

India

REDUCE (no change)

Consensus ratings*: Buy 20 Hold 3 Sell 3

Current price: Rs2,737
 Target price: ▲ Rs2,023
 Previous target: Rs1,612
 Up/downside: -26.1%
 InCred Research / Consensus: -26.1%

Reuters:
 Bloomberg: HYUNDAI IN
 Market cap: US\$25,079m
 Rs2,223,844m
 Average daily turnover: US\$23.4m
 Rs2075.1m
 Current shares o/s: 812.5m
 Free float: 17.5%

*Source: Bloomberg

Key changes in this note

- FY26F-28F net sales raised by 2-3%.
- FY26F-28F EBITDA raised by 1-6%.
- FY26F-28F EPS raised by 2-7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.8	28.7	0.0
Relative (%)	9.3	32.9	0.0

Major shareholders	% held
Hyundai Motors Company	82.5
Capital Group	0.5
GIC	0.3

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Hyundai Motor India

GST cut benefit on sales revenue is limited

- High revenue dependence on large SUVs, exports, parts and spares (70%), we believe, will limit the revenue benefit from GST cut-led car demand revival.
- The EBITDA margin resilience seen in recent quarters will be tested by the company's new plant and product launches. Raise FY26F-28F EPS by 2-7%.
- Stock price rally ahead of GST rate cut has expanded its premium vs. Maruti Suzuki's P/E valuation, which, we feel, is difficult to sustain. Retain REDUCE.

GST rate cut's big benefit limited to just 30% of its net sales

The high-teen growth in the last three years witnessed in exports (15% of net sales), parts and services (15%), large Sports Utility Vehicles or SUVs (40%) has reduced its dependence on new 18% GST rate products to just 30% of net sales value in FY25. With high demand sensitivity expected in low-priced compact cars, Hyundai Motor India or Hyundai's sales benefit, we believe, will be limited vs. peers like Maruti Suzuki and Tata Motors. This, we feel, will prolong the underperformance of Hyundai's domestic volume growth vs. the leader, Maruti Suzuki, seen in recent months (Fig. 1). Hence, we raised FY26F-28F net sales by just 3%, while upgrading industry volume growth by 300-700bp.

New product hopes to fill capacity in FY27F

Near 30% capacity expansion is likely from the new Pune plant commissioned recently, which, we feel, will be initially used for making Venue and Exter refresh models, while the new compact car launch is scheduled in FY27F. The India-dedicated new Electric Vehicle (EV) planned in CY27F, will be keenly watched.

New plant can impact resilient EBITDA margin in short term

The resilience in Hyundai's EBITDA margin in the last six months has surprised us, considering the domestic car industry's volume weakness and peers such as Maruti Suzuki and Tata Motors facing EBITDA margin pressure. We feel the high overheads of the new plant will exert pressure on the EBITDA margin in the short term, till the plant achieves optimal capacity utilization. We have raised FY26F-28F EPS by 2-7% for Hyundai because of favourable INR depreciation benefit vs. 2-8% for Maruti Suzuki post GST rate cut.

Premium valuation is unwarranted

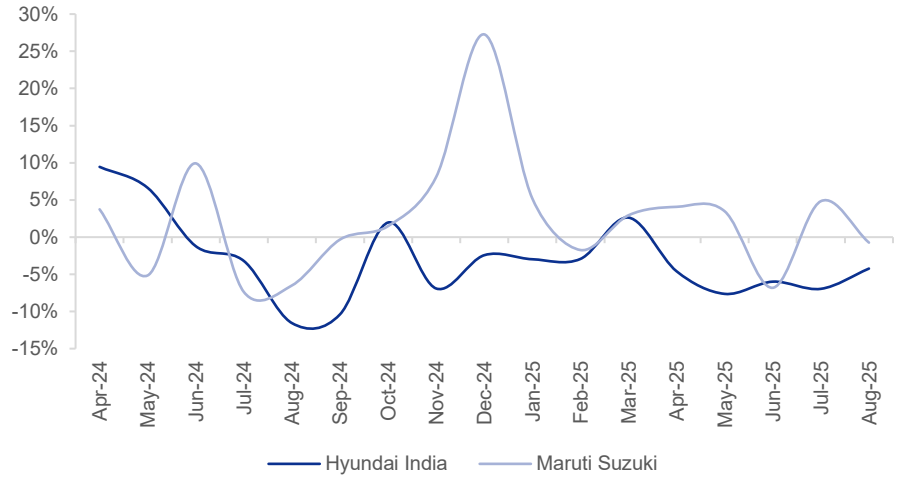
With the GST rate cut addressing affordability challenge for compact cars, we feel volume growth will take priority over value growth in the coming quarters, where Hyundai's participation will be limited. The sharp run-up in its share price recently has made forward P/E valuation 26% higher vs. Maruti Suzuki (Fig. 22), which, we feel, will be difficult to sustain. We have raised the target P/E to 24x one-year forward, considering the uptick in the automobile sector's valuation, but maintain a 20% discount to the leader, Maruti Suzuki, leading to a new target price of Rs2,023 (Rs1,612 earlier), while maintaining the REDUCE rating. Market share pressure will be a key thing to monitor. The upside risk is new product launch success.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	698,291	691,929	756,590	855,956	981,849
Operating EBITDA (Rsm)	91,326	89,538	99,477	106,919	120,212
Net Profit (Rsm)	60,600	56,402	62,077	65,015	72,176
Core EPS (Rs)	74.6	69.4	76.4	80.0	88.8
Core EPS Growth	28.7%	(6.9%)	10.1%	4.7%	11.0%
FD Core P/E (x)	36.70	39.43	35.82	34.21	30.81
DPS (Rs)	190.0	21.0	26.7	32.0	35.5
Dividend Yield	6.94%	0.77%	0.98%	1.17%	1.30%
EV/EBITDA (x)	23.50	24.02	21.83	20.27	17.80
P/FCFE (x)	32.40	(546.47)	1,432.63	82.19	24.77
Net Gearing	(73.1%)	(44.9%)	(25.8%)	(23.2%)	(29.4%)
P/BV (x)	20.85	13.65	10.94	9.18	7.79
ROE	39.5%	41.8%	33.9%	29.2%	27.3%
% Change In Core EPS Estimates			6.73%	6.36%	2.10%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

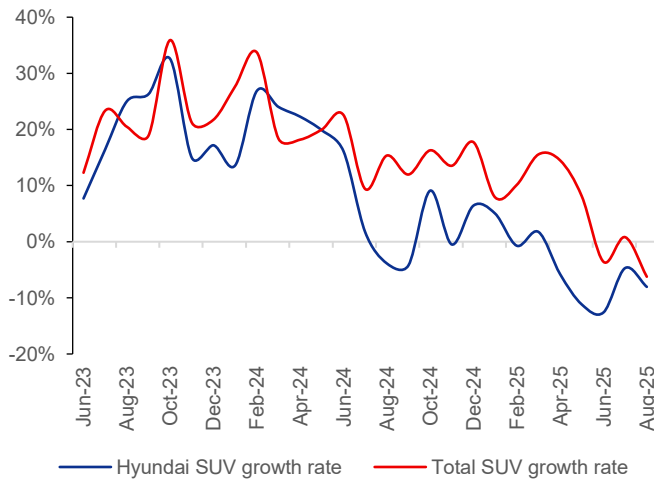
GST cut benefit on sales revenue is limited

Figure 1: Hyundai Motor India lags Maruti Suzuki consistently in domestic volume growth rate in recent months



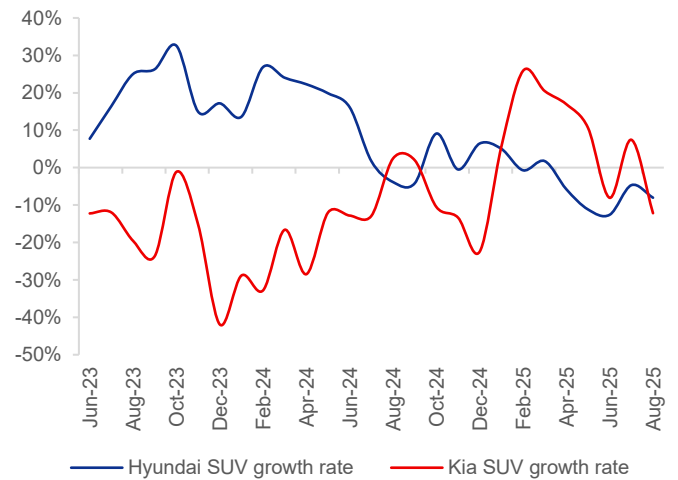
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Hyundai Motor India witnessed a faster decline vs. SUV industry



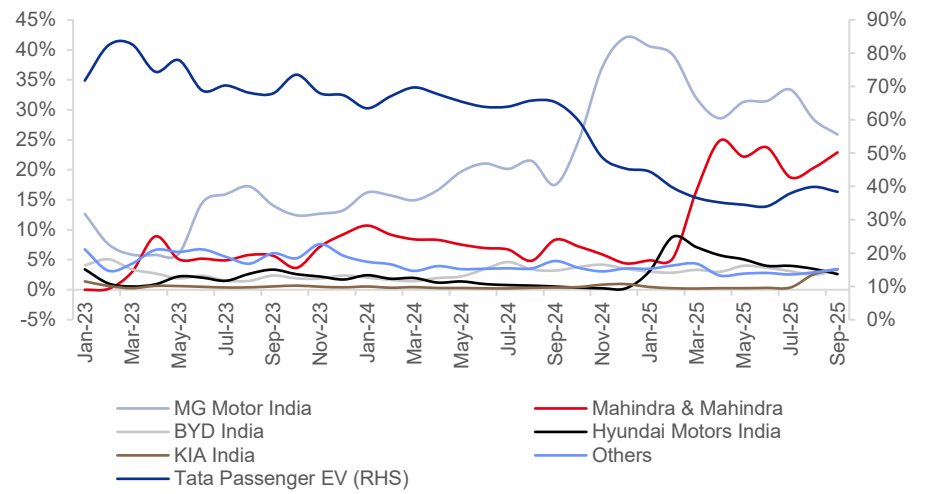
SOURCE: SIAM, INCRED RESEARCH, COMPANY REPORTS

Figure 3: Kia outperforms Hyundai's SUV growth, of late



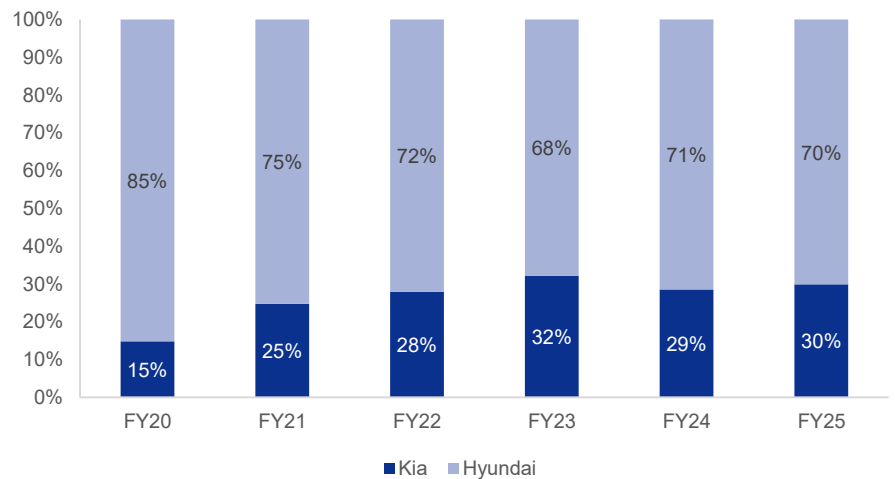
SOURCE: SIAM, INCRED RESEARCH, COMPANY REPORTS

Figure 4: Market share in India's electric car industry - Hyundai's share dipped recently



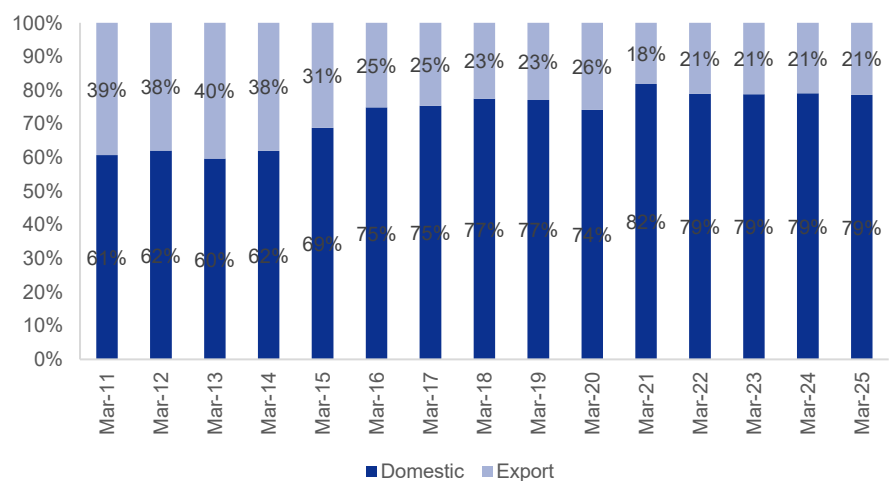
SOURCE: VAHAN.COM, INCRED RESEARCH, COMPANY REPORTS

Figure 5: Hyundai and Kia's volume mix in domestic sales of the group, incrementally favouring Kia



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Hyundai Motor India's export volume mix has shrunk in the recent decade



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Hyundai Global targeting sales of 5.55m units by 2030F, but a slow 5.6% CAGR disappoints

Steadfast commitment to 5.55M sales by 2030 with contribution from every region



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Hyundai Motor India parent's top 3 platforms and product derivatives



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: India capacity expansion to form 25% of global capacity expansion by FY30F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Hyundai upgrades its guidance, but India arm's 5.6% growth is weak



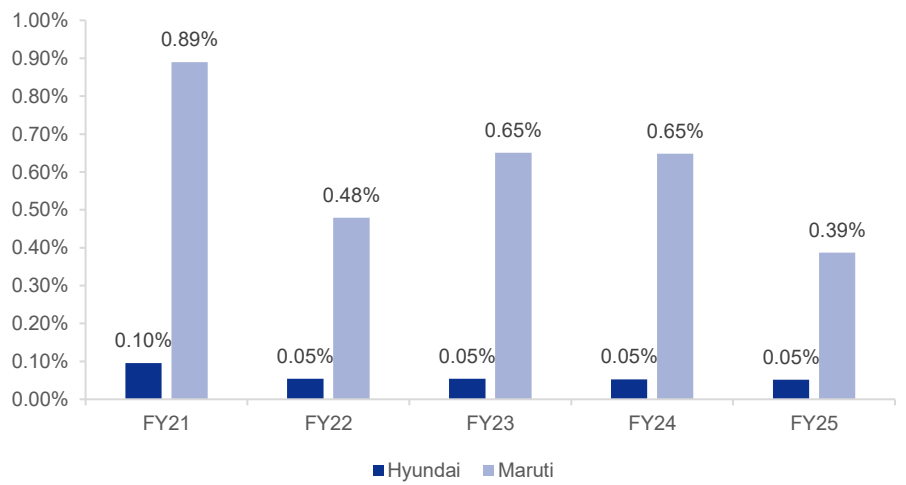
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Dedicated EV launches in regional markets



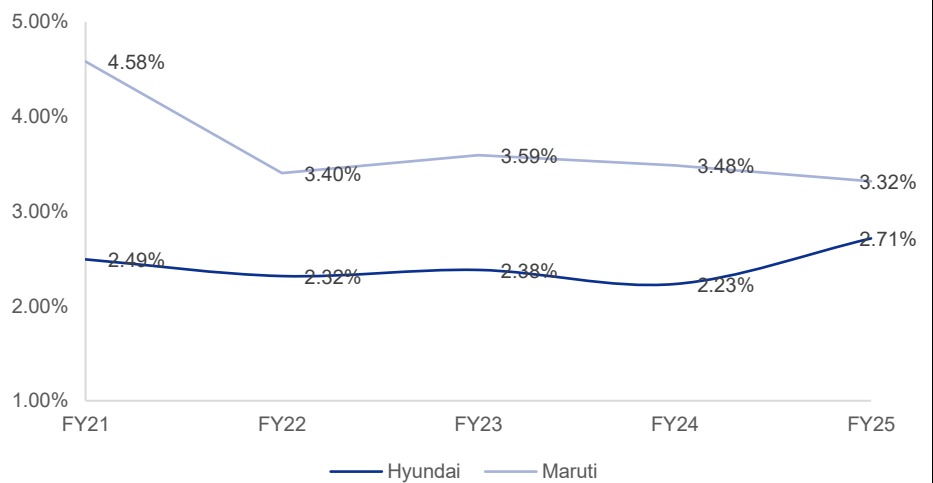
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Hyundai Motor India's R&D spending, as proportion of sales, lags Maruti Suzuki



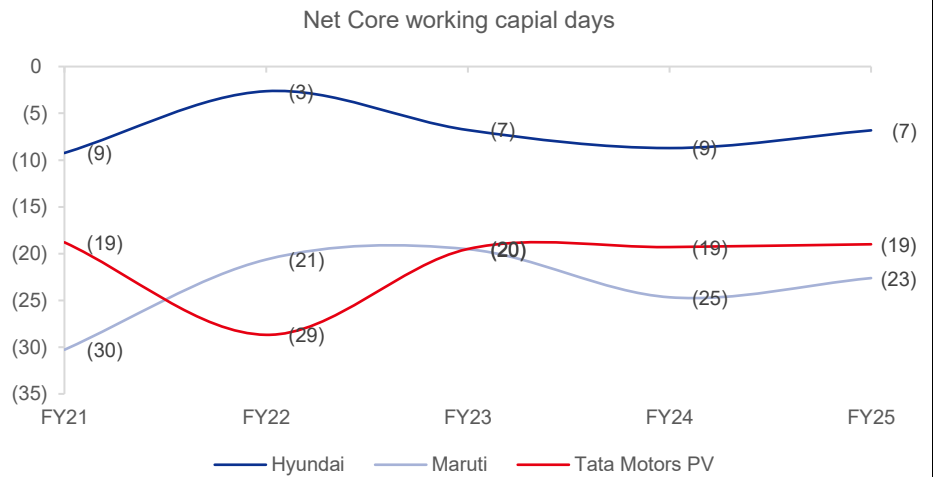
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Hyundai Motor India's royalty payment, as a proportion of sales, catches up with Maruti Suzuki



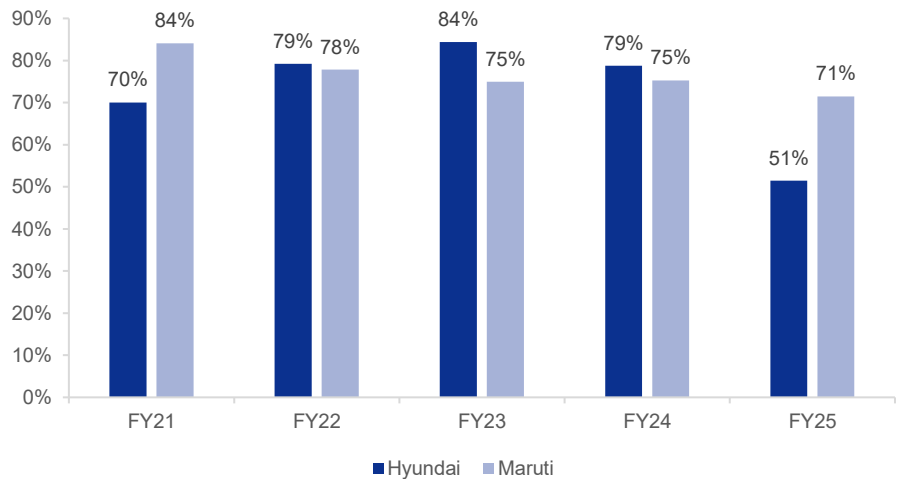
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Net core working capital days for Hyundai remain poor versus rivals



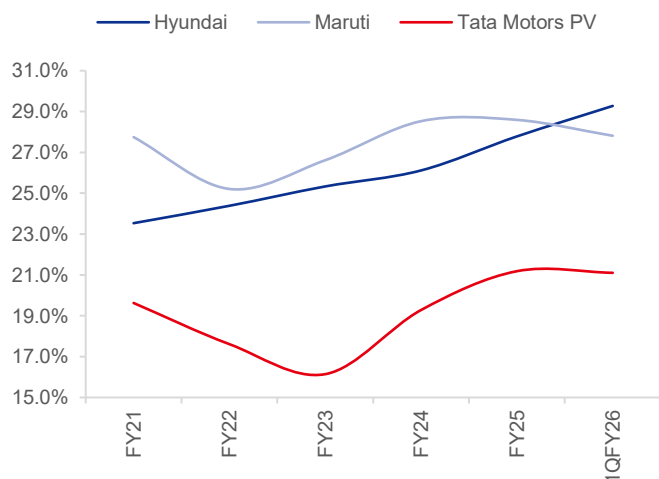
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: Cash, as a proportion of the balance sheet, sharply eases for Hyundai Motor India



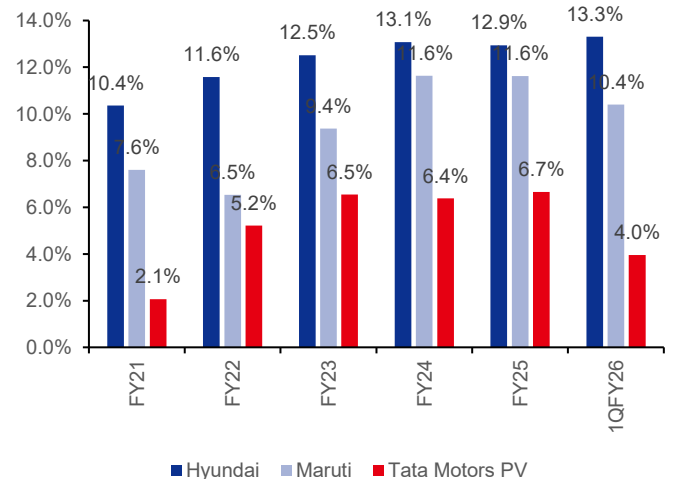
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 16: Only Hyundai Motor India witnesses gross margin expansion



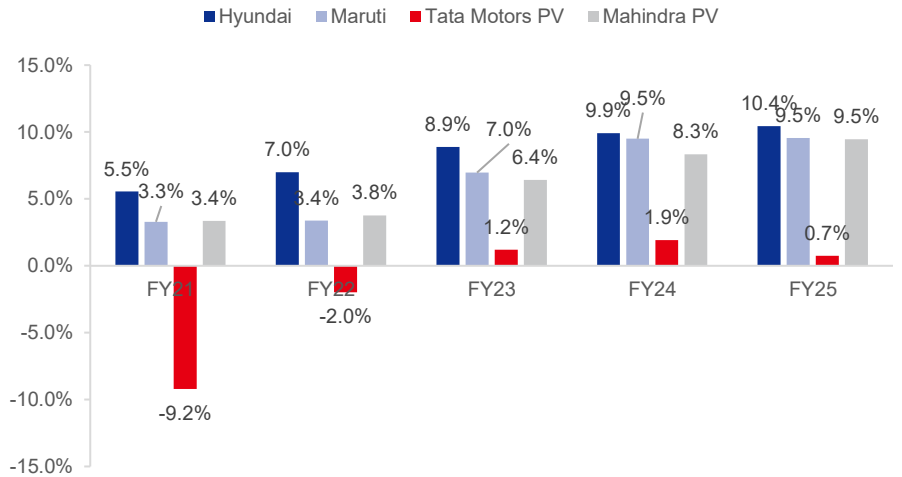
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 17: Hyundai Motor India's EBITDA margin expansion stands out



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 18: EBIT margin trend comparison with car industry peers



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 19: EPS revision summary

Rs m	FY26F		FY27F		FY28F	
	Old	New	Old	New	Old	New
Sales Volume (nos)	7,94,167	8,06,808	8,58,336	8,91,792	9,63,384	9,87,468
Change (%)		1.6%		3.9%		2.5%
Net Sales (Rs.m)	7,42,793	7,56,590	8,33,691	8,55,956	9,56,792	9,81,849
Change (%)		1.9%		2.7%		2.6%
EBITDA (Rs.m)	94,216	99,477	1,02,523	1,06,919	1,19,148	1,20,212
Change (%)		5.6%		4.3%		0.9%
EBITDA Margin	12.7%	13.1%	12.3%	12.5%	12.5%	12.2%
Bps		46		19		(21)
PAT (Rs.m)	58,163	62,077	61,129	65,015	70,457	72,176
Change (%)		6.7%		6.4%		2.4%
EPS (Rs.)	71.6	76.4	75.2	80.0	86.7	88.8
Change (%)		6.7%		6.4%		2.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 20: Key assumptions

Particulars	FY23	FY24	FY25	FY26F	FY27F	FY28F
Domestic Sales Volume	5,67,492	6,14,709	5,98,665	6,23,831	6,87,107	7,60,424
Growth (%)	17.9%	8.3%	-2.6%	4.2%	10.1%	10.7%
Export Sales Volume	1,53,019	1,63,155	1,63,386	1,82,977	2,04,686	2,27,044
Growth (%)	18.4%	6.6%	0.1%	12.0%	11.9%	10.9%
Total Sales Volume	7,20,511	7,77,864	7,62,051	8,06,808	8,91,792	9,87,468
Growth (%)	18.0%	8.0%	-2.0%	5.9%	10.5%	10.7%
Domestic ASP per Vehicle (Rs)	7,06,583	7,56,408	7,67,230	7,82,575	8,13,878	8,38,294
Growth (%)	5.8%	7.1%	1.4%	2.0%	4.0%	3.0%
Export ASP per Vehicle (Rs)	7,95,517	8,29,981	7,86,218	8,17,667	8,58,550	8,84,307
Growth (%)	17.7%	4.3%	-5.3%	4.0%	5.0%	3.0%
Contribution per Vehicle (Rs)	2,12,023	2,34,436	2,52,247	2,71,012	2,68,748	2,73,435
Growth (%)	12.1%	10.6%	7.6%	7.4%	-0.8%	1.7%
EBITDA per Vehicle (Rs)	1,04,762	1,17,405	1,17,496	1,23,297	1,19,892	1,21,737
Growth (%)	16.6%	12.1%	0.1%	4.9%	-2.8%	1.5%
EBITDA Margin (%)	12.5%	13.1%	12.9%	13.1%	12.5%	12.2%

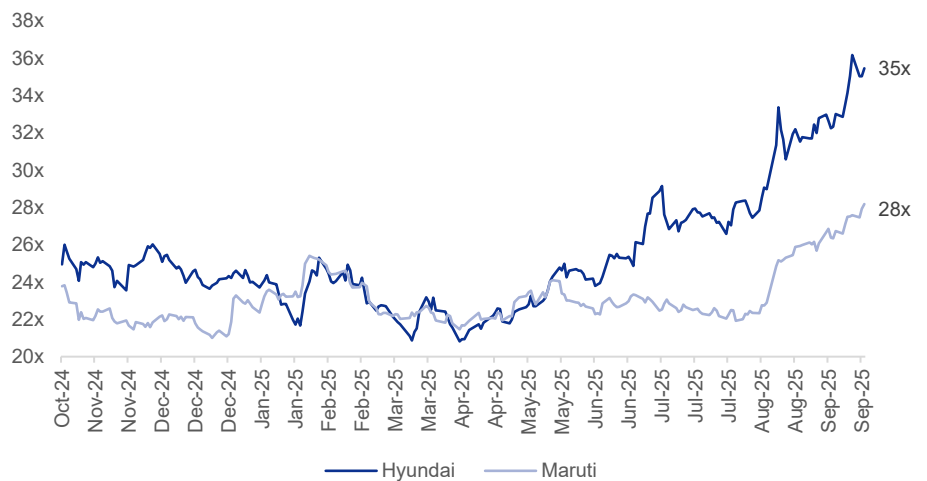
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 21: Target price calculation methodology

	One-year forward
EPS (Rs.) (One-year forward)	84.3
P/E(x)	24.0
Target price (Rs)	2,023

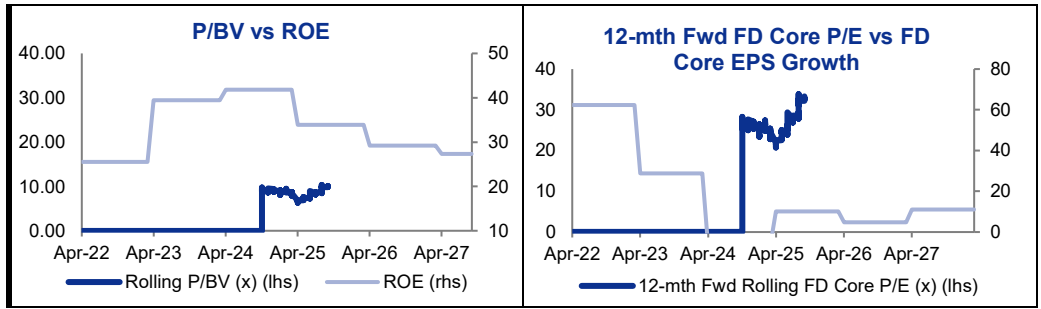
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 22: Hyundai Motor India's one-year forward P/E valuation, which is at a 26% premium to that of Maruti Suzuki, is unwarranted



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	698,291	691,929	756,590	855,956	981,849
Gross Profit	182,361	192,225	218,655	239,668	270,008
Operating EBITDA	91,326	89,538	99,477	106,919	120,212
Depreciation And Amortisation	(22,079)	(21,053)	(24,210)	(29,053)	(33,991)
Operating EBIT	69,247	68,485	75,267	77,866	86,220
Financial Income/(Expense)	13,152	7,428	8,171	9,519	10,791
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	82,399	75,913	83,437	87,385	97,011
Exceptional Items					
Pre-tax Profit	82,399	75,913	83,437	87,385	97,011
Taxation	(21,798)	(19,511)	(21,360)	(22,371)	(24,835)
Exceptional Income - post-tax					
Profit After Tax	60,600	56,402	62,077	65,015	72,176
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	60,600	56,402	62,077	65,015	72,176
Recurring Net Profit	60,600	56,402	62,077	65,015	72,176
Fully Diluted Recurring Net Profit	60,600	56,402	62,077	65,015	72,176

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	91,326	89,538	99,477	106,919	120,212
Cash Flow from Invt. & Assoc.					
Change In Working Capital	5,462	(3,747)	(12,927)		
(Incr)/Decr in Total Provisions	12,390	(17,812)	3,984	9,483	
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	659		(900)	(100)	
Net Interest (Paid)/Received	13,152	7,428	8,171	9,519	10,791
Tax Paid	(21,798)	(19,511)	(21,360)	(22,371)	(24,835)
Cashflow From Operations	101,191	55,896	76,444	103,450	106,168
Capex	(29,881)	(56,615)	(70,000)	(60,000)	
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(2,663)	(3,351)	(4,892)	(16,392)	(16,392)
Cash Flow From Investing	(32,545)	(59,965)	(74,892)	(76,392)	(16,392)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(154,358)	(17,090)	(21,727)	(26,006)	(28,870)
Preferred Dividends					
Other Financing Cashflow	(12,683)	17,276	(1,589)	(774)	(74)
Cash Flow From Financing	(167,042)	187	(23,316)	(26,780)	(28,944)
Total Cash Generated	(98,395)	(3,883)	(21,763)	279	60,831
Free Cashflow To Equity	68,647	(4,069)	1,552	27,058	89,776
Free Cashflow To Firm	70,227	(2,797)	2,952	28,258	90,776

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	90,173	85,792	63,495	63,240	87,054
Total Debtors	25,100	23,891	31,093	35,176	37,660
Inventories	33,156	34,044	41,457	44,557	48,420
Total Other Current Assets	9,371	12,024	14,127	15,549	17,004
Total Current Assets	157,801	155,751	150,172	158,522	190,138
Fixed Assets	82,673	118,235	164,024	194,972	210,980
Total Investments	6,654	10,202	14,202	27,202	40,202
Intangible Assets					
Total Other Non-Current Assets	16,364	16,786	18,300	19,000	19,000
Total Non-current Assets	105,691	145,223	196,526	241,174	270,182
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	74,931	70,862	72,550	79,733	91,460
Other Current Liabilities	56,699	40,824	44,639	53,937	61,870
Total Current Liabilities	131,629	111,686	117,189	133,670	153,330
Total Long-term Debt	12,211	12,612	11,112	7,112	3,112
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	12,211	12,612	11,112	7,112	3,112
Total Provisions	29,360	30,497	33,382	35,590	37,249
Total Liabilities	173,200	154,795	161,683	176,372	193,691
Shareholders Equity	106,657	162,965	203,315	242,324	285,629
Minority Interests					
Total Equity	106,657	162,965	203,315	242,324	285,629

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	15.8%	(0.9%)	9.3%	13.1%	14.7%
Operating EBITDA Growth	21.0%	(2.0%)	11.1%	7.5%	12.4%
Operating EBITDA Margin	13.1%	12.9%	13.1%	12.5%	12.2%
Net Cash Per Share (Rs)	95.95	90.06	64.47	69.08	103.31
BVPS (Rs)	131.26	200.56	250.22	298.23	351.53
Gross Interest Cover	43.81	53.84	53.76	64.89	86.22
Effective Tax Rate	26.5%	25.7%	25.6%	25.6%	25.6%
Net Dividend Payout Ratio	254.7%	30.3%	35.0%	40.0%	40.0%
Accounts Receivables Days	14.13	12.92	13.26	14.13	13.54
Inventory Days	23.83	24.54	25.61	25.47	23.84
Accounts Payables Days	52.83	53.25	48.65	45.10	43.89
ROIC (%)	105.5%	129.2%	53.3%	33.9%	32.5%
ROCE (%)	46.0%	47.1%	39.9%	35.4%	34.0%
Return On Average Assets	17.0%	18.2%	17.5%	15.7%	15.1%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	7.3%	1.1%	3.3%	2.4%	3.6%
Unit sales grth (% , main prod./serv.)	8.0%	(2.0%)	5.9%	10.5%	10.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.