

Hyundai Motor

Estimate change	↔
TP change	↔
Rating change	↔

Motilal Oswal values your support in the EXTEL POLL 2024 for India Research, Sales, Corporate Access and Trading team. We request your ballot.



Bloomberg	HYUNDAI IN
Equity Shares (m)	813
M.Cap.(INRb)/(USD b)	1465.8 / 17.4
52-Week Range (INR)	1970 / 1752
1, 6, 12 Rel. Per (%)	-/-/-
12M Avg Val (INR M)	7480

Financials & valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	697	765	867
EBITDA	90	101	114
Adj. PAT	56	63	72
EPS (INR)	68	77	88
EPS Gr. (%)	(8)	13	14
BV/Sh. (INR)	172	219	272

Ratios

RoE (%)	45.0	39.5	36.0
RoCE (%)	41.5	36.2	33.0
RoIC (%)	124.8	114.6	129.0

Valuations

P/E (x)	26.4	23.3	20.4
P/BV (x)	10.5	8.3	6.6
EV/EBITDA (x)	15.3	13.2	11.3
Div. Yield (%)	1.5	1.7	2.0

Shareholding pattern (%)

As On	Sep-24
Promoter	82.5
DII	5.8
FII	7.4
Others	4.4

CMP: INR1,804 TP: INR2,235 (+24%) Buy

Weak demand & high discounts dent 2Q performance

Well-positioned to benefit from the premiumization trend in India

- Hyundai Motor (HMI)'s 2QFY25 performance was hit by ~9% YoY volume decline and higher discounts, leading to a 30bp YoY/70bp QoQ EBITDA margin contraction to 12.8%. 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.
- We broadly retain our FY25E/26E EPS. We assign a slightly higher multiple to HMI at 27x Sep'26E EPS, compared to MSIL's 26x, given its strong parent support for new technology, superior financial metrics, a relatively premium brand perception, and better alignment with industry trends. **We reiterate our BUY rating with a revised TP of INR2,235.**

Higher discounts and operating deleverage dent margins sequentially

- HMI's 2QFY25 revenue/EBITDA/PAT grew ~8%/10%/16% YoY to INR172.6b/INR22.1b/INR13.8b. Its 1HFY25 revenue/EBITDA/PAT was -2%/+2%/-3% YoY; we expect the same to be ~+2%/-12%/-22% YoY in 2HFY25.
- Volumes declined 8.5% YoY (flat QoQ). Net realizations grew 1% YoY (flat QoQ) to INR899.3k/unit.
- Gross margin contracted 60bp QoQ due to incremental discounts during the festive season. Discounts in the domestic market increased to 1.9% in 2Q from 1.5% in 1Q.
- EBITDA margin came in at 12.8% (-30bp YoY/-70bp QoQ), while the EBIT margin dipped 30bp YoY to 9.8%. The sequential margin impact was due to higher discounts and weak demand.
- CFO/FCF for 1HFY25 stood at INR8.4b/-INR6.98b vis-à-vis INR40.3b/INR26.6b in 1HFY24.

Highlights from the management commentary

- Domestic demand:** HMI has guided a low single-digit growth for the PV industry in FY25, on the high base of last year. Overall performance was weak in 2QFY25 as volume decline was due to domestic slowdown and geopolitical challenges, impacting exports. However, higher demand for SUVs and the marriage season in Nov'24 render confidence of a steady demand in 3Q.
- Rural demand remains positive:** HMI believes that better crop output led by healthy monsoons should drive rural demand in the coming months. Rural contributes ~21% of overall volumes for HMI vs. 20% last year, which used to be ~16.5-17.0% a few years ago.
- Exports:** Most of the countries, particularly Africa, Mexico, and LATAM, witnessed volume growth in 1HFY25. However, regions such as the Middle East faced headwinds due to the Red Sea crisis. The company reiterated that India will be its production hub for the emerging markets.
- New product launches:** HMI has lined up four new EV launches, beginning with the Creta EV scheduled for 4Q launch. While HMI did not provide specifics on the upcoming ICE models, it noted that the company will continue to target white spaces and explore new and growing segments.

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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

- While FY25 is likely to be a moderate year for PVs in India and consequently for HMI, we project the company to report an 8% volume CAGR over the next two years. Following a moderation in FY25E earnings, we expect HMI to post 14% earnings CAGR over FY25-27E.
- When comparing HMI with MSIL, which is its closest peer, we believe that while both OEMs are very close in competency and future growth potential, we can ascribe a slight premium to HMI over MSIL given: 1) HMC's technological prowess in emerging technologies that can be customized to meet Indian customer requirements as needed; 2) superior financial metrics; 3) a relatively premium brand perception; and 4) better alignment with industry trends.
- We hence assign a 27x Sep'26E PER multiple to HMI, relative to our target multiple of 26x currently assigned to MSIL. Therefore, we arrive at our TP of INR2,235 for HMI, and **reiterate our BUY rating on the stock.**

Cons Quarterly Performance

									(INR b)	
Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q*	1Q	2Q	3QE	4QE		
Financial Performance										
Volumes ('000 units)	183.4	209.8	191.0	193.7	192.1	191.9	188.7	202.5	777.9	775.2
Change (%)					4.7	-8.5	-1.2	4.6	-58.2	-0.3
ASP (INR '000/car)	906.4	889.5	900.7	895.4	903.1	899.3	890.3	904.5	897.7	899.4
Change (%)					-0.4	1.1	-1.2	1.0	94.4	0.2
Net operating revenues	166.2	186.6	172.0	173.4	173.4	172.6	168.0	183.2	698	697
Change (%)					4.3	-7.5	-2.3	5.6	-18.8	-0.2
RM Cost (% of sales)	75.7	74.8	71.9	73.1	71.9	72.5	72.8	72.4	73.9	72.4
Staff Cost (% of sales)	2.9	2.6	2.9	2.9	3.2	3.2	3.2	3.1	2.8	3.2
Other Cost (% of sales)	9.4	9.5	10.7	11.4	11.5	11.5	11.8	11.5	10.2	11.6
EBITDA	20.0	24.4	25.0	25.2	23.4	22.1	20.4	23.8	91	90
EBITDA Margins (%)	12.0	13.1	14.5	14.5	13.5	12.8	12.2	13.0	13.1	12.9
Depreciation	5.6	5.6	5.3	5.6	5.3	5.2	5.2	5.5	22.1	21.1
EBIT	14.4	18.8	19.7	19.6	18.1	16.9	15.2	18.3	69	69
EBIT Margins (%)	8.6	10.1	11.4	11.3	10.4	9.8	9.1	10.0	9.9	9.8
Interest	0.4	0.3	0.5	0.4	0.3	0.3	0.3	0.3	1.6	1.2
Non-Operating Income	3.9	3.8	3.7	3.3	2.2	1.9	1.8	1.7	14.7	7.7
PBT	17.9	22.3	22.9	22.6	20.0	18.5	16.7	19.8	82.4	75.0
Effective Tax Rate (%)	25.7	27.0	23.4	25.8	25.6	25.6	26.0	26.7	26.5	26.0
Adjusted PAT	13.3	16.3	17.5	16.8	14.9	13.8	12.4	14.5	60.6	55.5
Change (%)					12.1	-15.5	-29.3	-13.6	-17.6	-8.4

*4Q numbers derived from full year numbers reported

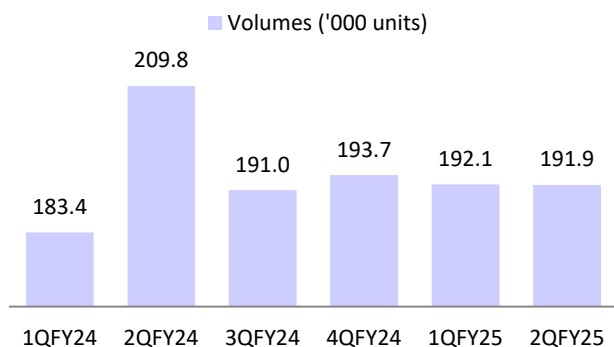


Highlights from the management commentary

- **Domestic demand:** HMI has guided a low single-digit growth for the PV industry in FY25, on the high base of last year.
 - Overall performance was weak in 2QFY25 as volume decline was due to domestic slowdown and geopolitical challenges, impacting exports. However, higher demand for SUVs and the marriage season in Nov'24 render confidence of a steady demand in 3QFY25.
 - The company posted ~30% retail growth in October, which led to inventory correction that currently stands at less than four weeks.
 - Discount in domestic market increased to 1.9% in 2Q from 1.5% in 1Q.
 - First-time buyers for HMI stood at 38% in 1Q and 36.5% in 2Q. The same stood at 40% in Venue and 28% in Creta.
- **Rural demand remains positive:** HMI believes that better crop output led by healthy monsoons should drive rural demand in the coming months. Rural contributes ~21% of overall volumes for HMI vs. 20% last year, which used to be ~16.5-17.0% a few years ago.
 - Rural district coverage has grown to 84% from 77% a few years ago, with rural outlets accounting for 40% of total outlets. The company has over 100 mobile service vans to support its rural service network.
- **Exports:** Most of the countries, particularly Africa, Mexico, and LATAM, witnessed volume growth in 1HFY25. However, regions such as the Middle East faced headwinds due to the Red Sea crisis.
- **New product launches:** HMI has lined up four new EV launches, beginning with the Creta EV scheduled for 4Q launch. While HMI did not provide specifics on the upcoming ICE models, it noted that the company will continue to target white spaces and explore new and growing segments.
- **Focus on premiumization:**
 - **SUVs:** Mix for HMI was ~69% in 2QFY25 vs. industry mix of 55%.
 - **Features:** Sunroof penetration was 47.4% in 1HFY24 which improved to 53% in 1HFY25. Share of Automatic variants increased from 23.2% to 25.3%; share of ADAS improved from 3.3% to 14.4%.
 - **CNG-** Penetration for HMI stood at 13% in 2QFY25. It introduced a dual cylinder CNG, resulting in a higher CNG mix for Exter at 18%/22.2%/28% in 1Q/2QFY25/Oct'25; For Nios it increased from 17% in 1QFY25 to 18.6% in 2QFY25 and as high as 20.2% in October.
- **Others-**
 - **Construction of Pune** plant remains on track and production is expected to kick in from 3QFY26 onwards. This will take overall capacity to 1.1m units annually.
 - It is on course to meet CAFÉ norms in 2024-25 and 2025-26 as well just like previous years.
 - **CNG demand varies by region:** strong in MH and UP, while Delhi-NCR prefers petrol, and diesel remains popular in AP, Rajasthan, Telangana, and Punjab.
 - Reported stood at 2.6% of revenues for 2QFY25.

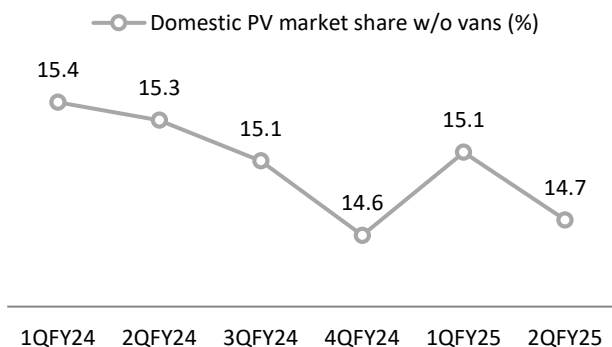
Key exhibits

Exhibit 1: Volume trends



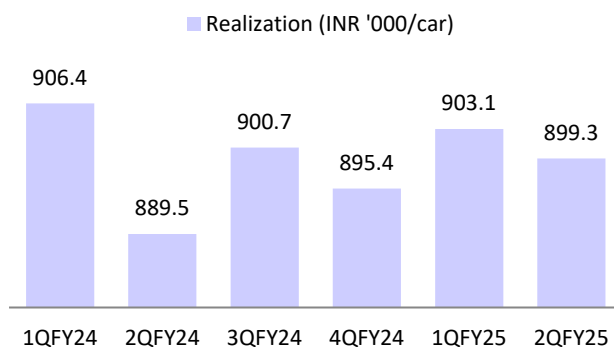
Source: Company, MOFSL

Exhibit 2: Domestic PV market share trends without van (%)



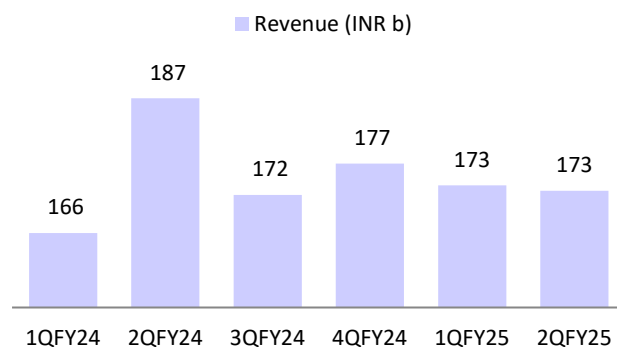
Source: Company, MOFSL

Exhibit 3: Trend in realization per unit



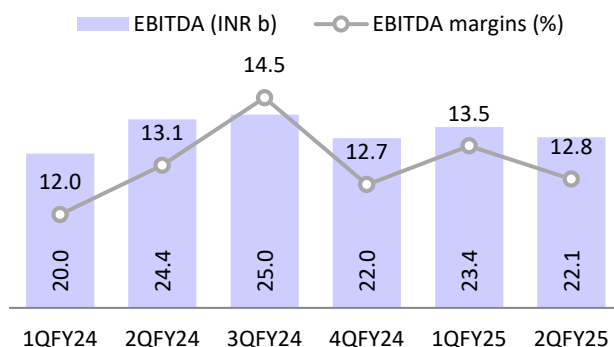
Source: Company, MOFSL

Exhibit 4: Trend in quarterly revenue



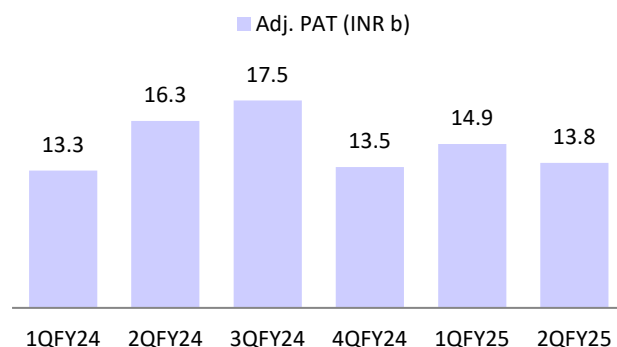
Source: Company, MOFSL

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 an 8% volume CAGR over the next two years (vis-à-vis ~5-6% for the industry).
- **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. It is this manufacturing ecosystem that helps HMI launch PVs that are feature-rich, reliable, innovative, and yet competitively priced and has helped it establish HMI 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:** When comparing HMI with MSIL, which is its closest peer, we believe that while both OEMs are very close in competency and future growth potential, we can ascribe a slight premium to HMI over MSIL, given: 1) HMC's technological prowess in emerging technologies that can be customized to meet Indian customer requirements as needed; 2) superior financial metrics; 3) a relatively premium brand perception; and 4) better alignment with industry trends. We hence assign a 27x Sep'26E PER multiple to HMI, relative to our target multiple of 26x currently assigned to MSIL. **Therefore, we arrive at our TP of INR2,235 for HMI, and we reiterate our BUY rating on the stock.**

Exhibit 7: Our revised estimates

(INR B)	FY25E			FY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	697	709	-1.6	765	778	-1.7
EBITDA	90	94	-4.2	101	107	-5.2
EBITDA Margin (%)	12.9	13.2	-30bp	13.2	13.7	-50bp
PAT	55.5	55.8	-0.5	62.8	64.8	-3.2
Consol EPS (Rs)	68.3	68.7	-0.5	77.3	79.8	-3.2

Source: Company, MOFSL

Story in charts

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

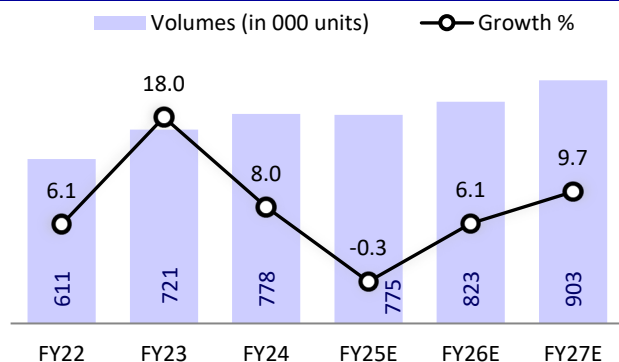


Exhibit 9: ...coupled with ASP growth due to better mix...

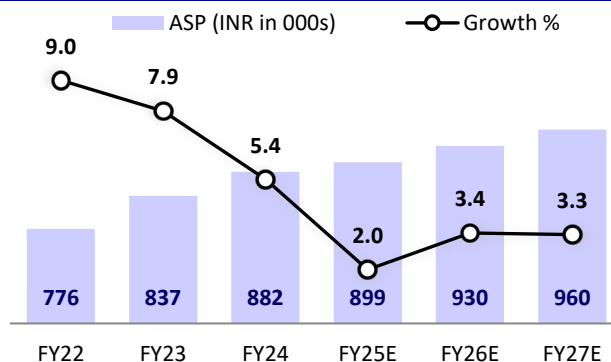


Exhibit 10: ...leading to healthy revenue CAGR of ~8%

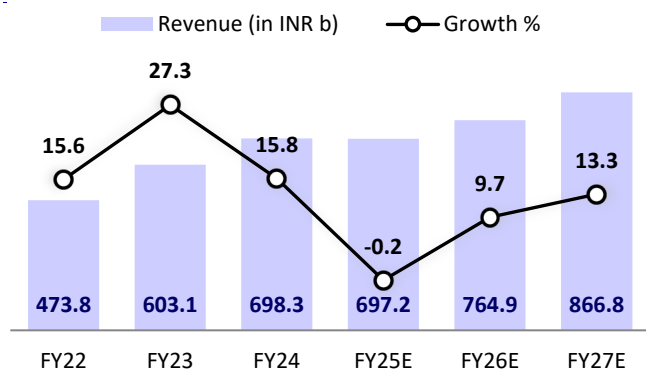


Exhibit 11: EBITDA margin to expand ~30bp over FY25-27E

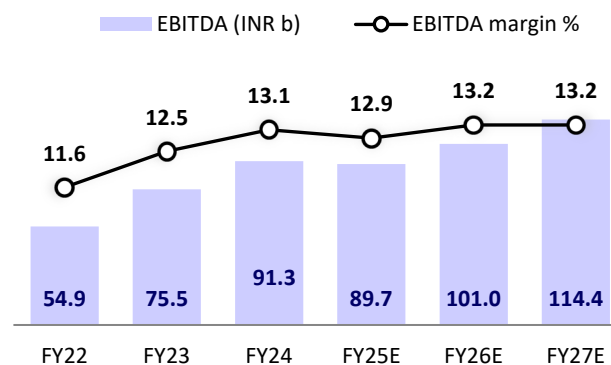


Exhibit 12: Expect earnings CAGR of ~14% over FY25-27E

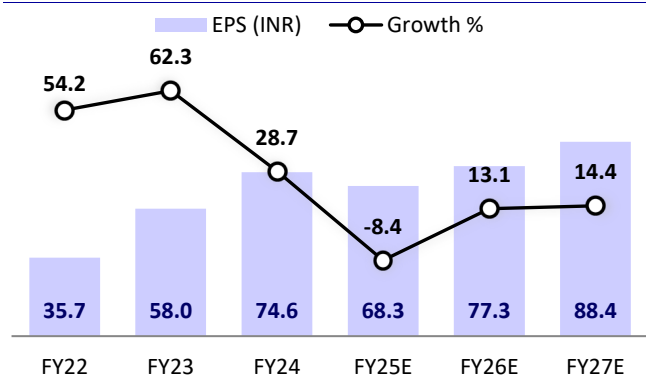
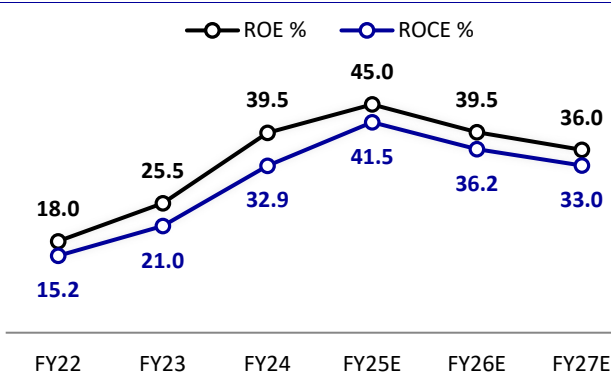


Exhibit 13: HMI would continue to post healthy return ratios



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	7,75,245	8,22,905	9,02,689
Change (%)	(12)	6	18	8	(0)	6	10
ASP	7,11,476	7,75,729	8,36,949	8,81,762	8,99,383	9,29,570	9,60,222
Change (%)	8	9	8	5	2	3	3
Net Op Income	4,09,723	4,73,784	6,03,076	6,98,291	6,97,242	7,64,947	8,66,781
Change (%)	(5)	16	27	16	(0)	10	13
EBITDA	42,457	54,861	75,488	91,326	89,665	1,00,973	1,14,415
Change (%)	-0.9	29.2	37.6	21.0	-1.8	12.6	13.3
EBITDA Margins (%)	10.4	11.6	12.5	13.1	12.9	13.2	13.2
Depreciation	19,732	21,696	21,899	22,079	21,131	23,852	26,154
EBIT	22,725	33,165	53,589	69,247	68,535	77,122	88,261
% of revenue	5.5	7.0	8.9	9.9	9.8	10.1	10.2
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	7,699	8,795	9,800
PBT	25,402	37,722	63,456	82,399	75,025	84,833	97,020
Tax	6,591	8,706	16,363	21,798	19,507	22,057	25,225
Effective tax Rate (%)	25.9	23.1	25.8	26.5	26.0	26.0	26.0
Adj. PAT	18,812	29,016	47,093	60,600	55,519	62,777	71,795
Change (%)	-20.1	54.2	62.3	28.7	-8.4	13.1	14.4

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	1,31,842	1,69,508	2,12,585
Net Worth	1,53,113	1,68,563	2,00,548	1,06,657	1,39,968	1,77,634	2,20,711
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	1,38,822	1,76,488	2,19,565
Gross Fixed Assets	1,66,175	1,81,084	1,96,380	2,31,918	2,66,447	3,01,447	3,36,447
Less: Depreciation	93,296	1,14,372	1,34,876	1,55,774	1,76,905	2,00,756	2,26,910
Net Fixed Assets	72,878	66,712	61,504	76,144	89,542	1,00,690	1,09,537
Capital WIP	8,175	5,291	13,366	6,528	7,000	7,000	7,000
Investments	-	-	-	-	-	-	-
Curr.Assets, Loans	1,81,758	2,05,420	2,62,597	1,71,342	1,88,816	2,34,468	2,89,024
Inventory	25,633	28,811	34,224	33,156	34,012	37,723	42,745
Sundry Debtors	24,649	21,824	28,972	25,100	26,870	29,340	33,246
Cash & Bank Balances	1,15,676	1,41,388	1,77,411	90,173	1,05,847	1,43,172	1,85,574
Loans & Advances	255	155	659	-	-	-	-
Others	15,544	13,242	21,330	22,912	22,088	24,232	27,458
Current Liab & Prov.	1,00,653	1,03,241	1,33,292	1,48,503	1,46,536	1,65,671	1,85,996
Sundry Creditors	60,654	54,054	74,408	74,931	75,484	83,830	94,990
Others	28,230	37,417	46,307	60,577	58,057	68,845	78,010
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	42,280	68,798	1,03,028
Appl. of Funds	1,62,159	1,74,183	2,04,176	1,05,511	1,38,822	1,76,488	2,19,565

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	68.3	77.3	88.4
EPS Growth (%)	-	54.2	62.3	28.7	(8.4)	13.1	14.4
Cash EPS	47.4	62.4	84.9	101.8	94.3	106.6	120.5
Book Value per Share	188	207	247	131	172	219	272
DPS	17	18	57	133	27	31	35
Div. payout (%)	72.3	51.5	98.8	177.9	40.0	40.0	40.0
Valuation (x)							
Adj. P/E	77.9	50.5	31.1	24.2	26.4	23.3	20.4
Cash P/E	38.0	28.9	21.2	17.7	19.1	16.9	15.0
EV/EBITDA	32.1	24.4	17.2	15.2	15.3	13.2	11.3
EV/Sales	3.3	2.8	2.2	2.0	2.0	1.7	1.5
P/BV	9.6	8.7	7.3	13.7	10.5	8.3	6.6
Dividend Yield (%)	0.9	1.0	3.2	7.4	1.5	1.7	2.0
Return Ratios (%)							
RoIC	22.3	45.5	92.1	177.3	124.8	114.6	129.0
RoE	13.2	18.0	25.5	39.5	45.0	39.5	36.0
RoCE	11.1	15.2	21.0	32.9	41.5	36.2	33.0
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	2.8	2.7	2.7
Leverage Ratio							
Net Debt/Equity (x)	-0.7	-0.8	-0.8	-0.8	-0.7	-0.8	-0.8

Consol Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before Tax	25,402	37,722	63,456	82,399	75,025	84,833	97,020
Interest	1,646	1,319	1,424	1,581	1,208	1,083	1,042
Depreciation	19,732	21,696	21,899	21,989	21,131	23,852	26,154
Direct Taxes Paid	-9,233	-7,668	-21,328	-22,998	-19,507	-22,057	-25,225
(Inc)/Dec in WC	20,129	3,303	9,838	22,149	-3,768	10,808	8,171
Other Items	-3,451	-4,989	-9,646	-12,601	-7,699	-8,795	-9,800
CF from Oper. Activity	54,225	51,384	65,643	92,520	66,391	89,724	97,361
CF after EO Items	54,225.23	51,384	65,643	92,520	66,391	89,724	97,361
(Inc)/Dec in FA	-25,785	-12,535	-22,493	-32,318	-35,000	-35,000	-35,000
Free Cash Flow	28,441	38,849	43,150	60,202	31,391	54,724	62,361
Interest/dividend received	0	3,482	8,378	8,451	7,699	8,795	9,800
(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	-27,301	-26,205	-25,200
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	-22,207	-25,111	-28,718
CF from Fin. Activity	1,434.47	-16,620	-15,792	-1,59,301	-23,416	-26,194	-29,760
Inc/(Dec) in Cash	33,692	25,711	35,734	-1,67,686	15,674	37,325	42,402
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	1,05,847	1,43,172
Closing Balance	1,15,676	1,41,388	1,77,411	90,173	1,05,847	1,43,172	1,85,574

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Explanation of Investment Rating	
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