

Hyundai Motor

Estimate change



TP change

Rating change



Bloomberg	HYUNDAI IN
Equity Shares (m)	813
M.Cap.(INRb)/(USD\$b)	1319.9 / 15.3
52-Week Range (INR)	1970 / 1615
1, 6, 12 Rel. Per (%)	-6/-/-
12M Avg Val (INR M)	2604

Financials & valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	681	728	806
EBITDA	85	91	103
Adj. PAT	53	56	64
EPS (INR)	65	69	78
EPS Gr. (%)	(12)	5	14
BV/Sh. (INR)	180	228	283

Ratios

RoE (%)	41.9	33.7	30.6
RoCE (%)	37.8	30.1	27.4
RoIC (%)	112.9	85.1	82.2

Valuations

P/E (x)	25.0	23.7	20.8
P/BV (x)	9.1	7.1	5.8
EV/EBITDA (x)	14.4	13.1	11.2
Div. Yield (%)	1.0	1.3	1.4

Shareholding pattern (%)

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

CMP: INR1,624

TP: INR1,975 (+22%)

Buy

Higher discount and adverse mix hurt margins

Commercialization of new plant to be next key growth driver

- Hyundai Motor (HMI) reported a weak operating performance in 3QFY25, as EBITDA/adj. PAT of INR18.8b/INR11.6b came in below our estimates of INR20.4b/INR12.4b. The 3Q performance was impacted by a weaker product mix, higher discounts, and operating de-leverage. Nonetheless, we remain optimistic about HMI's ability to outperform the domestic PV industry, driven by its strong SUV portfolio and export opportunities.
- We cut our FY25E/FY26E consol EPS by ~3%/9% to factor in lower margins. We expect its exports to stabilize in 4Q and then pick up from Q1 onward. Further, HMI is likely to start launching new models, once the new Pune plant commences production, which will be the growth driver in coming years. We believe HMI remains well placed to benefit from the premiumization trend in India given its mix in favor of SUVs. Maintain BUY with a TP of INR1,975, valued at 26x Dec'26E.

Higher discounts, mix and one-time employee expenses dent margins

- 3QFY25 consol revenue/EBITDA/adj. PAT declined ~1%/14%/19% YoY to INR166.5b/INR18.8b/INR11.6b (est. INR165.9b/INR20.4b/INR12.4b). 9MFY25 revenue/EBITDA/adj. PAT declined ~2%/3%/8% YoY.
- Volumes declined ~2% YoY. Net realizations grew 1% YoY (flat QoQ) to INR893.1k/unit.
- Gross margin contracted 60bp QoQ to 26.9% (est. 27.3%). This, coupled with lower volumes, led to a 14% YoY drop in EBITDA to INR18.8b (est. INR20.4b).
- EBITDA margin contacted 160bp YoY/150bp QoQ to 11.3% (est. 12.3%). Margins were impacted by 1) growth in exports to Africa with the help of pricing levers, 2) high discounts in the domestic market, 3) one-time compensation given to employees after the IPO.
- Discounts in 3Q stood at 2.6% of domestic ASP, up from 1.9% QoQ. Discounts have declined QoQ in 4Q so far.
- The weak operating performance led to a miss in adj. PAT at INR11.6b (-19% YoY, est. INR12.4b).

Highlights from the management commentary

- HMI expects stability in export markets in coming quarters. Growth drivers: 1) Hyundai India is an export hub for Latin America, the Middle East and Africa; 2) HMI intends to evaluate global export opportunities for Creta EV; and 3) Exter left-hand drive should see huge opportunities in key markets.
- Management expects the domestic PV industry to post low-single-digit growth in CY25 as well.
- Management has indicated that, with the support of its parent, HMI would look at alternate powertrains, including EVs, flex fuels, CNG and hybrid for the Indian market to comply with emission laws.
- Its Pune plant is on track to commercialize production by CY25 end, with initial capacity of 170k units p.a. New launches may coincide with this.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- We cut our FY25E/FY26E consol EPS by ~3%/9% to factor in lower margins.
- We expect its exports to stabilize in 4Q and then pick up from Q1 onward. Further, HMI is likely to start launching new models, once the new Pune plant commences production, which will be the growth driver in coming years. We believe HMI remains well placed to benefit from the premiumization trend in India given its mix in favor of SUVs. Maintain BUY with a TP of INR1,975, valued at 26x Dec'26E EPS.

Cons Quarterly Performance**(INR B)**

Y/E March	FY24				FY25E				FY24	FY25		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3Q	
Financial Performance												
Volumes ('000 units)	183.4	209.8	191.0	193.7	192.1	191.9	186.4	198.0	777.9	768.4	186.4	
Change (%)					4.7	-8.5	-2.4	2.2	0.0	-1.2	-2.4	
ASP (INR '000/car)	906.4	889.5	883.6	912.2	903.1	899.3	893.1	848.4	897.7	885.6	890.3	
Change (%)					-0.4	1.1	1.1	-7.0	0.0	-1.3	0.8	
Net operating revenues	166.2	186.6	168.7	176.7	173.4	172.6	166.5	168.0	698	681	166	
Change (%)					4.3	-7.5	-1.3	-4.9	0.0	-2.5	-1.7	
RM Cost (% of sales)	75.7	74.8	73.2	71.8	71.9	72.5	73.1	72.8	73.9	72.6	72.7	
Staff Cost (% of sales)	2.9	2.6	3.0	2.8	3.2	3.2	3.6	3.3	2.8	3.3	3.3	
Other Cost (% of sales)	9.4	9.5	10.9	11.1	11.5	11.5	12.0	11.7	10.2	11.7	11.7	
EBITDA	20.0	24.4	21.7	25.2	23.4	22.1	18.8	20.5	91.3	84.8	20.4	
EBITDA Margins (%)	12.0	13.1	12.9	14.3	13.5	12.8	11.3	12.2	13.1	12.5	12.3	
Depreciation	5.6	5.6	5.3	5.6	5.3	5.2	5.3	5.3	22.1	21.0	5	
EBIT	14.4	18.8	16.4	19.6	18.1	16.9	13.5	15.3	69.2	63.7	15	
EBIT Margins (%)	8.6	10.1	9.7	11.1	10.4	9.8	8.1	9.1	9.9	9.4	9.2	
Interest	0.4	0.3	0.5	0.4	0.3	0.3	0.3	0.3	1.6	1.2	0.3	
Non-Operating Income	3.9	3.8	3.7	3.3	2.2	1.9	2.4	2.3	14.7	8.9	1.8	
PBT	17.9	22.3	19.6	22.6	20.0	18.5	15.6	17.3	82.4	71.5	16.7	
Effective Tax Rate (%)	25.7	27.0	27.3	25.8	25.6	25.6	25.7	25.8	26.5	25.7	26.0	
Adjusted PAT	13.3	16.3	14.3	16.8	14.9	13.8	11.6	12.8	60.6	53.1	12.4	
Change (%)					12.1	-15.5	-18.6	-23.5	0.0	-12.4	-13.3	

*4Q numbers derived from full year numbers reported

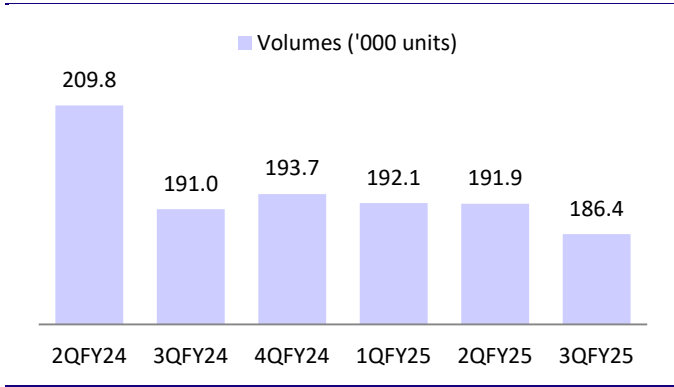


Highlights from the management commentary

- Domestic SUVs account for 67.6% of volumes.
- Rural sales contribution increased to 21.2% from 19.7% YoY. The contribution of SUVs, even in rural regions, is stable at 68%.
- CNG penetration increased to 15% from 12% YoY after the launch of dual-cylinder variants.
- In exports, demand in the Middle East (37% of exports) was down 10% YoY due to the Red Sea crisis. Demand in Latin America was down due to adverse macro. On the other hand, demand in Africa (28% of mix) was up 15% YoY as HMI pushed sales in the region with the help of some pricing levers.
- HMI expects stability in export markets in coming quarters. Growth drivers: 1) Hyundai India is an export hub for Latin America, the Middle East and Africa markets; 2) HMI intends to evaluate export opportunities for Creta EV globally; and 3) Exter left-hand drive, likely to be ready in the next 12 months, is expected to see huge opportunities in key markets.
- Management expects the domestic PV industry to post low-single-digit growth in CY25.
- 3Q margins impacted by: 1) export push in Africa with the help of pricing levers; 2) high discounts in the domestic market; 3) one-time compensation given to employees after the IPO.
- Discounts in 3Q stood at 2.6% of domestic ASP, up from 1.9% QoQ. Discounts have declined QoQ in 4Q so far. Leading from the front, HMI increased prices in Jan'25, followed by other OEMs.
- Royalty has remained largely stable QoQ at 2.7% of revenue.
- Fiscal incentive from Tamil Nadu govt stood at INR1b in 3Q.
- Its Pune plant is on track to commercialize production by CY25 end, with initial capacity of 170k units p.a. New launches are likely to coincide with this.
- Management expects the new Creta EV to reach 10% penetration within Creta portfolio.
- HMI aims to localize the battery EV ecosystem, including cells, powertrain, power electronics, etc.
- Management has indicated that, with the support of its parent, HMI would look at alternate powertrains, including EVs, flex fuels, CNG and hybrid for the Indian market to comply with emission laws.
- Management has indicated that HMI would announce a dividend policy by FY25 end.

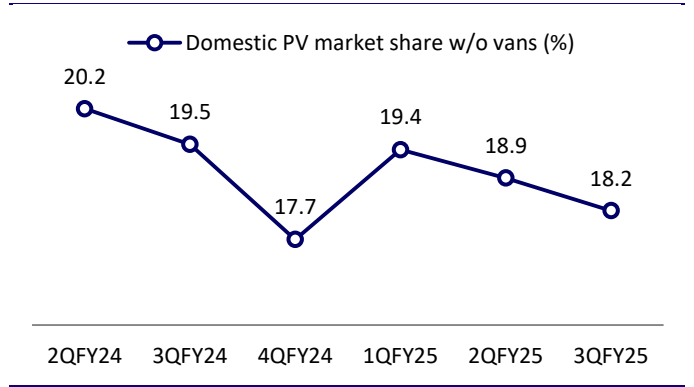
Key exhibits

Exhibit 1: Volume trends



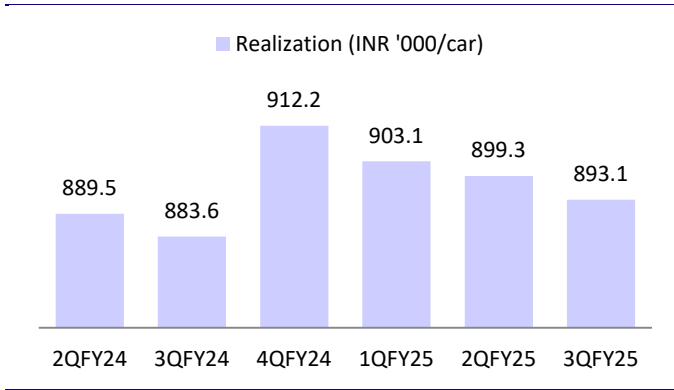
Source: Company, MOFSL

Exhibit 2: Domestic PV market share trend without vans (%)



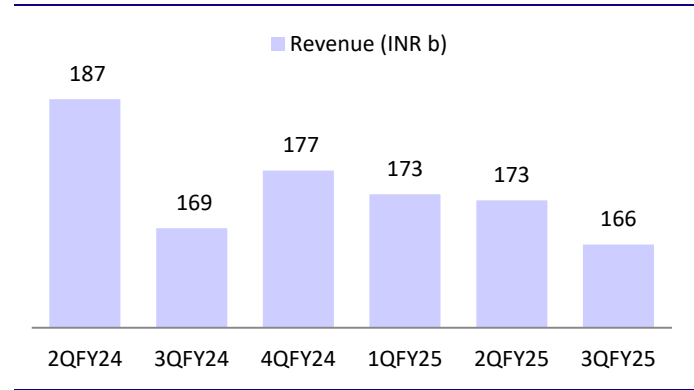
Source: Company, MOFSL

Exhibit 3: Trend in realization per unit



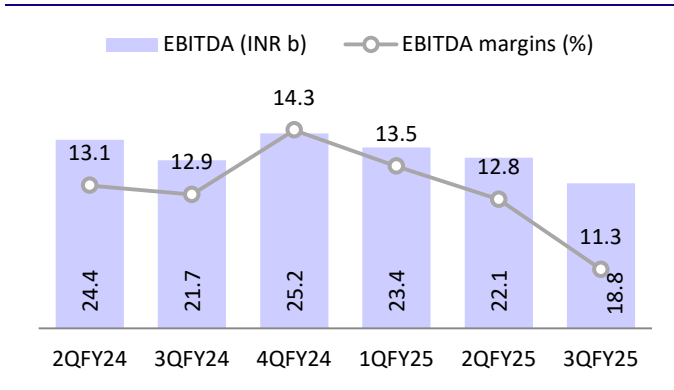
Source: Company, MOFSL

Exhibit 4: Trend in quarterly revenue



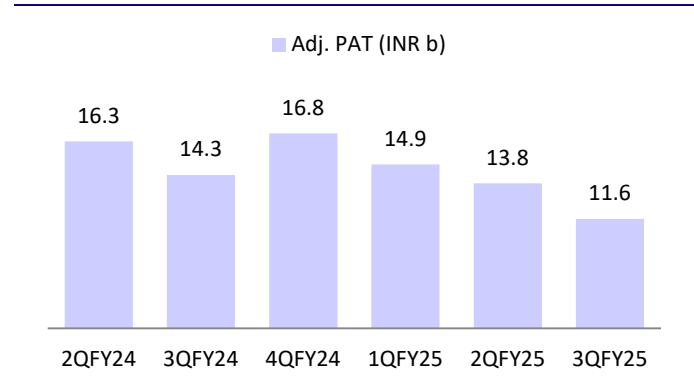
Source: Company, MOFSL

Exhibit 5: Trends in EBITDA and EBITDA margin



Source: Company, MOFSL

Exhibit 6: Trend in quarterly Adj. PAT



Source: Company, MOFSL

Valuation and view

- **Well-positioned to outperform the domestic PV industry:** In the domestic market, HMI is well positioned to benefit from the premiumization trends in India, given that 63% of its mix was from the SUV segment in FY24. 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 the compact sedan segment, and an 18% share in the premium compact car segment. Overall, HMI has now emerged as a trusted brand for its stakeholders in the domestic market. While FY25 is likely to be a moderate year for PVs in India and consequently for HMI, we project the company to report a 6% volume CAGR over the next two years.
- **HMI has now developed a solid ecosystem in India,** which includes: 1) a large production capacity; 2) an established supplier network; and 3) a strong distribution reach. This manufacturing ecosystem helps HMI launch PVs that are feature-rich, reliable, innovative, and yet competitively priced. It has also helped HMI establish as a strong and reliable brand in India.
- **HMI enjoys strong support from its parent (HMC)** in several aspects of its operations, including management, R&D, design, product planning, manufacturing, supply chain development, quality control, marketing, distribution, brand, human resources, and financing, et al. This enables timely identification of upcoming technology trends in India, which can be introduced on a need-basis within a short time-to-market. Further, given that HMC is strong globally in both hybrids and EVs, HMI can launch those technologies in India customized to Indian conditions, as and when market demands.
- **Huge export opportunities:** HMC's sales network across more than 190 countries helps HMI pursue export opportunities, which is an important revenue and profitability driver. The company aims to leverage its local manufacturing capabilities to establish HMI as a key export hub for emerging markets, including Southeast Asia, Latin America, Africa, and the Middle East, with the potential to export to other global markets.
- **Valuation and view:** We cut our FY25E/FY26E consol EPS by ~3%/9% to factor in lower margins. We expect its exports to stabilize in 4Q and then pick up from Q1 onward. Further, Hyundai is likely to start launching new models, once the new Pune plant commences production, which will be a growth driver in coming years. We believe Hyundai remains well placed to benefit from the premiumization trend in India given its mix in favor of SUVs. Maintain BUY with a TP of INR 1,975, valued at 26x Dec'26E.

Exhibit 7: Our revised estimates

(INR B)	FY25E			FY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	681	690	-1.4	728	752	-3.1
EBITDA	85	89	-4.3	91	99	-8.2
EBITDA Margin (%)	12.5	12.8	-40bp	12.5	13.2	-70bp
PAT	53.1	54.7	-2.9	56.0	61.4	-8.9
Consol EPS (Rs)	65.3	67.3	-2.9	68.9	75.6	-8.9

Source: Company, MOFSL

Story in charts

Exhibit 8: Volume CAGR of ~6% over FY25-FY27E...

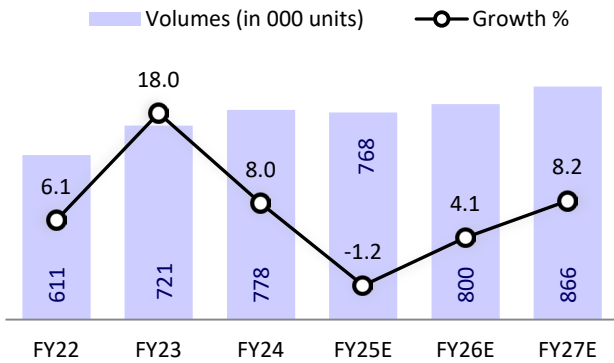


Exhibit 9: ...coupled with ASP growth due to better mix...

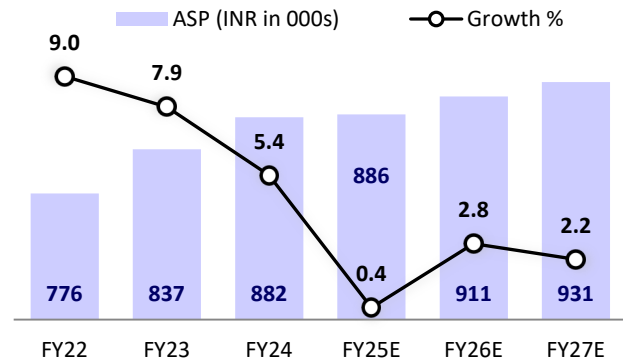


Exhibit 10: ...leading to healthy revenue CAGR of ~8%

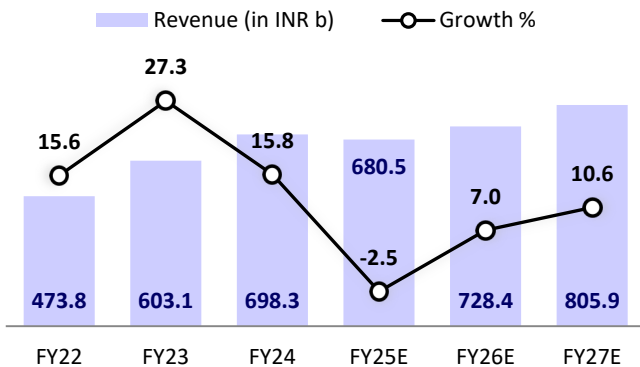


Exhibit 11: EBITDA margin to expand ~30bp over FY25-27E

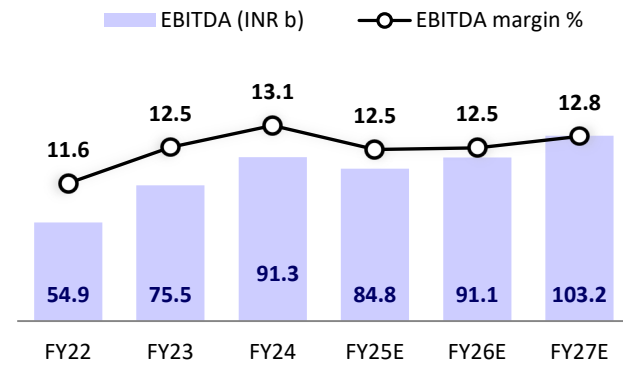


Exhibit 12: Expect earnings CAGR of ~9% over FY25-27E

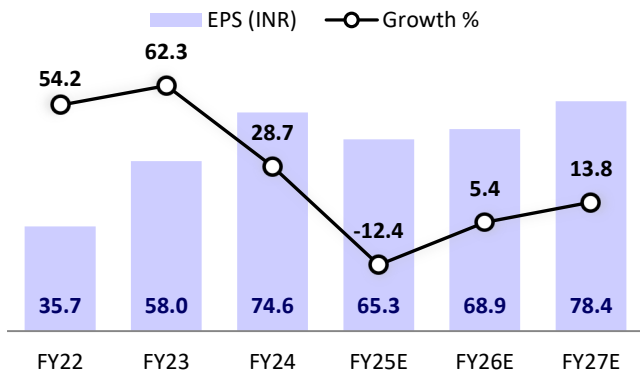
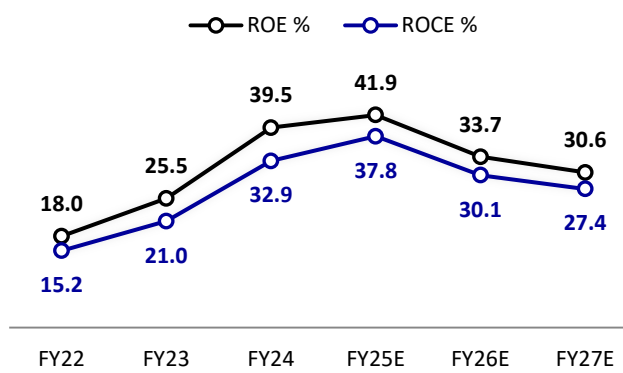


Exhibit 13: HMI would continue to post healthy return ratios



Financials and valuations

Consol Income Statement							INR m
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Volumes	5,75,877	6,10,760	7,20,565	7,77,872	7,68,402	8,00,053	8,65,789
Change (%)	(12)	6	18	8	(1)	4	8
ASP	7,11,476	7,75,729	8,36,949	8,81,762	8,85,622	9,10,500	9,30,782
Change (%)	8	9	8	5	0	3	2
Net Op Income	4,09,723	4,73,784	6,03,076	6,98,291	6,80,514	7,28,449	8,05,860
Change (%)	(5)	16	27	16	(3)	7	11
EBITDA	42,457	54,861	75,488	91,326	84,758	91,056	1,03,150
Change (%)	-0.9	29.2	37.6	21.0	-7.2	7.4	13.3
EBITDA Margins (%)	10.4	11.6	12.5	13.1	12.5	12.5	12.8
Depreciation	19,732	21,696	21,899	22,079	21,031	24,020	26,687
EBIT	22,725	33,165	53,589	69,247	63,727	67,037	76,463
% of revenue	5.5	7.0	8.9	9.9	9.4	9.2	9.5
Interest	1,646	1,319	1,424	1,581	1,208	1,083	1,042
Other Income	4,324	5,876	11,291	14,733	8,937	9,685	10,618
PBT	25,402	37,722	63,456	82,399	71,456	75,639	86,039
Tax	6,591	8,706	16,363	21,798	18,364	19,666	22,370
Effective tax Rate (%)	25.9	23.1	25.8	26.5	25.7	26.0	26.0
Adj. PAT	18,812	29,016	47,093	60,600	53,092	55,973	63,669
Change (%)	-20.1	54.2	62.3	28.7	-12.4	5.4	13.8

Consol Balance Sheet							INR m
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	8,125	8,125	8,125	8,125	8,125	8,125	8,125
Reserves	1,44,988	1,60,437	1,92,423	98,531	1,38,350	1,77,531	2,22,099
Net Worth	1,53,113	1,68,563	2,00,548	1,06,657	1,46,475	1,85,656	2,30,225
Loans	13,539	11,777	11,893	8,332	8,332	8,332	8,332
Deferred Tax Liability	(4,494)	(6,157)	(8,266)	(9,478)	(9,478)	(9,478)	(9,478)
Capital Employed	1,62,159	1,74,183	2,04,176	1,05,511	1,45,330	1,84,511	2,29,079
Gross Fixed Assets	1,66,175	1,81,084	1,96,380	2,31,918	2,66,447	3,05,447	3,45,447
Less: Depreciation	93,296	1,14,372	1,34,876	1,55,774	1,76,805	2,00,825	2,27,511
Net Fixed Assets	72,878	66,712	61,504	76,144	89,642	1,04,622	1,17,936
Capital WIP	8,175	5,291	13,366	6,528	7,000	8,000	8,000
Investments	-	-	-	-	-	-	-
Curr.Assets, Loans	1,81,758	2,05,420	2,62,597	1,71,342	1,92,020	2,30,275	2,76,980
Inventory	25,633	28,811	34,224	33,156	33,196	35,923	39,741
Sundry Debtors	24,649	21,824	28,972	25,100	26,225	27,940	30,910
Cash & Bank Balances	1,15,676	1,41,388	1,77,411	90,173	1,11,042	1,43,334	1,80,801
Loans & Advances	255	155	659	-	-	-	-
Others	15,544	13,242	21,330	22,912	21,558	23,076	25,528
Current Liab & Prov.	1,00,653	1,03,241	1,33,292	1,48,503	1,43,332	1,58,386	1,73,836
Sundry Creditors	60,654	54,054	74,408	74,931	73,673	79,830	88,313
Others	28,230	37,417	46,307	60,577	56,664	65,560	72,527
Provisions	11,769	11,770	12,577	12,996	12,996	12,996	12,996
Net Current Assets	81,105	1,02,179	1,29,305	22,838	48,688	71,889	1,03,144
Appl. of Funds	1,62,159	1,74,183	2,04,176	1,05,511	1,45,330	1,84,511	2,29,079

E: MOFSL Estimates

Financials and valuations

Consol Financial Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
Adjusted EPS	23.2	35.7	58.0	74.6	65.3	68.9	78.4
EPS Growth (%)	-	54.2	62.3	28.7	(12.4)	5.4	13.8
Cash EPS	47.4	62.4	84.9	101.8	91.2	98.4	111.2
Book Value per Share	188	207	247	131	180	228	283
DPS	17	18	57	133	16	21	24
Div. payout (%)	72.3	51.5	98.8	177.9	25.0	30.0	30.0
Valuation (x)							
Adj. P/E	70.5	45.7	28.2	21.9	25.0	23.7	20.8
Cash P/E	34.4	26.2	19.2	16.0	17.9	16.6	14.7
EV/EBITDA	28.8	21.8	15.4	13.6	14.4	13.1	11.2
EV/Sales	3.0	2.5	1.9	1.8	1.8	1.6	1.4
P/BV	8.7	7.9	6.6	12.4	9.1	7.1	5.8
Dividend Yield (%)	1.0	1.1	3.5	8.1	1.0	1.3	1.4
Return Ratios (%)							
RoIC	22.3	45.5	92.1	177.3	112.9	85.1	82.2
RoE	13.2	18.0	25.5	39.5	41.9	33.7	30.6
RoCE	11.1	15.2	21.0	32.9	37.8	30.1	27.4
Turnover Ratios							
Debtors (Days)	18	18	15	14	14	14	14
Inventory (Days)	24	21	19	18	18	18	18
Creditors (Days)	48	44	39	39	40	40	40
Work. Cap. (Days)	-6	-5	-4	-7	-8	-8	-8
Asset Turnover (x)	2.7	2.7	3.2	3.3	2.7	2.5	2.5
Leverage Ratio							
Net Debt/Equity (x)	-0.7	-0.8	-0.8	-0.8	-0.7	-0.7	-0.7

Consol Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
INR m							
Profit before Tax	25,402	37,722	63,456	82,399	71,456	75,639	86,039
Interest	1,646	1,319	1,424	1,581	1,208	1,083	1,042
Depreciation	19,732	21,696	21,899	21,989	21,031	24,020	26,687
Direct Taxes Paid	-9,233	-7,668	-21,328	-22,998	-18,364	-19,666	-22,370
(Inc)/Dec in WC	20,129	3,303	9,838	22,149	-4,981	9,092	6,211
Other Items	-3,451	-4,989	-9,646	-12,601	-8,937	-9,685	-10,618
CF from Oper. Activity	54,225	51,384	65,643	92,520	61,412	80,482	86,991
CF after EO Items	54,225.23	51,384	65,643	92,520	61,412	80,482	86,991
(Inc)/Dec in FA	-25,785	-12,535	-22,493	-32,318	-35,000	-40,000	-40,000
Free Cash Flow	28,441	38,849	43,150	60,202	26,412	40,482	46,991
Interest/dividend received	0	3,482	8,378	8,451	8,937	9,685	10,618
(Pur)/Sale of Invest.	3,817	0	-1	-77,038	0	0	0
CF from Inv. Activity	-21,968.06	-9,053	-14,116	-1,00,905	-26,063	-30,315	-29,382
Inc/(Dec) in Debt	1,875	-2,799	-529	-4,648	0	0	0
Interest Paid	-441	-228	-329	-294	-1,208	-1,083	-1,042
Dividends Paid	0	-13,594	-14,935	-1,54,358	-13,273	-16,792	-19,101
CF from Fin. Activity	1,434.47	-16,620	-15,792	-1,59,301	-14,481	-17,875	-20,142
Inc/(Dec) in Cash	33,692	25,711	35,734	-1,67,686	20,868	32,293	37,467
Exchange rate fluctuation	12	1	289	7	0	0	0
Add: Op. Balance	81,973	1,15,676	1,41,388	2,57,853	90,173	1,11,042	1,43,334
Closing Balance	1,15,676	1,41,388	1,77,411	90,173	1,11,042	1,43,334	1,80,801

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Explanation of Investment Rating	
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BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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