

India

November 12, 2024 - 9:12 PM

**REDUCE** (no change)

Consensus ratings\*: Buy 7 Hold 0 Sell 2

Current price: Rs1,804  
 Target price: ▶ Rs1,585  
 Previous target: Rs1,585  
 Up/downside: -12.1%  
 InCred Research / Consensus: -12.1%

Reuters:  
 Bloomberg: HYUNDAI IN  
 Market cap: US\$17,368m  
 Rs1,465,784m  
 Average daily turnover: US\$0.0m  
 Rs0.0m  
 Current shares o/s: 812.5m  
 Free float: 17.5%

\*Source: Bloomberg

**Key financial forecast**

	Mar-25F	Mar-26F	Mar-27F
Net Profit (Rsm)	58,512	62,115	66,160
Core EPS (Rs)	72.01	76.45	81.42
Core EPS Growth	(3.4%)	6.2%	6.5%
FD Core P/E	25.05	23.60	22.16
Recurring ROE	47.7%	39.8%	34.9%
P/BV (x)	10.56	8.47	7.11
DPS (Rs)	32.40	34.40	40.71
Dividend Yield	1.80%	1.91%	2.26%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	0.0	0.0	0.0
Relative (%)	0.0	0.0	0.0

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

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# Hyundai Motor India

## Starts its innings with a profit dip

- Maiden quarterly results post-IPO were a disappointment with a PAT dip of 16% yoy and 8% qoq to Rs13.8bn in 2Q, on an 8% yoy sales decline.
- ASP discount in the local market & the Red Sea impact on exports led to a 10% yoy EBITDA dip. Our full-year estimate needs a flat EBITDA yoy in 2H.
- Considering the weak 2Q financial performance, it will be difficult to justify Hyundai's premium valuation over leader Maruti Suzuki. Maintain REDUCE.

### Weak financial start post listing with EBITDA and PAT drop

- Hyundai Motor India's 2QFY25 sales at Rs173bn were down 8% yoy and flat qoq, mainly led by a 9% decline in sales volume yoy.
- EBITDA for the quarter was at Rs22bn, down 10% yoy and 6% qoq, on account of the increase in staff costs (+11%) and other expenses (+13%), while raw material costs were down 10% yoy led by prices softening and cost-reduction initiatives.
- The EBITDA margin was at 12.8%, -30bp yoy and -72bp qoq.
- Interest expenses stood at Rs.2.92bn, -16% yoy. Depreciation at Rs5bn, -7% yoy.
- Other income was at Rs1.9bn, -50% yoy and -14% qoq. PAT stood at Rs13.75bn, -16% yoy and -8% qoq.

### Management conference-call highlights

- Management blamed the Red Sea problems for impacting its exports to the Middle East and thereby leading to a 17% yoy dip in total export volume in 2Q, while other regions are on the growth path.
- The launch of its new Alcazar model and introduction of variants with sunroof and CNG options helped expand the sports utility vehicle or SUV mix to 69% in 2Q.
- The festive season-led demand recovery resulted in a 30% retail volume growth for Hyundai Motor India and eased dealer inventory to around one month.
- Weak domestic demand led to an increase in ASP discount to 1.9% (+40bp qoq). Weak product mix due to export volume weakness led to gross margin pressure qoq (Fig. 2), as per management. The company indicated that price adjustments impacted PBT by 10% on yoy basis (Fig. 5).
- Management gave guidance that the launch of its mass-market Creta electric vehicle or EV will take place soon.

### Weak EPS growth doesn't support premium valuation

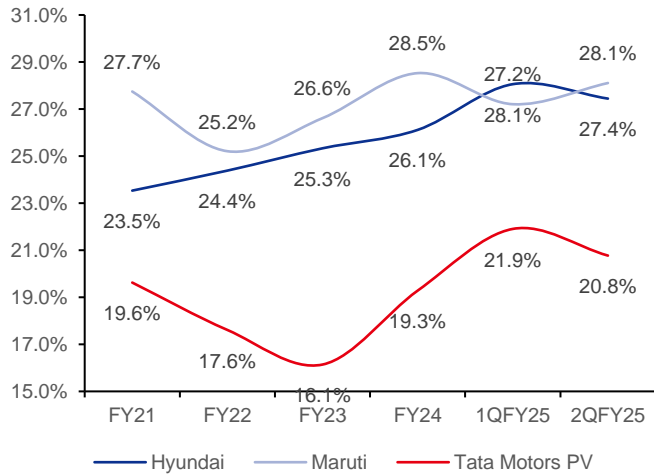
- The current listing premium on P/E, P/BV and EV/EBITDA valuations vs. the leader, Maruti Suzuki, at just a 3% EPS CAGR over FY25-27F is an area of concern.
- We assign a target P/E of 20x (22% discount to Maruti Suzuki) to the company, leading to a target price of Rs1,585 and retention of our REDUCE rating. Upside risk: Success of new models and quick launch of hybrids.

**Figure 1: Quarterly financial performance highlights**

Y/E Mar (Rs m)	2QFY25	2QFY24	yoy % chg	1QFY25	qoq % chg	1HFY25	1HFY24	yoy % chg
Revenue	1,72,601	1,86,597	(7.5)	1,73,442	(0.5)	3,46,043	3,52,832	(1.9)
Raw material costs	1,25,231	1,39,743	(10.4)	1,24,777	0.4	2,50,008	2,65,757.7	(5.9)
RM costs as a % of revenue	72.6	74.9	(233.5)	71.9	61.4	72.2	75.3	(307.4)
<b>EBITDA</b>	<b>22,050</b>	<b>24,400</b>	<b>(9.6)</b>	<b>23,403</b>	<b>(5.8)</b>	<b>45,453</b>	<b>44,373</b>	<b>2.4</b>
<i>EBITDA margin (%)</i>	<i>12.8</i>	<i>13.1</i>	<i>(30.1)</i>	<i>13.5</i>	<i>(71.8)</i>	<i>13.1</i>	<i>12.6</i>	<i>55.9</i>
Depreciation & amortization	5,185	5,566	(6.8)	5,290	(2.0)	10,475	11,163	(6.2)
EBIT	16,865	18,834	(10.5)	18,113	(6.9)	34,977	33,210	5.3
Interest expenses	292	346	(15.8)	316	(7.8)	608	718	(15.3)
Other income	1,923	3,832	(49.8)	2,238	(14.1)	4,160	7,713	(46.1)
Pre-tax profit	18,495	22,320	(17.1)	20,034	(7.7)	38,529	40,205	(4.2)
Tax	4,744	6,036	(21.4)	5,137	(7.7)	9,881	10,629	(7.0)
Tax rate (%)	25.6	27.0	(139.3)	25.6	1	25.6	26.4	(79)
<b>Normalized net profit</b>	<b>13,752</b>	<b>16,285</b>	<b>(15.6)</b>	<b>14,897</b>	<b>(7.7)</b>	<b>28,648</b>	<b>29,577</b>	<b>(3.1)</b>
Exceptional items	-	-	-	-	-	-	-	-
Reported net profit	13,752	16,285	(15.6)	14,897	(7.7)	28,648	29,577	(3.1)
<b>Normalized EPS (Rs)</b>	<b>16.9</b>	<b>18.3</b>	<b>(7.7)</b>	<b>18.3</b>	<b>(7.7)</b>	<b>35.3</b>	<b>36.4</b>	<b>(3.1)</b>
Volume (nos)	102	102	-	102	-	102	102	-
Net realization (Rs)	1,91,939	2,09,777	(8.5)	1,92,055	(0.1)	3,83,994	3,93,180	(2.3)
EBITDA/vehicle	8,99,248	8,89,501	1.1	9,03,087	(0.4)	9,01,168	8,97,380	0.4

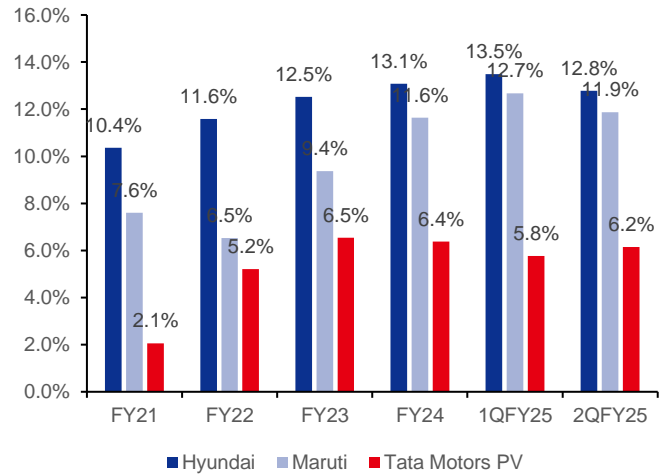
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Gross margin trend of car makers



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: EBITDA margin comparison of car makers



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Business highlights in 2QFY25

**The Bold New Alcazar**  
(September 2024)

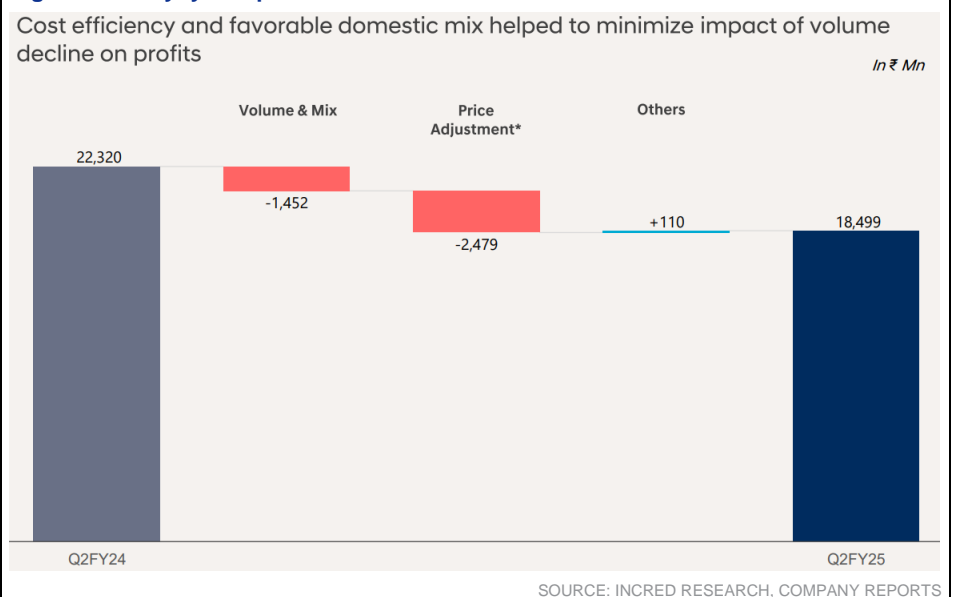


- 01 Intelligent, Versatile, Intense SUV
- 02 Intuitive technology
- 03 Various PT options (Turbo, DSL, MT, AT, DCT)
- 04 Elegant space with 6 and 7 seater

- 1. Creta raising the bar again**  
Best Design Project Award 2024 / 1 lakh happy customers in just 6 months
- 2. New Hy-CNG duo technology**  
In NIOS and EXTER enhancing customer comfort and convenience
- 3. New Venue edition**  
VENUE Adventure Edition, VENUE E+ and S(O)+ with electric sunroof
- 4. Exter export expansion**  
Made in India EXTER lands on the shores of South Africa
- 5. EV infra expansion**  
Partnership with local CPO to install EV chargers at dealerships

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: PBT yoy comparison - waterfall chart



**Profit & Loss**

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	<b>698,291</b>	<b>695,564</b>	<b>755,806</b>	<b>845,520</b>
<b>Gross Profit</b>	<b>182,361</b>	<b>194,758</b>	<b>210,870</b>	<b>234,209</b>
<b>Operating EBITDA</b>	<b>91,326</b>	<b>92,840</b>	<b>99,393</b>	<b>107,040</b>
Depreciation And Amortisation	(22,079)	(23,625)	(26,460)	(30,429)
<b>Operating EBIT</b>	<b>69,247</b>	<b>69,215</b>	<b>72,933</b>	<b>76,611</b>
Financial Income/(Expense)	13,152	9,430	10,554	12,313
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)				
<b>Profit Before Tax (pre-EI)</b>	<b>82,399</b>	<b>78,645</b>	<b>83,488</b>	<b>88,924</b>
Exceptional Items				
<b>Pre-tax Profit</b>	<b>82,399</b>	<b>78,645</b>	<b>83,488</b>	<b>88,924</b>
Taxation	(21,798)	(20,133)	(21,373)	(22,765)
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>60,600</b>	<b>58,512</b>	<b>62,115</b>	<b>66,160</b>
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>60,600</b>	<b>58,512</b>	<b>62,115</b>	<b>66,160</b>
Recurring Net Profit	60,600	58,512	62,115	66,160
<b>Fully Diluted Recurring Net Profit</b>	<b>60,600</b>	<b>58,512</b>	<b>62,115</b>	<b>66,160</b>

**Balance Sheet**

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	90,173	67,879	71,923	74,311
Total Debtors	25,100	34,302	35,202	39,380
Inventories	33,156	41,924	43,485	46,330
Total Other Current Assets	9,371	10,800	11,900	13,100
<b>Total Current Assets</b>	<b>157,801</b>	<b>154,905</b>	<b>162,509</b>	<b>173,121</b>
Fixed Assets	82,673	99,048	132,588	152,159
Total Investments	6,654	10,654	14,654	27,654
Intangible Assets				
Total Other Non-Current Assets	16,364	17,300	18,300	19,000
<b>Total Non-current Assets</b>	<b>105,691</b>	<b>127,002</b>	<b>165,542</b>	<b>198,813</b>
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	74,931	74,638	82,828	90,343
Other Current Liabilities	56,699	43,830	47,626	53,279
<b>Total Current Liabilities</b>	<b>131,629</b>	<b>118,468</b>	<b>130,454</b>	<b>143,623</b>
Total Long-term Debt	12,211	10,211	8,711	4,711
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
<b>Total Non-current Liabilities</b>	<b>12,211</b>	<b>10,211</b>	<b>8,711</b>	<b>4,711</b>
Total Provisions	29,360	31,595	34,025	36,297
<b>Total Liabilities</b>	<b>173,200</b>	<b>160,274</b>	<b>173,190</b>	<b>184,631</b>
Shareholders Equity	106,657	138,838	173,001	206,081
Minority Interests				
<b>Total Equity</b>	<b>106,657</b>	<b>138,838</b>	<b>173,001</b>	<b>206,081</b>

**Cash Flow**

(Rs mn)	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	91,326	92,840	99,393	107,040
Cash Flow from Invt. & Assoc.				
Change In Working Capital	5,462	(18,262)	5,730	492
(Incr)/Decr in Total Provisions	12,390	(12,198)	4,226	6,126
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	659	(800)	(100)	(100)
Net Interest (Paid)/Received	13,152	9,430	10,554	12,313
Tax Paid	(21,798)	(20,133)	(21,373)	(22,765)
<b>Cashflow From Operations</b>	<b>101,191</b>	<b>50,877</b>	<b>98,430</b>	<b>103,106</b>
Capex	(29,881)	(40,000)	(60,000)	(50,000)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	716	(4,000)	(4,000)	(13,000)
<b>Cash Flow From Investing</b>	<b>(29,166)</b>	<b>(44,000)</b>	<b>(64,000)</b>	<b>(63,000)</b>
Debt Raised/(repaid)				
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(154,358)	(26,330)	(27,952)	(33,080)
Preferred Dividends				
Other Financing Cashflow	(12,683)	(1,045)	(1,075)	(774)
<b>Cash Flow From Financing</b>	<b>(167,042)</b>	<b>(27,375)</b>	<b>(29,027)</b>	<b>(33,854)</b>
Total Cash Generated	(95,016)	(20,498)	5,403	6,252
<b>Free Cashflow To Equity</b>	<b>72,026</b>	<b>6,877</b>	<b>34,430</b>	<b>40,106</b>
<b>Free Cashflow To Firm</b>	<b>73,606</b>	<b>8,497</b>	<b>36,030</b>	<b>41,406</b>

**Key Ratios**

	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	15.8%	(0.4%)	8.7%	11.9%
Operating EBITDA Growth	21.0%	1.7%	7.1%	7.7%
Operating EBITDA Margin	13.1%	13.3%	13.2%	12.7%
Net Cash Per Share (Rs)	95.95	70.97	77.79	85.66
BVPS (Rs)	131.26	170.87	212.91	253.63
Gross Interest Cover	43.81	42.73	45.58	58.93
Effective Tax Rate	26.5%	25.6%	25.6%	25.6%
Net Dividend Payout Ratio	254.7%	45.0%	45.0%	50.0%
Accounts Receivables Days	14.13	15.59	16.78	16.10
Inventory Days	23.83	27.36	28.60	26.81
Accounts Payables Days	52.83	54.50	52.74	51.70
ROIC (%)	105.5%	130.6%	56.8%	45.6%
ROCE (%)	46.0%	53.2%	46.5%	42.0%
Return On Average Assets	17.0%	19.2%	18.1%	16.6%

**Key Drivers**

	Mar-24A	Mar-25F	Mar-26F	Mar-27F
ASP (% chg, main prod./serv.)	7.3%	0.8%	2.7%	3.8%
Unit sales grth (% main prod./serv.)	8.0%	(1.2%)	5.8%	7.8%

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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.*

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Definition:

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- 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.

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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.