

Hyundai Motor India – IPO

Hyundai Motor India (Hyundai) is the 2nd largest PV OEM in India with 14.5% domestic market-share. Hyundai is well-aligned to the segments in the PV industry, with similar market-share in the fast growing UV segment, as in non-UVs. Hyundai was capacity-constrained over the years; Acquisition of GM’s plant will add 250k capacity and position the company for growth. Hyundai has been consistent in launching/refreshing models; it plans to launch Creta EV in 4QFY25. We believe MPV segment is a portfolio gap and may be addressed soon. Hyundai has several facets of operational superiority vs peers (detailed herein). If valuations of USD18-20bn being quoted in the media are accurate, we find it attractive, especially relative to listed OEMs in India. Potential weakness in PV industry in FY25 is a concern.

Hyundai India – well-aligned to the PV industry: Hyundai commanded 14.5% market-share in the Indian PV industry in FY24. UVs (SUV + MPV) accounted for 60% of the industry. For Hyundai, UVs accounted for 63% of its domestic sales. In effect, Hyundai’s exposure to end-segments is closely aligned to the structure of the industry. Hence, it is well-placed to benefit from continued growth in SUVs, and/or a revival in hatchbacks. In addition, Hyundai derives 24% of revenue from exports; this has seen consistent growth in FY21-24.

Acquisition of GM’s plant creates room for growth: We believe Hyundai’s overall growth (domestic + exports) has been constrained by capacity. While domestic volumes saw consistent growth, exports fell from peak of 260k in FY13 to 104k in FY21, possibly to accommodate higher domestic sales. In Dec 2023, Hyundai acquired GM’s Talegaon plant, which will add 250k capacity on full ramp-up, over Hyundai’s current capacity of 824k.

New models – Creta EV in 4QFY25; MPV segment is an opportunity: Hyundai has launched new models over the years to keep its model line-up exciting. We believe the MPV segment is a portfolio gap, which Hyundai may address in coming years. Hyundai plans to launch Creta EV in 4QFY25, to add to the Ioniq 5 (premium EV).

Many facets of operational superiority vs. peers: Unlike peers, Hyundai was able to keep its Ebitda margin quite steady between 10.0-13.0% over FY18-24, despite sharp industry slowdown and Covid-related disruption. Hyundai’s “revenue per full-time employee” is much higher vs peers. Its ROCE (excl. cash & investments) was 140-150% in FY23-FY24, which is head and shoulders above peers. Hyundai’s Net Fixed Asset t/o at 8.7x in FY24 is around double the level of peers, who are between 4-5x. Potential increase in royalty (from 2.3-2.5% to 3.5% of revenue) is a margin risk.

Valuations may be attractive, relative to listed OEMs in India: Hyundai Motor India is a 100% subsidiary of Hyundai Motor Company (South Korea). As a part of the IPO, the parent is likely to offload 17.5% stake. Official IPO pricing has not been announced yet. However, media articles are quoting valuation of USD18-20bn. Hyundai generated ~Rs44bn PAT in 9MFY24. Back-of-the-envelope calculation (annualisation of 9MFY24 PAT and 10% PAT Cagr over FY24-26) would peg FY26 PAT at ~Rs70bn. A value of USD18-20bn would imply FY26 PE of 21.3-23.7x. This is cheaper than most Auto OEMs listed in India. Maruti is at 25x; M&M trades at 28x core EPS. 2W OEMs range from 22-40x. Only Tata Motors is relatively cheap at 14x, due to JLR.

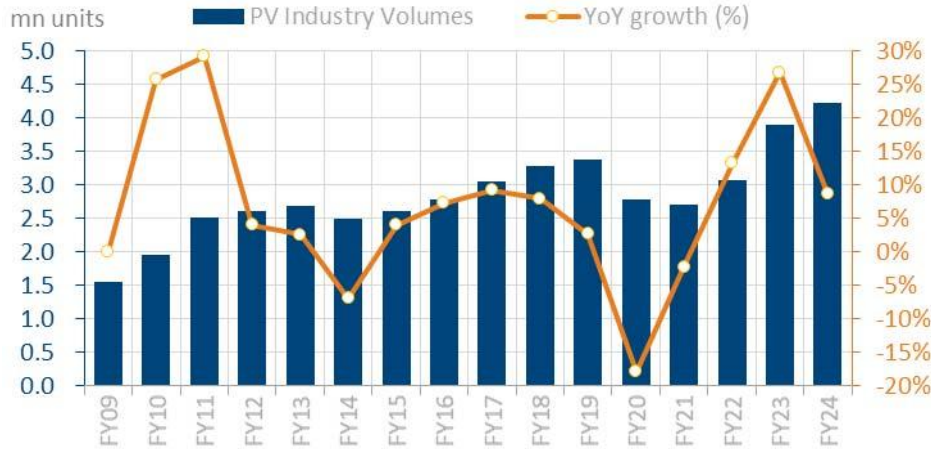
Figure 1: Hyundai Motor India – Key financials

	FY21	FY22	FY23	9MFY24
Revenue (Rs mn)	409,723	473,784	603,076	521,579
Ebitda (Rs mn)	42,457	54,861	75,488	66,108
Ebitda margin (%)	10.4%	11.6%	12.5%	12.7%
Ebit (Rs mn)	22,725	33,165	53,589	49,607
Ebit margin (%)	5.5%	7.0%	8.9%	9.5%
PAT (Rs mn)	18,812	29,016	47,093	43,829
PAT growth (%)		54.2%	62.3%	
ROE (%)		18.0%	25.5%	
ROCE (%)		21.7%	32.3%	
Net debt/equity (x)		(0.6)	(0.7)	

Source: Hyundai DRHP, IIFL Research

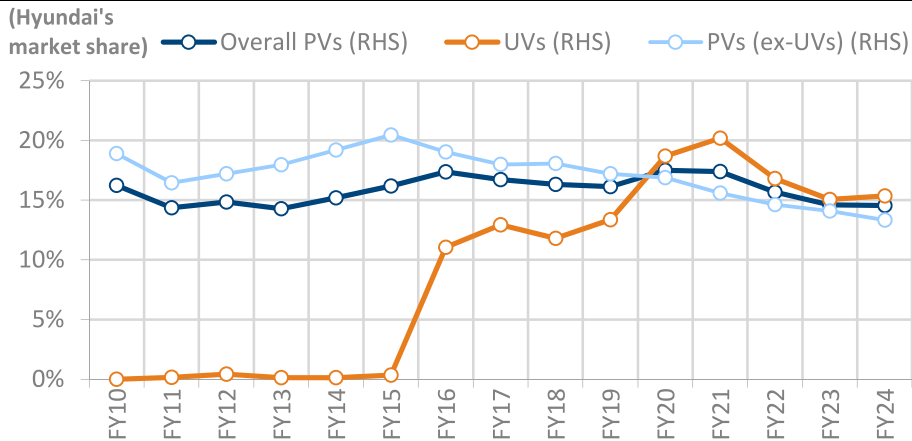
The PV industry saw a strong up-cycle in FY22-FY24, i.e. post Covid. Hyundai's mkt-share came off from a recent peak of 17.5% in FY20/FY21 to an average 14.5% in FY23/FY24.

Figure 2: PV industry volumes - trend



Source: SIAM, IIFL Research

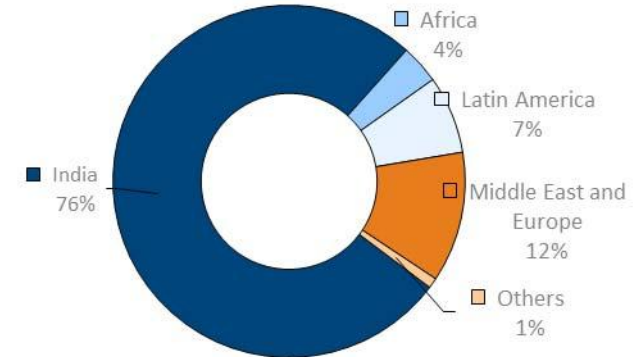
Figure 3: Hyundai's overall PV mkt-share has come off in recent years



Source: SIAM, IIFL Research; Note: UV includes SUV and MPV

Hyundai derives 76% revenue of its revenue from India, with remaining 24% coming in from exports to Africa, LatAm, Middle East & Europe.

Figure 4: Hyundai's Revenue split by geography



Source: Hyundai DRHP, IIFL Research; *based on 9MFY24

Hyundai operated at >95% capacity utilisation in FY24. In Dec 2023, Hyundai acquired General Motors' Talegaon plant. When this plant becomes fully operational, Hyundai's overall capacity will increase from current 824k to 1074k.

Figure 5: Hyundai's capacity utilisation & addition plans

	FY21	FY22	FY23	FY24
Capacity (units)	752,000	758,000	770,000	824,000
Production (units)	567,728	606,100	713,273	787,350
Capacity utilisation	75%	80%	93%	96%
Capacity Addition:				
Talegaon (Phase 1) - 2HFY26				170,000
Talegaon (Fully operational)				80,000
Total capacity in future				1,074,000

Source: Hyundai DRHP, SIAM, IIFL Research; Talegaon plant acquired from General Motors in Dec'23

In FY24, UVs (SUV + MPV) accounted for 60% of the domestic PV industry. For Hyundai, UVs accounted for 63% of its domestic sales. On the other hand, only 36% of Maruti's domestic PV volumes came from UVs. For M&M, 100% of its domestic volumes came from UVs.

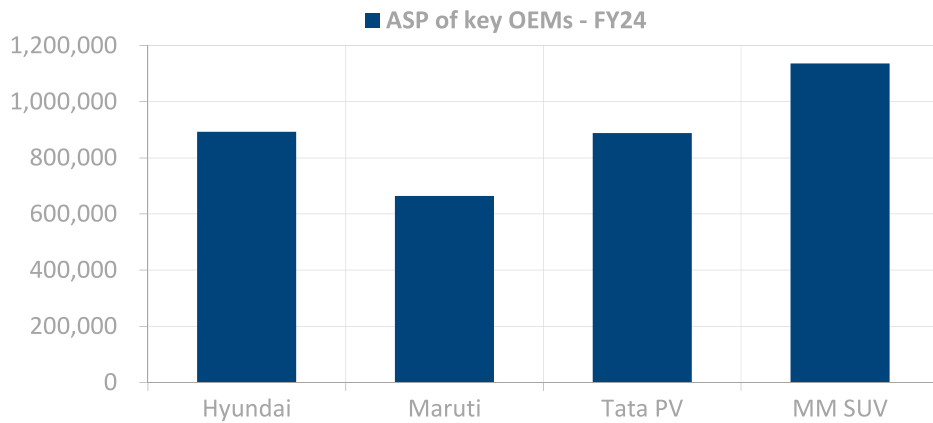
In effect, Hyundai's exposure to end segments is closely aligned to the structure of the industry. As a result, it is well-placed to benefit from continued growth in SUVs, and/or a revival in hatchbacks.

Figure 6: FY24 PV volume mix comparison by OEMs

	Hyundai		Maruti		Tata		M&M	
	Units	% mix	Units	% mix	Units	% mix	Units	% mix
Domestic UV	388,725	50%	642,295	31%	388,418	68%	459,864	98%
Domestic Non-UV	225,992	29%	1,117,586	55%	182,551	32%	-	0%
Total Domestic	614,717	79%	1,759,881	86%	570,969	100%	459,864	98%
Exports	163,155	21%	283,067	14%	2,648	0%	10,894	2%
Total Volumes	777,872	100%	2,042,948	100%	573,617	100%	470,758	100%

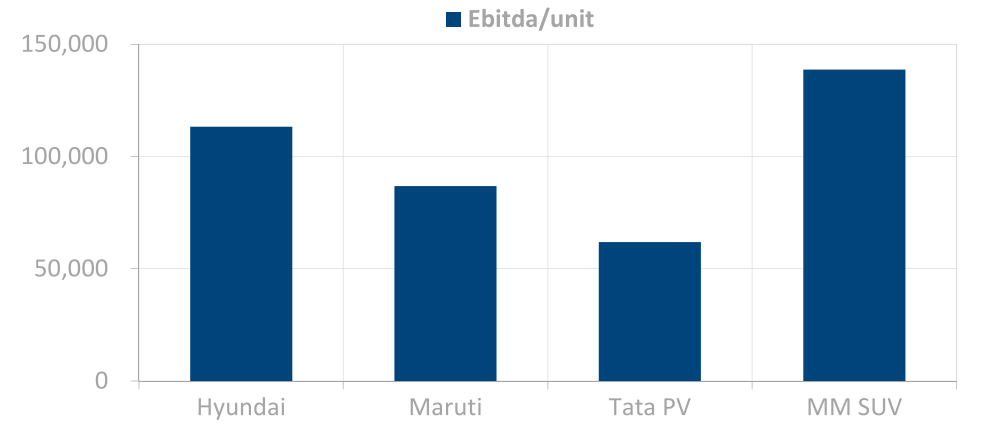
Source: SIAM, IIFL Research; Note: UV includes SUV and MPV

Figure 7: ASP comparison across PV OEMs - FY24



Source: Hyundai DRHP, Company, SIAM, IIFL estimates; *Hyundai figures are for 9MFY24

Figure 8: Ebitda/unit comparison across PV OEMs – FY24



Source: Hyundai DRHP, Company, SIAM, IIFL estimates; *Hyundai figures are for 9MFY24

Hyundai derives 87% of its revenue from vehicle sales. Sale of parts accounts for only 6% of its revenue. We believe there is scope to grow spare parts revenue from current levels.

Figure 9: Revenue from operations – break-down (FY23)

Revenue split	Hyundai		Maruti		Tata PV	
	Amount	%	Amount	%	Amount	%
Vehicle sales	522,709	87%	983,198	84%	397,675	81%
Spares	36,487	6%	141,810	12%	84,582	17%
Services	31,832	5%	38,093	3%	5,207	1%
Others	12,048	2%	12,128	1%	1,206	0%
Total	603,076	100%	1,175,229	100%	488,671	100%

Source: Hyundai DRHP, Company, IIFL Research

Hyundai's Ebitda margin at 12.7% is largely similar to Maruti (Consol. basis, including manufacturing subsidiary - SMG). Hyundai generates lower gross margin vs Maruti but compensates for it by way of lower employee costs, royalty and operating expenses.

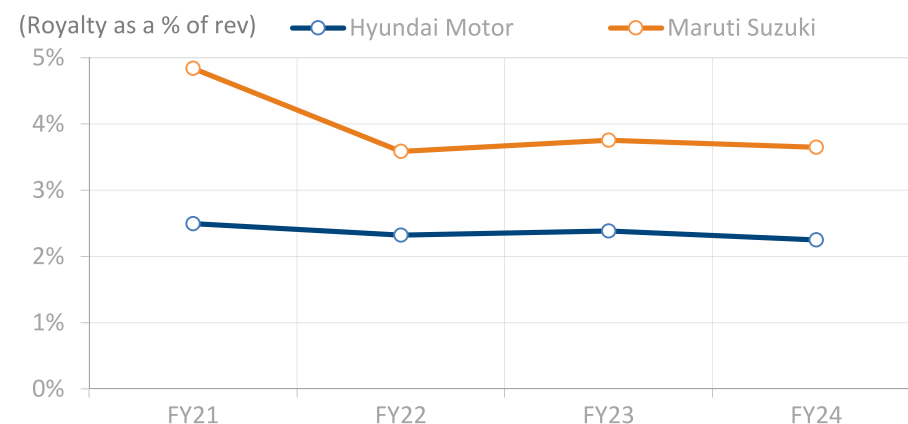
Figure 10: Key Indian PV OEMs – Common size income statement (FY24)

	Hyundai *	Maruti – Consol.	Tata – PV
Revenue (Rs bn)	695	1419	510
Ebitda (Rs bn)	88	185	35
PAT (Rs bn)	58	135	14
Revenue	100.0%	100.0%	100.0%
COGS	74.7%	70.3%	82.1%
Gross Profit	25.3%	29.7%	17.9%
Employee cost	2.8%	4.4%	2.8%
Royalty	2.3%	3.3%	0.0%
Opex (excl. Royalty)	7.6%	8.9%	8.1%
Ebitda	12.7%	13.1%	7.0%
Depreciation expense	3.2%	3.7%	3.9%
Ebit	9.5%	9.4%	3.1%
Other income	2.2%	3.1%	0.4%
Interest expense	0.2%	0.1%	0.5%
PBT	11.5%	12.3%	3.1%
Tax	3.1%	2.8%	0.3%
PAT (Pre-exceptional)	8.4%	9.5%	2.8%

Source: Hyundai DRHP, Company, IIFL Research; *Hyundai figures are based on annualisation of 9MFY24, for ease of comparison

For Hyundai, royalty cost has hovered around 2.3-2.5% of its overall revenue. However, Hyundai has entered into a new Royalty agreement, effective Apr 2024, which pegs the revised royalty rate at 3.5% of sales.

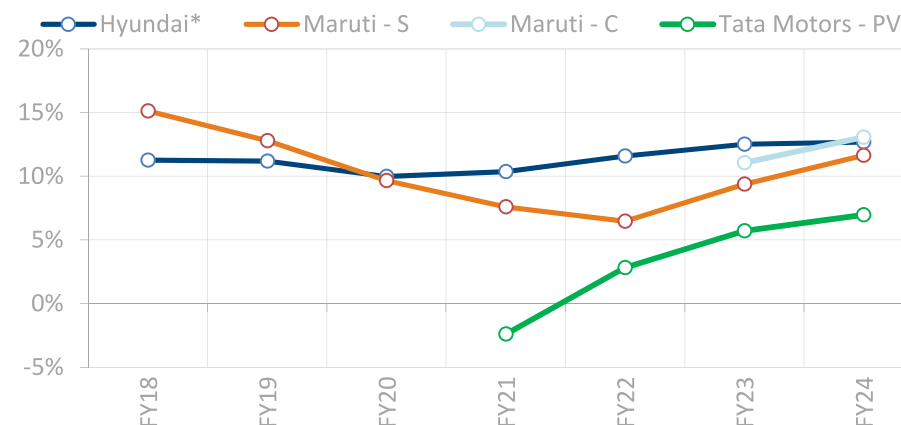
Figure 11: Royalty – Hyundai vs Maruti; Hyundai’s royalty may increase in FY25



Source: Hyundai DRHP, Company, IIFL Research; *Hyundai FY24 figures are for 9MFY24

Over the medium-term, Hyundai’s Ebitda margin has been far more stable compared to Maruti. Maruti’s standalone Ebitda margin contracted from a peak of 15% in FY18 to a low of 6.5% in FY22. On the other hand, Hyundai has been quite steady between 10-13%, despite industry slowdown and Covid-related disruption.

Figure 12: Long term Ebitda margin trend across key PV OEMs



Source: Hyundai DRHP, Company, MCA filings, IIFL Research; *Hyundai FY24 figures are for 9MFY24

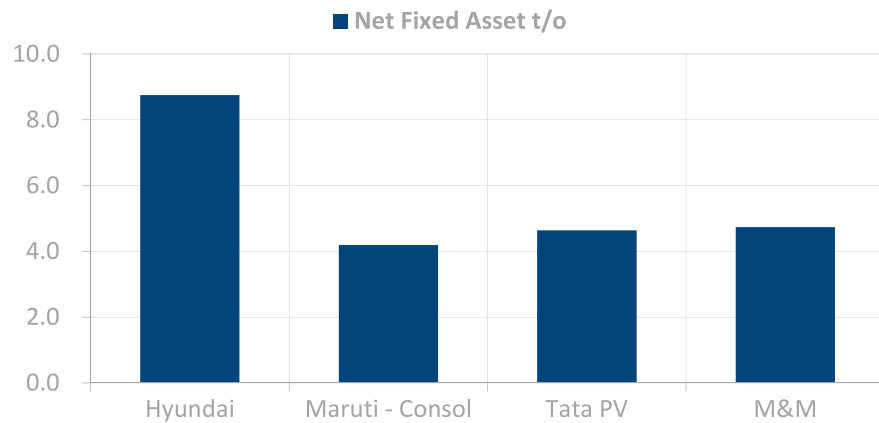
Hyundai generates higher ROE vs. peers. Part of the difference in ROE has to do with high levels of cash/investments on Maruti and M&M's balance-sheets. Even on ROCE (excl. cash & investments) basis, Hyundai is clocking much better returns vs. peers.

Figure 13: Return Ratios – Comparison table

(%)	FY24
ROE:	
- Hyundai Motor*	29.3%
- Maruti Suzuki (C)	16.8%
- M&M	20.3%
- Tata PV	20.3%
ROCE (excl. cash/investments):	
- Hyundai Motor*	149.3%
- Maruti Suzuki (C)	53.6%
- M&M	53.3%
- Tata PV	18.9%

Source: Hyundai DRHP, Company, IIFL Research; *Hyundai FY24 figures are prorated based on 9MFY24

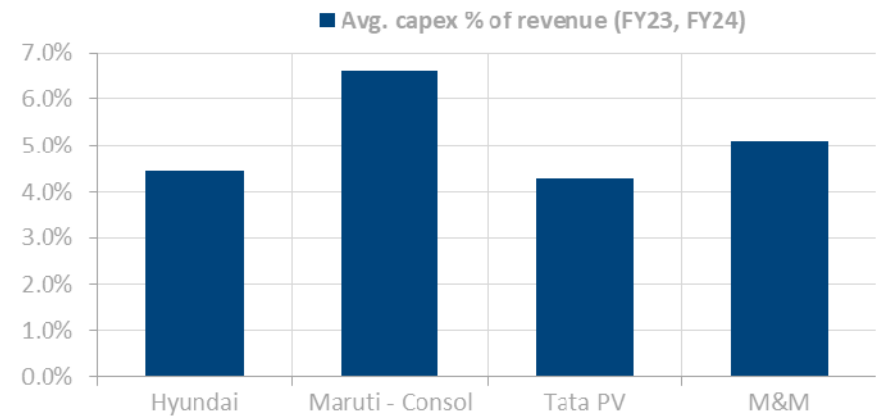
Figure 14: Hyundai has almost double the 'Net Fixed asset turnover' vs peers



Source: Hyundai DRHP, Company, IIFL Research

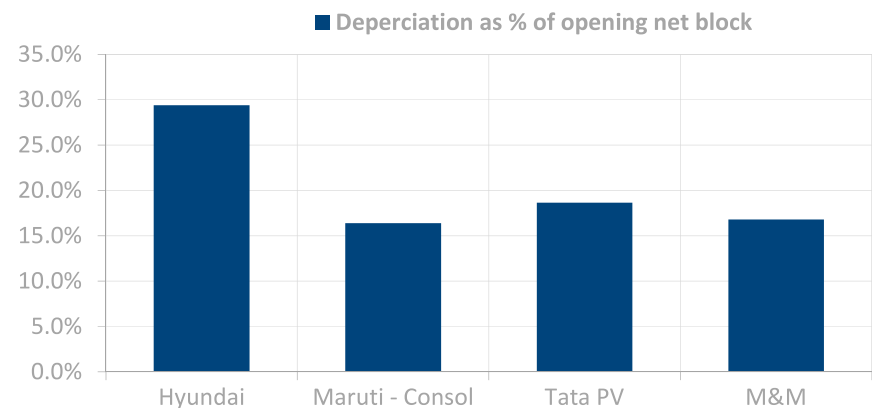
Hyundai's Net Fixed Asset t/o at 8.7x in FY24 is around double the level of peers, who are between 4-5x. In recent years, Hyundai's capex is slightly lower vs peers. However, the notable difference is that Hyundai depreciates fixed assets at a much higher rate compared to peers. This would have negatively hurt Ebit margin (more so in the initial years), but would have also brought down invested capital.

Figure 15: Hyundai's Capex is slightly lower vs peers...



Source: Hyundai DRHP, Company, IIFL Research

Figure 16: ...but Hyundai depreciates assets at a much higher rate vs peers



Source: Hyundai DRHP, Company, IIFL Research

Hyundai generates much higher “revenue per full-time employee” vs peers. This may be explained by higher automation in the plants vs peers.

Figure 17: Hyundai clocks much higher ‘Revenue/employee’ vs peers

	Hyundai Motor	Maruti Suzuki	Tata Motors *	M&M
FY23 revenue (Rs mn)	603,076	1,125,008	1,140,553	849,603
Revenue/employee (Rs mn)	113.4	67.9	43.2	37.9

No. of Employees:

FY22	5,307	16,259	25,588	21,297
FY23	5,327	16,875	27,125	23,495
Average	5,317	16,567	26,357	22,396

Source: Hyundai DRHP, Company, IIFL Research; *Tata Motors’ standalone business (PVs + CVs)

EV plans

Hyundai currently sells the Ioniq 5 (premium EV) in India. In 4QFY25, Hyundai plans to launch the Creta EV, and follow it up with 3 more EV launches in coming years.

Figure 18: OEM-wise EV plans

	Current offerings	Near-term plan	Medium-term plan
Hyundai	Ioniq 5	Creta EV in 4QFY25	Further 3 EVs planned
Maruti		1st EV in early 2025	6 EVs by FY31
Tata Motors	Nexon EV, Punch EV Tigor EV, Tiago EV	Harrier.ev and Curvv.ev in FY25	Sierra.ev and Avinya in FY26
Mahindra	XUV400	New EV in late FY25	7 models by FY30
Kia		2 EVs by 2025	
Toyota		First EV in 2025	

Source: Hyundai DRHP, IIFL Research

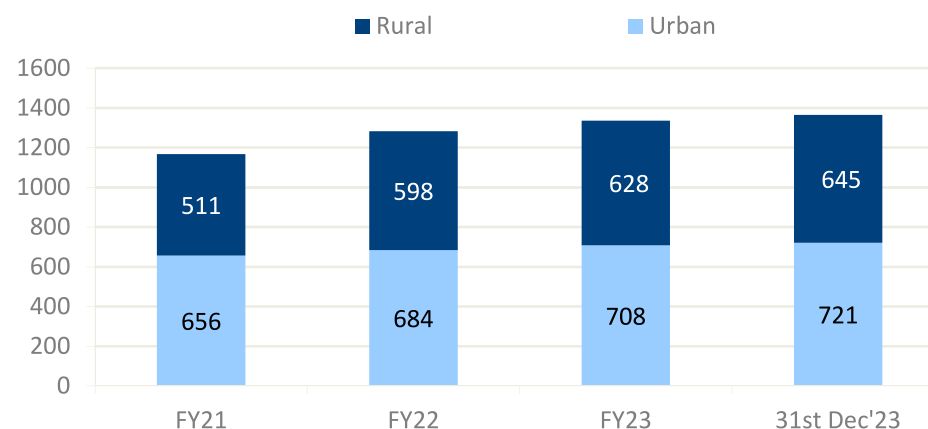
Sales and service network

Figure 19: Current sales and service touchpoints – Comparison by OEMs

OEM	Sales Outlets	Service Outlets	Total
Maruti Suzuki	3,250+	4,560+	7,800+
Hyundai Motor	1,350+	1,500+	2,850+
Tata Motors	1,400+	850+	2,250+
M&M	1,250+	600+	1,850+
Kia Motors India			520+
Toyota Kirloskar Motor			600+
Honda Cars India			400+
Skoda Auto India			250+
MG Motor India			350+
Renault India	450+	530+	980+
Volkswagen India	190+	130+	320+
Nissan Motor India			250+

Source: Hyundai DRHP, IIFL Research

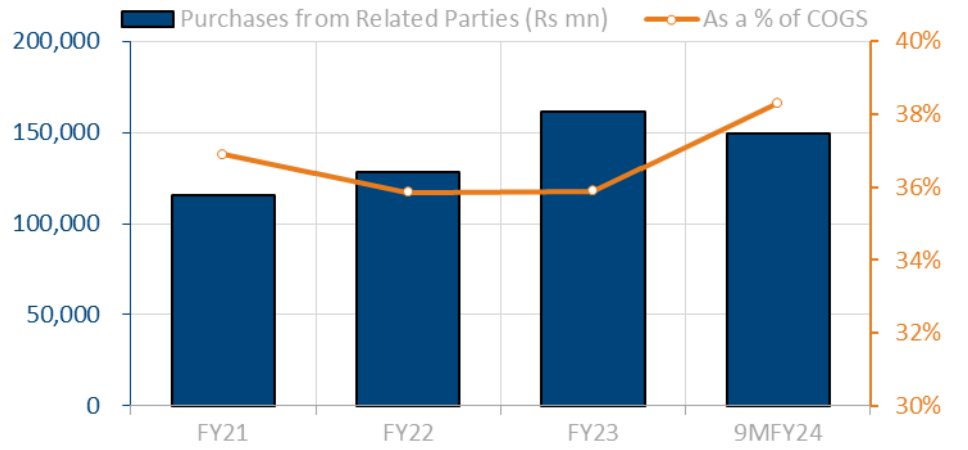
Figure 20: Hyundai’s sales outlet split – Urban vs Rural



Source: Hyundai DRHP, IIFL Research

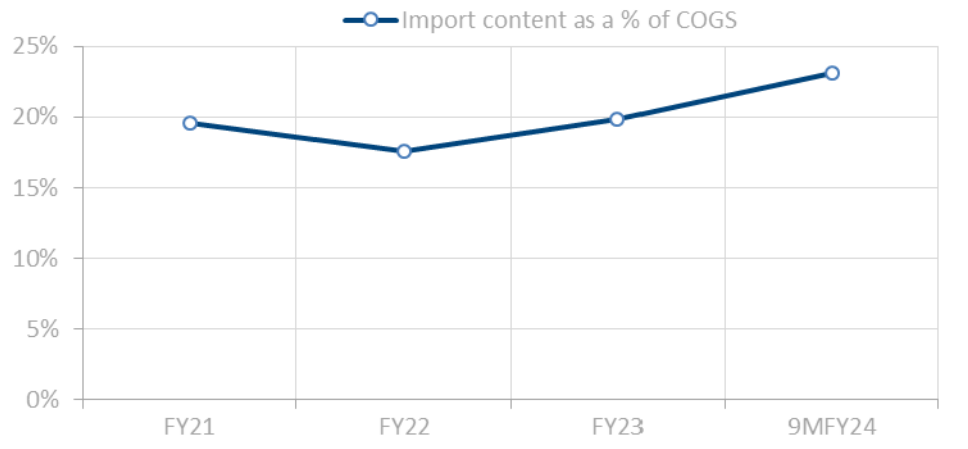
Related party purchases and Import content are high

Figure 21: Hyundai's purchases from Related Parties



Source: Hyundai DRHP, IIFL Research

Figure 22: Hyundai's imports as a % of COGS



Source: Hyundai DRHP, IIFL Research

Peer valuations – India OEMs

Figure 23: Valuation matrix – Indian OEMs

Company	Mkt Cap (USD bn)	P/E		EV/EBITDA		P/B	
		FY25	FY26	FY25	FY26	FY25	FY26
		(x)	(x)	(x)	(x)	(x)	(x)
Auto OEM							
Maruti Suzuki	47.2	27.8	25.3	18.0	15.7	4.3	3.8
Hero Moto	13.3	24.3	22.1	17.1	15.4	5.6	5.2
Tata Motors	44.5	14.5	13.7	5.8	5.2	3.9	3.1
Bajaj Auto	32.5	32.0	28.0	23.9	20.9	8.7	7.9
M&M	37.3	29.6	27.7	21.9	20.2	5.6	4.9
Eicher Motors	15.6	30.0	28.0	24.0	21.7	6.2	5.4
Ashok Leyland	8.1	21.4	22.2	13.3	13.6	6.7	6.0
TVS Motors	13.7	47.7	40.4	27.6	23.9	12.0	9.8
Escorts	5.3	38.0	34.2	27.8	24.6	4.3	3.9

Source: Company, Bloomberg, IIFL Research

Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Consolidated	FY21A	FY22A	FY23A	9MFY24
Revenues	409,723	473,784	603,076	521,579
Ebitda	42,457	54,861	75,488	66,108
Depreciation and amortisation	-19,732	-21,696	-21,899	-16,501
Ebit	22,725	33,165	53,589	49,607
Non-operating income	4,324	5,876	11,291	11,402
Financial expense	-1,646	-1,319	-1,424	-1,206
PBT	25,402	37,722	63,456	59,803
Exceptionals	0	0	0	0
Reported PBT	25,402	37,722	63,456	59,803
Tax expense	-6,591	-8,706	-16,363	-15,974
PAT	18,812	29,016	47,093	43,829
Minorities, Associates etc.				
Attributable PAT	18,812	29,016	47,093	43,829

Ratio analysis

Y/e 31 Mar, Consolidated	FY21A	FY22A	FY23A	9MFY24
Per share data (Rs)				
Pre-exceptional EPS	23.2	35.7	58.0	53.9
DPS	16.7	18.4	57.3	0.0
BVPS	188.4	207.5	246.8	243.4
Growth ratios (%)				
Revenues		15.6	27.3	
Ebitda		29.2	37.6	
EPS		54.2	62.3	
Profitability ratios (%)				
Ebitda margin	10.4	11.6	12.5	12.7
Ebit margin	5.5	7.0	8.9	9.5
Tax rate	25.9	23.1	25.8	26.7
Net profit margin	4.6	6.1	7.8	8.4
Return ratios (%)				
ROE		18.0	25.5	
ROCE		22.5	33.0	
Solvency ratios (x)				
Net debt-equity		-0.8	-0.8	
Net debt to Ebitda		-2.4	-2.2	
Interest coverage		25.1	37.6	

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Consolidated	FY21A	FY22A	FY23A	9MFY24
Cash & cash equivalents	115,676	141,388	177,411	152,543
Inventories	25,633	28,811	34,224	34,326
Receivables	24,649	21,824	28,972	24,106
Other current assets	15,799	13,397	21,989	20,452
Creditors	52,046	42,603	47,045	51,749
Other current liabilities	48,607	60,638	86,247	66,990
Net current assets	81,105	102,179	129,305	112,687
Fixed assets	75,564	65,310	66,516	75,787
Intangibles	5,490	6,694	8,354	8,354
Investments	0	0	0	0
Other long-term assets	4,494	6,157	8,266	9,316
Total net assets	166,653	180,339	212,442	206,144
Borrowings	13,539	11,777	11,893	8,365
Other long-term liabilities	0	0	0	0
Shareholders equity	153,113	168,563	200,548	197,779
Total liabilities	166,653	180,339	212,442	206,144

Cash flow summary (Rs m)

Y/e 31 Mar, Consolidated	FY21A	FY22A	FY23A	9MFY24
Ebit	22,725	33,165	53,589	49,607
Tax paid	-9,233	-7,668	-21,328	-17,029
Depreciation and amortization	19,732	21,696	21,899	16,501
Net working capital change	20,129	3,303	9,838	-5,028
Other operating items	873	888	1,645	1,525
Operating cash flow before interest	54,225	51,384	65,643	45,577
Financial expense	-441	-228	-329	-181
Non-operating income	3,817	3,482	8,378	7,788
Operating cash flow after interest	57,601	54,639	73,691	53,183
Capital expenditure	-25,785	-12,535	-22,493	-27,247
Long-term investments	0	0	0	0
Others	2,005	-2,706	-143	-4,193
Free cash flow	33,821	39,397	51,055	21,743
Equity raising				
Borrowings	-117	-91	-98	-77
Dividend	0	-13,594	-14,935	-46,534
Net chg in cash and equivalents	33,704	25,712	36,023	-24,869

Source: Company data, IIFL Research