

IPO Note – HYUNDAI MOTOR INDIA LIMITED

STELLAR PAST, LONG TERM OUTLOOK STRONG; PREMIUM VALUATION FACES 'MOMENT OF TRUTH'!!

Hyundai Motor India Limited (Hyundai) is the 2nd largest auto OEM in the Indian passenger vehicle (PV) market since FY09 in terms of domestic sales volumes and has been the 2nd largest exporter of PVs from India since FY22. It has sold ~12 mn units till date since 1998. Currently, it has a portfolio of 13 models across multiple segments. It has a track record of mfg. and selling PVs that are reliable, feature-rich, innovative and backed by latest technology. They have a capacity of 811K units as on FY24 to be expanded to 1.1 mn units per annum by 2028.

One of the largest PV player in India through its diversified portfolio: - Hyundai has been one of the largest OEM in India having sold 777K units in FY24, garnering a market share of 14.6% despite competition. It has a 24% market share in exports which is one of the highest in industry. Since their inception till Q1FY25, they exported 3.61 mn PVs to over 150 countries, including LATAM, Africa, ME, Asia and others. They have 13 models in their portfolio across segments and powertrains with many of its products having multiple engine and fuel options. They also seek to become a significant player in the EV segment with 4 EV launches planned, starting with Creta EV in FY25. Product wise, Creta had a market share of 38%, Verna was the top selling model in its segment in FY24, Aura was the 2nd highest selling model in its segment with 15% market share in Q1FY24. It had 1,377 sales outlets across 1,036 cities and towns in India and 1,561 service centres across 957 cities and towns in India as on Q1FY24.

Leveraging the strong brand name, technologies and R&D of the parent: - Hyundai is part of Hyundai Motor Co. (HMC), which is the 3rd largest auto OEM in the world based on PV sales in CY23. Hyundai has the support of HMC in many aspects of their operations and has maintained close connections with other affiliates within the group across the value chain, creating synergies in supply, mfg., and product development. Hyundai intends to innovate continuously and invest in their robust market research channels and leverage HMC's global R&D, insights and advanced technologies. It has established "Hyundai" as a trusted brand in India having received the highest number of ICoTY awards over the years. Hyundai's commitment to India has been very strong, having invested ~Rs. 301 bn till Q1FY24, with an additional investment of ~Rs. 320 bn for various initiatives in India in coming years.

Key Risks: - 1) Co. has been unable to increase its market share beyond 20%, 2) Increasing competition from other HMC group co. Kia Motors, 3) Slowdown in EV demand with no Hybrids on offer, 4) ~67% of its volume is derived from SUV segment.

Financials & valuation –

Hyundai has consistently grown stronger and has been one of the most recognised brands in India since its inception and has been the first- mover in various PV categories. We believe that the outlook for Hyundai continues to be strong owing to its strong parentage and leveraging HMC's technology and R&D capabilities and strong balance sheet. However, at the upper price band, Hyundai is available at a rich valuation of 26x its FY24 EPS, leaving little on the table for investors. We have a **SUBSCRIBE** recommendation to this issue for a long term.

Key Financials (₹ Cr)	Mar-22	Mar-23	Mar-24
Revenue	47,378	60,308	69,829
EBITDA	5,486	7,549	9,133
EBITDA Margin (%)	11.6	12.5	13.1
PAT	2,902	4,709	6,060
PAT Margin (%)	6.1	7.8	8.7
Net Worth	16,856	20,055	10,666
ROCE (%)	20.4	28.8	62.9
ROE (%)	17.2	23.5	56.8

Source: ABML Research, RHP, company presentation

Aditya Birla Money Ltd.

10th Floor, R - Tech Park, Nirlon Knowledge Park, Off Western Express Highway,

Goregaon (E), Mumbai - 400 063

+91 22 6225 7600

care.stocksandsecurities@adityabirlacapital.com | www.stocksandsecurities.adityabirlacapital.com

11 October 2024

Rating	SUBSCRIBE	
Issue Details		
Issue Opens	15-Oct-24	
Issue Closes	17-Oct-24	
Face Value (₹)	10	
Price Band (₹)	1,865-1,960	
Bid Lot	7	
Issue Size at higher price band (₹ Cr)	27,856	
Market cap @ upper price band (₹ cr)	159,258	
Listing	NSE/BSE	
BRLMs	Kotak Capital, Citigroup, HSBC Securities, JP Morgan India, Morgan Stanley	
Registrar	KFin Tech	
Shareholding Pattern (%)		
	Pre-Issue	Post Issue
Promoter	100	82.50
Public	-	17.50
Issue Structure (In cr no. of shares)		
Issue size	14.21	
OFS	14.21	
Break-up of net issue to public (%):		
QIB's portion	50.0	
Non-Institutional portion	15.0	
Retail Portion	35.0	

Source: ABML Research, RHP

Analyst Details

Mihir B. Manek

022-6819 0520

mihir.manek1@adityabirlacapital.com

Registered Office:

Indian Rayon Compound, Veraval,

Gujarat - 362 266

CIN: L65993GJ1995PLC064810

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Goregaon (E), Mumbai - 400 063
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