

Hyundai Motor

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR1,856 TP: INR2,137 (+15%) Buy

Healthy margin recovery QoQ

Guidance on new launches gives better earnings visibility

- Hyundai Motors (HMI) delivered a strong beat to our estimates in 4QFY25, led by much better operational performance. EBITDA margins improved 280bp QoQ to 14.1% (flat YoY), ahead of our estimate of 12.6%, aided by an improved mix, lower discounts and higher govt incentives.
- HMI targets to launch 26 products (including variants) by FY30, of which eight would be launched over FY26-27E. Considering the launch pipeline, we now factor in a 7% volume CAGR for HMI over FY25-27E, largely back-ended. We also factor in start-up costs of the new Pune plant to impact earnings in the near term and normalize in FY27E. Hence, we raise our FY26E EPS by only 1%, while we increase our FY27E EPS by 7%. 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 INR2,137, valued at 26x FY27E.

Healthy margin recovery QoQ

- Revenue grew 1.5% YoY to INR179b – ahead of our estimate of INR172b. The revenue beat was a key factor driving its outperformance in 4Q.
- Revenue growth was driven by: 1) higher govt incentives in 4Q, and 2) a 4% QoQ increase in ASP, led by an improved mix in both domestic and exports, a price hike, and reduced discounts.
- HMI increased prices by 0.6% in 4Q. Discounts were down 60bp QoQ at 2% of revenue.
- Further, the additional TN Government incentive in 4Q QoQ stood at INR1b.
- As a result, margins have significantly improved QoQ by 280bp to 14.1% (flat YoY), beating our estimate of 12.6%.
- PAT declined 4% YoY to INR16.1b – ahead of our estimate of INR13.2b.
- For FY25, revenue declined 1% YoY to INR692b due to a 2% YoY drop in volumes. EBITDA margin marginally declined by 20bp YoY to 12.9% due to weak demand and high competitive pressure. PAT fell 7% YoY to INR56.4b.
- HMI declared a dividend of INR21 per share, which translates into a 30% payout ratio.
- For FY25, HMI's OCF stood at INR43.4b and it invested INR52.9b in capex, leading to FCF outflows of INR9.5b.

Bloomberg	HYUNDAI IN
Equity Shares (m)	813
M.Cap.(INRb)/(USDb)	1507.8 / 17.6
52-Week Range (INR)	1970 / 1542
1, 6, 12 Rel. Per (%)	7/-1/-
12M Avg Val (INR M)	2571

Financials & valuations (INR b)

Y/E MARCH	2025	2026E	2027E
Sales	692	735	842
EBITDA	90	90	109
Adj. PAT	56	54	67
EPS (INR)	69	67	82
EPS Gr. (%)	(7)	(3)	22
BV/Sh. (INR)	201	248	306

Ratios

RoE (%)	41.8	29.9	29.7
RoCE (%)	38.2	26.7	26.7
RoIC (%)	35.5	23.9	30.5

Valuations

P/E (x)	26.8	27.7	22.6
P/BV (x)	9.3	7.5	6.1
EV/EBITDA (x)	16.3	16.4	12.7
Div. Yield (%)	1.1	1.1	1.3

Shareholding pattern (%)

As On	Mar-25	Dec-24
Promoter	82.5	82.5
DII	7.0	7.1
FII	7.2	6.7
Others	3.3	3.7

Highlights from the management commentary

- SIAM has forecast 2% growth for PVs in FY26E and HMI aims to grow in line with the industry.
- HMI targets to launch 26 products (combination of new and refreshes) by FY30, of which 20 would be ICE and six would be EVs.
- The product launches are expected to commence once HMI starts production at its new Pune facility, which is expected by 3QFY26. It targets to launch almost eight models during FY26-27E.
- HMI plans to launch new eco-friendly powertrains like hybrids in the coming years.
- Management expects to post 7-8% YoY growth in exports in FY26E.
- HMI has provided capex guidance of INR70b for FY26. About 40% of capex would be invested in the Pune plant and 25% in new product development.

Valuation and view

- Considering its launch pipeline, we now factor in HMI to post a 7% volume CAGR over FY25-27E, largely back-ended. We also factor in start-up costs of the new Pune plant to impact earnings in the near term and normalize in FY27E. Hence, we raise our FY26E EPS by only 1%, while we increase our FY27E EPS by 7%. 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 INR2,137, valued at 26x FY27E.

Cons Quarterly Performance

Y/E March	FY24				FY25				(INR B)		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY24	FY25	4QE
Financial Performance											
Volumes ('000 units)	183.4	209.8	191.0	193.7	192.1	191.9	186.4	191.7	777.9	762.1	191.7
Change (%)					4.7	-8.5	-2.4	-1.1	0.0	-2.0	-1.1
ASP (INR '000/car)	906.4	889.5	883.6	912.2	903.1	899.3	893.1	936.1	897.7	908.0	898.4
Change (%)					-0.4	1.1	1.1	2.6	0.0	1.1	-1.5
Net operating revenues	166.2	186.6	168.7	176.7	173.4	172.6	166.5	179.4	698	692	172
Change (%)					4.3	-7.5	-1.3	1.5	0.0	-0.9	-2.6
RM Cost (% of sales)	75.7	74.8	73.2	71.8	71.9	72.5	73.1	71.2	73.9	72.2	72.7
Staff Cost (% of sales)	2.9	2.6	3.0	2.8	3.2	3.2	3.6	3.4	2.8	3.3	3.3
Other Cost (% of sales)	9.4	9.5	10.9	11.1	11.5	11.5	12.0	11.3	10.2	11.5	11.7
EBITDA	20.0	24.4	21.7	25.2	23.4	22.1	18.8	25.3	91.3	89.5	21.1
EBITDA Margins (%)	12.0	13.1	12.9	14.3	13.5	12.8	11.3	14.1	13.1	12.9	12.2
Depreciation	5.6	5.6	5.3	5.6	5.3	5.2	5.3	5.3	22.1	21.1	5
EBIT	14.4	18.8	16.4	19.6	18.1	16.9	13.5	20.0	69.2	68.5	16
EBIT Margins (%)	8.6	10.1	9.7	11.1	10.4	9.8	8.1	11.2	9.9	9.9	9.2
Interest	0.4	0.3	0.5	0.4	0.3	0.3	0.3	0.4	1.6	1.3	0.3
Non-Operating Income	3.9	3.8	3.7	3.3	2.2	1.9	2.4	2.1	14.7	8.7	2.3
PBT	17.9	22.3	19.6	22.6	20.0	18.5	15.6	21.8	82.4	75.9	17.8
Effective Tax Rate (%)	25.7	27.0	27.3	25.8	25.6	25.6	25.7	25.8	26.5	25.7	25.8
Adjusted PAT	13.3	16.3	14.3	16.8	14.9	13.8	11.6	16.1	60.6	56.4	13.2
Change (%)					12.1	-15.5	-18.6	-3.7	0.0	-6.9	-21.1



Highlights from the management commentary

Outlook

- Domestic PV demand remains challenging. Management is hopeful of a pickup in demand given the recent rate cut by the RBI and the tax incentives provided in the budget. However, SIAM has forecast 2% growth for PVs in FY26E and HMI aims to grow in line with the industry.
- Management has indicated that given the weak demand in the market, discounts continue to be high. Their strategy would be to launch new variants with better features and try to create excitement in the market while protecting its profitability.
- HMI targets to launch 26 products (combination of new and refreshes) by FY30, of which 20 would be ICE and six would be EVs.
- The product launches are expected to commence once HMI starts production at its new Pune facility, which is expected by 3QFY26. HMI targets to launch almost eight models during FY26-27E.
- The company plans to launch new eco-friendly powertrains like hybrids in the coming years.
- HMI has provided capex guidance of INR70b for FY26. About 40% of capex would be invested in the Pune plant and around 25% in new product development.

Exports outlook

- Management expects to post 7-8% YoY growth in exports in FY26.
- HMI is emerging as an export hub for Hyundai Motor Co. (HMC) for emerging markets like the Middle East, Africa, South Asia and Latin America. HMI aims to become HMC's largest production hub outside of South Korea.
- HMI has recently introduced Venue in markets like Indonesia, Yemen, Bhutan, etc. Similarly, the company launched Creta EV in Nepal. It has also launched the new Alcazar in the Middle East and Africa. After the EV launches, HMI may get opportunities to export them to emerging markets.
- The company is also exploring advanced regions like Australia.
- In the long run, HMI intends to increase its export mix to 30% by 2030 from the current 21% levels.

Other highlights

- The revenue beat was a key factor driving its outperformance in 4Q. Revenue growth was driven by: 1) a 4% QoQ increase in ASP, led by an improved mix in both domestic and exports, a price hike, and reduced discounts; 2) higher govt incentives in 4Q. HMI increased prices by 0.6% in 4Q. Discounts were down 60bp QoQ at 2% of revenue. Further, the additional TN incentive in 4Q QoQ stood at INR1b.
- SUVs now contribute to 69% of HMI's domestic volumes. On the other hand, the contribution of hatchbacks and sedans has fallen to 20% and 12% in FY25, respectively.
- Management does not expect the demand for hatchbacks and sedans to bounce back given: 1) rising aspiration of customers for SUVs, 2) micro SUVs eating into demand for hatchbacks and sedans.

- HMI continues to drive the premiumization trend in India. It now has a total of 675k connected vehicles plying on Indian roads, with ADAS penetration of 14% and sunroof penetration of 53%.
- The adoption of dual-cylinder technology has helped HMI increase CNG penetration to 13.2% in FY25 from 11.5% in FY24.
- EV contribution for HMI stands at 1% after the launch of Creta EV, which has received a strong response.
- Its upcoming Pune plant would be capable of producing both ICE and EVs, depending on market demand. However, its near-term performance after the plant commercialization is likely to be impacted by start-up costs.
- HMI's localization has now improved to 82% in FY25 from 78% in FY24. So far it has done localization for over 1,200 components over the last five years. For EVs, it intends to begin with the localization of battery pack assembly. Later, HMI may tie up with lithium-ion cell suppliers in India. With improving localization, HMI could qualify for PLI incentives in the coming years.
- Management has indicated that Creta EV is margin positive currently. Given that the EV penetration is currently low, it is unlikely to impact margins.
- Government incentives that HMI receives include: 1) tax incentives, 2) clean energy incentive of INR250m that come in 4Q each year, 3) capital subsidy started in FY25 once HMI achieved MOU conditions on investment and manpower obligations – this was INR750m in FY25. While the tax incentive is valid till FY32, the other two subsidies are valid for 20 years after the commencement date, subject to fulfilment of certain conditions as per the MOU.
- The board has declared a dividend of INR21 per share, which translates into a payout ratio of 30%. HMI intends to come out with a dividend payout policy soon.

Key exhibits

Exhibit 1: Volume trends

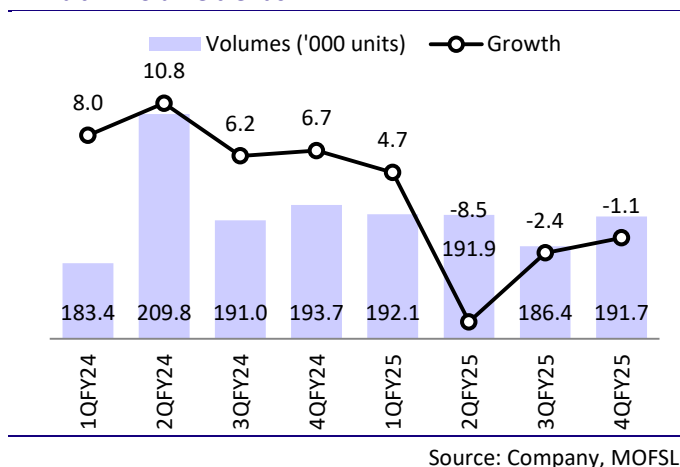


Exhibit 2: Domestic PV market share trend (%)

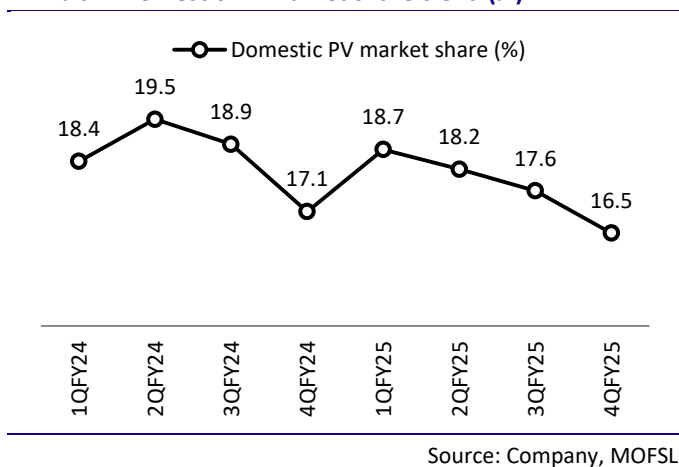


Exhibit 3: Trend in realization per unit

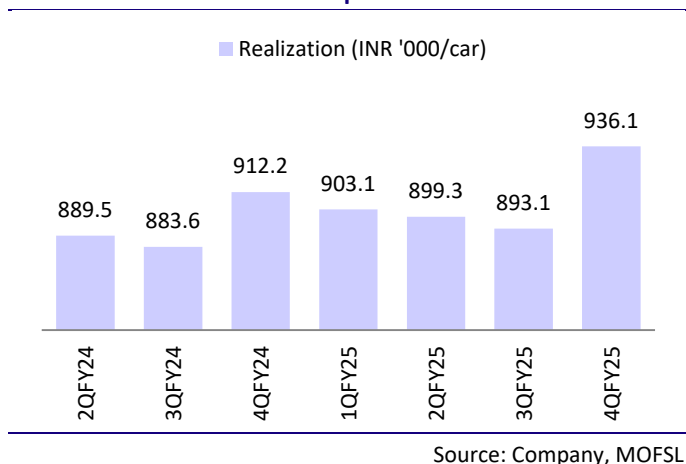


Exhibit 4: Trend in quarterly revenue

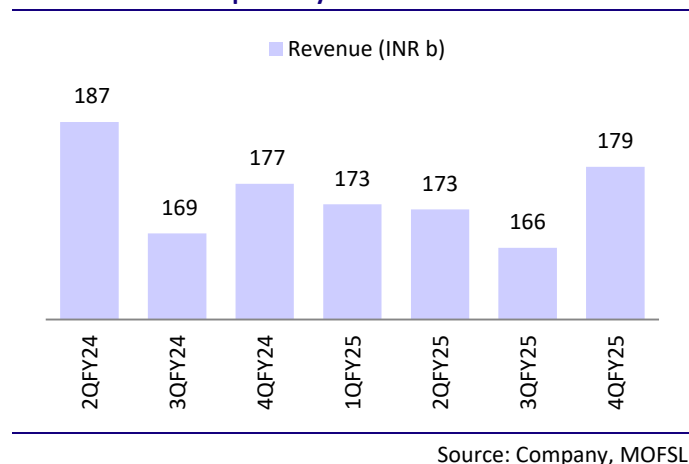


Exhibit 5: Trends in EBITDA and EBITDA margin

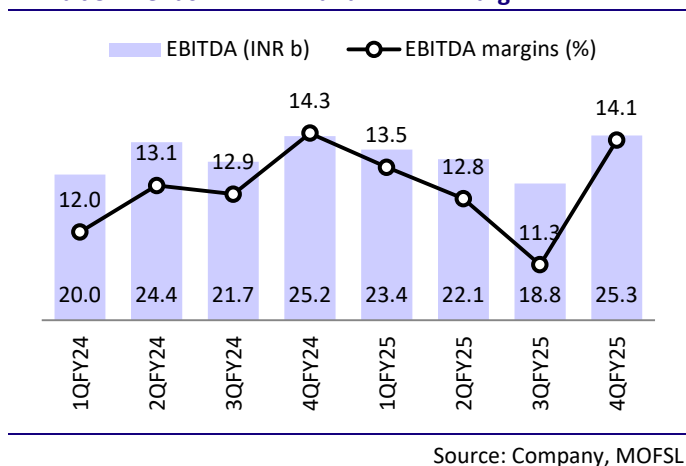
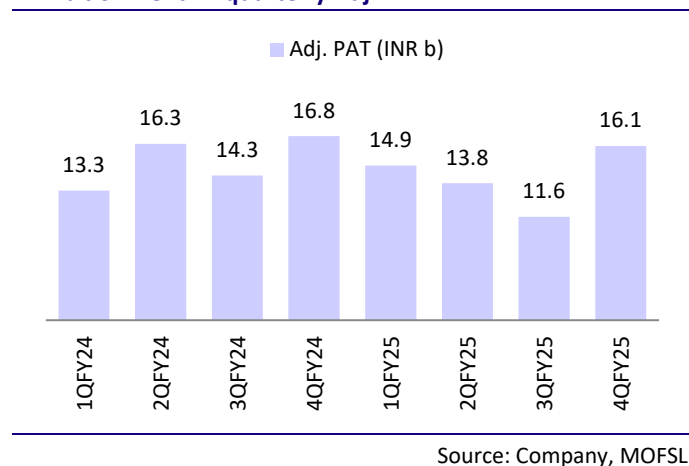


Exhibit 6: Trend in quarterly Adj. PAT



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 69% of its mix was from the SUV segment in FY25. 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 18% share in the premium compact car segment. Overall, HMI has now emerged as a trusted brand for its stakeholders in the domestic market. HMI has indicated that it plans to launch 26 products (including variants) by FY30, of which eight would be launched over FY26-27E. It would commence its model launches after SOP of its new Pune plant in 3QFY26. We, hence, factor in a 7% volume CAGR for HMI over FY25-27E, largely back-ended.
- **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 itself 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. Management has indicated that they would target to grow 7-8% in exports in FY26E.
- **Valuation and view:** Considering its launch pipeline, we now factor a 7% volume CAGR for HMI over FY25-27E, largely back-ended. We also factor in startup costs of the new Pune plant to impact earnings in the near term and normalize in FY27E. Hence, while we have raised our FY26 earnings by only 1%, we have raised our FY27 earnings by 7%. 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 INR2,137, valued at 26x FY27E.

Exhibit 7: Summary of our revised estimates

(INR B)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	735	721	2.0	842	804	4.7
EBITDA	90	88	2.0	109	101	8.9
EBITDA Margin (%)	12.2	12.2	0bp	13.0	12.5	50bp
PAT	54.5	54.0	0.8	66.7	62.1	7.4
Consol EPS (Rs)	67.1	66.5	0.8	82.1	76.5	7.4

Source: Company, MOFSL

Story in charts

Exhibit 8: Volume CAGR of ~7% over FY25-FY27E...

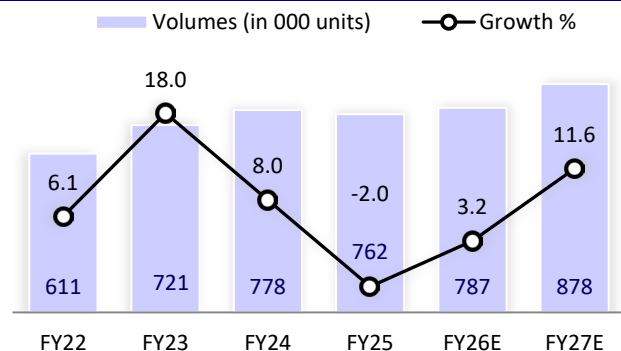


Exhibit 9: ...coupled with ASP growth due to better mix...

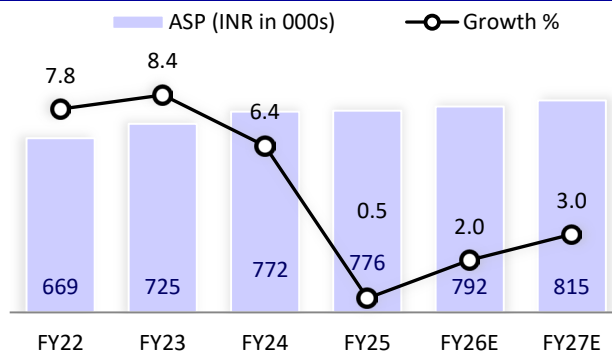


Exhibit 10: ...leading to healthy revenue CAGR of ~10%

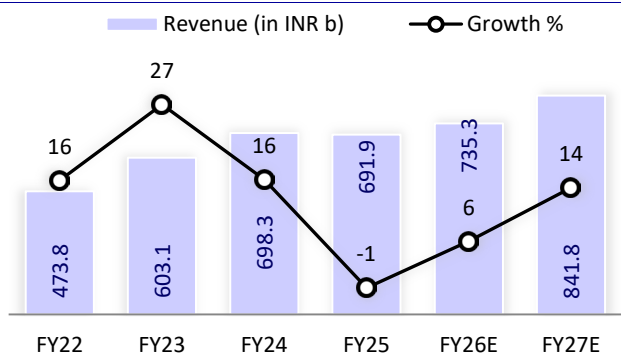


Exhibit 11: EBITDA margin to remain stable over FY25-27E

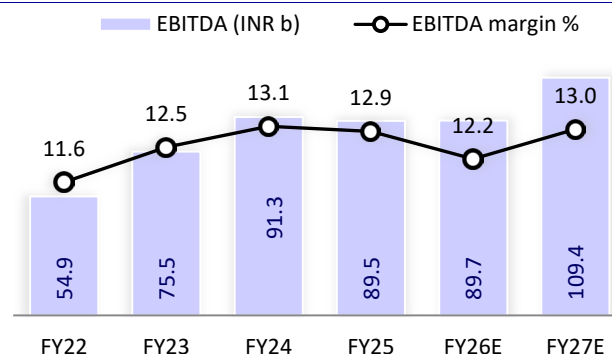


Exhibit 12: Expect earnings CAGR of ~9% over FY25-27E

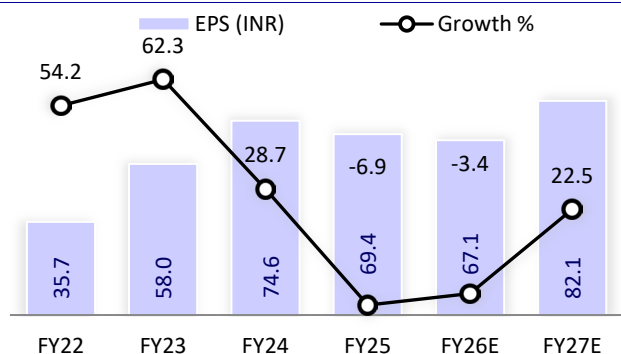
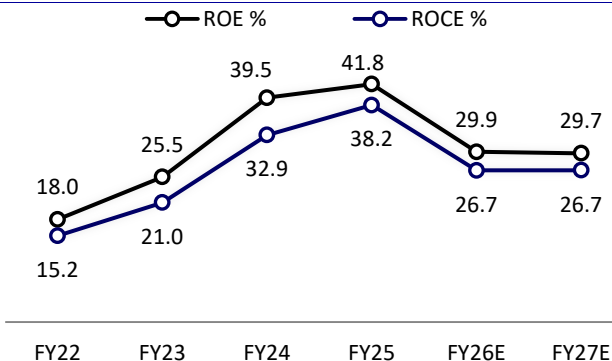


Exhibit 13: HMI would continue to post healthy return ratios



Financials and valuations

Consol Income Statement

INR m

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Volumes	5,75,877	6,10,760	7,20,565	7,77,872	7,62,052	7,86,616	8,77,828
Change (%)	(12)	6	18	8	(2)	3	12
ASP	7,11,476	7,75,729	8,36,949	8,81,762	9,07,981	9,34,723	9,58,987
Change (%)	8	9	8	5	3	3	3
Net Op Income	4,09,723	4,73,784	6,03,076	6,98,291	6,91,929	7,35,268	8,41,826
Change (%)	(5)	16	27	16	(1)	6	14
EBITDA	42,457	54,861	75,488	91,326	89,538	89,703	1,09,437
Change (%)	-0.9	29.2	37.6	21.0	-2.0	0.2	22.0
EBITDA Margins (%)	10.4	11.6	12.5	13.1	12.9	12.2	13.0
Depreciation	19,732	21,696	21,899	22,079	21,053	25,155	29,525
EBIT	22,725	33,165	53,589	69,247	68,485	64,547	79,912
% of revenue	5.5	7.0	8.9	9.9	9.9	8.8	9.5
Interest	1,646	1,319	1,424	1,581	1,272	1,105	1,063
Other Income	4,324	5,876	11,291	14,733	8,700	9,706	10,725
PBT	25,402	37,722	63,456	82,399	75,913	73,148	89,575
Tax	6,591	8,706	16,363	21,798	19,511	18,653	22,842
Effective tax Rate (%)	25.9	23.1	25.8	26.5	25.7	25.5	25.5
Adj. PAT	18,812	29,016	47,093	60,600	56,402	54,495	66,733
Change (%)	-20.1	54.2	62.3	28.7	-6.9	-3.4	22.5

Consol Balance Sheet

INR m

Y/E March	FY21	FY22	FY23	FY24	FY25	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	1,54,839	1,93,084	2,40,316
Net Worth	1,53,113	1,68,563	2,00,548	1,06,657	1,62,965	2,01,209	2,48,441
Loans	13,539	11,777	11,893	8,332	8,502	8,502	8,502
Deferred Tax Liability	(4,494)	(6,157)	(8,266)	(9,478)	(10,321)	(10,321)	(10,321)
Capital Employed	1,62,159	1,74,183	2,04,176	1,05,511	1,61,146	1,99,390	2,46,623
Gross Fixed Assets	1,66,175	1,81,084	1,96,380	2,31,918	2,47,878	3,51,061	3,69,061
Less: Depreciation	93,296	1,14,372	1,34,876	1,55,774	1,76,827	2,01,982	2,31,507
Net Fixed Assets	72,878	66,712	61,504	76,144	71,051	1,49,079	1,37,554
Capital WIP	8,175	5,291	13,366	6,528	47,184	14,000	1,000
Investments	-	-	-	10,101	12,095	32,095	92,095
Curr.Assets, Loans	1,81,758	2,05,420	2,62,597	1,61,240	1,60,323	1,58,064	1,97,704
Inventory	25,633	28,811	34,224	33,156	34,044	35,982	41,515
Sundry Debtors	24,649	21,824	28,972	25,100	23,891	27,116	32,289
Cash & Bank Balances	1,15,676	1,41,388	1,77,411	9,732	48,457	16,765	34,366
Loans & Advances	255	155	659	-	-	-	-
Others	15,544	13,242	21,330	93,252	53,931	78,201	89,534
Current Liab & Prov.	1,00,653	1,03,241	1,33,292	1,48,503	1,29,507	1,53,848	1,81,730
Sundry Creditors	60,654	54,054	74,408	74,931	70,862	79,020	92,255
Others	28,230	37,417	46,307	60,577	44,934	61,117	75,764
Provisions	11,769	11,770	12,577	12,996	13,711	13,711	13,711
Net Current Assets	81,105	1,02,179	1,29,305	12,737	30,817	4,216	15,974
Appl. of Funds	1,62,159	1,74,183	2,04,176	1,05,511	1,61,146	1,99,390	2,46,623

E: MOFSL Estimates

Financials and valuations

Consol Financial Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
Adjusted EPS	23.2	35.7	58.0	74.6	69.4	67.1	82.1
EPS Growth (%)	-	54.2	62.3	28.7	(6.9)	(3.4)	22.5
Cash EPS	47.4	62.4	84.9	101.8	95.3	98.0	118.5
Book Value per Share	188	207	247	131	201	248	306
DPS	17	18	57	133	21	20	24
Div. payout (%)	72.3	51.5	98.8	177.9	30.3	29.8	29.2
Valuation (x)							
Adj. P/E	70.5	45.7	28.2	21.9	26.8	27.7	22.6
Cash P/E	34.4	26.2	19.2	16.0	19.5	19.0	15.7
EV/EBITDA	28.8	21.8	15.4	13.6	16.3	16.4	12.7
EV/Sales	3.0	2.5	1.9	1.8	2.1	2.0	1.7
P/BV	8.7	7.9	6.6	12.4	9.3	7.5	6.1
Dividend Yield (%)	1.0	1.1	3.5	8.1	1.1	1.1	1.3
Return Ratios (%)							
RoIC	22.3	45.5	92.1	177.3	35.5	23.9	30.5
RoE	13.2	18.0	25.5	39.5	41.8	29.9	29.7
RoCE	11.1	15.2	21.0	32.9	38.2	26.7	26.7
Turnover Ratios							
Debtors (Days)	18	18	15	14	13	14	14
Inventory (Days)	24	21	19	18	18	18	18
Creditors (Days)	48	44	39	39	38	40	40
Work. Cap. (Days)	-6	-5	-4	-7	-8	-8	-8
Asset Turnover (x)	2.7	2.7	3.2	3.3	2.9	2.5	2.3
Leverage Ratio							
Net Debt/Equity (x)	-0.7	-0.8	-0.8	-0.8	-0.3	-0.2	-0.5

Consol Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
INR m							
Profit before Tax	25,402	37,722	63,456	82,399	56,402	73,148	89,575
Interest	1,646	1,319	1,424	1,581	1,272	1,105	1,063
Depreciation	19,732	21,696	21,899	21,989	21,053	25,155	29,525
Direct Taxes Paid	-9,233	-7,668	-21,328	-22,998	-19,673	-18,653	-22,842
(Inc)/Dec in WC	20,129	3,303	9,838	22,149	28,860	-5,092	5,844
Other Items	-3,451	-4,989	-9,646	-12,601	-44,465	-9,706	-10,725
CF from Oper. Activity	54,225	51,384	65,643	92,520	43,449	65,958	92,439
CF after EO Items	54,225.23	51,384	65,643	92,520	43,449	65,958	92,439
(Inc)/Dec in FA	-25,785	-12,535	-22,493	-32,318	-52,929	-70,000	-5,000
Free Cash Flow	28,441	38,849	43,150	60,202	-9,480	-4,042	87,439
Interest/dividend received	0	3,482	8,378	8,451	8,300	9,706	10,725
(Pur)/Sale of Invest.	3,817	0	-1	-77,038	40,491	-20,000	-60,000
CF from Inv. Activity	-21,968.06	-9,053	-14,116	-1,00,905	-4,138	-80,294	-54,275
Inc/(Dec) in Debt	1,875	-2,799	-529	-4,648	-434	0	0
Interest Paid	-441	-228	-329	-294	-194	-1,105	-1,063
Dividends Paid	0	-13,594	-14,935	-1,54,358	0	-16,251	-19,501
CF from Fin. Activity	1,434.47	-16,620	-15,792	-1,59,301	-629	-17,356	-20,564
Inc/(Dec) in Cash	33,692	25,711	35,734	-1,67,686	38,682	-31,692	17,601
Exchange rate fluctuation	12	1	289	7	43	0	0
Add: Op. Balance	81,973	1,15,676	1,41,388	1,77,411	9,732	48,457	16,765
Closing Balance	1,15,676	1,41,388	1,77,411	9,732	48,457	16,765	34,366

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NOTES

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