

# IPO Flash

October 10, 2024

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# Sharekhan

by BNP PARIBAS

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IPO Details:	
Issue opens	October 15, 2024
Issue closes	October 17, 2024
Issue size	Rs 26,519 cr to Rs 27,870 cr
Type of issue	Book Built Issue IPO
Offer size	142,194,700 shares ( Rs 26519 cr to Rs 27870 cr)
Face value	10
Price band	Rs 1865 to Rs 1960 per share
Bid lot	7 share
QIB portion	Not more than 50.00% of the Net Issue
Non Institution portion	Not less than 15.00% of the Net Issue
Retail portion	Not less than 35.00% of the Net Issue

Source: Company RHP; DRHP Sharekhan Research

## About the IPO

Hyundai Motor IPO is a book-built issue of Rs 27,870.16 crore. The issue is entirely an offer for sale of 14.22 crore shares. The IPO opens for subscription on October 15, 2024 and closes on October 17, 2024. The price band is set at Rs 1865 to Rs 1960 per share. The minimum lot size for an application is seven shares for retail investors. The issue includes a reservation of up to 778,400 shares for employees offered at a discount of Rs 186 to the issue price.

### Offer for sale details

Seller	No. of shares (upto)
Promotor	
Hyundai Motor Company	14,21,94,700
<b>Total</b>	<b>14,21,94,700</b>

Source: Company RHP, DRHP

### Shareholding pattern

Shareholder	Pre-issue		Post-issue*		Post-issue^	
	No of shares	Holding (%)	No of shares	Holding (%)	No of shares	Holding (%)
Promoters	81,25,41,100	100.0	67,03,46,400	82.5	67,03,46,400	82.5
Public		0.0	14,21,94,700	17.5	14,21,94,700	17.5
<b>Total</b>	<b>81,25,41,100</b>	<b>100.0</b>	<b>81,25,41,100</b>	<b>100.0</b>	<b>81,25,41,100</b>	<b>100.0</b>

Source: Company RHP, DRHP

### Objects of the issue

Objects	Rs. crore
To carry out the offer for sale of up to 142,194,700 equity shares	Rs 26519 cr to Rs 27870 cr
To achieve the benefits of listing the Equity Shares on the Stock Exchanges	
<b>Total</b>	<b>Rs 26519 cr to Rs 27870 cr</b>

Source: Company RHP, DRHP

## Company background

Hyundai Motor India Ltd ( HMIL) is the second largest PV player in the domestic market and one of the leading PV export players from India. It also manufactures parts, such as transmissions and engines. Its vehicle portfolio consists of PV models across sedans, hatchbacks, SUVs and battery EVs. The company also has products offering various powertrain options such as petrol, diesel, CNG, EV. The company has 3 manufacturing facilities across India: 2 in Chennai and 1 in Talegaon (Pune). The Chennai manufacturing plant had an annual production capacity of 824,000 units as of March 31, 2024. The manufacturing capabilities is expanding with the recent acquisition of a manufacturing plant in Talegaon, Maharashtra, which is expected to commence commercial operations partly in the second half of Fiscal 2026. The annual production capacity across the Chennai and Talegaon manufacturing plants in aggregate to increase to 994,000 units when the Talegaon manufacturing plant would be partly operational and to 1,074,000 units once the plant is fully operational.

**Key Operating and financial metrics**

Rs cr	FY22	FY23	FY24
Volumes (units)	610760	720565	777876
Revenue	47,378	60,308	69,829
EBITDA	5,486	7,549	9,133
EBITDA %	11.6%	12.5%	13.1%
PAT	2,902	4,709	6,060

Source: Company RHP, DRHP

**Brief profile of directors and top management**

- ◆ **Unsoo Kim** is the Managing Director and has also been appointed Chairman of the Board. He has been associated with the company since January 1, 2022. Further, on account of the position held by him, he also serves as the head of the India, Middle-East & Africa Strategic Region of HMC. He holds a bachelor's degree in science (engineering) from the Department of Naval Architecture and Ocean Engineering of the College of Engineering at Seoul National University, Korea. He is responsible for the overall operations and business of our Company. He has been associated with the Hyundai Motor Group since December 2, 1991.
- ◆ **Tarun Garg** is the Whole-time Director and COO. He has been associated with the Company since December 4, 2019. He holds a bachelor's degree in engineering (mechanical) from the University of Delhi and a post graduate diploma in management from the Indian Institute of Management, Lucknow. He is responsible for driving sales, service, dealer management, product strategies, marketing, profitability, customer relationship, brand and media management at the company. He was previously associated with Maruti Suzuki India Limited.
- ◆ **Gopalakrishnan Chathapuram Sivaramakrishnan** is a Whole-time Director and Chief Manufacturing Officer of the company. He has been associated with the company since September 12, 1997. He holds a master's degree in business administration from the ICFAI University, Dehradun. He is also an associate of the Institute of Engineers (India). He is responsible for the overall manufacturing process, leading strategic planning, ensuring optimal resource utilization and agile procurement practices for sustained growth and driving production targets at the Company.
- ◆ **Wangdo Hur** is a Whole-time Director and Chief Financial Officer and a business head – finance of the company. He has been associated with our company since January 1, 2023. His current tenure as the business head – finance is for a period of four years commencing from January 1, 2023 to December 31, 2026, and his current tenure as the Chief Financial Officer is for a period of three years i.e., up to February 2, 2026. He holds a bachelor's degree in economics from the College of Business and Economics at Yeungnam University, Korea. He oversees the finance activities and performance of our Company. He has been associated with the Hyundai Motor Group since December 1, 1991.
- ◆ **Ajay Tyagi** is an Independent Director. He has been associated with the company since June 7, 2024. He holds a master's degree in technology (computer sciences) from the Indian Institute of Technology, Kanpur and a master's degree in public administration from Harvard University, Massachusetts. He has previously served as the chairman of the SEBI for a period of five years.
- ◆ **Sree Kirat Patel** is an Independent Director. She has been associated with the company since June 7, 2024. She holds a bachelor's degree in commerce (business management) from the H.R. College of Commerce and Economics, University of Bombay and a bachelor's degree in law from Government Law College, Mumbai. She has worked in companies with operations in the food, pharmaceuticals and FMCG industry and has experience in the field of legal, regulatory and corporate affairs.
- ◆ **Shalini Puchalapalli** is an Independent Director of the company. She has been associated with the company since June 7, 2024. She holds a bachelor's degree in technology (civil engineering) from the Indian Institute of Technology, Madras and a post graduate diploma in personnel management & industrial relations from XLRI, Jamshedpur. She has experience in sales and is associated with companies with operations in the technology and FMCG industry.
- ◆ **John Martin Thompson** is an Independent Director of the company. He has been associated with since September 10, 2024. He holds a bachelor's degree in science (electronic and electrical engineering) from the University of Birmingham.

## Key strengths

- ◆ **Strong parentage:** HMIL is part of the Hyundai Motor Group (HMC), which is the third-largest auto OEM in the world based on passenger vehicle sales in CY2023. HMC supports many aspects of our operations including management, R&D, design, product planning, manufacturing, supply chain development, quality control, marketing, distribution, brand, human resources and financing, among others. It has a diverse portfolio of passenger vehicles across powertrains and major passenger vehicle segments.
- ◆ **Advanced technology:** As a key part of the Hyundai Motor Group, it gains early access to global trends in automotive technologies and features, including from HMC's dedicated technology arm covering passenger vehicle IT services, smart manufacturing, mobility services, data security services.
- ◆ **Strong brand:** The Hyundai brand has been a well-established one in the domestic PV market. With a strong brand, HMIL has been a second largest player in the domestic PV segment.
- ◆ **Suppliers:** Hyundai Motor Group's largest supply chain outside Korea is in India, which comprised of 194 tier-1 and 1,083 tier-2 suppliers by location in India. Its rigorous supplier onboarding processes which require each supplier to satisfy certain metrics, including high quality standards.
- ◆ **Strong investment:** HMIL has invested 301.03 billion (as of June 30, 2024) in Indian operations in terms of intangible fixed assets and capital work in progress since inception. With support from HMC, it has built the first and second-largest manufacturing and supply chain ecosystem within the Hyundai Motor Group outside Hyundai's home country, Korea.
- ◆ **Strong exports:** Beyond the domestic market HMIL has built up healthy business in overseas markets as export contributed 21% to its volumes in FY24. It intends to leverage its local manufacturing capabilities to set itself as HMC's largest foreign production base in Asia. It aims to become an export hub for HMC for exports to emerging markets including South Asia, Latin America, Africa and Middle East with the potential to export to other global markets.

## Key risks

- ◆ **Volatility in commodity prices:** Profitability may be hit by a significant rise in commodity prices and company's inability to pass it on such a rise to the customer. (RM to sales ratio stood at 71.94% In FY24)
- ◆ **Withdrawal of trade concessions:** The company has been benefitted concessional rate on customs duties for imports under the Comprehensive Economic Partnership Agreements between the governments of Korea and India, and the India-ASEAN Free Trade Agreements between the governments of Vietnam and India. The concessional rates or duties for imports from Korea and Vietnam range at 0-15% depending on the classification of the imported goods and the amount of goods sourced from these countries. Any withdrawal or reduction in the trade concessions availed under such arrangements between India and other nations would impact its profitability.
- ◆ **Royalty:** The company has a royalty agreement with Hyundai Motor Corporation (HMC) for certain technical information with respect to the manufacturing and assembly of passenger vehicles or parts (as licensed) and to use HMC's trademarks in connection with such manufacturing and selling activities. Under the royalty agreement it pays an amount equivalent to 3.5% of its revenue. Further it requires HMC's consent to get engaged with any direct or indirect export activities.
- ◆ **Conflict of interest:** Two of its group companies, Kia Corporation and Kia India Private Limited, are in a similar line of business as HMIL in India which may involve conflict of interests and could adversely impact its business.
- ◆ **Slowdown in PV industry:** While HMIL has been a strong player in the domestic market, any sharp slowdown in the domestic PV industry may hamper its growth prospects, given the PV business is a cyclical business and get impacted due to seasonality.
- ◆ **Competition:** Rise in competition via new product launches by the competitors may impact its market share and profitability.

- ◆ **Macro trends:** Beyond India, the company also generates significant volumes through exports. Its key export destinations are Africa, Latin America, Middle East and Europe. Any adverse macro conditions in export destinations may impact its performance. Geography wise revenue break up in FY24 : India: 77.6%, Africa : 3.5%, Latin America : 6.6%, Middle East and Europe : 11.2%, Others : 0.94%. HMIL is dependent on HMC for its export business as HMC enters into dealership agreements with international distributors pursuant to which these distributors agree to purchase passenger vehicles and parts from HMIL.
- ◆ **EVs:** The company has limited exposure in the domestic EV segment and hence it requires a continuous capex to build up strength in EV space, which requires new set of capex cycle and also associated with product failure risk.

### Valuation and view

The domestic PV industry is an oligopolistic market with few players dominating the entire industry. Maruti Suzuki (MSIL) leads the PV industry in terms of domestic sales volumes. Hyundai Motor India Ltd (HMIL) is the second largest contributor to the domestic sales. With ~14%-15% market share HMIL is a second largest player in the domestic market and one of the prominent export players from India. This is due to continued traction for popular SUV models. HMIL has planned for an offer for sale under which the promoter is offloading its 17.5% stake in the company. HMIL has strong parentage, relevant product profile, robust market positioning and healthy financial profile. At upper price band the IPO is coming with an underlying P/E valuation of 26.3x on its FY24 earnings compared to MSIL's P/E valuation at 30.4x its FY24 earnings.

**KEY FINANCIALS**
**Profit and Loss Statement (Consolidated)**

Rs crore

Particulars	FY2022	FY2023	FY2024
<b>Revenue from operations</b>	<b>47,378</b>	<b>60,308</b>	<b>69,829</b>
<i>y-o-y growth (%)</i>		27.3	15.8
Cost of material	35,825	45,030	51,593
<b>Gross Profit</b>	<b>11,553.3</b>	<b>15,277.7</b>	<b>18,236.1</b>
<i>Gross margins (%)</i>	24.4	25.3	26.1
Employee expenses	1,648	1,766	1,975
Other expenses	4,420	5,963	7,128
Total Expenditure	41,892.3	52,758.8	60,696.4
<b>Operating profit</b>	<b>5,486.1</b>	<b>7,548.8</b>	<b>9,132.6</b>
<i>OPM (%)</i>	11.6	12.5	13.1
Other income	588	1,129	1,473
Finance cost	132	142	158
Depreciation	2,170	2,190	2,208
<b>Core PBT</b>	<b>3,772.2</b>	<b>6,345.6</b>	<b>8,240</b>
<b>Exceptional item</b>			
<b>Loss before tax</b>	<b>3,772.2</b>	<b>6,345.6</b>	<b>8,239.9</b>
Tax expense	871	1,636	2,180
<b>PAT</b>	<b>2,901.6</b>	<b>4,709.3</b>	<b>6,060.0</b>
<i>NPM (%)</i>	6.1	7.8	8.7

Source: Company RHP

**Cash flow statement**

Rs crore

Particulars	FY2022	FY2023	FY2024
Net cash generated from operating activities	5138.4	6564.3	9252.0
Net cash generated from investing activities	-905.3	-1411.6	-10090.5
Net cash generated from financing activities	-1662.0	-1579.2	-15930.1
<b>Net increase/(decrease) in cash and cash equivalent</b>	<b>2,571.08</b>	<b>3,573.40</b>	<b>-16,768.59</b>
Cash at the beginning of the year	11567.6	14138.8	17741.1
Others	0.1	28.9	0.7
<b>Cash and cash equivalent at end of the year</b>	<b>14,138.84</b>	<b>17,741.15</b>	<b>973.22</b>

Source: Company RHP

**Balance Sheet**

**Rs crore**

<b>Particulars</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
<b>Assets</b>			
Non-current assets			
Property, Plant & Equipment	6,295	5,823	7,332
Capital WIP	529	1,337	653
Goodwill and other intangible assets	376	327	283
Other non-current assets	1,078	1,724	1,958
Current assets			
Inventories	2,881	3,422	3,316
Investments			
Trade receivables	2,182	2,897	2,510
Cash & cash equivalent	14,139	17,741	9,017
Other current assets	877	1,301	1,281
<b>Total Assets</b>	<b>28,358</b>	<b>34,573</b>	<b>26,349</b>
Equity Capital	813	813	813
Instruments entirely equity in nature			
Other equity	16,044	19,242	9,853
<b>Total equity</b>	<b>16,856.3</b>	<b>20,054.8</b>	<b>10,665.7</b>
Non current liabilities			
Borrowings (incl lease liabilities)	797	733	679
Provisions	774	804	847
Other non-current liabilities	738	976	1,161
Current liabilities			
Borrowings (incl lease liabilities)	380	456	155
Trade payables	5,405	7,441	7,493
Other financial liabilities	403	454	453
Other current liabilities	3,004	3,655	4,897
Provisions			
<b>Total Equity &amp; Liabilities</b>	<b>28,358</b>	<b>34,573</b>	<b>26,349</b>

Source: Company RHP

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by BNP PARIBAS

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