,176	105,511	113,925	124,734	136,251
Invested capital	26,764	15,338	35,760	51,338	68,969
BVPS (Rs)	246.8	131.3	142.8	157.2	172.4
Net Debt/Equity (x)	(0.8)	(0.8)	(0.6)	(0.5)	(0.4)
Net Debt/EBITDA (x)	(2.2)	(0.9)	(0.8)	(0.7)	(0.5)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	28.3	44.7	64.3	66.1	65.4

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	33.8	26.3	27.4	24.7	23.0
P/CE(x)	23.1	19.3	20.0	18.0	16.5
P/B (x)	7.9	14.9	13.7	12.5	11.4
EV/Sales (x)	2.4	2.2	2.2	2.0	1.8
EV/EBITDA (x)	18.9	16.5	16.5	14.9	13.6
EV/EBIT(x)	26.6	21.8	21.6	19.3	18.0
EV/IC (x)	53.3	98.5	42.6	29.7	22.2
FCFF yield (%)	3.0	4.1	2.0	2.7	2.9
FCFE yield (%)	3.1	4.4	2.2	2.9	3.1
Dividend yield (%)	2.9	6.8	3.1	3.3	3.6
DuPont-RoE split					
Net profit margin (%)	7.8	8.7	8.3	8.4	8.3
Total asset turnover (x)	3.2	4.5	6.4	6.5	6.4
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	25.5	39.5	52.2	52.9	51.7
DuPont-RoIC					
NOPLAT margin (%)	6.6	7.3	7.5	7.6	7.6
IC turnover (x)	22.5	45.5	19.6	15.0	12.1
RoIC (%)	180.0	328.9	276.3	181.1	141.8
Operating metrics					
Core NWC days	(29.1)	(35.2)	(35.2)	(35.2)	(35.2)
Total NWC days	(29.1)	(35.2)	(35.2)	(35.2)	(35.2)
Fixed asset turnover	3.2	3.2	2.8	2.6	2.4
Opex-to-revenue (%)	12.8	13.1	14.9	14.7	14.5

Source: Company, Emkay Research

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