

December 15, 2024

**INITIATING COVERAGE** | Sector: Automobile

# Hyundai Motor India (HYUNDAI)

## Powerful Lineage, Promising Levers

We initiate coverage on Hyundai Motor India (HMIL) with BUY (TP of Rs2,194) at 24x FY27E), valuing the stock at par with MSIL. Although HMIL is aligned well with PV segment trends, its growth has been capacity-constrained as reflected in lower domestic volume CAGR of ~9% (vs ~16% for industry) over FY21-24. The GM plant acquisition will surely boost growth through vital capacity addition in phases. Besides leveraging the strong parentage of Hyundai Motor Corp (HMC), HMIL is fast evolving in line with a dynamically changing tech landscape, which will slash lead times for new product development, make India franchise definitively robust, and help strengthen exports (~21% volume share in FY24). HMIL is likely to become a thriving export hub for HMC. Further, it has consistently launched/revamped models; Creta EV launch is slated for 4QFY25. We see the MPV segment as a portfolio gap, which means HMIL can gainfully challenge the duopoly of MSIL and Kia. Its impressive earnings should continue unabated; we estimate Volumes/Revenue/EBITDA/Adj.PAT CAGR of 8.2%/11.5%/15.1%/11.4% over FY25-27E. We also expect healthy FCF of Rs60/74b in FY26E/27E, implying FCF yield of 3-4%, ROE of ~40% in FY27E, which is attractive. We prefer M&M, TVSL followed by HMIL among OEMs from our coverage universe.

**Spearheading India's tech-led premiumization of PV space** - HMIL's domestic market share (MS) remained firm at 14.4%-14.9% over past 4 years as it covers ~87% of addressable market. However, it holds a healthy MS in fast-growing segments, with 34%/20%/18% share in the mid-size SUV/compact SUV/premium compact. In effect, HMIL's exposure to end-segments is closely aligned to the structure of the industry (share of SUVs at ~63% vs ~53% for the industry) and well-placed to benefit from ongoing premiumization. In addition, HMIL derives ~24% of revenue from exports which has seen consistent growth in FY21-24.

**GM plant acquisition: big boost to capacity-led growth** - We believe Hyundai's overall growth (domestic + exports) has been constrained by capacity. While domestic volumes saw consistent growth, exports fell from peak of ~260k in FY13 to ~104k in FY21, possibly to accommodate higher domestic sales. In Dec 2023, Hyundai acquired GM's Talegaon plant (phase 1 SOP by 2HFY26), which will add ~250k capacity on full ramp-up, over Hyundai's current capacity of ~824k.

**Strong pedigree, futuristic vision in the form of HMC** - HMIL have the support of HMC in many aspects of their operations. HMC has invested an aggregate amount of Rs1,875.03b towards global R&D from CY2014 to June 30, 2024 including towards emerging mobility areas such as electrification, shared mobility and autonomous driving. HMC's R&D capabilities, coupled with information flow within the Hyundai Motor Group on emerging global trends and latest customer preferences, enables them to identify customer preferences in a timely fashion. HMC's exports network across more than 190 countries helps them pursue export opportunities, a key revenue and profitability driver.

**MPV segment is white space; new launch pipeline will swell gradually** - HMIL has launched new models over the years to keep its model line-up exciting. We believe the MPV segment is a portfolio gap, which Hyundai may address in coming years. Hyundai plans to launch Creta EV in 4QFY25, to add to the Ioniq 5 (premium EV). Further, it can also launch products such as Ioniq 6 EV by Feb'25 and Startgazer MUV by Jul'25. However, we would like to see aggressive ICE launch pipeline which shall help drive static market share.

**Healthy earnings, return ratios, and FCF among key positives** - HMIL has a strong potential for growth given the strong SUV preference among the consumers, robust multi-powertrain models in the product pipeline and the premium features. All these factors are estimated to drive healthy Volumes/Revenue/EBITDA/Adj.PAT CAGR of ~8%/11.5%/15.2%/11.4% over FY25-27E. We expect healthy FCF generation of Rs60/74b in FY26E/27E, implying FCF yield of 3-4% and ROE of ~40% in FY27E, which is attractive.

Reco	: BUY
CMP	: Rs1,772
Target Price	: Rs2,194
Potential Return	: +23.9%

### Stock data (as on Dec 13, 2024)

Nifty	24,768
52 Week h/l (Rs)	1,970 / 1,689
Market cap (Rs/USD mn)	1,461,436 / 17,238
Outstanding Shares (mn)	813
6m Avg t/o (Rs mn):	-
Div yield (%):	-
Bloomberg code:	HYUNDAI IN
NSE code:	HYUNDAI

### Shareholding pattern (As of Oct'24 end)

Promoter	82.5%
FII+DII	13.1%
Others	4.4%

### Financial Summary

Y/E Mar (in b)	FY25E	FY26E	FY27E
Sales	715.3	797.9	889.8
EBITDA	94.2	108.5	124.7
Adj. Profit	59.8	64.4	74.3
EPS (INR)	73.7	79.3	91.4
EPS Gr. (%)	(1.2)	7.6	15.4
BV/Sh. (INR)	169.9	207.2	248.6
RoE (%)	48.9	42.0	40.1
RoCE (%)	41.5	36.9	35.7
Payout (%)	47.5	53.0	54.7
P/E (x)	24.1	22.4	19.4
P/BV (x)	10.4	8.6	7.1
EV/EBITDA (x)	14.2	12.0	10.1
Div. Yield (%)	2.0	2.4	2.8

**DEEP SHAH**

Lead Analyst

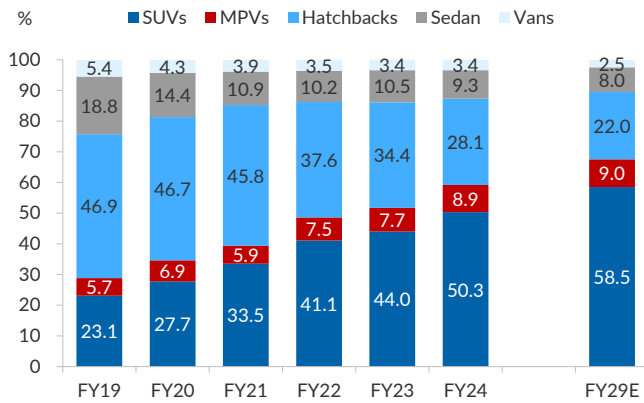
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**MEGHNA GUNDU**, Associate

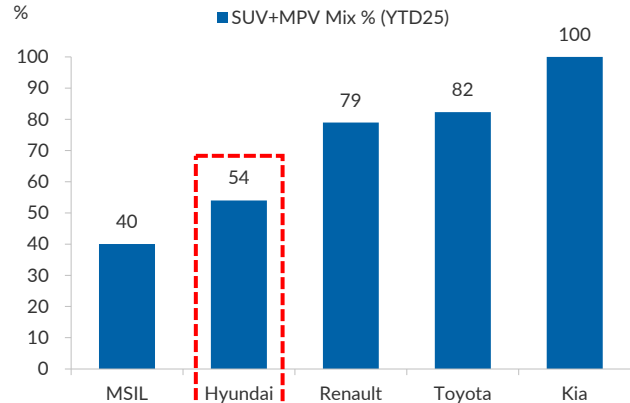
## FOCUS CHARTS

**Exhibit 1: PV Industry SUV+MPV share to increase**



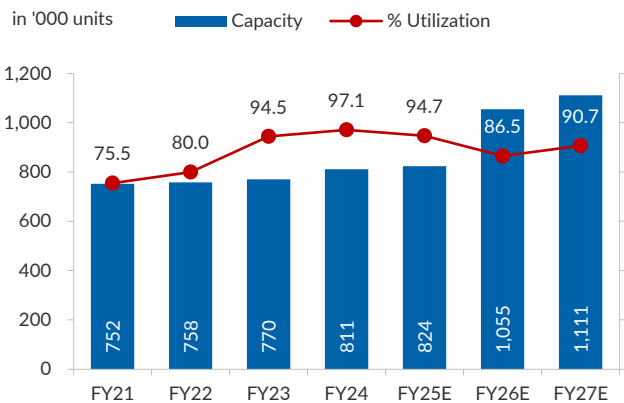
Source: SIAM, Industry, YES Sec

**Exhibit 2: OEM wise SUV+MPV share mirror the industry**



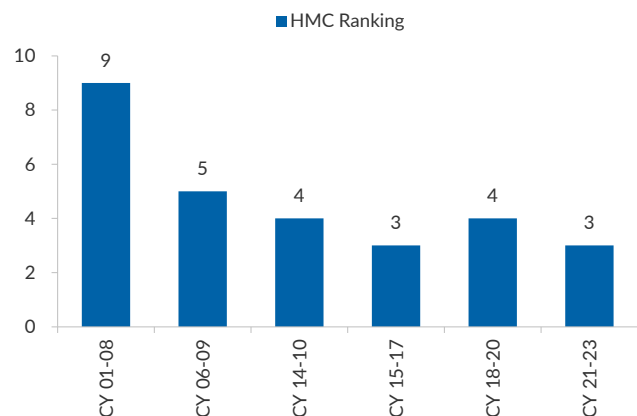
Source: SIAM, Industry, YES Sec

**Exhibit 3: HMIL's capacity utilization to stay elevated**



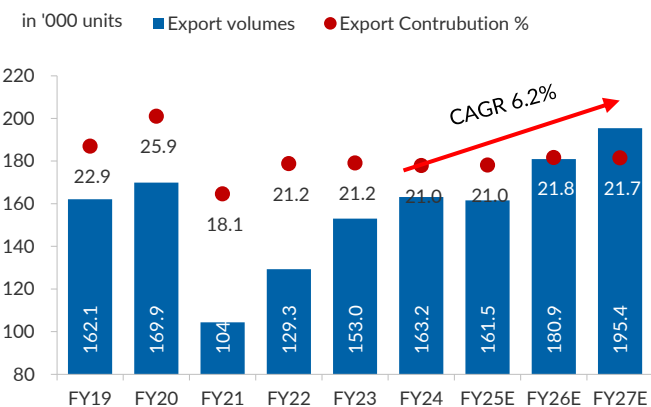
Source: Company, YES Sec

**Exhibit 4: HMC gaining prominence in global auto space**



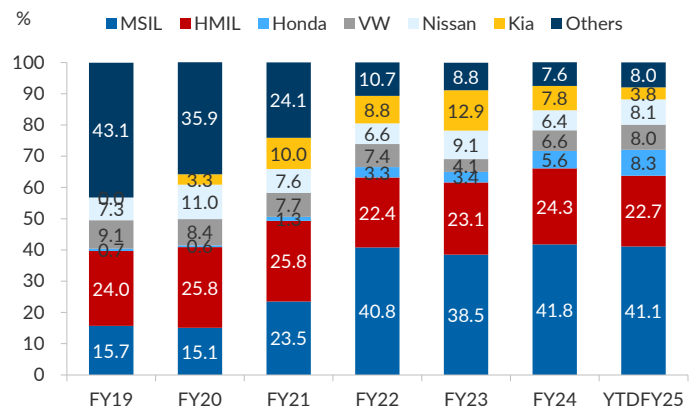
Source: Industry, YES Sec

**Exhibit 5: Exports account for ~1/4<sup>th</sup> of HMIL volumes...**



Source: Company, YES Sec

**Exhibit 6: ...with MS range bound in FY19-YTDFY25**



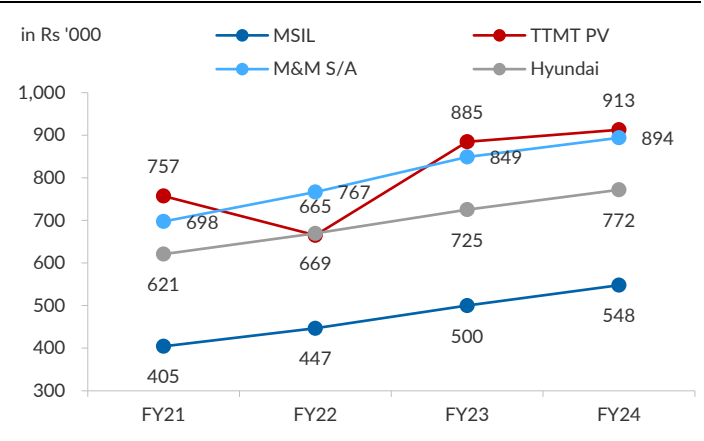
Source: SIAM, YES Sec

**Exhibit 7: MPV is white space in HMIL's portfolio**

Company	Brand	Avg vols/ month FY24	MS %
MSIL	Ertiga, XL6, Eco	27.7k	70.8
Kia	Carens	5.3k	13.5
Toyota	Innova, Rumion	4.5k	10.9
Renault	Triber	1.9k	4.8
Hyundai			
Total industry volume		~39k	

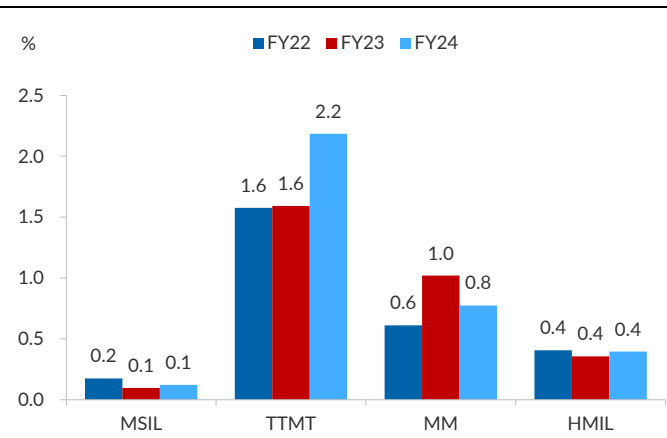
Source: Industry, YES Sec

**Exhibit 8: ASP/unit progressively growing among OEMs**



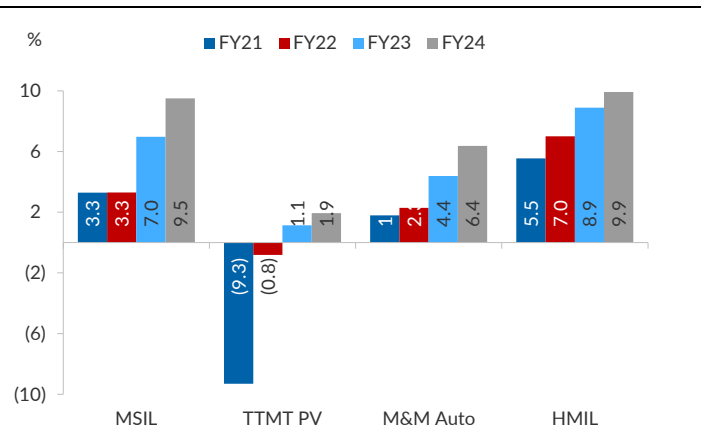
Source: Company, YES Sec

**Exhibit 9: Warranty as % of sales, one of the lowest**



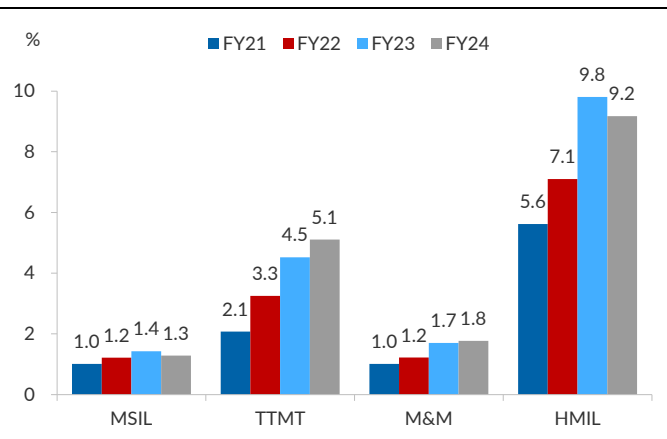
Source: Company, YES Sec

**Exhibit 10: Best in class margin profile**



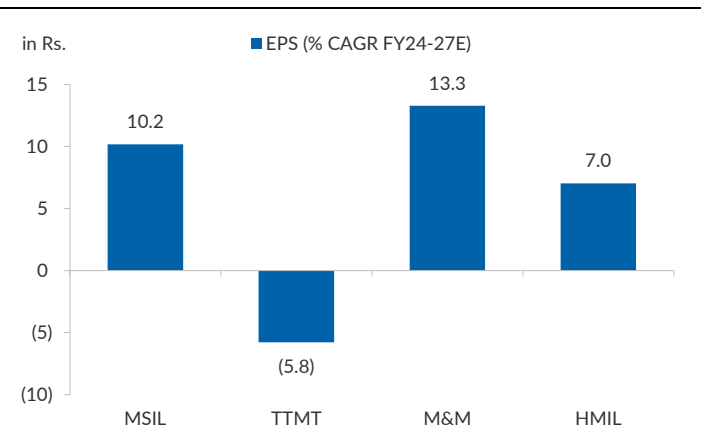
Source: Company, YES Sec

**Exhibit 11: Highest asset turnover across OEMs**



Source: Company, YES Sec

**Exhibit 12: Earnings likely to be muted in FY24-27E**



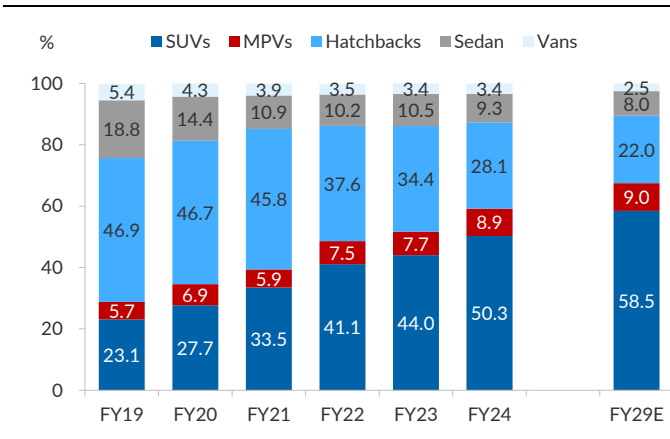
Source: Company, YES Sec

## INVESTMENT RATIONALE

**Hyundai India is mirroring the structure of the PV industry; well-poised to ride the SUV trend**

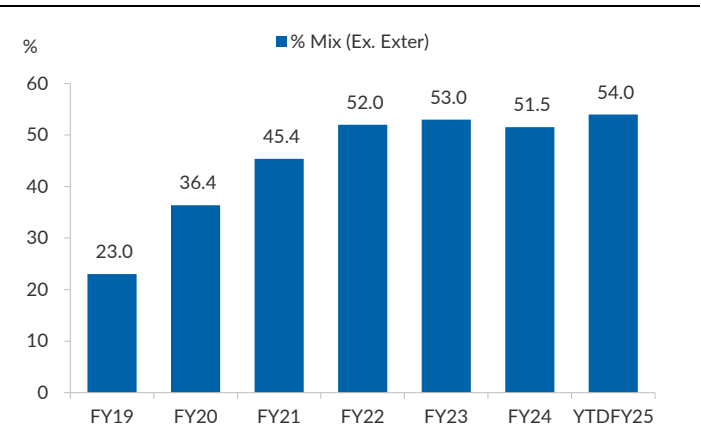
- Hyundai commanded ~14.6% market-share in the Indian PV industry in FY24 and 14.4% in YTDFY25. UVs (SUV + MPV) accounted for ~56% of the industry.
- For Hyundai, UVs accounted for ~63% of its domestic sales (including Exter) while ~54% (excluding Exter). In effect, Hyundai's exposure to end-segments is closely aligned to the structure of the industry. Hence, it is well-placed to benefit from continued growth in SUVs.
- The India PV industry ASP is amongst the lowest globally. With customers preferring attractive designs, high-tech features, and EVs, we expect affordable premiumization trends to continue leading a 3-4% CAGR ASP growth in FY25-27E. Also, there will be ongoing support for alternate fuels to reduce oil dependence and hence, multiple powertrains like CNG, EV, diesel, and hybrid will remain relevant depending on the PV segment, in our view. Hence, we expect CNG/EV/strong hybrid penetration to increase from 18%/3%/2% in FY24 to ~28%/10%/15% by FY30E.

**Exhibit 13: Industry SUV+MPV share fast increasing...**



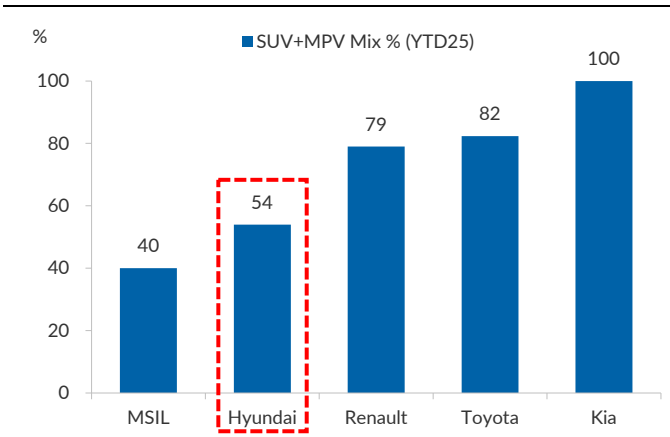
Source: SIAM, Industry, YES Sec

**Exhibit 14: Hyundai SUV+MPV vol mix FY19-YTDFY25**



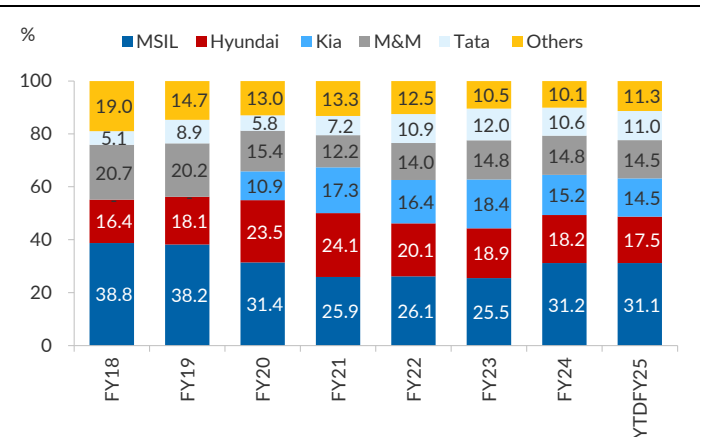
Source: SIAM, YES Sec

**Exhibit 15: OEM wise SUV+MPV share YTDFY25**



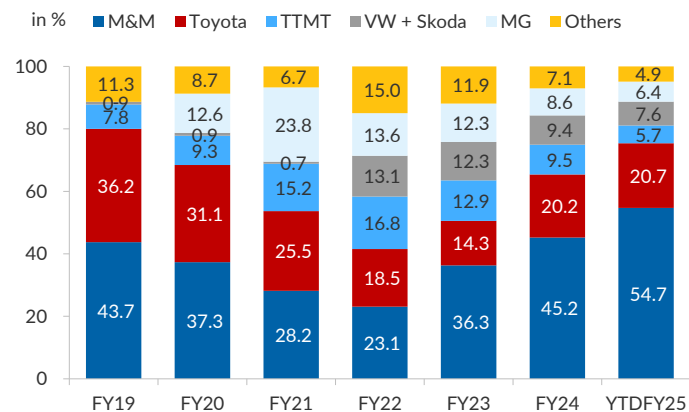
Source: SIAM, YES Sec

**Exhibit 16: MSIL leads in UV1 (compact SUV)...**



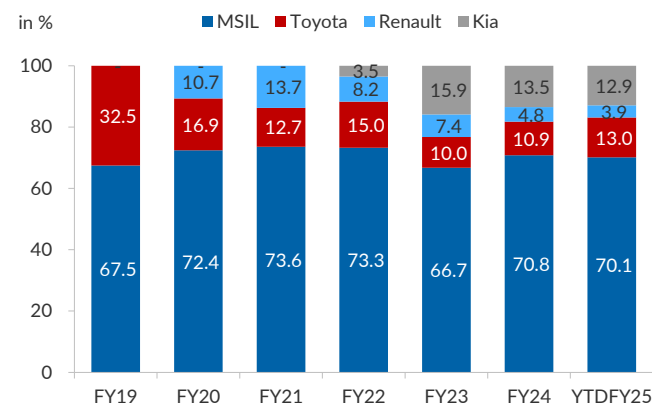
Source: SIAM, YES Sec

**Exhibit 17: ...while M&M scale back in UV2**



Source: SIAM, YES Sec

**Exhibit 18: Despite new entry, MSIL hold its turf in MPV**



Source: SIAM, YES Sec

**Exhibit 19: HMIL has the widest SUV Portfolio**



Source- Company, YES Sec

**Exhibit 20: HMIL has the balanced portfolio among peers across price points**

Price bracket (in lakhs)	MSIL	Hyundai India	TTMT PV	M&M PV	Kia India	Toyota
0 - 10	63.0%	43.4%	62.0%	-	-	21.7%
10 - 15	29.8%	26.2%	30.3%	36.6%	32.4%	21.9%
15 - 20	6.8%	26.0%	-	63.5%	67.3%	40.0%
20 & above	0.3%	4.2%	7.6%	-	0.3%	16.5%

Source- Industry, Company, YES Sec

# Hyundai Motor India (HYUNDAI)

## Acquisition of GM's plant to provide much needed capacity and volumes

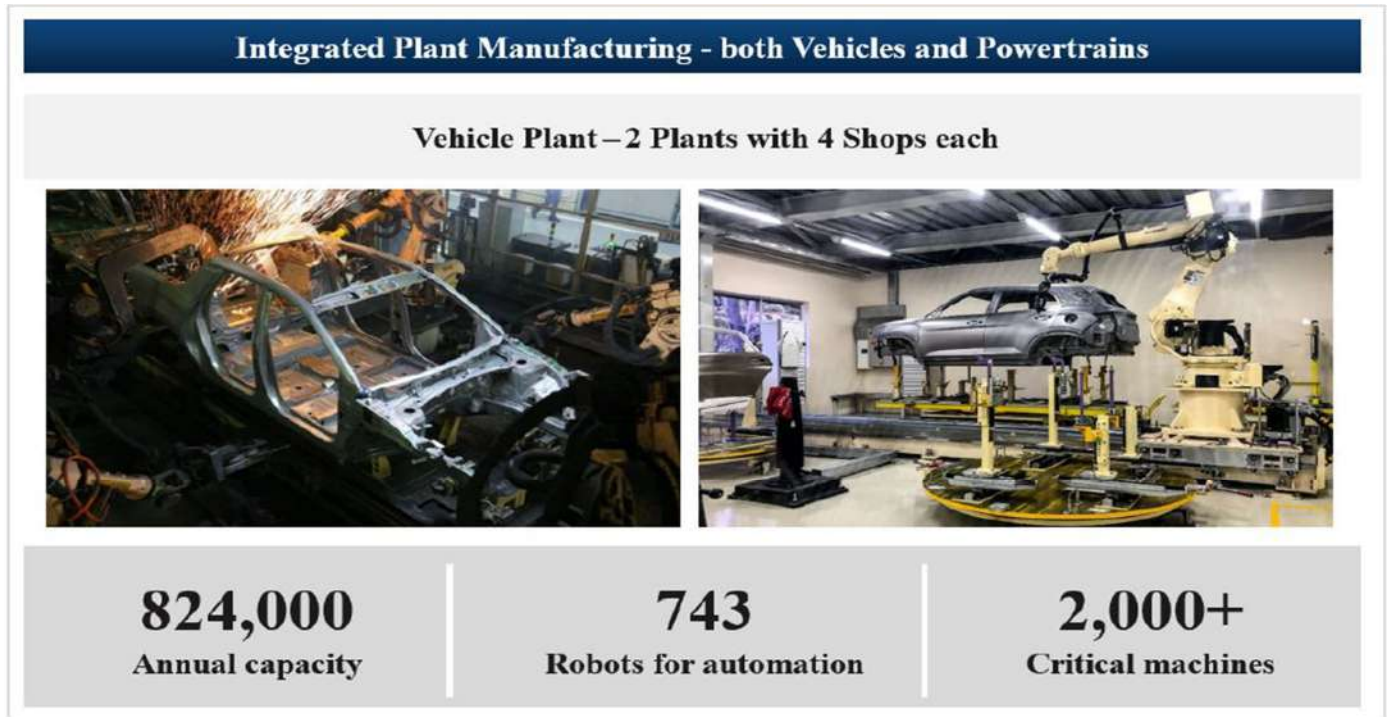
- We believe Hyundai's overall growth (domestic + exports) has been constrained by capacity. While domestic volumes saw consistent growth, exports fell from peak of ~260k in FY13 to ~104k in FY21, possibly to accommodate higher domestic sales. Exports grew by 16.1% CAGR from FY19-24 underperforming industry CAGR of 18.5% over same period.
- In Dec 2023, Hyundai acquired GM's Talegaon plant, which will add ~250k capacity on full ramp-up, over current capacity of ~824k. Co plan to develop the Chennai manufacturing plant as a hub for EV and SUV. Further, with the addition of the Talegaon plant (SOP by 2HFY26), co to expand it's manufacturing capacity to ~994k units to be scaled up to 1,074k units once both the phases are fully operational.

Exhibit 21: HMIL Manufacturing plants



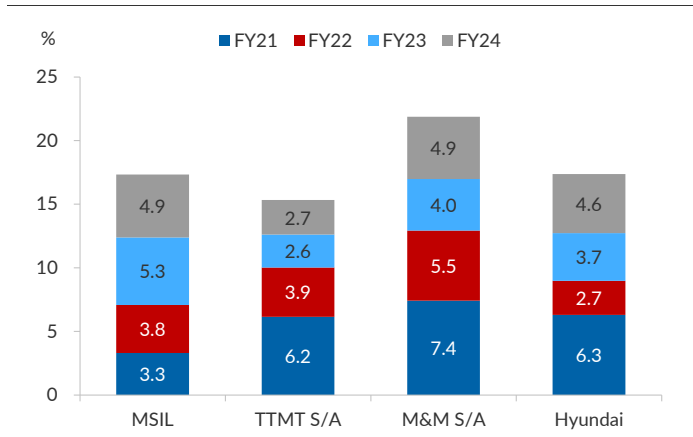
Source- Company, YES Sec

Exhibit 22: HMIL Manufacturing process and technology



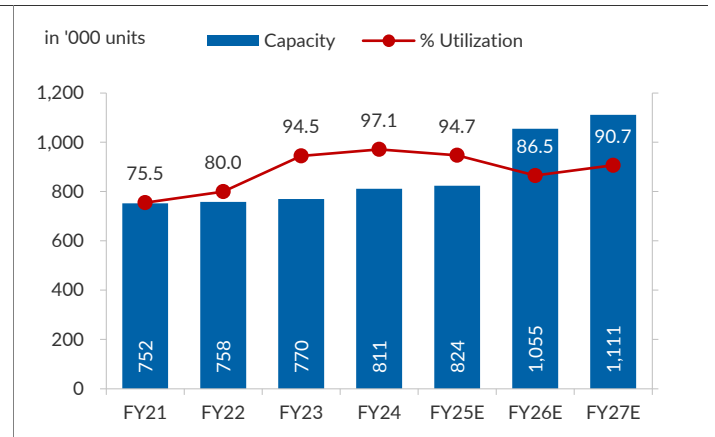
Source- Company, YES Sec

Exhibit 23: Capex intensity moderates among peers



Source: Company, YES Sec

Exhibit 24: HMIL capacity utilization to remain elevated



Source: Company, YES Sec

## Exhibit 25: Capacity expansion plans by competition

OEM	Current Capacity	Expected Capacity Addition	Comments on upcoming plant
MSIL	2.25m units	~4m units by FY31	<ul style="list-style-type: none"> <li>Kharkhoda in Haryana with a capacity of 0.25m units to be commissioned in CY25.</li> <li>Another plant in Gujarat with a capacity of ~1m units by FY29.</li> <li>A new production line to be added at the existing SMG facility, which will add a capacity of 0.25m units.</li> </ul>
Hyundai India	0.82m units	+1m units FY28	<ul style="list-style-type: none"> <li>Aims ~1m units production capacity with the acquisition of GM's Talegaon Plant.</li> <li>The plant has ~0.25m capacity to be added in 2 phases.</li> </ul>
TTMT	0.90m units	1.02m units	<ul style="list-style-type: none"> <li>Acquired Ford India Gujarat plant which commissioned in Jan'24 with production capacity of 0.3m units. The plant capacity can be scaled to 0.4m vehicles, which will take the production capacity to 1.02m units.</li> </ul>
M&M	0.59m units	0.86m units exit capacity by FY26 end	<ul style="list-style-type: none"> <li>Dedicated capacity for BEVs and ICE platforms planned.</li> </ul>
Kia India	0.35m units	~0.4m units	<ul style="list-style-type: none"> <li>Aim to reach 0.4m units in FY25 via capacity enhancements.</li> </ul>
Toyota	0.34m units	~0.44m units by CY26	<ul style="list-style-type: none"> <li>Additional 0.1m units via 3rd manufacturing plant from 2026 onwards.</li> </ul>
Honda India	0.18m units	Expandable to ~0.22m	<ul style="list-style-type: none"> <li>Current capacity of 0.18m is expandable to 0.22m.</li> </ul>
Skoda VW India	0.24m units	~0.31m units Nov-24	<ul style="list-style-type: none"> <li>The facility at Pune has a production capacity of 0.18m cars per year, while that at Chhatrapati Sambhajinagar (formerly known as Aurangabad) has a capacity of 0.06m cars per year.</li> </ul>
JSW-MG	0.10m units	~0.3m units	<ul style="list-style-type: none"> <li>JSW-MG will expand its production capacity in Halol, Gujarat, with a focus on producing EVs. This will significantly increase the production capacity from the current 0.1m up to 0.3m vehicles annually</li> </ul>
Renault – Nissan India	0.48m units	-	<ul style="list-style-type: none"> <li>No plan for capacity expansion. Will increase utilization of current facilities.</li> </ul>

Source- Industry, Company, YES Sec

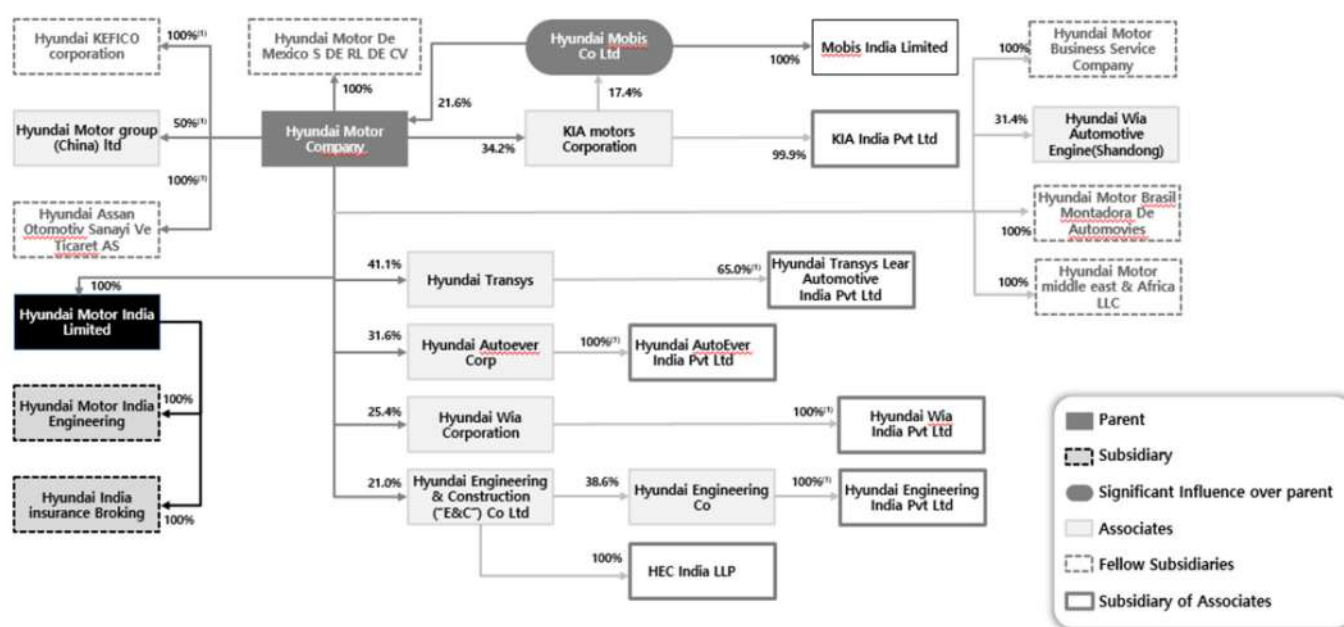


# Hyundai Motor India (HYUNDAI)

## Strong parentage of Hyundai Motor Group (HMC)

- HMIL is a part of the Hyundai Motor Group, which is the 3<sup>rd</sup> largest auto OEM in the world based on passenger vehicle sales in CY2023. They have the support of HMC in many aspects of their operations. HMC has invested an aggregate amount of Rs1,875.03b towards global R&D from CY14 to Jun'24 including towards emerging mobility areas such as electrification, shared mobility and autonomous driving.
- HMC's R&D capabilities, coupled with information flow within the Hyundai Motor Group on emerging global trends and latest customer preferences, enables them to identify customer preferences in a timely fashion.
- HMC's exports network across more than 190 countries helps them pursue export opportunities, which is an important revenue and profitability driver for them. Additionally, they benefit from the strong "Hyundai".

Exhibit 26: HMC group shareholding structure



Source- Company, YES Sec

Exhibit 27: HMC gaining prominence in global auto volumes

Group	Country	Rank		Volumes (in m)	
		CY2010	CY2023	CY2023	1HCY2024
Toyota	Japan	1	1	10.3	4.4
Volkswagen Group	Germany	3	2	9.2	4.3
Hyundai Motor Group	South Korea	4	3	7.3	3.7
Stellantis	Netherlands	-	4	6.4	2.9
General Motors	United States	2	5	6.2	2.8
Ford	United States	5	6	4.4	2.2
Honda	Japan	7	7	4.2	1.3
Nissan	Japan	6	8	3.4	1.4
BMW	Germany	14	9	2.6	1.2
Changan	China	17	10	2.6	1.3

Source- Industry, YES Sec

# Hyundai Motor India (HYUNDAI)

**Exhibit 28: Purchase of key RM, components and spare from HMC and group companies**

Company Name	FY22	FY23	FY24	1QFY25
Mobis India Ltd.	17.9%	17.8%	17.7%	18.7%
Hyundai Motor Company	9.5%	9.5%	8.8%	7.0%
Kia India Private Limited	3.7%	3.3%	4.2%	4.6%
Hyundai Transys Lear Automotive India Private Limited	2.9%	4.0%	3.9%	4.1%
PT Hyundai Motor Manufacturing Indonesia	-	0.1%	1.8%	1.9%
<b>Total RM consumed (in Rs m)</b>	<b>352,308</b>	<b>445,086</b>	<b>512,980</b>	<b>117,638</b>

Source- Company, YES Sec

## Further strengthening the position as the export hub for HMC

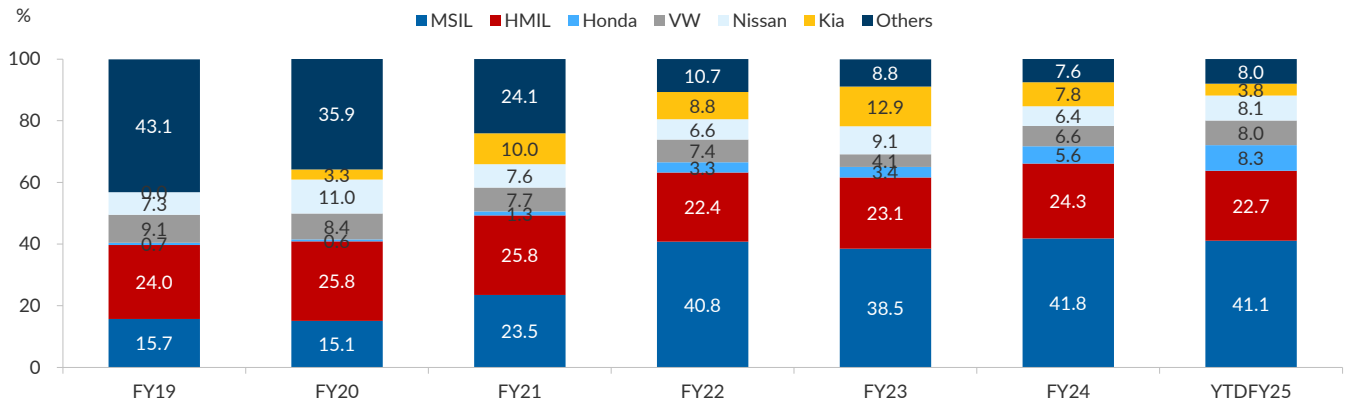
- The company intends to leverage its local manufacturing capabilities to set themselves up as HMC's largest foreign production base in Asia.
- HMIL aim to become an export hub for HMC for exports to emerging markets including South Asia, Latin America, Africa and Middle East with the potential to export to other global markets.
- HMIL aim is to be the global manufacturer and supplier of cost-optimized passenger vehicles including the Grand i10 NIOS, i20, Aura, Venue, Verna, Creta and Alcazar. CO also intend to collaborate with their stakeholders in export countries with innovative sales strategies.

**Exhibit 29: HMIL's key export destinations**



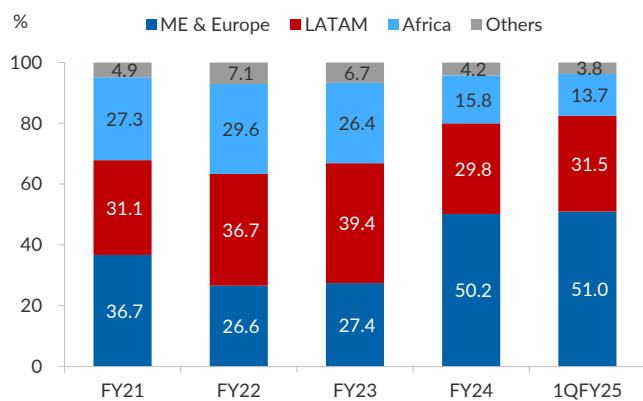
Source- Company, YES Sec

**Exhibit 30: OEM wise export share – MISL and HMIL account for ~64% of India PV exports**



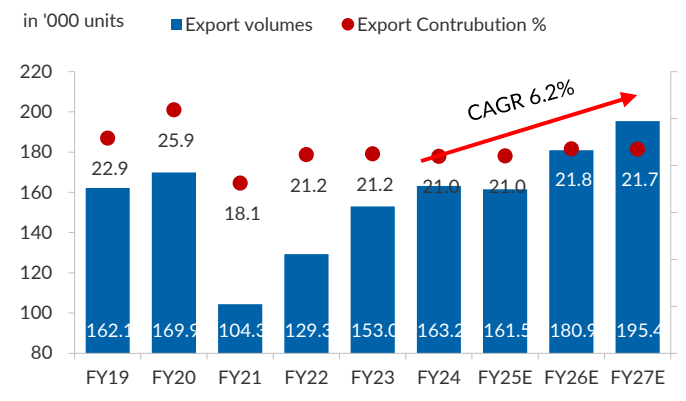
Source- SIAM, YES Sec

**Exhibit 31: ME, EUR & LATAM are HMIL's large markets**



Source: Company, YES Sec

**Exhibit 32: HMIL exports to grow ~6% CAGR in 3 years**



Source: Company, YES Sec

## MPV segment is white space while new launch pipeline to build up gradually

- Hyundai has launched new models over the years to keep its model line-up exciting. We believe the MPV segment is a portfolio gap, which Hyundai may address in coming years. Hyundai plans to launch Creta EV in 4QFY25, to add to the Ioniq 5 (premium EV).
- Further, it can also launch products such as Ioniq 6 EV by Feb'25 and Stargazer MUV by Jul'25. However, we would like to see aggressive ICE launch pipeline which shall help drive static market share.

**Exhibit 33: HMIL has diverse product portfolio but there is white space which is yet to be addressed**

Segment	Brand	Avg vols/monthly in FY24	HMIL's market share %
Compact	Grand i10, i20	10,749	18.5
Compact Sedan	Aura, Exter	12,012	20.9
Mid-size	Verna	1,539	29.5
UV1	Venue, Creta	24,629	17.8
UV2	Tucson, Alcazar	1,542	3.3
EV	Ioniq5, Kona	96	0.9

Source- Company, YES Sec

**Exhibit 34: Tentative new product launch pipeline of key peers**

Pipeline	MSIL	Hyundai	Tata	M&M	Kia
MPV	XL5	Stargazer (entry) Staria (Premium)			Carens (facelift)
Compact SUV					Clavis
Mid SUV					
EVs	eVX, WagonR EV, Fronx EV	Creta EV	Sieraa EV, Avinya	BE O5, XUV.e8	EV5, EV6, Seltos EV, Carens EV

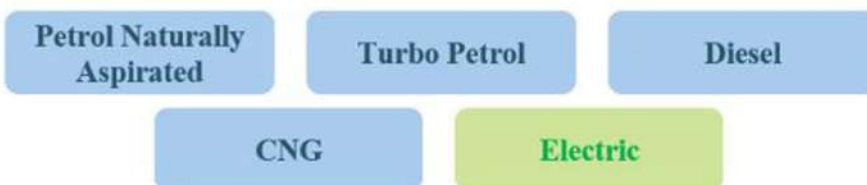
Source- Industry, YES Sec

**Exhibit 35: HMIL diverse powertrain portfolio is one of the success factors in India**

### Diverse Engine Portfolio



BS-6 compliant engine portfolio



### Wide Range of Transmission Options



Cater to varied consumer preferences and convenience



Source- Company, YES Sec

### Ample scope for localization will help drive margins

- Company's value proposition to customers is to manufacture passenger vehicles that are feature rich, reliable and innovative at a competitive price point. To achieve this and enhance profitability, HMI focuses on localization of parts and materials.
- In FY24 and in 1QFY25, it sourced approximately ~93% of their parts and materials in terms of purchase value in India from the 4 adjoining districts close to their Chennai Manufacturing Plant, respectively.

# Hyundai Motor India (HYUNDAI)

**Exhibit 36: Top-10 suppliers that constituted more than 50% of total supplies**

Name of supplier	% of total parts and materials supplied
Mobis India Limited	17.91%
Hyundai Motor Company	7.45%
Hyundai Steel India Private Limited	6.78%
Hyundai Glovis Co., Ltd.	6.21%
Kia India Private Ltd	4.26%
Hyundai Transys Lear Automotive	3.99%
Seoyon E-Hwa Summit Automotive	3.48%
S L Lumax Ltd	3.48%
BASF Catalysts India Pvt Ltd	2.41%
PT. Hyundai Motor Manufacturing Indonesia	2.01%

Source- Company, YES Sec

**Exhibit 37: Model-wise engine & manufacture**

Model	Engine	Transmission
Creta	Manufacture the engines for diesel and turbo gasoline variants; and for gasoline variants source from Hyundai Motor Group	Manufacture the transmissions for manual variants of diesel and turbo gasoline engines; for gasoline variants, source transmissions from Hyundai Motor Group in India; and for automatic variants, import transmission from Hyundai Motor Group outside India.
Alcazar	Manufacture the engines; and import a variant of the engine from third parties.	Manufacture the manual variants; and import the automatic variants from Hyundai Motor Group or third parties
Venue	Manufacture the engines in India	Manufacture the manual variants; and import the automatic variants from Hyundai Motor Group or third parties
Tucson	Import the engines from Hyundai Motor Group or third parties.	Import the automatic variants from Hyundai Motor Group or third parties
Exter	The engines are manufactured by Company	Manufacture all the transmissions
Grand i10 Nios	The engines are manufactured by Company	Manufacture all the transmissions
Aura	The engines are manufactured by Company	Manufacture all the transmissions
i20	Manufacture a variant of the engines; and import or locally purchase the other variants from Hyundai Motor Group	Manufacture the manual variants; and import the automatic variants from Hyundai Motor Group or third parties
Verna	Manufacture the engines; and import a variant of the engines from third parties.	Manufacture the manual variants or purchase from Hyundai group company and import the automatic variants from Hyundai Motor Group

Source- Company, YES Sec

## FINANCIALS

### Superior financial performance vis-à-vis listed peers

- We expect overall volumes to decline ~1.3% in FY25 but to grow ~8% each in FY26-27E as we expect domestic/exports volumes CAGR of 7.7%/10%, respectively. Model launch pipeline across SUVs and EVs to support the growth momentum. We expect SUV mix to increase from ~63% in FY24 to ~69% by FY27E. Its EV mix should also increase to 4-5% by FY27E (vs nil in FY25). This should result in ASP CAGR of 3% over FY24-27E.
- We expect healthy FCF generation of ~Rs176b in FY25-27E, implying FCF yield of 3-4% and ROE of ~40% in FY27E, which is attractive.

### Exhibit 38: Financial metrics better than peers (FY24)

Rs m	Revenue	CAGR (FY22-24)	EBITDA	EBITDA Margin	PAT	PAT Margin	EPS	ROCE	ROE
HMIL	698,291	21.4	91,326	13.1	60,600	8.7	74.6	53.7	39.5
M&M	987,634	30.7	129,194	13.1	104,894	10.6	89.4	20.5	22.4
MSIL	1,409,326	26.3	164,011	11.6	132,094	9.4	420.1	18.6	15.7
TTMT	4,379,278	25.4	705,688	16.1	325,689	7.4	85.0	30.3	50.0

Source- Company, YES Sec

### Exhibit 39: Per vehicle metrics - HMIL's superior growth to continue

CAGR (%)	Parameters	FY19-24	FY24-27E
Hyundai India	Revenue	8.1	5.0
	EBITDA	16.8	8.7
	EBIT	31.2	7.0
Maruti Suzuki	Revenue	11.0	6.2
	EBITDA	28.0	10.4
	EBIT	58.1	11.4
M&M	Revenue	9.3	4.5
	EBITDA	3.1	10.4
	EBIT	6.9	11.3
Tata Motors (PV)	Revenue	6.4	4.5
	EBITDA	28.3	19.0
	EBIT	411.8	(5.2)

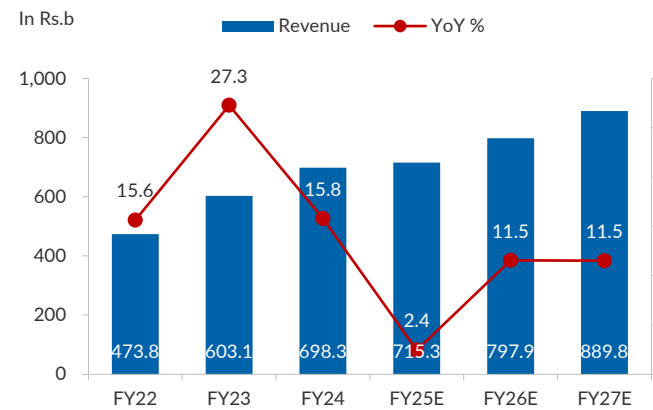
Source- Company, YES Sec

### EBITDA margins to expand ~90bp over FY24-27E; Adj.PAT to grow ~7% CAGR

- We believe catalysts are in place for EBITDA margin expansion from 13.1% in FY24 to ~14% by FY27E. Key drivers for the margin expansion would likely to be better product mix (rising share of premium/CNG), higher exports share, cost optimization initiatives and operating leverage.
- Unlike peers, Hyundai was able to keep its EBITDA margin quite steady between 10-13% over FY18-24, despite sharp industry slowdown and covid related disruption. HMIL has a strong potential for growth given the strong SUV preference among the consumers, robust multi-powertrain models in the product pipeline and the premium features offered by the company. We expect FY25E EPS growth to decline ~1% led by higher dividend payout of ~Rs108b in FY24, which impact other income. Going ahead, given strong FCF generation of Rs43b/Rs60b/Rs74b in FY25E/26E/27E, we expect other income to improve and support earnings growth. All these factors are estimated to drive healthy volumes/ revenue/ EBITDA/Adj.PAT CAGR of ~8%/11.5%/15.1%/11.4% over FY25-27E.

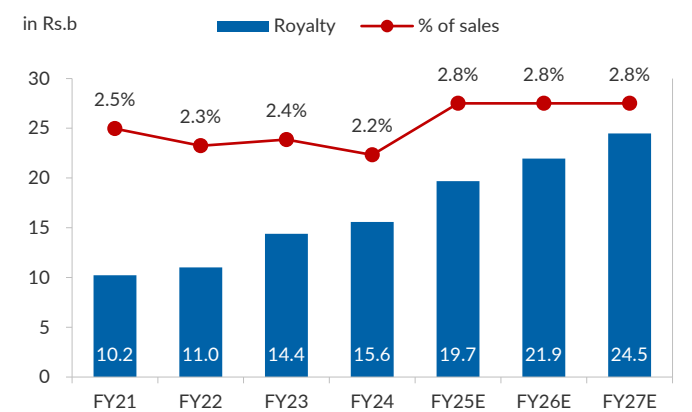
- We expect capex of ~Rs35b each over FY25-27E mainly for the new plants and EV product launch plans.

**Exhibit 40: Revenue to grow ~8.4% CAGR FY24-27E**



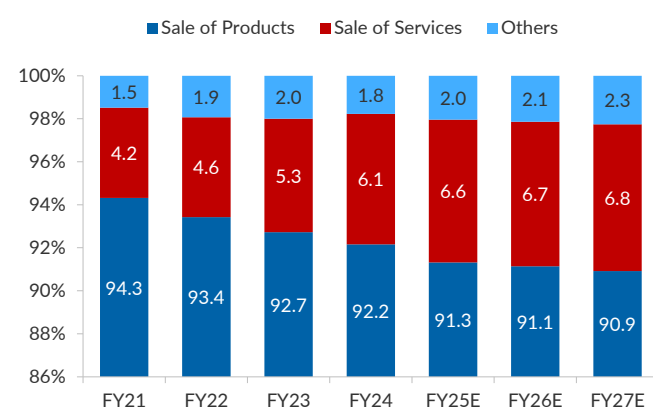
Source: Company, YES Sec

**Exhibit 41: Royalty to be static at ~2.8% of revenues**



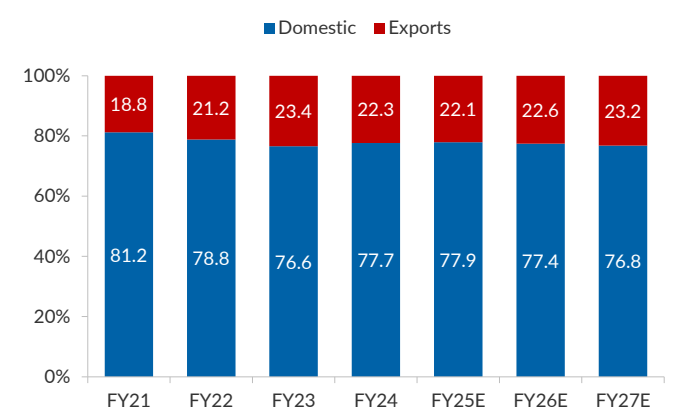
Source: Company, YES Sec

**Exhibit 42: Revenue split – service contribution inch up**



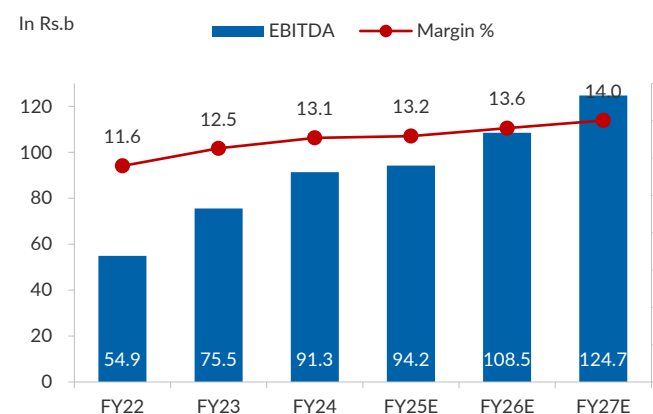
Source: Company, YES Sec

**Exhibit 43: Share of exports to increase gradually**



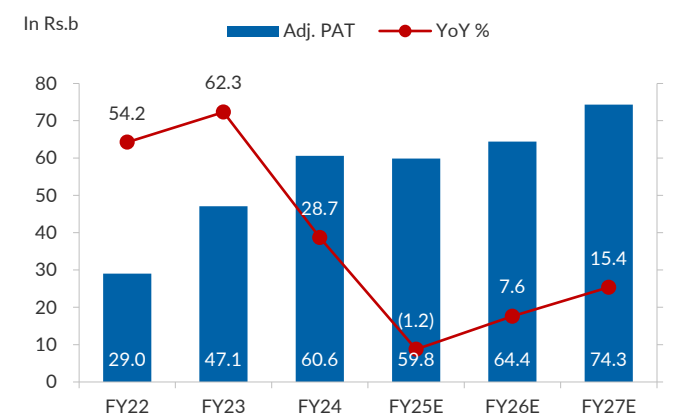
Source: Company, YES Sec

**Exhibit 44: EBITDA to grow ~11% CAGR in FY24-27E**



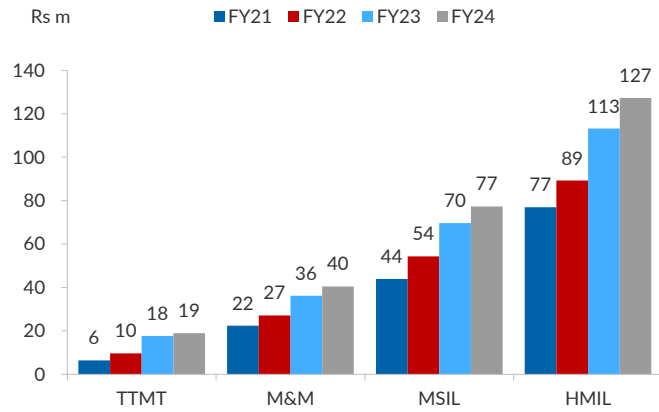
Source: Company, YES Sec

**Exhibit 45: Adj. PAT to grow ~7% CAGR in FY24-27E**



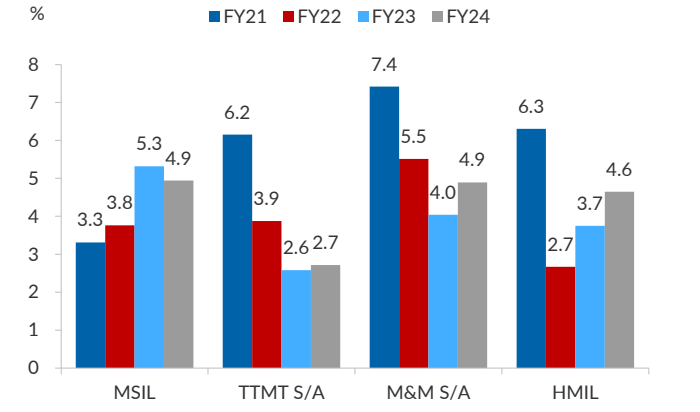
Source: Company, YES Sec

**Exhibit 46: HMIL has the highest manpower efficiency**



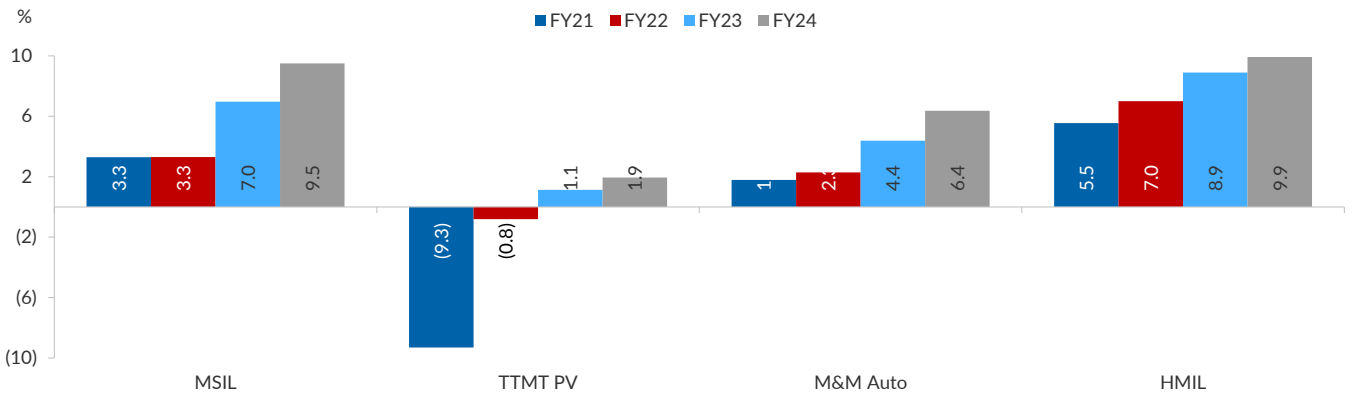
Source: Company, YES Sec

**Exhibit 47: So do asset as reflect in capex as % of sales**



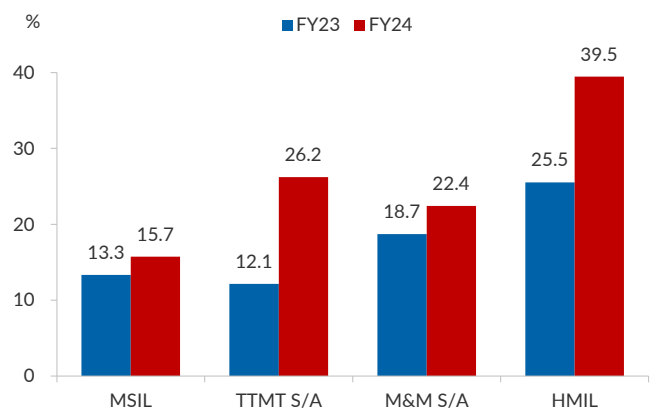
Source: Company, YES Sec

**Exhibit 48: Resulting in one of the best EBIT margins**



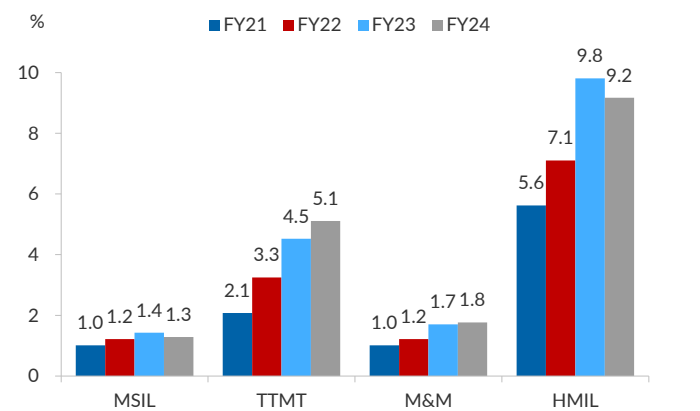
Source- Company, YES Sec

**Exhibit 49: Superior return profile among peers**



Source: Company, YES Sec

**Exhibit 50: Net fixed asset turnover best among names**



Source: Company, YES Sec



## VALUATIONS

- We believe HMIL is a good proxy to play the rising premiumization trend in the Indian PV industry. Technology-agnostic powertrain capabilities across diesel, strong hybrid, petrol, CNG and EV, given success in global markets, provides longer-term growth visibility irrespective of the change in demand preferences. Further, it has a healthy presence in some of the fastest-growing segments in India: it is a market leader with 33% share in the mid-size SUV segment, 20% share in compact SUVs, 20% share in compact sedan segment and a 18% share in the premium compact car segment. Overall, HMI has now emerged as a trusted brand for its stakeholders in the domestic market.
- Hence, we expect volume/ASP growth for HMIL to continue over the longer term. Also, limited capex intensity, high dividend payout and FCF yields provide support to HMI's valuation. Hence, we suggest a BUY with TP at Rs2,194 (24x to FY27E EPS).

### Exhibit 51: Valuations reasonable

	CAGR FY24-27E			EBITDA Margins		ROE		PE
	Revenue	EBITDA	Adj. PAT	FY24	FY27E	FY24	FY27E	FY27E
HMIL	8.4	10.9	7.0	13.1	14.0	39.5	40.1	19.4
M&M	13.4	17.5	13.3	13.1	14.6	22.4	19.7	24.0
MSIL	7.1	9.9	10.2	11.6	12.6	15.7	14.9	19.8
TTMT	7.1	1.5	(5.8)	16.1	13.7	50.0	19.7	11.1

Source- Company, YES Sec

### Exhibit 52: Scenario Analysis – high growth phase TP of Rs2,898

	Base Case			Bull Case			Bear case		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Volume	767,973	830,875	898,599	767,973	846,234	940,597	767,973	720,431	757,541
Growth %	(1.3)	8.2	8.2	(1.3)	10.2	11.2	(1.3)	6.2	5.2
Net Realisation	791,136	814,870	842,576	791,136	822,781	867,212	791,136	783,225	786,358
Growth %	2.5	3.0	3.4	2.5	4.0	5.4	2.5	1.0	0.4
Net Revenue	715,332	797,922	889,766	715,332	818,376	952,664	715,332	686,370	732,664
Growth %	2.4	11.5	11.5	2.4	14.4	16.4	2.4	(4.0)	6.7
Vehicles	605,981	675,811	752,799	605,981	696,266	815,697	605,981	564,260	595,698
Parts	47,227	51,430	56,110	47,227	51,430	56,110	47,227	51,430	56,110
Sale of service	47,504	53,567	60,746	47,504	53,567	60,746	47,504	53,567	60,746
Others	14,620	17,113	20,111	14,620	17,113	20,111	14,620	17,113	20,111
EBITDA	94,227	108,515	124,728	94,227	115,389	138,309	94,227	89,912	99,042
EBITDA margin %	13.2	13.6	14.0	13.2	14.1	14.5	13.2	13.1	13.5
PAT	59,848	64,403	74,292	59,848	71,277	94,197	59,848	45,801	54,930
EPS	73.7	79.3	91.4	73.7	87.7	115.9	73.7	56.4	67.6
Growth (%)									
Valuing PE (x)			24			25			22
TP (INR/shr)			2,194			2,898			1,487

Source- Company, YES Sec

## KEY RISK FACTORS

- **Potential recovery in the entry/small car segment:** HMIL has low success in the small car segment (40-50% mix at MSIL); thus, the company would be a limited beneficiary of a potential recovery in the small-car segment, albeit on a low base. The company would benefit from continued growth in the SUV category, given its strong presence here.
- **High dependence on HMC** - HMIL's operations are closely tied to the parent company's strategies and decisions, including technology transfer, global supply chains, and investment allocations. Any shift in the parent's priorities health could impact local operations.
- **Strong competition and cannibalization from HMC group company Kia India** - The parent company HMC has two other subsidiaries Kia Corporation and Kia India Private Limited. These two companies are in the similar line of business as HMIL. Also, Kia India in a direct competition with HMIL. Kia India launched its first model in FY19 and reached a volume market share of ~6% in FY24. This puts Kia India and HMI in direct competition. Many models of Kia India like Seltos and Sonet are giving stiff competition to HMI's models like Creta and Venue.
- **CAFÉ norms impact key to watch for** - CAFÉ targets to get stricter and may require HMIL to sharply raise its EV mix. Inability to meet these targets could be a key risk. Although, given the technologies at its disposal and plans to launch ~4 EVs should mitigate help mitigate this regulatory risk even though the impact of the same is key to watch for.

## ABOUT THE COMPANY

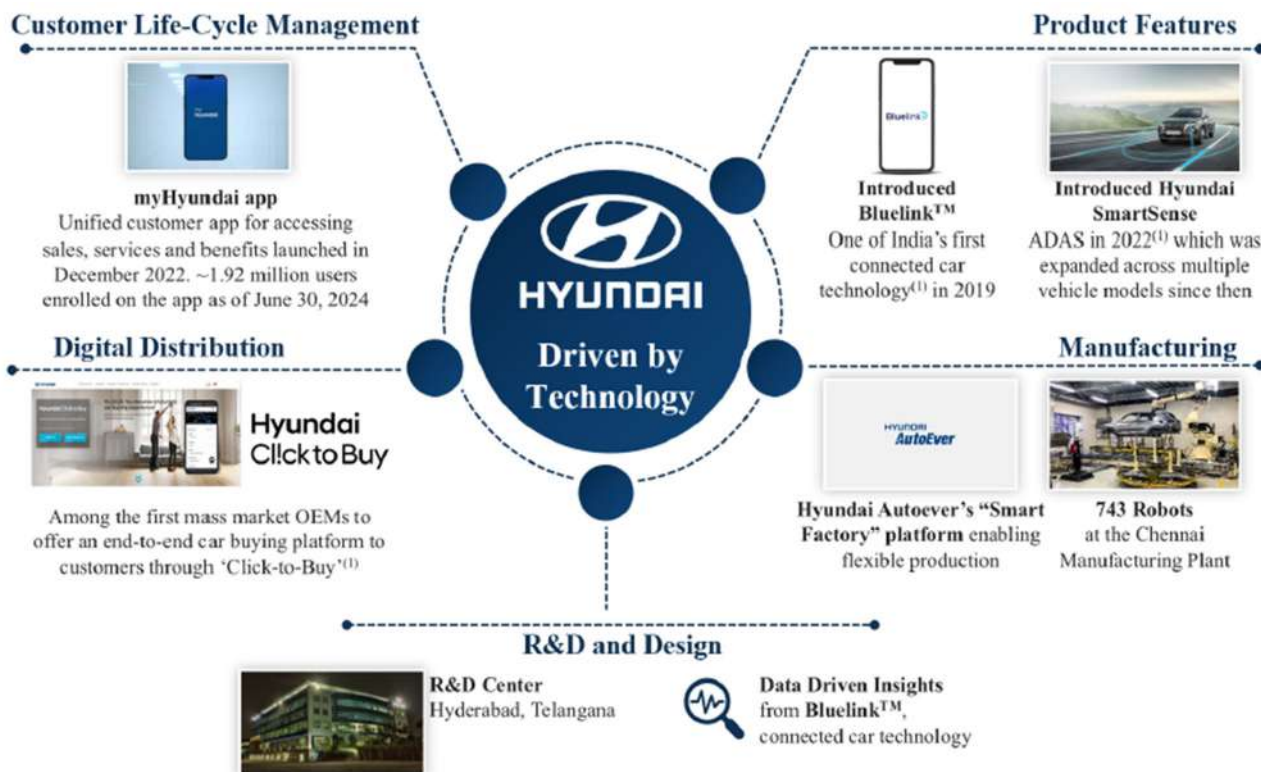
### Background-

Hyundai Motor India Ltd (HMIL) is a part of the Hyundai Motor Group, the third largest auto OEM in the world based on passenger vehicle sales in CY2023, according to the CRISIL Report. HMIL have been the second largest auto OEM in the Indian passenger vehicles market since Fiscal 2009 (in terms of domestic sales volumes) according to the CRISIL Report. They have a track record of manufacturing and selling four-wheeler passenger vehicles that are reliable, safe, feature-rich, innovative, and backed by latest technology. This is demonstrated in their portfolio of 13 models across multiple passenger vehicle segments by body type such as sedans, hatchbacks, SUVs and EVs. They also manufacture parts, such as transmissions and engines that use for their own manufacturing process or sales. HMIL have been India's second largest exporter of passenger vehicles from April 1, 2021 through June 30, 2024, according to the CRISIL Report. Since 1998 and up to June 30, 2024, cumulatively sold more than 12 million units of passenger vehicles in India and through exports. HMIL believe their current market position is because of:

- i. Wide product offerings,
- ii. Stakeholder relationships and operations;
- iii. The strong Hyundai brand in India;
- iv. Ability to leverage new technologies to enhance operational and manufacturing efficiency;  
and
- v. Ability to expand into new businesses such as EVs through innovation.

In CY2023, HMIL was among the top three contributors to HMC's global sales volumes, and contribution to HMC's sales volumes has increased from 15.48% in CY2018 to 18.19% in CY2023.

Exhibit 53: Technology is the heart of HMC & HMIL



Source- Company, YES Sec

Exhibit 54: Identify emerging market trends & introduce innovative PV & technologies to meet customer needs



Source- Company, YES Sec

Exhibit 55: Major events of HMIL

Calendar Year	Events and Milestones
1998	Commenced production at our plant in Chennai Launch of Hyundai Santro (Atos) in India
2006	Launch of VERNA Production of 1,000,000 <sup>th</sup> car in India
2007	Start of production at our second plant at Chennai
2015	Global launch of the SUV CRETA
2019	Launch of India's first fully electric mass-market SUV, the 'KONA Electric' and a fully connected SUV 'VENUE' with Global BlueLink Connectivity Technology
2020	Accomplished the export of over three million vehicles Launched "Click to Buy" platform to facilitate online car purchasing experience for customers
2021	Introduction of the N LINE brand in India Production of "10 millionth" car in India
2023	Launch of Hyundai IONIQ – 5 in India Acquisition of the plant at Talegaon, Pune from General Motors India Private Limited

Source- Company, YES Sec

## Manufacturing and R&D locations

Exhibit 56: PAN India Presence



Source- Company, YES Sec

## Exhibit 57: Details of Physical Infrastructure

	Location	Area	Lease/Freehold
<i>Registered office and manufacturing plants</i>			
1	Registered office and Chennai Manufacturing Plant	536.54 acres	Freehold (Owned)
<i>Headquarter and corporate office</i>			
1	Gurugram, Haryana	532,286 sq. ft	Freehold (Owned)
<i>Other Manufacturing plant</i>			
1	Talegaon Manufacturing Plant	300 acres	Leased
<i>R&amp;D centre</i>			
1	Hyderabad, Telangana	15 acres	Owned
<i>Quality centre</i>			
1	Faridabad, Haryana	76,207 sq. ft	Leased
<i>Showroom</i>			
1	Chennai	44,954 sq. ft	Freehold (Owned)
<i>Other offices</i>			
1	Zonal and regional offices	139,580 sq. ft	Leased
2	Training centres	337,352 sq. ft	Leased

Source- Company, YES Sec

## Exhibit 58: Dealer network across top 10 states in India

State	Three months ended June 30,		Fiscal		
	2024	2023	2024	2023	2022
<i>(Count of dealers)</i>					
Maharashtra	62	61	65	60	59
Gujarat	50	50	51	49	46
Uttar Pradesh	62	59	61	57	56
Karnataka	27	27	27	26	29
Haryana	44	42	44	43	39
Tamil Nadu	31	31	31	30	31
Rajasthan	40	40	41	39	39
Delhi	25	24	25	24	22
Punjab	30	29	30	30	30
Telangana	22	22	22	21	20

Source- Company, YES Sec

## Exhibit 59: Key Managerial personnel

<p><b>Unsoo Kim</b> <i>Managing Director</i></p>	<p>He is the Managing Director of the Company. He has also been appointed as the Chairman of Board. He has been associated with the Company since January 1, 2022. He also serves as the head of the India, Middle-East &amp; Africa Strategic Region of HMC, the Promoter, and to the extent of this role, reports directly to Promoter. He is responsible for the overall operations and business of Company. He has been associated with the Hyundai Motor Group since December 2, 1991.</p>
<p><b>Tarun Garg</b> <i>Whole-time Director and COO</i></p>	<p>He is the Whole-time Director and Chief Operating Officer of Company. He has been associated since December 4, 2019. He is responsible for driving sales, service, dealer management, product strategies, marketing, profitability, customer relationship, brand and media management at the Company. He was previously associated with Maruti Suzuki India Limited.</p>
<p><b>Gopalakrishnan C S</b> <i>Whole-time Director and Chief Manufacturing Officer</i></p>	<p>He is the Whole-time Director and Chief Manufacturing Officer of Company. He has been associated with Company since September 12, 1997. He is responsible for the overall manufacturing process, leading strategic planning, ensuring optimal resource utilization and agile procurement practices for sustained growth and driving production targets at Company. He was previously associated with Maruti Udyog Limited.</p>
<p><b>Wangdo Hur</b> <i>Whole-time Director and CFO</i></p>	<p>He is a Whole-time Director and Chief Financial Officer and a business head – finance of Company. He has been associated with Company since January 1, 2023. His current tenure in Company as the business head – finance is for a period of four years commencing from January 1, 2023 to December 31, 2026, and his current tenure as the Chief Financial Officer is for a period of three years i.e., up to February 2, 2026. He oversees the finance activities and performance of Company. He has been associated with the Hyundai Motor Group since December 1, 1991.</p>
<p><b>Shalini Puchalapalli</b> <i>Independent Director</i></p>	<p>She is an Independent Director of our Company. She has been associated with Company since June 7, 2024. She has experience in sales and is associated with companies with operations in the technology and FMCG industry. She is currently associated with Google India Private Limited (since 2021) as director (sales) and is currently a director on the board of directors of Miracle Foundation India, Godrej Consumer Products Limited and Aarti For Girls, USA.</p>
<p><b>Ajay Tyagi</b> <i>Independent Director</i></p>	<p>He is an Independent Director of Company. He has been associated since June 7, 2024. He holds a master's degree in technology (computer sciences) from the Indian Institute of Technology, Kanpur and a master's degree in public administration from Harvard University, Massachusetts. He has previously served as the chairman of the SEBI for a period of five years.</p>
<p><b>Sree Kirat Patel</b> <i>Independent Director</i></p>	<p>She is an Independent Director of our Company. She has been associated since June 7, 2024. She has worked in companies with operations in the food, pharmaceuticals and FMCG industry and has experience in the field of legal, regulatory and corporate affairs. She was previously employed with The Tata Oil Mills Company Limited in various capacities such as their officer-secretarial duties, and legal officer and Glaxo India Limited (currently known as GlaxoSmithKline Pharmaceuticals Limited) as their legal manager and thereafter their vice president, legal &amp; corporate affairs. She has been with Cadbury India Limited (currently known as Mondelez India Foods Private Limited, part of Mondelez group of companies in India) since 2011 and is currently employed with Mondelez International as their vice president &amp; chief counsel, AMEA. She is currently a director on the board of directors of Greaves Cotton Limited and Mondelez India Foods Private Limited.</p>
<p><b>John Martin Thompson</b> <i>Independent Director</i></p>	<p>He is an Independent Director of our Company. He has been associated since September 10, 2024. He holds a bachelor's degree in science (electronic and electrical engineering) from the University of Birmingham. He was previously associated with Bain &amp; Company, Malaysia, Inc., Cable &amp; Wireless Worldwide, Inligo Networks Holdings Pte. Ltd, Vodafone Group Services Limited and PT XL Axiata, Tbk</p>

Source: Company, YES Sec

## FINANCIALS

Exhibit 60: Balance sheet

Y/E March (Rs m)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	8,125	8,125	8,125	8,125	8,125	8,125
Total Reserves	160,437	192,423	98,531	129,940	160,217	193,881
<b>Net Worth</b>	<b>168,563</b>	<b>200,548</b>	<b>106,657</b>	<b>138,066</b>	<b>168,342</b>	<b>202,007</b>
Total Loans	11,777	11,893	8,332	8,332	8,332	8,332
<b>Capital Employed</b>	<b>180,339</b>	<b>212,442</b>	<b>114,989</b>	<b>146,398</b>	<b>176,674</b>	<b>210,339</b>
Gross Block	181,524	196,906	232,558	268,086	303,086	338,086
Less: Accum. Deprn.	114,811	135,401	156,414	177,324	207,027	240,159
<b>Net Fixed Assets</b>	<b>66,712</b>	<b>61,504</b>	<b>76,144</b>	<b>90,762</b>	<b>96,059</b>	<b>97,927</b>
Capital WIP	5,291	13,366	6,528	6,000	6,000	6,000
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>197,793</b>	<b>249,080</b>	<b>157,801</b>	<b>189,847</b>	<b>232,109</b>	<b>283,125</b>
Inventory	28,811	34,224	33,156	33,317	37,163	41,441
Account Receivables	21,824	28,972	25,100	35,277	39,350	43,879
Cash and Bank Balance	141,388	177,411	90,173	111,654	144,887	185,864
Loans and Advances	155	659	0	0	0	0
Other Current Assets	5,615	7,813	9,371	9,600	10,708	11,941
<b>Curr. Liability &amp; Prov.</b>	<b>103,241</b>	<b>133,292</b>	<b>148,503</b>	<b>163,560</b>	<b>182,444</b>	<b>203,444</b>
Account Payables	54,054	74,408	74,931	88,192	98,374	109,697
Other Current Liabilities	37,417	46,307	60,577	62,056	69,220	77,188
Provisions	11,770	12,577	12,996	13,313	14,850	16,559
<b>Net Current Assets</b>	<b>94,552</b>	<b>115,788</b>	<b>9,298</b>	<b>26,287</b>	<b>49,664</b>	<b>79,681</b>
Deferred Tax assets	6,157	8,266	9,478	9,478	9,478	9,478
Other Non Current Assets	7,627	13,517	13,541	13,871	15,473	17,254
<b>Appl. of Funds</b>	<b>180,339</b>	<b>212,442</b>	<b>114,989</b>	<b>146,398</b>	<b>176,674</b>	<b>210,339</b>

Source- Company, YES Sec



## Exhibit 61: Income statement

Y/E March (Rs m)	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Income from Operations</b>	<b>473,784</b>	<b>603,076</b>	<b>698,291</b>	<b>715,332</b>	<b>797,922</b>	<b>889,766</b>
Change (%)	15.6	27.3	15.8	2.4	11.5	11.5
Raw Materials	358,049	449,827	515,389	516,470	576,100	642,411
Employees Cost	16,476	17,662	19,755	22,323	23,886	25,582
Other Expenses	44,398	60,099	71,821	82,312	89,422	97,045
<b>Total Expenditure</b>	<b>418,923</b>	<b>527,588</b>	<b>606,964</b>	<b>621,105</b>	<b>689,407</b>	<b>765,038</b>
% of Sales	88.4	87.5	86.9	86.8	86.4	86.0
<b>EBITDA</b>	<b>54,861</b>	<b>75,488</b>	<b>91,326</b>	<b>94,227</b>	<b>108,515</b>	<b>124,728</b>
Margin (%)	11.6	12.5	13.1	13.2	13.6	14.0
Depreciation	21,696	21,899	22,079	20,911	29,702	33,132
<b>EBIT</b>	<b>33,165</b>	<b>53,589</b>	<b>69,247</b>	<b>73,317</b>	<b>78,812</b>	<b>91,596</b>
Intrest Charges	1,319	1,424	1,581	1,312	1,167	1,117
Other Income	5,876	11,291	14,733	8,545	8,801	9,241
<b>PBT before share of associate</b>	<b>37,722</b>	<b>63,456</b>	<b>82,399</b>	<b>80,549</b>	<b>86,447</b>	<b>99,721</b>
<b>PBT after share of associate</b>	<b>37,722</b>	<b>63,456</b>	<b>82,399</b>	<b>80,549</b>	<b>86,447</b>	<b>99,721</b>
Total Tax	8,706	16,363	21,798	20,701	22,044	25,429
Tax Rate (%)	23.1	25.8	26.5	25.7	25.5	25.5
<b>Reported PAT</b>	<b>29,016</b>	<b>47,093</b>	<b>60,600</b>	<b>59,848</b>	<b>64,403</b>	<b>74,292</b>
<b>Adjusted PAT</b>	<b>29,016</b>	<b>47,093</b>	<b>60,600</b>	<b>59,848</b>	<b>64,403</b>	<b>74,292</b>
Change (%)	54.2	62.3	28.7	(1.2)	7.6	15.4
Margin (%)	6.1	7.8	8.7	8.4	8.1	8.3

Source- Company, YES Sec

## Exhibit 62: Cash flow statement

Y/E March (Rs m)	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	29,016	47,093	60,600	59,848	64,403	74,292
Depreciation	21,696	21,899	22,079	20,911	29,702	33,132
Interest & Finance Charges	(2,615)	(7,424)	(10,261)	(7,233)	(7,635)	(8,125)
Direct Taxes Paid	(7,668)	(21,328)	(22,998)	(20,701)	(22,044)	(25,429)
(Inc)/Dec in WC	3,303	9,838	22,149	4,160	8,255	9,180
<b>CF from Operations</b>	<b>43,733</b>	<b>50,077</b>	<b>71,570</b>	<b>56,986</b>	<b>72,681</b>	<b>83,050</b>
Others	7,652	15,565	20,950	20,701	22,044	25,429
<b>CF from Operating incl EO</b>	<b>51,384</b>	<b>65,643</b>	<b>92,520</b>	<b>77,687</b>	<b>94,726</b>	<b>108,479</b>
(Inc)/Dec in FA	(12,535)	(22,493)	(32,318)	(35,000)	(35,000)	(35,000)
<b>Free Cash Flow</b>	<b>38,849</b>	<b>43,150</b>	<b>60,202</b>	<b>42,687</b>	<b>59,726</b>	<b>73,479</b>
Others	3,482	8,376	(68,587)	8,545	8,801	9,241
<b>CF from Investments</b>	<b>(9,053)</b>	<b>(14,116)</b>	<b>(100,905)</b>	<b>(26,455)</b>	<b>(26,199)</b>	<b>(25,759)</b>
Inc/(Dec) in Debt	(2,799)	(529)	(4,648)	0	0	0
Interest Paid	(228)	(329)	(294)	(1,312)	(1,167)	(1,117)
Dividend Paid	(13,594)	(14,935)	(154,358)	(28,439)	(34,127)	(40,627)
<b>CF from Fin. Activity</b>	<b>(16,620)</b>	<b>(15,792)</b>	<b>(159,301)</b>	<b>(29,751)</b>	<b>(35,293)</b>	<b>(41,744)</b>
<b>Inc/Dec of Cash</b>	<b>25,711</b>	<b>35,734</b>	<b>(167,686)</b>	<b>21,480</b>	<b>33,234</b>	<b>40,977</b>
Opening Balance	115,676	141,388	177,411	90,173	111,654	144,887
Effect of exchange rate fluctuations	1	289	7	0	0	0
Bank Balance	0	0	80,441	0	0	0
<b>Closing Balance</b>	<b>141,388</b>	<b>177,411</b>	<b>90,173</b>	<b>111,654</b>	<b>144,887</b>	<b>185,864</b>

Source- Company, YES Sec

## Exhibit 63: Key Ratios

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>						
EPS	35.7	58.0	74.6	73.7	79.3	91.4
Cash EPS	62.4	84.9	101.8	99.4	115.8	132.2
BV/Share	207.5	246.8	131.3	169.9	207.2	248.6
DPS	18.4	57.3	132.7	35.0	42.0	50.0
Payout (%)	51.5	98.8	177.9	47.5	53.0	54.7
<b>Valuation (x)</b>						
P/E	49.6	30.6	23.8	24.1	22.4	19.4
Cash P/E	28.4	20.9	17.4	17.8	15.3	13.4
P/BV	8.5	7.2	13.5	10.4	8.6	7.1
EV/Sales	2.8	2.1	1.9	1.9	1.6	1.4
EV/EBITDA	23.9	16.9	14.9	14.2	12.0	10.1
Dividend Yield (%)	1.0	3.2	7.5	2.0	2.4	2.8
FCF per share	47.8	53.1	74.1	52.5	73.5	90.4
<b>Return Ratios (%)</b>						
RoE	18.0	25.5	39.5	48.9	42.0	40.1
RoCE (post-tax)	16.7	22.7	34.9	41.5	36.9	35.7
RoIC	75.8	183.6	278.5	189.5	227.7	369.4
<b>Working Capital Ratios</b>						
Fixed Asset Turnover (x)	7.1	9.8	9.2	7.9	8.3	9.1
Asset Turnover (x)	2.6	2.8	6.1	4.9	4.5	4.2
Inventory (Days)	22	21	17	17	17	17
Debtor (Days)	17	18	13	18	18	18
Creditor (Days)	42	45	39	45	45	45
<b>Leverage Ratio (x)</b>						
Current Ratio	1.9	1.9	1.1	1.2	1.3	1.4
Interest Cover Ratio	25.1	37.6	43.8	55.9	67.6	82.0
Net Debt/Equity	(0.8)	(0.8)	(0.8)	(0.7)	(0.8)	(0.9)

Source- Company, YES Sec

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