

India

REDUCE (no change)

Consensus ratings*: Buy 16 Hold 0 Sell 2

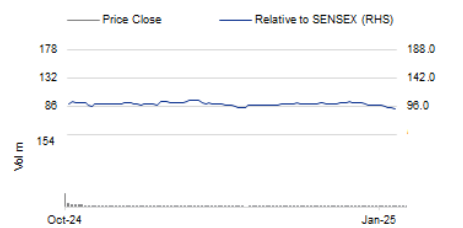
Current price: Rs1,622
 Target price: ▼ Rs1,414
 Previous target: Rs1,585
 Up/downside: -12.8%
 InCred Research / Consensus: -12.8%

Reuters:
 Bloomberg: HYUNDAI IN
 Market cap: US\$15,214m
 Rs1,317,942m
 Average daily turnover: US\$16.2m
 Rs1402.4m
 Current shares o/s: 812.5m
 Free float: 17.5%

*Source: Bloomberg

Key changes in this note

- Sales cut by ~2% for FY25F-27F.
- FY25F-27F EBITDA cut by 4-8%.
- FY25F-27F EPS cut by 2-7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(9.7)	(11.5)	0.0
Relative (%)	(8.1)	(8.4)	0.0

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

Research Analyst(s)



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Hyundai Motor India

Profit drop accelerates

- 3Q EPS dipped 19% yoy & 16% qoq to Rs14.3, sharply below our estimate (20%) & BB consensus. The EBITDA margin fell to a two-year low of 11.3%.
- Creta EV volume plan doesn't impress. We await a new product strategy to utilize Pune plant's capacity planned in CY25F. Cut FY25F-27F EPS by 2-7%.
- We value the stock at a 10% discount to leader Maruti's 1-year forward P/E due to market share underperformance. Cut TP to Rs1,414; retain REDUCE.

Successive quarter of PAT drop post IPO

The 3QFY25 EBITDA of Hyundai Motor India (Hyundai) fell by 14% yoy and 15% qoq to Rs19bn, 14% below InCred estimate of Rs22bn. The EBITDA margin corrected by a sharp 161bp yoy and 151bp qoq to 11.3% due to higher expenses. Management attributed it to one-off employee costs, which, we feel, are marginal to swing EBITDA. Due to lower other income (-20% yoy and -16% qoq), PAT recorded a sharp 19% yoy decline to Rs11.6bn.

New product traction awaited to utilize plant capacity

Rural penetration increased to 21.2% of its sales in 3QFY25 vs. 19.7% in 3QFY24, SUVs dominate rural sales, contributing 67.6% in CY24. Hyundai increased its vehicle prices by 1% in Jan 2025. Hyundai achieved its highest-ever CNG penetration of 15% in 3Q, driven by the dual-cylinder CNG technology introduced in models like NIOS and EXTER. Export volume was impacted by the Red Sea crisis and geopolitical instability in Latin America. The introduction of new left-hand-drive EXTER and potential electric vehicle or EV exports will drive export volume.

EBITDA cut by 8% for FY25F and by ~4% for FY26F-27F

Hyundai's underperformance vs. peers has been stark in recent months, as it lost 100bp domestic market share in 9MFY25 (Fig. 7). With Creta EV expected to contribute just 10% to total Creta volume, we feel that volume & market share challenges persist, especially to utilize the new Pune plant capacity. We cut sales estimates by ~2% for FY25F-27F. The EBITDA margin challenges to increase as Indian rupee or INR depreciation to impact the company, which is a net importer, leading to our 8% cut in FY25F and ~4% in FY26F-27F. Lower depreciation and interest costs limit the EPS reduction.

Weak performance demands a discount to leader's valuation

We continue to build a discounted valuation for Hyundai vs. the leader, Maruti Suzuki, of around 10%, leading to a lower P/E based target price of Rs1,414, at 18x one-year forward. Our preferred play in the car segment is Maruti Suzuki (whose export and EV traction to accelerate), while maintaining our REDUCE rating on Hyundai. Key upside risk: Demand stimulus from the government, and success in new products.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	603,076	698,291	683,528	742,727	830,771
Operating EBITDA (Rsm)	75,488	91,326	85,477	95,099	103,086
Net Profit (Rsm)	47,093	60,600	54,441	60,306	64,658
Core EPS (Rs)	58.0	74.6	67.0	74.2	79.6
Core EPS Growth	62.3%	28.7%	(10.2%)	10.8%	7.2%
FD Core P/E (x)	27.99	21.75	24.21	21.85	20.38
DPS (Rs)	18.4	190.0	30.2	33.4	39.8
Dividend Yield	1.13%	11.71%	1.86%	2.06%	2.45%
EV/EBITDA (x)	15.31	13.58	14.81	13.29	12.23
P/FCFE (x)	23.52	18.30	(9,869.55)	43.96	36.97
Net Gearing	(81.0%)	(73.1%)	(38.4%)	(31.9%)	(28.1%)
P/BV (x)	6.57	12.36	9.65	7.76	6.52
ROE	25.5%	39.5%	44.8%	39.4%	34.8%
% Change In Core EPS Estimates			(6.96%)	(2.91%)	(2.27%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Profit drop accelerates

Management conference-call highlights >

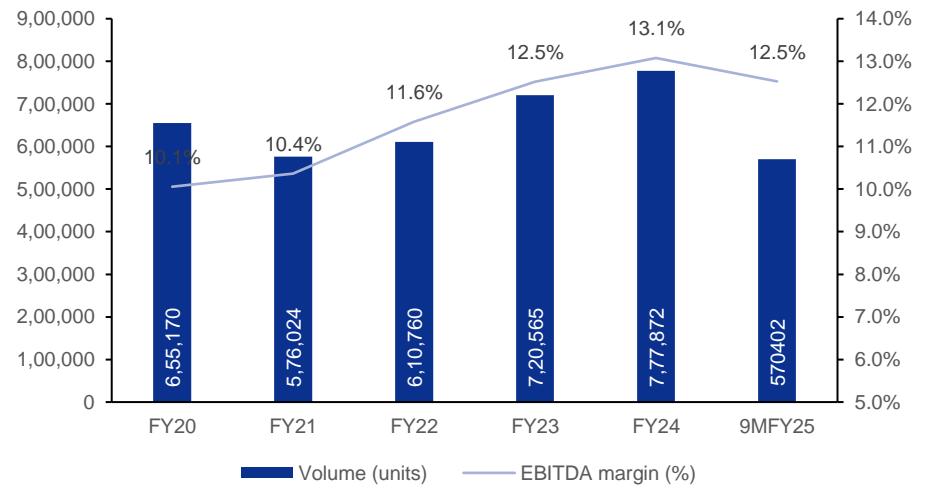
- **Industry outlook:** Industry growth for domestic passenger vehicles (PV) in FY26F is expected to be in low single digits due to market stabilization after recent high-growth years. Factors like potential lowering of interest rates, improved rural demand, and better market sentiment are considered as positive drivers for the industry outlook.
- **Financial performance:** The EBITDA margin at 11.3% declined from 12.9% in 3QFY24, The margin decline is attributed to subdued domestic demand, geopolitical export challenges, and increased discounts, partially offset by cost reduction efforts like localization and value engineering.
- **Export business:** The volume was impacted by the Red Sea crisis and geopolitical instability in Latin America. Increased exports to Africa, and a 15% growth in volume to offset the decline in the Middle East and Latin America. The Middle East contributed 37% and Africa 28% to total exports in 3QFY25. The introduction of new left-hand-drive models (e.g., EXTER) and potential EV exports (CRETA Electric) are expected to drive future growth.
- **Manufacturing capacity:** The new Pune plant is expected to be operational by the end of 2025F, with a Phase-I capacity of 170,000 units, increasing Hyundai Motor India's total capacity to 1.1m units. The plant will support both domestic demand and export growth, focusing on alternate powertrains, including EVs.
- **Electric vehicle or EV industry:** EV penetration in India is expected to grow to 3.5%-4% by FY26F. Hyundai aims at a 10% market share in EVs, supported by localization and 600 fast chargers planned over seven years.
- **CRETA Electric:** It is manufactured locally and is expected to contribute 10% to CRETA's overall volume. There are plans to export to neighbouring countries and emerging markets.
- **CNG portfolio:** Hyundai achieved its highest-ever CNG penetration of 15% in 3QFY25, up from 11.9% in 3QFY24, driven by dual-cylinder CNG technology introduced in models like NIOS and EXTER.
- **Rural and urban markets:** Rural market penetration increased to **21.2% in 3**
- **QFY25**, up from 19.7% in 3QFY24. SUVs dominate rural sales, contributing **67.6%** in CY24. The company is actively expanding its rural market network to tap into the growing demand. Urban markets remain critical, Hyundai focuses on **premiumization** in urban areas, with features like ADAS, sunroof, and automatics seeing higher adoption, which also helped in ASP growth of 2.5% yoy.
- **Pricing and discount:** Hyundai increased vehicle prices by 1% in Jan 2025. Higher discounts were offered to boost volume in markets like Africa, offsetting the decline in the Middle East and Latin America.
- **New launches:** Plans to introduce **three new EVs** in the coming years, and new internal combustion engine (ICE) models while alternative eco-friendly powertrains like hybrids, flex-fuel, and hydrogen are also under development.
- **Localization:** Hyundai has commissioned a battery pack assembly plant in partnership with Mobis India. Plans to localize **key EV components** like battery cells, drivetrains, and power electronics soon.

Figure 1: Results comparison

Y/E Mar (Rs m)	3QFY25	3QFY24	yoy % chg	2QFY25	qq % chg	9MFY25	9MFY24	yoy % chg	Comments
Revenue	1,66,480	1,68,747	(1.3)	1,72,604	(3.5)	5,12,526	5,21,579	(1.7)	2% below our estimate.
Raw material costs	1,21,838	1,23,803	(1.6)	1,25,231	(2.7)	3,71,845.8	3,89,560.9	(4.5)	
RM costs as a % of revenue	73.2	73.4	(18.1)	72.6	63.1	72.6	74.7	(213.7)	
EBITDA	18,755	21,735	(13.7)	22,053	(15.0)	64,211	66,108	(2.9)	10% below our estimate.
EBITDA margin (%)	11.3	12.9	(161.4)	12.8	(151.1)	12.5	12.7	(14.6)	104bp below our estimate.
Depreciation & amortization	5,274	5,338	(1.2)	5,185	1.7	15,749	16,501	(4.6)	12% below our estimate.
EBIT	13,482	16,397	(17.8)	16,868	(20.1)	48,462	49,607	(2.3)	-
Interest expenses	299	488	(38.7)	292	2.5	907	1,206	(24.8)	20% below our estimate.
Other income	2,445	3,689	(33.7)	1,923	27.2	6,605	11,402	(42.1)	48% above our estimate.
Pre-tax profit	15,627	19,597	(20.3)	18,498	(15.5)	54,160	59,803	(9.4)	
Tax	4,020	5,345	(24.8)	4,744	(15.3)	13,901	15,974	(13.0)	
Tax rate (%)	25.7	27.3	(155.1)	25.6	8	25.7	26.7	(104)	-
Normalized net profit	11,607	14,252	(18.6)	13,755	(15.6)	40,259	43,829	(8.1)	1% below our estimate.
Exceptional items	-	-	-	-	-	-	-	-	
Reported net profit	11,607	14,252	(18.6)	13,755	(15.6)	40,259	43,829	(8.1)	
Normalized EPS (Rs)	14.3	17.5	(18.6)	16.9	(15.6)	49.5	53.9	(8.1)	22% below our estimate.
Volume (nos)	102	102	-	102	-	102	102	-	
Net realization (Rs)	1,86,408	1,90,979	(2.4)	1,91,939	(2.9)	5,70,402	5,84,159	(2.4)	2% below our estimate.
EBITDA/vehicle	8,93,094	8,83,590	1.1	8,99,264	(0.7)	8,98,535	8,92,872	0.6	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: EBITDA margin slide accelerates in recent quarters



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Cost efficiency helped to minimize the impact of macro challenges on profits



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Sustained SUV contribution, supported by both urban and rural markets; steady growth in CNG volume fueled by dual-cylinder technology

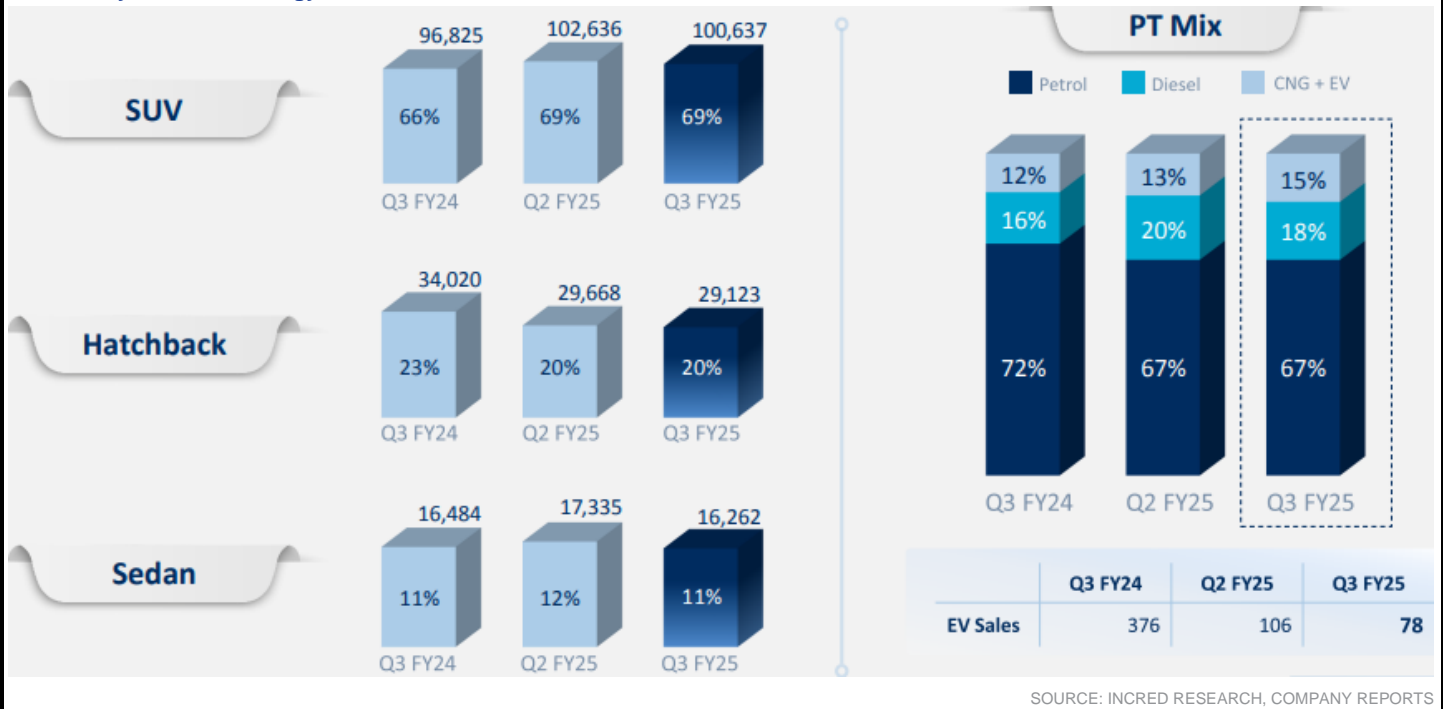


Figure 5: Maruti Suzuki, the leader, improves its profit margin

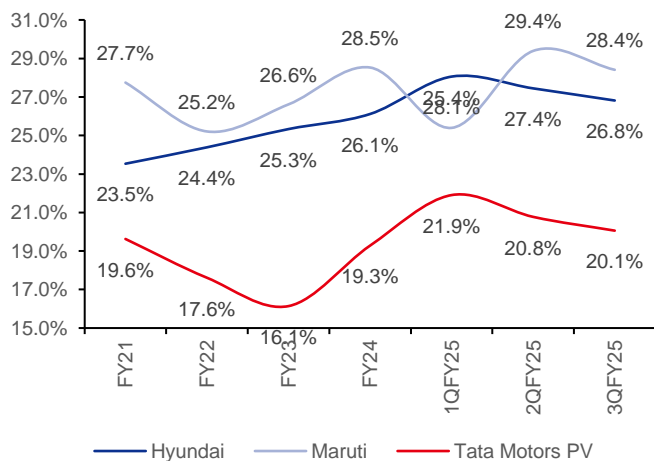


Figure 6: Hyundai loses EBITDA margin leadership

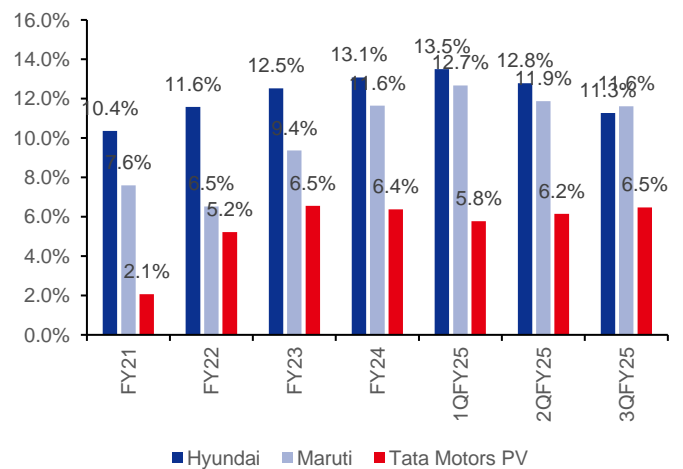
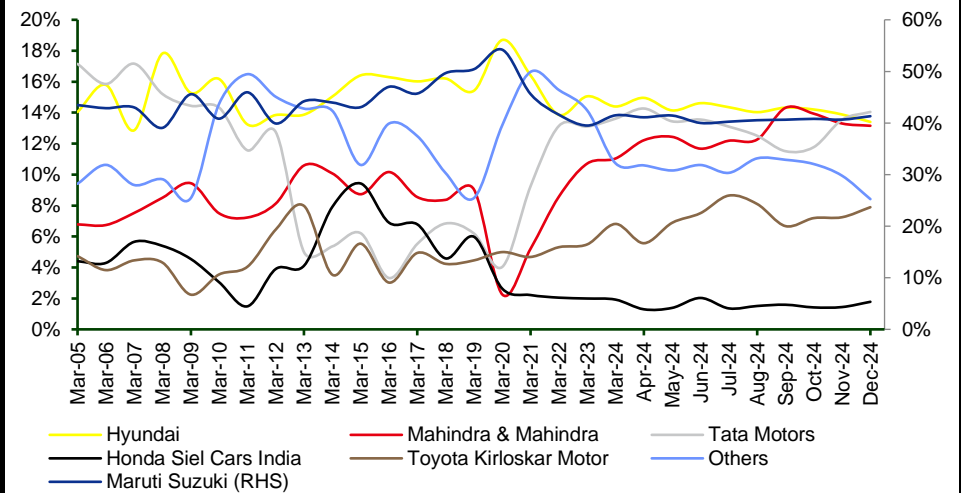


Figure 7: Monthly slide in Hyundai's market share is an area of concern



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: EPS revision summary

Rs m	FY25F		FY26F		FY27F	
	Old	New	Old	New	Old	New
Sales Volume (nos)	7,68,454	7,59,423	8,12,962	8,03,357	8,76,320	8,65,912
Change (%)		-1.2%		-1.2%		-1.2%
Net Sales (Rs.m)	6,95,564	6,83,528	7,55,806	7,42,727	8,45,520	8,30,771
Change (%)		-1.7%		-1.7%		-1.7%
EBITDA (Rs.m)	92,840	85,477	99,393	95,099	1,07,040	1,03,086
Change (%)		-7.9%		-4.3%		-3.7%
EBITDA Margins	13.3%	12.5%	13.2%	12.8%	12.7%	12.4%
Bps		(84)		(35)		(25)
PAT (Rs.m)	58,512	54,441	62,115	60,306	66,160	64,658
Change (%)		-7.0%		-2.9%		-2.3%
EPS (Rs.)	72.0	67.0	76.4	74.2	81.4	79.6
Change (%)		-7.0%		-2.9%		-2.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Key assumptions

Volume and operating metrics assumptions							
Particulars	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F
Domestic Sales Volume	4,71,535	4,81,500	5,67,492	6,14,709	5,96,268	6,32,044	6,82,607
Growth (%)		2.1%	17.9%	8.3%	-3.0%	6.0%	8.0%
Export Sales Volume	1,04,342	1,29,260	1,53,019	1,63,155	1,63,155	1,71,313	1,83,305
Growth (%)		23.9%	18.4%	6.6%	0.0%	5.0%	7.0%
Total Sales Volume	5,75,877	6,10,760	7,20,511	7,77,864	7,59,423	8,03,357	8,65,912
Growth (%)		6.1%	18.0%	8.0%	-2.4%	5.8%	7.8%
Domestic ASP per Vehicle (Rs)	6,10,491	6,67,767	7,06,583	7,54,000	7,38,920	7,53,698	7,83,846
Growth (%)		9.4%	5.8%	6.7%	-2.0%	2.0%	4.0%
Export ASP per Vehicle (Rs)	6,68,088	6,75,744	7,95,517	8,32,000	8,48,640	8,74,099	9,00,322
Growth (%)		1.1%	17.7%	4.6%	2.0%	3.0%	3.0%
Contribution per Vehicle (Rs)	1,67,397	1,89,163	2,12,023	2,34,436	2,46,617	2,55,170	2,63,840
Growth (%)		13.0%	12.1%	10.6%	5.2%	3.5%	3.4%
EBITDA per Vehicle (Rs)	73,706	89,824	1,04,762	1,17,405	1,12,555	1,18,377	1,19,049
Growth (%)		21.9%	16.6%	12.1%	-4.1%	5.2%	0.6%
EBITDA Margin (%)	10.4%	11.6%	12.5%	13.1%	12.5%	12.8%	12.4%

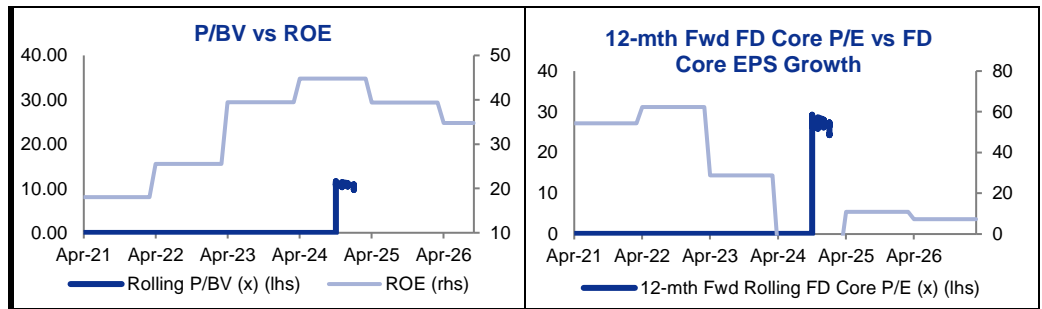
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Our valuation methodology

	1-year forward
EPS (Rs.) (1-year forward)	78.7
P/E(x)	18.0
Target price (Rs)	1,414

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	603,076	698,291	683,528	742,727	830,771
Gross Profit	152,777	182,361	187,287	204,993	228,462
Operating EBITDA	75,488	91,326	85,477	95,099	103,086
Depreciation And Amortisation	(21,899)	(22,079)	(21,417)	(23,987)	(27,585)
Operating EBIT	53,589	69,247	64,060	71,112	75,501
Financial Income/(Expense)	9,867	13,152	9,113	9,944	11,405
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	63,456	82,399	73,173	81,056	86,907
Exceptional Items					
Pre-tax Profit	63,456	82,399	73,173	81,056	86,907
Taxation	(16,363)	(21,798)	(18,732)	(20,750)	(22,248)
Exceptional Income - post-tax					
Profit After Tax	47,093	60,600	54,441	60,306	64,658
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	47,093	60,600	54,441	60,306	64,658
Recurring Net Profit	47,093	60,600	54,441	60,306	64,658
Fully Diluted Recurring Net Profit	47,093	60,600	54,441	60,306	64,658

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	75,488	91,326	85,477	95,099	103,086
Cash Flow from Invt. & Assoc.					
Change In Working Capital	7,793	5,462	(18,235)	5,630	482
(Incr)/Decr in Total Provisions	6,346	12,390	(12,956)	4,160	6,020
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(505)	659	(800)	(100)	(100)
Net Interest (Paid)/Received	9,867	13,152	9,113	9,944	11,405
Tax Paid	(16,363)	(21,798)	(18,732)	(20,750)	(22,248)
Cashflow From Operations	82,626	101,191	43,866	93,983	98,646
Capex	(24,766)	(29,881)	(40,000)	(60,000)	(50,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(1,824)	716	(4,000)	(4,000)	(13,000)
Cash Flow From Investing	(26,590)	(29,166)	(44,000)	(64,000)	(63,000)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(6,596)	(154,358)	(24,498)	(27,138)	(32,329)
Preferred Dividends					
Other Financing Cashflow	(4,295)	(12,683)	(1,045)	(1,075)	(774)
Cash Flow From Financing	(10,891)	(167,042)	(25,543)	(28,212)	(33,103)
Total Cash Generated	45,145	(95,016)	(25,676)	1,770	2,543
Free Cashflow To Equity	56,036	72,026	(134)	29,983	35,646
Free Cashflow To Firm	57,460	73,606	1,066	31,383	36,946

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	177,411	90,173	62,606	62,951	61,568
Total Debtors	28,972	25,100	33,708	34,593	38,693
Inventories	34,224	33,156	41,199	42,732	45,522
Total Other Current Assets	8,473	9,371	10,800	11,900	13,100
Total Current Assets	249,080	157,801	148,313	152,176	158,884
Fixed Assets	74,871	82,673	101,256	137,269	159,684
Total Investments	7,370	6,654	10,654	14,654	27,654
Intangible Assets					
Total Other Non-Current Assets	14,413	16,364	17,300	18,300	19,000
Total Non-current Assets	96,653	105,691	129,210	170,223	206,338
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	74,408	74,931	73,346	81,395	88,767
Other Current Liabilities	43,169	56,699	43,072	46,802	52,350
Total Current Liabilities	117,578	131,629	116,418	128,197	141,117
Total Long-term Debt	15,031	12,211	10,211	8,711	4,711
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	15,031	12,211	10,211	8,711	4,711
Total Provisions	26,989	29,360	31,595	34,025	36,297
Total Liabilities	159,598	173,200	158,224	170,932	182,125
Shareholders Equity	200,548	106,657	136,599	169,767	202,096
Minority Interests					
Total Equity	200,548	106,657	136,599	169,767	202,096

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	27.3%	15.8%	(2.1%)	8.7%	11.9%
Operating EBITDA Growth	37.6%	21.0%	(6.4%)	11.3%	8.4%
Operating EBITDA Margin	12.5%	13.1%	12.5%	12.8%	12.4%
Net Cash Per Share (Rs)	199.84	95.95	64.48	66.75	69.97
BVPS (Rs)	246.82	131.26	168.11	208.93	248.72
Gross Interest Cover	37.63	43.81	53.38	50.79	58.08
Effective Tax Rate	25.8%	26.5%	25.6%	25.6%	25.6%
Net Dividend Payout Ratio	31.7%	254.7%	45.0%	45.0%	50.0%
Accounts Receivables Days	15.37	14.13	15.70	16.78	16.10
Inventory Days	25.55	23.83	27.35	28.49	26.74
Accounts Payables Days	52.06	52.83	54.53	52.52	51.56
ROIC (%)	75.1%	105.5%	120.9%	53.5%	42.8%
ROCE (%)	30.9%	46.0%	49.7%	45.7%	41.7%
Return On Average Assets	12.9%	17.0%	17.9%	17.9%	16.6%

Key Drivers

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
ASP (% chg, main prod./serv.)	7.9%	7.3%	0.3%	2.7%	3.8%
Unit sales grth (% , main prod./serv.)	18.0%	8.0%	(2.4%)	5.8%	7.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.

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.