

RETAIL EQUITY RESEARCH

Hyundai Motor India Ltd.

Automobiles

SENSEX: 81,973

NIFTY: 25,128

SUBSCRIBE

Price Range Rs.1,865- Rs.1,960

A Future-Ready Auto Player with Strong Parentage

Hyundai Motor India Ltd. (HMIL), established in 1996, is a wholly owned subsidiary of Hyundai Motor Company (HMC) and the second largest automobile manufacturer in Indian passenger vehicles (~15% market share FY24). HMIL manufactures and sells four-wheeler passenger vehicles. HMIL's portfolio includes 13 models across various segments along with EVs (electric vehicles) and sold nearly 12 million passenger vehicles both domestically and through exports. HMIL has 3 manufacturing facilities across India, 2 in Chennai and 1 in Talegaon, with a capacity utilisation of 97% in FY24.

- India's domestic PV (passenger vehicles) sales volume rose at 5% CAGR (FY19-24) to reach 4.2 million vehicles in FY24 and is expected to clock 4.5-6.5% CAGR over FY24-29E to reach 5.2-5.7 million domestic vehicle sales. (source: CRISIL MI&A)
- PV exports from India grew at 1.4% in FY24 (hindered by global economic slowdown) and are expected to grow at a CAGR of 7-9% between FY24-FY29, backed by economic stability & growth, increased push from OEMs and India's trade agreements.
- In CY23, HMIL was among the top 3 contributors to HMC's (promoter company) global sales volumes, and their contribution to HMC's sales volumes increased from 15.48% in CY18 to 18.19% in CY23.
- HMIL has reported consistent growth in both top-line and bottom-line. Revenue grew at a CAGR of 21% to Rs. 69,829cr (in FY24) and PAT grew at a CAGR of ~45% to Rs.6,060cr over FY22-24, led by better sales volume and operating efficiency.
- EBITDA grew at a CAGR of 29% while EBITDA margins were steady in the range of 12-13% over FY22-24, led by localisation, favourable mix and economies of scale.
- Through the acquisition of a manufacturing plant in Talegaon, Maharashtra, the HMIL plans to increase its production capacity from 824,000 units in FY24 to 1,074,000 units per annum, aided by calibrated approach with HMC.
- HMIL intends to expand its EV portfolio by launching 4 new models including Creta EV by Q4FY25.
- The company aims to broaden its vehicle lineups, advance its EV technology, and strengthen local manufacturing. To support these, HMIL has set aside ~ ₹32,000 cr. to leverage the growth potential of India's EV market by 2030.
- At the upper price band of ₹1,960, HMIL is available at a premium valuation of 26.7x P/E ratio based on FY25E post issue annualised EPS. We assign a "Subscribe" rating to the issue for the long-term investment, given its strong parentage with HMC, healthy financial profile, sustained earnings, increased product mix in the SUV segment and enhanced focus towards Electric Vehicle space.

Purpose of IPO

The issue is primarily Offer for Sale of up to 142,194,700 equity shares of face value of ₹ 10 each by the Promoter Selling Shareholder. The objective of the issue is to achieve the benefits of listing the equity shares on the stock exchanges.

Key Risks

- Product concentration risk: ~67.4% of HMIL's sales volume in Q1FY25 is derived from SUVs.
- Volatility in raw material prices.
- HMIL pays a royalty fees of ~3.5% of its sales revenue to HMC. So, an increase in royalty rate may impact profitability.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	Mcap/Sales (x)	P/E(x)	EV/EBITDA(x)	P/BV(x)	CMP
Hyundai Motor India Ltd	1,59,258	69,829	13.1	8.7	74.6	56.8	2.3	26.3	17.5	14.9	1,960
Maruti Suzuki India Ltd	3,94,897	134,922	13.7	10.0	343.5	18.3	2.9	37.1	20.9	4.7	12,777
Mahindra & Mahindra Ltd	3,93,235	1,21,009	19.9	9.3	92.8	18.4	3.2	34.0	14.2	7.2	3,134
Tata Motors Ltd	3,92,546	4,37,928	13.6	7.2	83.8	48.2	0.9	11.2	7.4	4.2	931

Source: Geojit Research, Bloomberg; Valuations of HMIL are based on upper end of the price band post issue), Financials as per FY24 consolidated.

Issue Details

Date of opening	October 15, 2024
Date of closing	October 17, 2024
Total No. of shares offered (cr.)	14.22
Post Issue No. of shares (cr)	81.25
Price Band	₹1,865- ₹1,960
Face Value	₹10
Bid Lot	7 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 13,720
Maximum application for retail (upper price band for 14 lot)	₹ 1,92,080
Listing	BSE,NSE
Lead Managers	Kotak Mahindra Capital, JP Morgan India, Morgan Stanley India company,HSBC securities&Capital Markets, CitiGroup Global Markets India
Registrar	Kfin Technologies Limited

Issue size (upper price)

	Rs.cr
Fresh Issue	0
OFS	27,856.0
Total Issue	27,856.0

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	100	82.5
Public	-	17.5
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	9,701.0
Non-Institutional	15	4,158.0
QIB	50	13,859.0
Emp. Reservation	-	138.0
Total	100	27,856.0

Y.E March (Rs cr) Consol.	FY23	FY24	Q1FY25
Sales	60,307.6	69,829.1	17,344.2
Growth YoY(%)	27.3	15.8	4.3
EBITDA	7,548.8	9,132.6	2,340.3
Margin(%)	12.5	13.1	13.5
PAT Adj.	4,709.3	6,060.0	1,489.7
Growth (%)	62.3	28.7	12.1
EPS	58.0	74.6	73.3*
P/E (x)	33.8	26.3	26.7*
EV/EBITDA (x)	21.3	17.5	17.1*
RoE (%)	23.5	56.8	49.0*

*Annualized

Business Description

HMIL primarily manufacture and sell four-wheeler passenger vehicles and parts, such as transmissions and engines in India and outside India. The company also provide extended warranties and insurance broking services. The figure below illustrates the pan-India operations:



Note: Data as of June 30, 2024 (1) Expected to be operational in second half of Fiscal 2026
Map not to scale. For illustrative purposes only.

Source: RHP, Geojit Research

PORTFOLIO:



Source: RHP, Geojit Research

Royalty Agreement between HMC and HMIL

HMIL is required to pay an amount to HMC equal to 3.5% of its sales revenue (which is to be determined as set forth in the Royalty Agreement), arising from sale of the passenger vehicles or parts. Payment of royalty is to be made by HMIL to HMC on a quarterly basis.

KEY STRENGTHS:

Second largest auto OEM in India and the leading exporter of passenger vehicles

HMIL has consistently been the largest auto OEM in India by sales volume in the mid-size SUV sub-segment from FY19 to the three months ended June 30, 2024, according to the CRISIL Report. HMIL has been India's second largest exporter of passenger vehicles from April 1, 2021, through June 30, 2024, according to the CRISIL Report. Since inception and up to June 30, 2024, HMIL has exported 3.61 million passenger vehicles to over 150 countries, including to countries in Latin America, Africa, Middle East, Asia, and others.

Diverse portfolio of passenger vehicles across powertrains and major passenger vehicle segments

The company's portfolio of 13 passenger vehicle models (including N Line models which are passenger vehicle models that feature sporty performance features) across major passenger vehicle segments by body type include sedans (Aura and Verna), hatchbacks (Grand i10 NIOS, i20 and i20 N Line) and SUVs (Exter, Venue, Venue N Line, Creta, Creta N Line, Alcazar, Tucson and IONIQ 5).

Pan-India sales, distribution and after-sale services network offered by dealers.

As of June 30, 2024, HMIL had 1,377 sales outlets across 1,036 cities and towns in India and 1,561 service centres across India across 957 cities and towns in India. This has grown from 1,282 sales outlets across 974 cities and towns in India and 1,422 service centres across 905 cities and towns in India as of March 31, 2022. As of June 2024, HMIL had partnerships with 364 dealer companies for distribution and sales in India.

Flexible and automated manufacturing capabilities

The manufacturing operations are highly automated, and the Chennai Manufacturing Plant is optimised to manufacture our full range of 13 passenger vehicle models. HMIL has three manufacturing plants in India - two operating plants in Irungattukottai, Sriperumbudur in Tamil Nadu - the Chennai Manufacturing Plant; and one plant at Talegaon in Pune in Maharashtra - Talegaon.

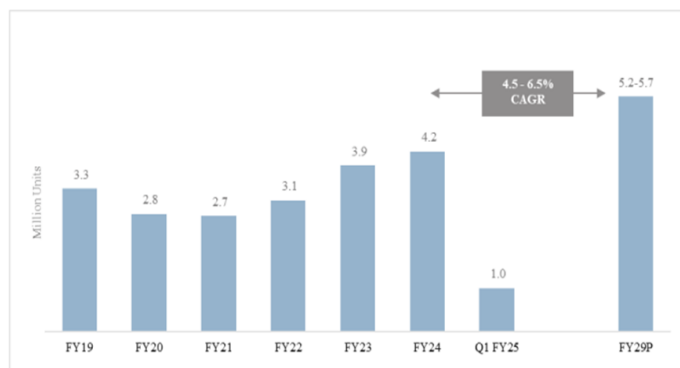
Key strategies

- Focus on expanding passenger vehicle portfolio.
- Focus on continued premiumisation of passenger vehicle portfolio.
- Calibrated manufacturing capacity expansion and efficient capital allocation.
- Focus on increasing EV market share.
- Further strengthening of HMIL's position as the export hub for HMC (promoter company).
- Further deepen physical-and digital network for sales and services across India.

Industry outlook

The Indian PV industry witnessed growth reaching a high of 3.3 million vehicle sales in Fiscal 2019 (Source: CRISIL Report). This growth until FY19 was led by continuous improvement in GDP, increase in disposable incomes and new model launches, stable cost of vehicle ownership, as well as rising traction for SUVs (Source: CRISIL Report). Between FY19 and FY24, India's domestic PV sales volume rose at 5% CAGR (Source: CRISIL Report). This growth was despite the sales contraction (at 10% CAGR) witnessed during FY19 to FY21 (Source: CRISIL Report). From the low base of FY21, passenger vehicle sales bounced back and grew at a healthy pace to reach the historic high of 4.2 million units in FY24 (Source: CRISIL Report). In FY24, the HMIL had a market share across select OEMs in India in terms of volume of 12% (hatchbacks), 22% (sedans) and 18% (SUVs) (Source: CRISIL Report).

Domestic PV Industry outlook (volumes)



Source: , RHP, Geojit research

Segmental growth outlook

Segment	Fiscal 2019-Fiscal 2024 CAGR	Fiscal 2024-Fiscal 2029P CAGR
Hatchbacks	(5.7) %	0.0 - 2.0%
Compact Hatchbacks	(8.0) %	(1.0) -0.5%
Premium Hatchbacks	0.0%	1.5 - 4.0%
Sedans	(9.5) %	0.5 - 2.0%
SUVs	22.7%	7.0 - 9.0%
Compact SUVs	22.9%	6.8 - 8.8%
Mid-Size SUVs	23.8%	7.8 - 10.0%
Large SUVs	20.8%	7.2 - 9.2%
MPVs	14.0%	6.4 - 9.4%
Vans	(5.1) %	1.1- 2.0%
Total	4.7%	4.5 - 6.5%

Source: SIAM, CRISIL M&A

Promoter and promoter group

The Promoters of the company is Hyundai Motor Company.

As on the date of this Red Herring Prospectus, the Promoter i.e. Hyundai Motor Company holds 812,541,100 Equity Shares of face value of ₹ 10 each (including 100 Equity Shares each held by Wangdo Hur, Kuen Han YI, Unsoo Kim, Jae Wan Ryu, Daeick Kim and Jong Hoon Lee on behalf of and as nominees of Promoter) in the Company, representing 100.00% of the pre-Offer issued, subscribed and paid-up equity share capital of the Company.

Brief Biographies of directors

As of the date of this Red Herring Prospectus, HMIL has eight Directors on the Board comprising one Managing Director, three Whole-time Directors, and four Independent Directors, including two women Independent Directors.

- **Unsoo Kim**, is the Managing Director of the Company. He has also been appointed as the Chairman of the Board.
- **Tarun Garg** is the Whole-time Director and Chief Operating Officer of the Company. He has been associated with the Company since December 4, 2019.
- **Gopalakrishnan Chathapuram Sivaramakrishnan**, is the Whole-time Director and Chief Manufacturing Officer of the Company. He has been associated with the Company since September 12, 1997.
- **Wangdo Hur**, is a Whole-time Director and Chief Financial Officer and a business head – finance of the Company. He has been associated with the Company since January 1, 2023.
- **Ajay Tyagi**, is an Independent Director of the Company. He has been associated with the Company since June 7, 2024.
- **Sree Kirat Patel**, is an Independent Director of the Company. She has been associated with the Company since June 7, 2024.
- **Shalini Puchalapalli**, is an Independent Director of the Company. She has been associated with the Company since June 7, 2024.
- **John Martin Thompson** is an Independent Director of the Company. He has been associated with the Company since September 10, 2024.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	Q1FY25
Sales	60,307.6	69,829.1	17,344.2
% change	27.3	15.8	4.3
EBITDA	7,548.8	9,132.6	2,340.3
% change	38%	21%	-
Depreciation	2,189.9	2,207.9	529.0
EBIT	5,358.9	6,924.7	1,811.3
Interest	142.4	158.1	31.6
Other Income	1,129.1	1,473.3	223.8
Exceptional items	-	-	-
PBT	6,345.6	8,239.9	2,003.4
% change	68%	29.9%	-
Tax	1,636.3	2,179.8	513.7
Tax Rate (%)	26%	26%	26%
Reported PAT	4,709.3	6,060.0	1,489.7
Adj	-	-	-
Adj. PAT	4,709.3	6,060.0	1,489.7
% change	62.3%	28.7%	12.1%
Post issue No. of shares (cr)	81.3	81.3	81.3
Adj EPS (Rs)	58.0	74.6	18.3
% change	62.3	28.7	-

BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	Q1FY25
Cash	17,741.1	9,017.3	8,512.8
Accounts Receivable	2,897.2	2,510.0	2,358.1
Inventories	3,422.4	3,315.6	2,888.3
Other Cur. Assets	847.3	937.1	956.7
Investments	505.7	406.3	434.7
Deff. Tax Assets	1,441.3	1,636.4	1,690.9
Net Fixed Assets	5,823.4	7,331.9	6,992.1
CWIP	1,336.6	652.8	972.1
Intangible Assets	327.0	282.5	261.3
Other Assets	231.3	259.1	303.1
Total Assets	34,573	26,349	25,370
Current Liabilities	9,975.0	11,425.9	8,601.7
Provisions	2,233.6	2,460.7	2,522.0
Debt Funds	1,189.3	833.2	821.2
Other Fin. Liabilities	806.7	576.0	603.1
Deferred Tax liability	313.8	387.9	673.6
Equity Capital	812.5	812.5	812.5
Reserves & Surplus	19,242.3	9,853.1	11,336.2
Shareholder's Fund	20,054.8	10,665.7	12,148.7
Total Liabilities	34,573	26,349	25,370
BVPS (Rs)	246.8	131.3	149.5

CASH FLOW

Y.E March (Rs cr)	FY23	FY24	Q1FY25
PBT Adj.	6,345.6	8,239.87	2,003.38
Non-operating & non cash adj.	1,367.6	1,097.0	408.8
Changes in W.C	983.8	2,214.9	(2,189.4)
C.F. Operating	6,564	9,252	(57)
Capital expenditure	(2,261.0)	(3,246.2)	(559)
Change in investment	(0.1)	(7,703.8)	3,839.57
Sale of investment	11.7	14.4	5.47
Other invest.CF	837.8	845.1	337.88
C.F - investing	(1,411.6)	(10,090.5)	3,623.8
Issue of equity	-	-	-
Issue/repay debt	(32.9)	(29.4)	(4)
Dividends paid	(1,493.5)	(15,435.8)	-
Other finance.CF	(52.9)	(464.8)	(27.7)
C.F - Financing	(1,579.2)	(15,930.1)	(31.7)
Change. in cash	3,573.4	(16,768.6)	3,534.7
Opening Cash	14,167.7	17,741.8	969.61
Closing cash	17,741.1	9,017.3	8,512.8

RATIOS

Y.E March	FY23	FY24	Q1FY25
Profitab. & Return			
EBITDA margin (%)	12.5	13.1	13.5
EBIT margin (%)	8.9	9.9	10.4
Net profit mgn.(%)	7.8	8.7	8.6
ROE (%)	23.5	56.8	49.0
ROCE (%)	24.5	37.7	8.5
W.C & Liquidity			
Receivables (days)	15	14	13
Inventory (days)	26	24	24
Payables (days)	45	39	37
Current ratio (x)	2.1	1.2	1.4
Quick ratio (x)	2.1	1.0	1.3
Turnover & Levq.			
Net asset T.O (x)	10.0	10.6	2.5
Total asset T.O (x)	1.9	2.3	0.6
Int. covge. ratio (x)	37.6	43.8	57.2
Adj. debt/equity (x)	0.1	0.1	0.1
Valuation ratios			
EV/Sales (x)	2.7	2.3	9.2
EV/EBITDA (x)	21.3	17.5	68.4
P/E (x)	33.8	26.3	106.9
P/BV (x)	7.9	14.9	13.1

DISCLAIMER & DISCLOSURES

Certification

I, Sheen G, author of this Report, hereby certify that all the views expressed in this research report reflect the personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

Regulatory Disclosures:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd (P2P lending (yet to start operations)), Geojit IFSC Ltd (a company incorporated under IFSC Regulations(yet to start operations)), Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of the business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by the Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or the Analysts in connection with the business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Sheen G, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padvattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padvattom, Kochi - 682024; Phone: +91 484-2901367; Email: compliance@geojit.com. **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Lane Road, Padvattom, Kochi - 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

