

January 28, 2025

Result REPORT | Sector: Automobile

Hyundai Motor India (HYUNDAI)

Weak gross margins; one-offs dent profitability

View – Well positioned to ride premiumization trend in India

Hyundai Motor India (HMI) 3QFY25 performance was impacted by ~2.3% YoY lower exports, weak gross margins and one-off in staff cost (~60bp), leading to a 160bp YoY/150bp QoQ EBITDA margin contraction to 11.3%. While the PV industry's demand remains moderate, we expect HMI to post steady growth given its favorable SUV mix and strong export opportunities going forward. 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), HMI 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 with recently launched Creta EV at aggressive price points. We see the MPV segment as a portfolio gap, which means HMI 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%/17.6%/14.3% over FY25-27E. We broadly retain our FY26E/27E EPS. We value HMI at 23x Mar'27 EPS to arrive at TP of Rs2,086, given its strong parent support for new technology, superior financial metrics, a relatively premium brand perception, and better alignment with industry trends. We prefer M&M, TVSL followed by HMIL among OEMs from our coverage universe.

Result Highlights – Operational miss led by weak gross margins

- Revenues degrew ~1.3% YoY/-3.5% QoQ at ~Rs166.5b (est ~Rs168.6b) led by -2.4% YoY (-2.9% QoQ) decline in volumes at 186.4k while ASP grew 2.4% YoY/+0.6% QoQ at ~Rs893.1k/unit (est ~Rs904.8k/unit).
- Gross margins expanded ~20bp YoY (-60bp QoQ) at 26.9% (est 27.8%). Staff cost too came in higher at ~Rs6.07b (+20% YoY/ +10.5% QoQ), led to EBITDA degrowth of ~13.7% YoY/-15% QoQ at ~Rs18.75b (est Rs21.9b). Co indicated one time impact of ~60bp of sales incentives for employees in 3QFY25. Consequently, margins contracted 160bp YoY/ -150bp QoQ at 11.3% (est 13%, cons 12.4%).
- Weak op. performance partially offset by higher other income at Rs2.4b (est Rs2b, +27% QoQ) led to Adj. PAT came in lower at ~Rs11.6b (-18.6% YoY est ~Rs13.7b).
- 9MFY25 revenue/EBITDA/Adj.PAT grew -1.7%/-2.9%/-8.1%.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% variation		Remarks
		Yes Sec	Consensus	Yes Sec	Consensus	
Sales	163,231	165,661	167,399	(1.5)	(2.5)	Lower exports, weak gross margins dented profits.
EBITDA	18,755	21,931	20,770	(14.5)	(9.7)	
EBITDA margins %	11.3	13.0	12.4	-170bp	-110bp	
Adjusted PAT	11,607	13,696	12,704	(15.3)	(8.6)	

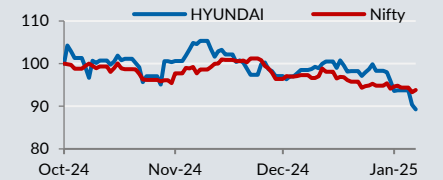
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs1,623
Target Price	: Rs2,086
Potential Return	: +28.6%

Stock data (as on Jan 28, 2025)

Nifty	22,957
52 Week h/l (Rs)	1,970 / 1,615
Market cap (Rs/USD mn)	13,35,614 / 15,439
Outstanding Shares (mn)	813
6m Avg t/o (Rs mn):	-
Div yield (%):	7.5
Bloomberg code:	HYUNDAI IN
NSE code:	HYUNDAI

Stock performance



	1M	3M	1Y
Absolute return	(9.4%)	(9.9%)	N/A

Shareholding pattern (As of Dec'24 end)

Promoter	82.5%
FII+DII	13.1%
Others	4.4%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	2,086	2,194

Δ in earnings estimates

	FY26E	FY27E
EPS (New)	77.1	90.7
EPS (Old)	79.3	91.4
% change	(2.7%)	(0.8%)

Financial Summary

Y/E Mar (in b)	FY25E	FY26E	FY27E
Sales	715.6	798.3	890.2
EBITDA	89.6	106.2	123.9
Adj. Profit	56.4	62.7	73.7
EPS (INR)	69.4	77.1	90.7
EPS Gr. (%)	(6.9)	11.2	17.6
BV/Sh. (INR)	165.7	200.8	241.5
RoE (%)	46.7	42.1	41.0
RoCE (%)	40.1	37.1	36.4
Payout (%)	50.4	54.4	55.1
P/E (x)	23.4	21.0	17.9
P/BV (x)	9.8	8.1	6.7
EV/EBITDA (x)	13.6	11.2	9.3
Div. Yield (%)	2.2	2.6	3.1

DEEP SHAH

Lead Analyst

+91 22 6992 2934 / 35 / 36



MEGHNA GUNDU, Associate

Exhibit 2: Quarterly snapshot

VY/e Mar (Rs m)	3QFY25	3QFY24	YoY chg	2QFY25	9MFY25	9MFY24	YoY chg
Net Revenues	166,480	168,747	(1.3)	172,604	512,526	521,579	(1.7)
Raw Materials	121,686	123,606	(1.6)	125,171	371,501	389,105	(4.5)
% of Net Sales	73.1%	73.1%		72.5%	72.5%	74.6%	
Personnel	6,071	5,053	20.1	5,493	17,092	14,784	15.6
% of Net Sales	3.6%	3.0%		3.2%	3.3%	2.8%	
Manufacturing & Other Exp	19,967	18,353	8.8	19,886	59,722	51,582	15.8
% of Net Sales	12.0%	10.9%		11.5%	11.7%	9.9%	
Total Expenditure	147,725	147,012	0.5	150,551	448,315	455,471	(1.6)
EBITDA	18,755	21,735	(13.7)	22,053	64,211	66,108	(2.9)
EBITDA Margin (%)	11.3%	12.9%		12.8%	12.5%	12.7%	
Depreciation	5,274	5,338	(1.2)	5,185	15,749	16,501	(4.6)
EBIT	13,482	16,397	(17.8)	16,868	48,462	49,607	(2.3)
Interest Expenses	299	488	(38.7)	292	907	1,206	(24.8)
Non-operating income	2,445	3,689	(33.7)	1,923	6,605	11,402	(42.1)
PBT	15,627	19,597	(20.3)	18,498	54,160	59,803	(9.4)
Tax-Total	4,020	5,345	(24.8)	4,744	13,901	15,974	(13.0)
Tax Rate (%) - Total	25.7%	27.3%		25.6%	25.7%	26.7%	
Reported PAT	11,607	14,252	(18.6)	13,755	40,259	43,829	(8.1)
Adj. PAT	11,607	14,252	(18.6)	13,755	40,259	43,829	(8.1)
PAT Margin	7.0%	8.4%		8.0%	7.9%	8.4%	
Key Operating Metrics							
Sales Volume (nos)	186,408	190,979	(2.4)	191,939	570,402	584,159	(2.4)
Net Realisation/Vehicle	893,094	883,590	1.1	899,264	898,535	892,872	0.6
Material cost / vehicle	652,796	647,224	0.9	652,141	651,297	666,095	(2.2)
Gross Profit / vehicle	240,298	236,366	1.7	247,123	247,238	226,777	9.0
Employee cost /vehicle	32,569	26,459	23.1	28,618	29,965	25,309	18.4
Other expenses / vehicle	107,115	96,100	11.5	103,608	104,702	88,301	18.6
EBITDA/vehicle	100,614	113,807	(11.6)	114,896	112,571	113,167	(0.5)
Net Profit/vehicle	62,268	74,627	(16.6)	71,662	70,579	75,029	(5.9)

Source- Company, YES Sec

KEY CON-CALL HIGHLIGHTS

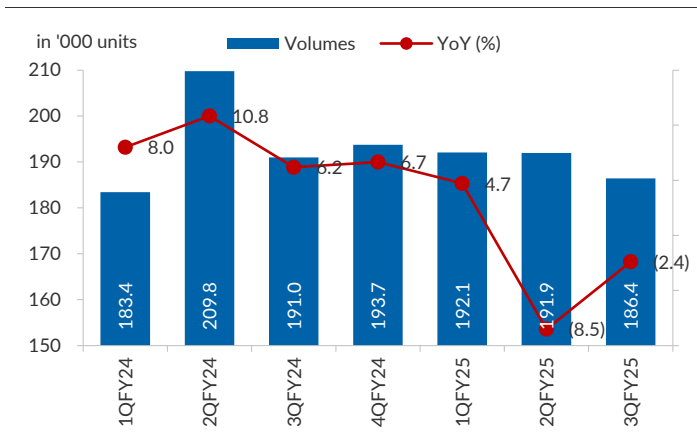
- **Outlook:** TIV grown by 2.2% in 9MFY25. Co. will grow by low single digit for FY25E in-line with industry growth.
- **Domestic:** Domestic sales came in flat YoY at ~146k units led by continued weak demand, despite good festive sales. Sustained SUV contribution, supported by both Urban and Rural markets.
 - Favorable product mix helped to sustain revenues despite enhanced discounts.
 - Strong rural penetration at 21.2% in 3QFY25 (v/s 19.7% YoY) led by SUVs contributing 67.7% in total rural sales.
 - CNG contribution at 15% of total domestic sales (v/s 11.9% in YoY). Steady growth in CNG volumes fueled by dual-cylinder technology
 - CY24: 67.6% SUV contribution – 67.7%. SUV contribution in total rural sales – 66.9%. CNG contribution – 13.1%.
 - Co. to diversify product portfolio by launching new ICE/EV models.
 - Since, co. have access to HMC technology co. will invest in eco-friendly powertrain like hybrid, flex fuels, hydrogen, etc to cater to evolving technology and customer needs.
- **Exports:** Export sales de-grew by 7.5% at ~40.4k units led by continued geo-political issues. Also, impacted due to red sea impact at Middle-East and LATAM region.
 - To mitigate geo-political issues, co. focuses in African and Asia market along with increase level in discounts to support exports margins.
 - Plan to expand to new emerging markets.
 - New model like Exter left-hand driving may support margins for exports.
 - Creta launched in Africa along with Alcazar, Exter. So new products and opportunities to improve exports
 - Geo-mix: ME declined of ~10% YoY in vols with share of 37%, Africa grew by +15% with share of 28%
 - Currently, exporting to 80+ countries.
- **Creta EV:** Launched Creta EV for mass market segment and having positive response from customers. It is a 1st fully localized SUV model made at Chennai plant. Exporting to neighboring market. Will launch 3 more EV models.
- **Network:** Plan to expand 600 fast EV chargers across the country over next 7 yrs and also to have 10k charging points via myHyundai app
- **Localization:** 1st Auto OEM to offer made-in-India AGM battery technology. Aim to localize other key components like battery cells, powertrain, other electronics, etc in near future.
- **Price hike:** Co. increased prices by 1%. Other players are expecting to increase prices from 1st Feb'25
- **ASPs:** Improvement in domestic ASP by 2.5% led by –
 - Sunroof penetration at 53.5% in 3QFY25 (v/s ~47% 3QFY24)
 - ADAS penetration at 12.9% in 3QFY25 (v/s 3.4% in 3QFY24)
- **Margins:** Impact on margins due to subdued demand in domestic market & geo-political challenges. Cost efficiencies helped to minimize impact of macro challenges on profits. Commodity prices are stable.

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- **Pune Plant:** Construction activity is at full swing and SOP in by end of CY25. Phase 1 have capacity of 170k units and 80k units in Phase2. Will scale upto 1.1m units capacity p.a to meet the demand of domestic as well as exports.
- **Royalty rate at 2.7% of sales in 3QFY25 (v/s 2.5% QoQ).**
- **Staff cost:** Increased due to one time impact of +0.6% of sales of reward for employees which reflected in 3QFY25.
- **Incentives:** TN govt incentives is in a range of Rs300m on monthly basis adjusted in other expenses. In 3QFY25, it was Rs1.01b in 3QFY25
- **Domestic Volume Mix:**
 - SUV sales at 100.6k units (v/s 102.6k QoQ & 96.8k YoY) with mix at 69%, Hatchback sales at 29.1units (v/s ~29.7k QoQ & 34k YoY) with mix at 20%, Sedan sales at ~16.3kunits (v/s 17.3k QoQ & ~16.5k YoY) with mix at 11%
 - Powertrain Mix: Petrol/Diesel/CNG+EV mix at 67%/18%/15% v/s 72%/20%/13% QoQ and 72%/16%/12% YoY.
 - EV sales at 78 units (v/s 376 units YoY/106 units QoQ)

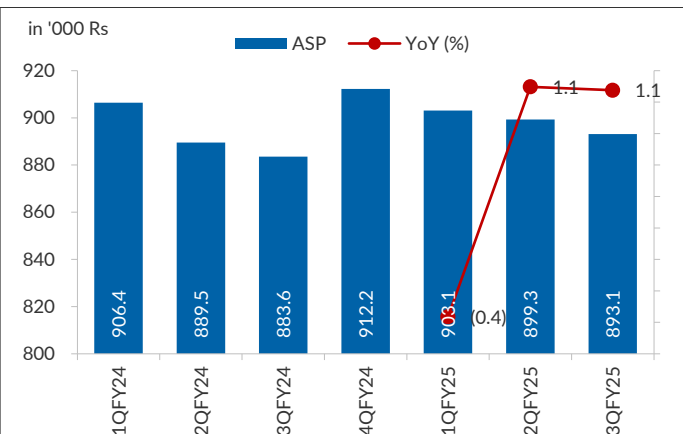
CHARTS

Exhibit 1: Vols de-grew by 2.4% YoY at 186.4k units



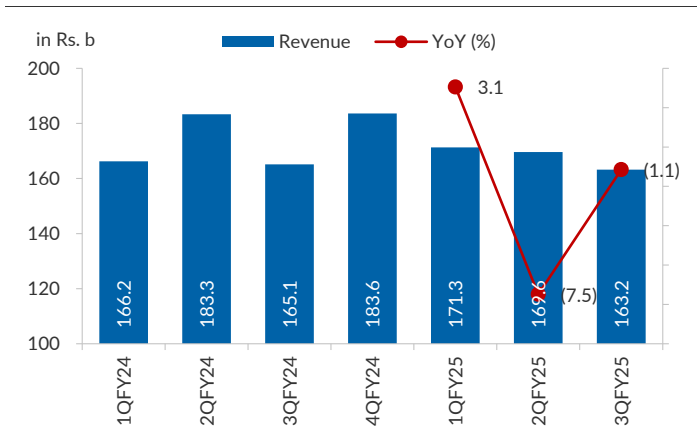
Source: Company, YES Sec

Exhibit 2: while ASP grew by 1.1% YoY at Rs893.2k/unit



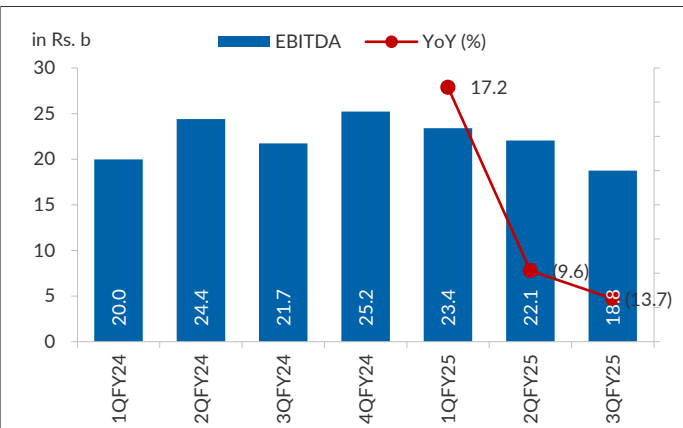
Source: Company, YES Sec

Exhibit 3: Revenue grew de-grew by 1.1% YoY



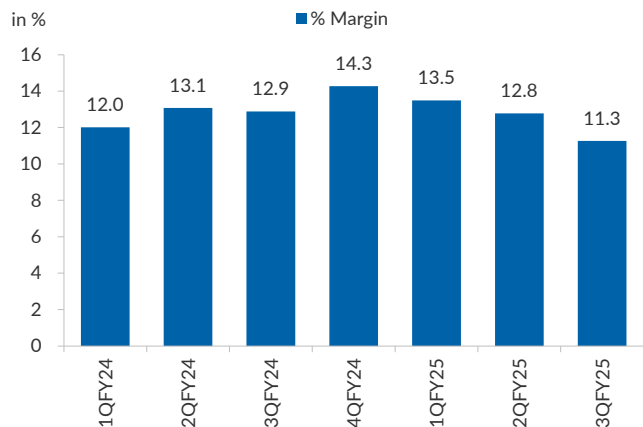
Source: Company, YES Sec

Exhibit 4: EBITDA de-grew by 13.7% YoY



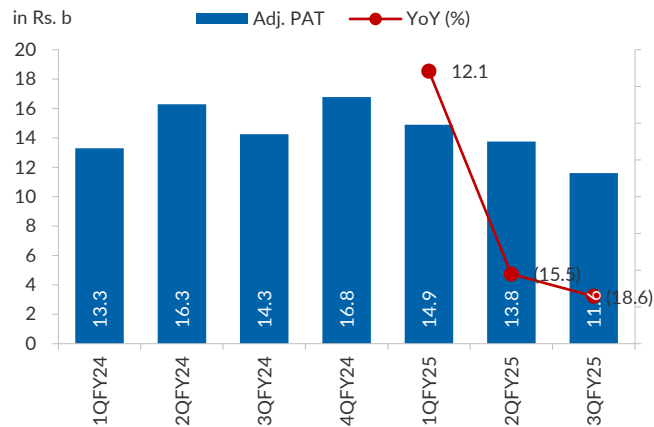
Source: Company, YES Sec

Exhibit 5: EBITDAM contracted ~160bp YoY at 11.3%



Source: Company, YES Sec

Exhibit 6: Adj.PAT de-grew by 18.6% YoY



Source: Company, YES Sec

FINANCIALS

Exhibit 7: 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	126,487	155,044	188,121
Net Worth	168,563	200,548	106,657	134,612	163,169	196,246
Total Loans	11,777	11,893	8,332	8,332	8,332	8,332
Capital Employed	180,339	212,442	114,989	142,944	171,502	204,579
Gross Block	181,524	196,906	232,558	268,086	303,086	338,086
Less: Accum. Deprn.	114,811	135,401	156,414	177,459	207,161	240,293
Net Fixed Assets	66,712	61,504	76,144	90,628	95,925	97,793
Capital WIP	5,291	13,366	6,528	6,000	6,000	6,000
Curr. Assets, Loans&Adv.	197,793	249,080	157,801	186,583	227,140	277,582
Inventory	28,811	34,224	33,156	33,329	37,179	41,460
Account Receivables	21,824	28,972	25,100	35,290	39,366	43,899
Cash and Bank Balance	141,388	177,411	90,173	108,361	139,882	180,277
Loans and Advances	155	659	0	0	0	0
Other Current Assets	5,615	7,813	9,371	9,603	10,713	11,946
Curr. Liability & Prov.	103,241	133,292	148,503	163,621	182,520	203,535
Account Payables	54,054	74,408	74,931	88,225	98,415	109,746
Other Current Liabilities	37,417	46,307	60,577	62,079	69,249	77,223
Provisions	11,770	12,577	12,996	13,318	14,856	16,566
Net Current Assets	94,552	115,788	9,298	22,962	44,619	74,046
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	13,876	15,479	17,261
Appl. of Funds	180,339	212,442	114,989	142,944	171,502	204,579

Source- Company, YES Sec

Exhibit 8: Income statement

Y/E March (Rs m)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	473,784	603,076	698,291	715,599	798,255	890,165
Change (%)	15.6	27.3	15.8	2.5	11.6	11.5
Raw Materials	358,049	449,827	515,389	518,809	576,340	640,919
Employees Cost	16,476	17,662	19,755	22,718	23,854	25,548
Other Expenses	44,398	60,099	71,821	84,490	91,854	99,759
Total Expenditure	418,923	527,588	606,964	626,017	692,048	766,225
% of Sales	88.4	87.5	86.9	87.5	86.7	86.1
EBITDA	54,861	75,488	91,326	89,582	106,207	123,939
Margin (%)	11.6	12.5	13.1	12.5	13.3	13.9
Depreciation	21,696	21,899	22,079	21,045	29,702	33,132
EBIT	33,165	53,589	69,247	68,537	76,505	90,807
Intrest Charges	1,319	1,424	1,581	1,181	1,167	1,117
Other Income	5,876	11,291	14,733	8,545	8,801	9,241
PBT before share of associate	37,722	63,456	82,399	75,901	84,139	98,932
PBT after share of associate	37,722	63,456	82,399	75,901	84,139	98,932
Total Tax	8,706	16,363	21,798	19,507	21,456	25,228
Tax Rate (%)	23.1	25.8	26.5	25.7	25.5	25.5
Reported PAT	29,016	47,093	60,600	56,394	62,684	73,704
Adjusted PAT	29,016	47,093	60,600	56,394	62,684	73,704
Change (%)	54.2	62.3	28.7	(6.9)	11.2	17.6
Margin (%)	6.1	7.8	8.7	7.9	7.9	8.3

Source- Company, YES Sec

Exhibit 9: Cash flow statement

Y/E March (Rs m)	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	29,016	47,093	60,600	56,394	62,684	73,704
Depreciation	21,696	21,899	22,079	21,045	29,702	33,132
Interest & Finance Charges	(2,615)	(7,424)	(10,261)	(7,364)	(7,635)	(8,125)
Direct Taxes Paid	(7,668)	(21,328)	(22,998)	(19,507)	(21,456)	(25,228)
(Inc)/Dec in WC	3,303	9,838	22,149	4,187	8,261	9,186
CF from Operations	43,733	50,077	71,570	54,756	71,557	82,670
Others	7,652	15,565	20,950	19,507	21,456	25,228
CF from Operating incl EO	51,384	65,643	92,520	74,263	93,013	107,898
(Inc)/Dec in FA	(12,535)	(22,493)	(32,318)	(35,000)	(35,000)	(35,000)
Free Cash Flow	38,849	43,150	60,202	39,263	58,013	72,898
Others	3,482	8,376	(68,587)	8,545	8,801	9,241
CF from Investments	(9,053)	(14,116)	(100,905)	(26,455)	(26,199)	(25,759)
Inc/(Dec) in Debt	(2,799)	(529)	(4,648)	0	0	0
Interest Paid	(228)	(329)	(294)	(1,181)	(1,167)	(1,117)
Dividend Paid	(13,594)	(14,935)	(154,358)	(28,439)	(34,127)	(40,627)
CF from Fin. Activity	(16,620)	(15,792)	(159,301)	(29,620)	(35,293)	(41,744)
Inc/Dec of Cash	25,711	35,734	(167,686)	18,187	31,521	40,396
Opening Balance	115,676	141,388	177,411	90,173	108,361	139,882
Effect of exchange rate fluctuations	1	289	7	0	0	0
Bank Balance	0	0	80,441	0	0	0
Closing Balance	141,388	177,411	90,173	108,361	139,882	180,277

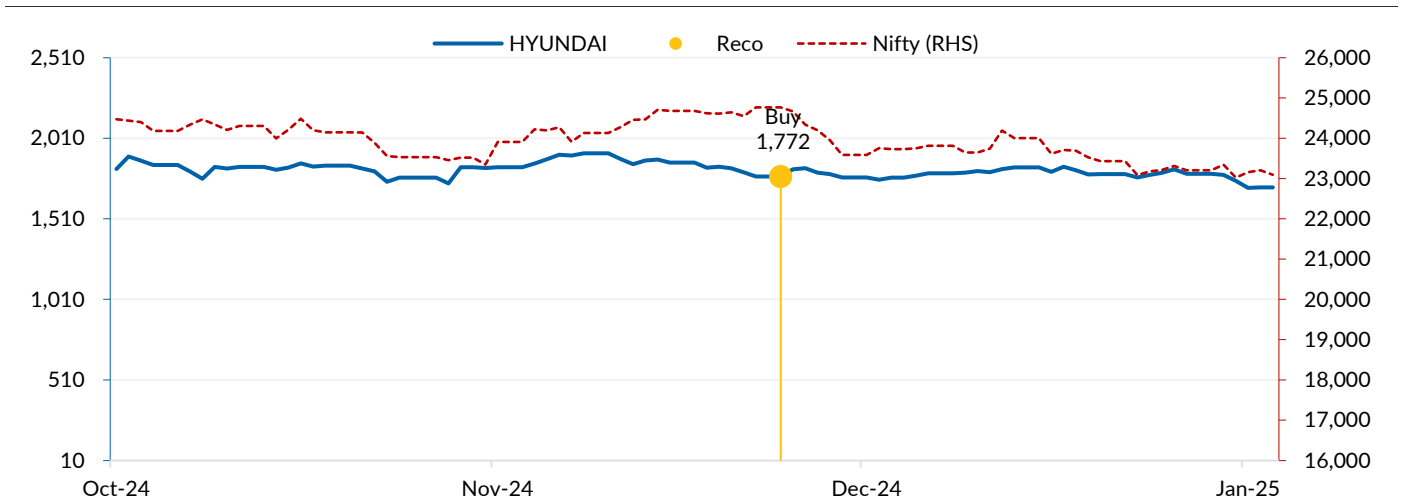
Source- Company, YES Sec

Exhibit 10: Key Ratios

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)						
EPS	35.7	58.0	74.6	69.4	77.1	90.7
Cash EPS	62.4	84.9	101.8	95.3	113.7	131.5
BV/Share	207.5	246.8	131.3	165.7	200.8	241.5
DPS	18.4	57.3	132.7	35.0	42.0	50.0
Payout (%)	51.5	98.8	177.9	50.4	54.4	55.1
Valuation (x)						
P/E	45.4	28.0	21.8	23.4	21.0	17.9
Cash P/E	26.0	19.1	15.9	17.0	14.3	12.3
P/BV	7.8	6.6	12.4	9.8	8.1	6.7
EV/Sales	2.5	1.9	1.8	1.7	1.5	1.3
EV/EBITDA	21.7	15.3	13.5	13.6	11.2	9.3
Dividend Yield (%)	1.1	3.5	8.2	2.2	2.6	3.1
FCF per share	47.8	53.1	74.1	48.3	71.4	89.7
Return Ratios (%)						
RoE	18.0	25.5	39.5	46.7	42.1	41.0
RoCE (post-tax)	16.7	22.7	34.9	40.1	37.1	36.4
RoIC	75.8	183.6	278.5	178.2	222.5	369.7
Working Capital Ratios						
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	5.0	4.7	4.4
Inventory (Days)	22	21	17	17	17	17
Debtor (Days)	17	18	13	18	18	18
Creditor (Days)	42	45	39	45	45	45
Leverage Ratio (x)						
Current Ratio	1.9	1.9	1.1	1.1	1.2	1.4
Interest Cover Ratio	25.1	37.6	43.8	58.0	65.6	81.3
Net Debt/Equity	(0.8)	(0.8)	(0.8)	(0.7)	(0.8)	(0.9)

Source- Company, YES Sec

Recommendation Tracker



Source - YES Sec

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