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IPO Note

HYUNDAI

Hyundai Motors India Ltd

Rating
SUBSCRIBE

Industry: Passenger Vehicles

Date: 11th October 2024

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Issue Highlights

Hyundai Motor India Ltd' Initial Public Offering (IPO) is a book built issue of Rs 27,870.16 crores.

The issue is entirely an Offer For Sale (OFS) of 14.22 crore shares, amounting to Rs. 27,870.16 crores.

The IPO price band is set at ₹1,865 to ₹1,960 per share.

The selling shareholder is the parent company, i.e., Hyundai Motor Company.

The issue includes a reservation of up to 778,400 shares for employees offered at a discount of Rs 186 to the issue price.

15th Oct 2024 **ISSUE OPENS** to **17th** Oct 2024 **ISSUE CLOSES**

ISSUE DETAILS	
Price Band	₹1,865 to ₹1,960 per share
Face Value	₹10 per share
Total Offer Size	142,194,700 shares (aggregating up to ₹27,870.16 Cr)
Offer for Sale	142,194,700 shares of ₹10 (aggregating up to ₹27,870.16 Cr)
Issue Type	Book Built Issue IPO
Minimum lot	7 shares
Listing on	BSE, NSE

Data Source: Company filings & CSEC Research

Date: 11th October 2024

Outlook

- Hyundai Motors India (HMI) Ltd. is the third-largest OEM in the global passenger vehicle market and the second-largest in the Indian domestic market since 2019.
- Having strong parentage from Hyundai Motors Company in South Korea, HMI effectively leverages new technologies to enhance operational and manufacturing efficiency.
- As of June 30, 2024, HMI Ltd holds a 14.6% market share in the passenger vehicle segment, due to its extensive product offerings.
- The company is planning to expand its EV portfolio by launching 4 new models including Creta EV by Q4FY25.
- Post issue the promoter shareholding will come down to 82.5%, indicating further dilution in future.
- The IPO is reasonably priced with a post-issue PER of 26.3x, in line with its peers, and a return on equity of 56.82% (FY24).
- We recommend a “SUBSCRIBE" rating for Hyundai Motors India Ltd's IPO.

Market Cap (Rs. Crores) Post Issue	Post Issue PE Ratio	Return on Equity (FY24 ROE%)	Promoter Shareholding Post Issue
159,258	26.28	56.82%	82.50%

Indicative Timeline

On or before

Finalization of Basis of Allotment	Friday, October 18, 2024
Unblocking of Funds	Monday, October 21, 2024
Credit of shares to Demat Account	Monday, October 21, 2024
Listing on exchange	Tuesday, October 22, 2024

IPO Reservation

QIB Shares	Not more than 50.00% of the Net Issue
HNI Shares	Not less than 15.00% of the Net Issue
Retail Shares	Not less than 35.00% of the Net Issue

Lot Size

Application	Lots	Shares	Amount
Retail (Min)	1	7	₹13,720
Retail (Max)	14	98	₹192,080
S-HNI (Min)	15	105	₹205,800
S-HNI (Max)	72	504	₹987,840
B-HNI (Min)	73	511	₹1,001,560

Data Source: Company filings & CSEC Research | Post Issue PER calculated with FY24 PAT

Company Overview

Incorporated in 1996, Hyundai Motors India Ltd, a subsidiary of the Hyundai Motor Group in South Korea, has established itself as a formidable presence in the automotive industry. As per a CRISIL report, the company as of CY23 ranks as the third largest original equipment manufacturer (OEM) globally based on passenger vehicle sales. Notably, Hyundai is the second largest auto OEM in terms of domestic sales volume in the Indian passenger vehicle market since FY09. The company has built a reputation for manufacturing and selling four-wheeler passenger vehicles that are not only reliable but also feature-rich, innovative, and supported by the latest technology. Hyundai Motors India Ltd operates three manufacturing plants: Two in Tamil Nadu (Irrungattukottai and Sriperumbudur), and one in Talegaon, Maharashtra, which is currently under redevelopment. As of March 31, 2024, the Chennai Manufacturing Plant has an annual production capacity of 824,000 units. When the Talegaon facility becomes partially operational, the company anticipates that the combined production capacity (Chennai and Talegaon) will rise to 994,000 units. Upon reaching full operational status, the Talegaon Manufacturing Plant is expected to increase the total production capacity to 1,074,000 units.

- **Strong Parentage of Hyundai Group:** Hyundai Motors India Ltd benefits from the robust support of the Hyundai Motor Group South Korea, across various operational domains, including management, research and development (R&D), design, product planning, manufacturing, supply chain development, quality control, marketing, distribution, branding, human resources, and financing. The company is particularly advantaged by the centralized R&D hub, which oversees global initiatives for the Hyundai Motor Group. This centralized R&D capability, coupled with effective information flow regarding emerging global trends and evolving customer preferences, enables Hyundai Motors India to promptly identify and respond to customer needs.
- **Pan-India Distribution Network**: As on 31st March, 2024, the company has a comprehensive distribution network, consisting of 1,363 sales outlets and 1,549 service centers across 1,031 and 962 cities and towns. This marks a significant increase from 1,167 sales outlets and 1,307 service centers in 873 and 814 cities and towns as of March 31, 2021. This extensive sales and service network positioned Hyundai as the second largest in India in terms of customer touchpoints.
- **Suppliers:** Hyundai Motor Group maintains its largest supply chain outside of Korea in India, comprising 194 tier-1 and 1,083 tier-2 suppliers as of March 31, 2024. The company is committed to onboarding suppliers who meet stringent quality standards, thereby encouraging technological advancements and improved performance. This strategic partnership enhances the ability of suppliers to serve both Hyundai and its customers effectively.
- **Diversified Product Portfolio:** The company's current portfolio of passenger vehicles is designed to cater to a diverse customer base, offering "something for everyone." This extensive lineup features 13 models across major segments, including sedans (Aura and Verna), hatchbacks (Grand i10 NIOS, i20, and i20 N Line), and SUVs (Exter, Venue, Venue N Line, Creta, Creta N Line, Alcazar, Tucson, and IONIQ 5). These passenger vehicle segments collectively accounted for approximately 88% of total passenger vehicle sales volume in India for FY24 with about 87% during the first 3 months of FY25, as reported by CRISIL. The company aims to establish a significant presence in the electric vehicle (EV) market, with future investments in EVs strategically aligned with anticipated growth in India's four-wheeler EV sector.

Data Source: Company filings & CSEC Research

- **Focus on Increasing EV Market:** Hyundai is strategically focusing on its EV initiatives, aligning product launches with market demands in India. For Q1FY25, FY24, FY23 and FY22 the market share of the company in EV segment was at 1.1%, 2%, 1.7% and 0.7%, respectively. This shows the company's transition strategy of beginning with high-end premium EVs models and then gradually moving toward the mass market as the ecosystem develops. It has already launched IONIQ 5 EV and is planning to launch four EV models in future including Creta EV in the last quarter of FY25.
- **Flexible and Automated manufacturing capabilities:** To improve operational efficiency, Hyundai employs a common platform architecture across its two manufacturing plants in Chennai. This system enables the production of eight different models in one plant and six in the other, with one model produced in both facilities. Such flexibility allows the company to adapt to market demand by producing selected models on multiple lines simultaneously. This approach reduces product development costs, shortens time-to-market, streamlines manufacturing processes, and boosts overall agility.
- **Localization:** The company prioritizes local sourcing, with approximately 93% of its parts and materials procured domestically, in FY24 & Q1FY25. This emphasis on localization not only enhances operational and cost efficiency but also supports profitability and flexibility in manufacturing, ultimately leading to a more responsive supply chain. Hyundai Motors India boasts a robust dealer and service network by partnering with 364 dealer companies, further solidifying its market position.
- **Sales Volume Growth:** The total sales for the passenger vehicles were of 777,876 units in FY24, an increase of 8% YoY from 720,565 units sold in FY23. The domestic sales for FY24 were of 614,721 units, an increase of 8.3% YoY from 567,546 units sold in FY23, while the sales of exports in FY24 were 163,155 units, an increase of 6.6% YoY from 153,019 units sold in FY23. In FY24, the domestic sales account for 79% of the total vehicles sold and exports accounts for the remaining 21% of the total sales.
- **Export Growth:** Since inception up to Q1FY25, the company exported 3.61 million PV to over 150 countries, including to countries in Latin America, Africa, Middle East, Asia, and others.
- **Experienced Management Team:** Hyundai Motors is led by a seasoned management team, including Managing Director Unsoo Kim, Whole-time Director and Chief Operating Officer Tarun Garg, Chief Financial Officer Wangdo Hur, and Whole-time Director and Chief Manufacturing Officer Gopalakrishnan Chathapuram Sivaramakrishnan. The company is governed and advised by an experienced Board of Directors with representatives from both India and Korea, ensuring adherence to high corporate governance standards consistent with Hyundai Motor Company's principles.

Data Source: Company filings & CSEC Research

Models Offered by the company in Sedans, Hatchbacks and SUV Segment:

Sr No	Models	Ex Showroom Price (Delhi) as on June 20, 2024	Fuel Type
	Compact Sedans		
1	Aura	Rs 6.48 Lakhs to Rs 9.04 Lakhs	Petrol & CNG
	Premium Sedans		
2	Verna	Rs 11 Lakhs to Rs 17.41 Lakhs	Petrol
	Compact Hatchbacks		
3	Grand i10 NIOS	Rs 5.92 Lakhs to Rs 8.56 Lakhs	Petrol, CNG and Hy-CNG Duo
	Premium Hatchbacks		
4	i20	Rs 7.04 Lakhs to Rs 11.2 Lakhs	Petrol
5	i20 N Line	Rs 9.99 Lakhs to Rs 12.51 Lakhs	Petrol
	Compact SUVs		
6	Exter	Rs 6.12 Lakhs to Rs 10.27 Lakhs	Petrol, CNG and Hy-CNG Duo
7	Venue	Rs 7.94 Lakhs to Rs 13.48 Lakhs	Petrol, Diesel
8	Venue N Line	Rs 12.07 Lakhs to RS 13.89 Lakhs	Petrol
	Mid Size SUVs		
9	Creta	Rs 10.99 Lakhs to Rs 20.15 Lakhs	Petrol, Diesel
10	Creta N Line	Rs 16.8 Lakhs to Rs 20.45 Lakhs	Petrol
	Large SUVs		
11	Alcazar	Rs 14.99 Lakhs to Rs 21.54 Lakhs	Petrol, Diesel
12	Tucson	Rs 29 Lakhs to Rs 35.94 Lakhs	Petrol, Diesel
13	IONIQ 5	Rs 46.05 Lakhs	Electric

Data Source: Company filings & CSEC Research

Risks

- **Reduction in Domestic Market Share:** The company's domestic market share has came down to 14.6% in Q1FY25, compared to 17.6% and 16.3% in FY20 and FY19, respectively. This is due to the strategic exit from the low-hatchback segment (i.e. Santro passenger vehicle) owing to changes in consumer preferences and a consequent slowdown in the hatchback segment in the Indian passenger vehicle market, based on the CRISIL Report.
- **Product specific risk:** Over the years, a significant portion of Hyundai's sales volume is derived from SUVs, which has increased to 67.4% in Q1FY25 from 52% in FY22. In line with the company's premiumization strategy, SUVs are expected to continue forming a substantial part of its passenger vehicle portfolio. As such, the future success of Hyundai Motors India will largely depend on sustained demand and market acceptance for SUVs.
- **Volatile raw material price:** Hyundai Motors India Ltd sources various parts, such as trims, engines, and transmissions, along with essential materials like steel, from both domestic and international suppliers. For Q1FY25, FY24, FY23 and FY22, the total cost of materials to the total revenue came to 66.9%, 71.94%. 72.45 and 73.45%, respectively. In the same period, purchases made from India were 80.9%, 78%, 80.1% and 82.5%, respectively and from aboard were 19%, 22%, 19.9% and 17.5%, respectively. It is important to note that these suppliers often depend on third parties for critical materials, including steel, aluminum, plastic, and rubber, which exposes the company to fluctuations in raw material prices.
- **Limited Number of Suppliers:** The company exhibits a high dependency on a limited number of suppliers for its parts and materials. In Q1FY25, FY24, FY23 and FY22 the top five suppliers accounted for 42.6%, 43.73%, 44% and 41.1%, respectively of the total cost of purchases, while the top ten suppliers represented 57.98%, 58.4%, 58.8% and 55.1%, respectively in the same period. Additionally, in FY24, 38.3% of parts and materials were sourced from related parties, with 78% obtained from Indian sources and 16.6% from South Korea. This concentration increases the risk associated with supply chain disruptions and the potential for price volatility.
- **Litigation:** As on the date of RHP, the company has litigation amounting to Rs 6,241 crores against the company, out of which Rs 5,471 crores are relating to Direct tax and Indirect Tax.

Risks

- **Contingent Liabilities:** The company has some contingent liability from custom duty, anti-dumping duty, excise duty, VAT, GST and Income Tax for Q1FY25 of Rs 3,146 crores.
- **Seasonal Impact on Sales:** Sales volumes and prices of passenger vehicles are influenced by cyclicality and seasonality within the markets where Hyundai operates. Typically, demand peaks between January and March, experiences a downturn from April to July, and rises again during the festival season from September onward, followed by a decline in December due to year-end factors.
- **Risk of Regulatory changes**: Changes in tax laws, such as the Goods and Services Tax (GST) on passenger vehicles in India, which currently imposes a 28% rate plus a compensation cess of up to 25%, alongside the new initiative of Government of India for lower customs duty of 15% under the Scheme to Promote Manufacturing of Electric Passenger Cars in India (SPMEPCI) approved on March 15, 2024 for global players to set up their plant in India , could significantly impact Hyundai's business operations, financial condition, cash flows, and results.
- **Royalty to HMC:** The company entered into the Royalty Agreement with HMC for certain technical information with respect to the manufacturing and assembly of PV or parts. Hence, is obligated to pay a royalty of 3.5% of its sales revenue to HMC for the use of its trademark, adding to its financial commitments. For Q1FY25 & FY24 the company paid Rs 477 crores and Rs 1,558.4 crores, respectively.
- **Reduction in Incentives from Government:** The company benefits from various incentives provided by the Government of India and Government of Tamil Nadu in relation to the Chennai manufacturing plants and similar benefits from Government of Maharashtra for Talegaon manufacturing plant. Additionally, it also enjoys the incentive for custom duty under Comprehensive Economic Partnership between Government of India and Korea and India – ASEAN Free Trade Agreement between Government of India and Vietnam. However, any reduction, elimination, or unfavorable application of these government incentives due to policy changes could adversely impact its financial condition and operational results.

Data Source: Company filings & CSEC Research

FINANCIALS

Income Statement (Rs. Cr)	Q1FY25	FY24	FY23	FY22
Revenue from Operations	17,344.2	69,829.0	60,307.5	47,378.4
Other Income	223.7	1,473.2	1,129.1	587.6
Total Income	**17,567.9**	**71,302.2**	**61,436.6**	**47,966.0**
Expenses	15,003.9	60,696.4	52,758.9	41,892.2
EBITDA	**2,340.3**	**9,132.6**	**7,548.6**	**5,486.2**
Depreciation	529.0	2,208.0	2,189.8	2,169.5
EBIT	**1,811.3**	**6,924.6**	**5,358.8**	**3,316.7**
Finance Cost	31.6	158.0	142.4	131.9
PBT	**2,003.4**	**8,239.8**	**6,345.5**	**3,772.4**
Tax	513.8	2,179.8	1,636.2	870.6
PAT	**1,489.6**	**6,060.0**	**4,709.3**	**2,901.8**
EPS (In Rs.)	**18.33**	**74.58**	**57.96**	**35.71**

Balance Sheet (Rs. Cr)	Q1FY25	FY24	FY23	FY22
Equity And Liabilities				
Share Capital	812.5	812.5	812.5	812.5
Other Equity and Reserves	11,336.2	9,853.1	19,242.3	16,043.7
Borrowings	1,424.2	1,409.3	1,996.0	1,603.9
Other Liabilities	11,797.2	14,274.2	12,522.5	9,897.9
TOTAL EQUITY AND LIABILITIES	**25,370.1**	**26,349.1**	**34,573.3**	**28,358.0**
Assets				
Fixed Assets	7,253.4	7,614.3	6,150.3	6,671.1
CWIP	972.1	652.8	1,336.6	529.1
Cash & Cash Equivalents	8,512.8	9,017.3	17,741.1	14,138.8
Other Assets	8,631.8	9,064.7	9,345.3	7,019.0
TOTAL ASSETS	**25,370.1**	**26,349.1**	**34,573.3**	**28,358.0**

Notable Ratios

Particulars	Q1 FY25	FY24	FY23	FY22
EBITDA Margins (%)	13.5%	13.1%	12.5%	11.6%
Return on Net Worth (%)	12.3%	56.8%	23.5%	17.2%
RoCE (%)	13.7%	62.9%	28.8%	20.4%
Net Worth (Rs Cr)	12,148.7	10,665.6	20,054.8	16,856.2

Total Volume of Passenger Vehicle Sold

Particulars (in Units)	Q1 FY25	FY24	FY23	FY22
Total Volume of PV Sales	**1,92,055**	**7,77,876**	**7,20,565**	**6,10,760**
Domestic	1,49,455	6,14,721	5,67,546	4,81,500
Exports	42,600	1,63,155	1,53,019	1,29,260
Sales Outlets	1,377	1,363	1,336	1,282
Services Outlets	1,561	1,549	1,498	1,422

Date: 11th October 2024

Data Source: Company filings & CSEC Research

Total Sales from Domestic and Exports

Particulars	Q1FY25	%	FY24	%	FY23	%	FY22	%
Domestic Sales Volume	**1,49,455**	**100%**	**6,14,721**	**100%**	**5,67,546**	**100%**	**4,81,500**	**100%**
ICE (without CNG)	1,32,338	88.5%	5,42,234	88.2%	5,06,249	89.2%	4,37,637	90.9%
CNG	17,000	11.4%	70,367	11.4%	60,322	10.6%	43,732	9.1%
EV	117	0.1%	2120	0.3%	975	0.2%	131	0.0%
Exports Sales Volume	**42,600**	**100%**	**1,63,155**	**100%**	**1,53,019**	**100%**	**1,29,260**	**100%**
ICE (without CNG)	42,600	100%	1,63,155	100%	1,53,019	100%	1,29,260	100%

Total Domestic and Exports of vehicles by segment (in Units)

Particulars	Q1FY25	%	FY24	%	FY23	%	FY22	%
Domestic Sales Volume	**1,49,455**	**100%**	**6,14,721**	**100%**	**5,67,546**	**100%**	**4,81,500**	**100%**
Sedans	**17,634**	**11.8%**	**85,244**	**13.9%**	**70,001**	**12.3%**	**56,084**	**11.6%**
Compact Sedan	13,258	8.9%	55,215	9.0%	50,232	8.9%	35,854	7.4%
Premium Sedan	4,376	2.9%	30,029	4.9%	19,769	3.5%	20,230	4.2%
Hatchbacks	**31,076**	**20.8%**	**1,40,752**	**22.9%**	**1,95,864**	**34.5%**	**1,74,986**	**36.3%**
Compact Hatchbacks	15,393	10.3%	70,764	11.5%	1,13,252	20.0%	1,12,217	23.3%
Premium Hatchbacks	15,683	10.5%	69,988	11.4%	82,612	14.6%	62,769	13.0%
SUVs	**1,00,745**	**67.4%**	**388725**	**63.2%**	**301681**	**53.2%**	**250430**	**52.0%**
Compact SUVs	50,698	33.9%	2,00,196	32.6%	1,20,653	21.3%	1,05,091	21.8%
Mid Size SUVs	46,402	31.0%	1,63,493	26.6%	1,51,293	26.7%	1,18,223	24.6%
Large SUVs	3,645	2.4%	25,036	4.1%	29,735	5.2%	27,116	5.6%
Exports Sales Volume	**42,600**	**100%**	**1,63,155**	**100%**	**1,53,019**	**100%**	**1,29,260**	**100%**
Sedans	**23019**	**54.0%**	**90487**	**55.5%**	**61164**	**40.0%**	**46804**	**36.2%**
Compact Sedan	9,057	21.3%	30,112	18.5%	20,176	13.2%	15,705	12.1%
Premium Sedan	13,962	32.8%	60,375	37.0%	40,988	26.8%	31,099	24.1%
Hatchbacks	**11862**	**27.8%**	**45480**	**27.9%**	**45772**	**29.9%**	**41697**	**32.3%**
Compact Hatchbacks	10,300	24.2%	39,021	23.9%	37,406	24.4%	36,780	28.5%
Premium Hatchbacks	1,562	3.7%	6,459	4.0%	8,366	5.5%	4,917	3.8%
SUVs	**7719**	**18.1%**	**27188**	**16.7%**	**46083**	**30.1%**	**40759**	**31.5%**
Compact SUVs	3,763	8.8%	12,504	7.7%	7,990	5.2%	8,125	6.3%
Mid Size SUVs	782	1.8%	3,859	2.4%	26,759	17.5%	29,747	23.0%
Large SUVs	3,174	7.5%	10,825	6.6%	11,334	7.4%	2,887	2.2%

Data Source: Company filings & CSEC Research

Financial Indicators of Peers as of FY24

Company Name	Market Cap (Rs Cr.)	PE Ratio	RoCE (%) (FY24)	RoE (%) (FY24)	EBITDA Margin (%) (Q1FY25)
Hyundai Motors India	1,59,258 (post issue)	26.3 (post Issue)	62.9%	56.8%	13.5%
Maruti Suzuki India	4,06,445	27.4	23.8%	18.3%	14.3%
Tata Motors	3,41,688	10.1	18.7%	30.0%	14.4%
Mahindra & Mahindra	3,96,093	35.7	26.8%	22.4%	19.5%

**Peers Market Cap & PE as on 10th October 2024*

Sales of Peers as of FY24 and Market Share as of Q1FY25

Company Name	Sales (FY24) (in Units)	Domestic Sales (FY24) (in Units)	Export Sales (FY24) (in Units)	Market Share (%) (Q1FY25)
Hyundai Motors India	7,77,876	6,14,721	1,63,155	41.10%
Maruti Suzuki India	21,35,323	18,52,256	2,83,067	14.60%
Tata Motors (Standalone)	5,73,541	5,70,999	2,542	13.50%
Mahindra & Mahindra	8,24,939	8,00,276	24,663	12.20%

Electric Vehicle Market Share of Peers (%)

Company Name	Q1FY25	FY24	FY23	FY22
Tata Motors	65.3%	70.6%	81.5%	84.6%
MG	18.4%	12.8%	9.6%	11.2%
Mahindra	7.5%	6.7%	1.0%	0.8%
Hyundai	1.1%	2.0%	1.7%	0.7%
BYD	2.5%	2.0%	2.3%	0.2%
Others	5.2%	5.9%	3.9%	2.5%

Industry Overview

According to the International Organization of Motor Vehicle Manufacturers, global passenger vehicle (PV) sales rebounded significantly in calendar year 2023, experiencing an 11.3% growth following a stable 2022, as supply chain challenges began to ease. The total volume of passenger vehicles sold reached 65.3 million in 2023, surpassing the pre-COVID level of 64.8 million recorded in 2019. Over the same period, the industry exhibited a compound annual growth rate (CAGR) of 0.2%.

The global market was led by the Toyota Group, which sold 11.1 million units, followed by the Volkswagen Group with 9.2 million units, and the Hyundai Motor Group (including Kia) with 7.3 million units, solidifying their positions as the top three original equipment manufacturers (OEMs) in the world. Renault-Nissan-Mitsubishi and Stellantis followed in fourth and fifth place, each with 6.4 million units sold.

Between FY19 and FY24, India's domestic PV sales volume rose at 5% CAGR. This growth was despite the sales contraction (at 10% CAGR) witnessed during FY19 to FY21. From the low base of FY21, PV sales bounced back and grew at a healthy pace to reach a historic high of 4.2 million vehicles in FY24. The PV industry value witnessed a healthy growth from FY19 to FY24 period, growing at approximately 13% CAGR. The average vehicle factory prices (ex-factory prices) rose at 8% CAGR during FY19 to FY24 period led by rising share of premium vehicles. Additionally, price hikes undertaken by OEMs for compliance with emission norms and due to increase in raw material costs provided an added push to average prices. While total industry sales, including domestic and exports, grew at a modest 4% CAGR, the outlook for the domestic market remains positive.

According to CRISIL MI&A, India had 26 cars per 1,000 people as of FY24. Although the penetration grew from 22 cars per 1000 people in FY9 to 26 cars as of FY24, it is significantly lower than the developed nations and even emerging nations like Brazil, Russia, and Mexico. This provides significant headroom for growth, especially given the expected increase in disposable incomes, faster economic growth, younger population, and increased focus from international OEMs

During FY24, growth momentum of the industry continued, albeit at a slower pace, backed by the continued traction for the SUV segment, intermittent launches and improvement in disposable income. Off the high base of FY23, the industry grew by 8.4% in FY24 to reach the historic high of 4.2 million units. During Q1 FY25, industry witnessed a million-vehicle offtake, an approximately 3% year-on-year increase. Hatchbacks continued to remain under pressure while the SUV and MPV segments primarily drove the industry growth.

Data Source: Company filings & CSEC Research

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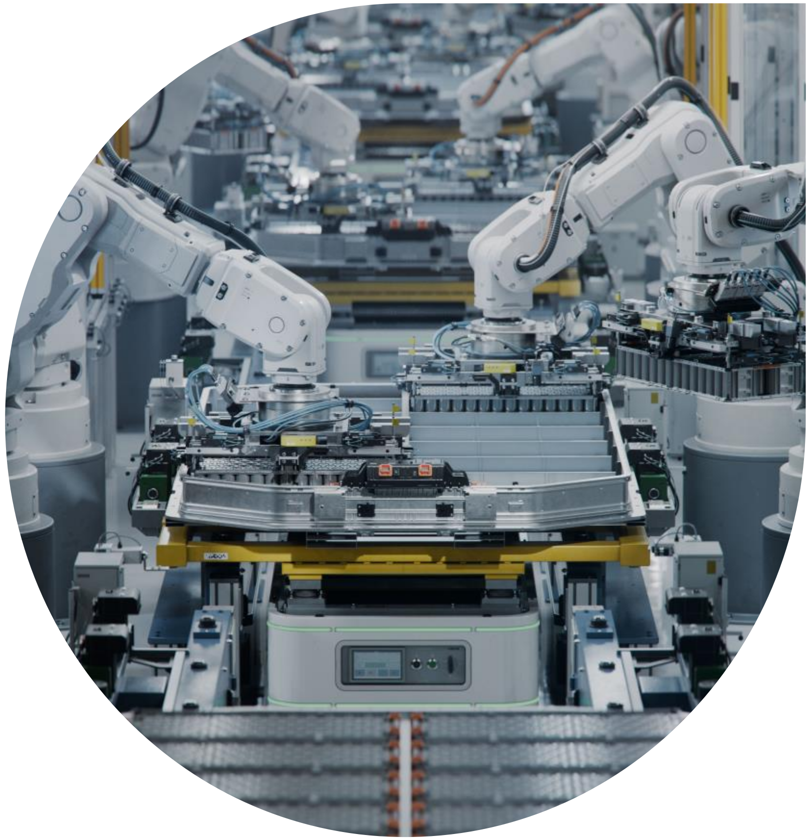
Industry Overview



Looking ahead, the Indian passenger vehicle industry is expected to benefit from a supportive macroeconomic environment, with GDP projected to grow at 6-8% between FY24 and FY29. Key segments driving this growth will be SUVs and multi-purpose vehicles (MPVs), as the share of small cars has declined from 46.9% in FY19 to 34.4% in FY23, while SUVs have surged from 23.1% to 44.0% during the same period. Factors such as rising disposable incomes, government initiatives for vehicle scrappage, and capacity expansions by major players like Maruti Suzuki and Tata Motors are anticipated to further fuel demand in the coming years.

Recognizing the changing consumer preferences, OEMs also launched higher number of vehicles in the SUV segment compared to other segments providing a further fillip to the SUV share expansion. In the last 5 years, 30+ SUVs were launched by the OEMs versus 4 hatchbacks and 3 sedans. Thus, the changing customer preference coupled with new vehicle launches provided the real thrust to the growth of the SUV segment.

To increase the exports volume for passengers vehicles from India, OEMs are expanding their production capacities with an aim to make India as an export hub for Africa, Middle East, and Asia. Further, policies including PLI are offering a momentum to domestic OEMs for manufacturing and exporting EVs from India. Major OEMs in India have already announced plans to export EVs from India starting 2025-2026. Passenger vehicle exports from India is expected to grow at 3.1% in FY24 and at a CAGR of 7-9% between FY24 and FY29. Anticipated economic stability / growth, increased push from OEMs and India's trade agreements are expected to boost India's overall exports.

As the industry adapts to evolving market dynamics and government initiatives aimed at promoting vehicle replacement, the outlook for the Indian passenger vehicle sector remains optimistic. With projected GDP growth and ongoing investments from key players, the sector is well-positioned to achieve sustained growth in the coming years. Consequently, stakeholders should remain vigilant to capitalize on emerging opportunities while addressing challenges to maintain competitiveness in this vibrant market.

Data Source: Company filings & CSEC Research

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