HYUNDAI MOTOR INDIA LIMITED

October 10, 2024

SMC Ranking

★★★☆☆ (3/5)

Issue Highlights

Industry	Automobile
Offer for sale (Shares)	142,194,700
Net Offer to the Public	**142,194,700**
Issue Size (Rs. Cr.)	26519-27870
Price Band (Rs.)	1865-1960
Employee Discount	Rs.186 per share
Offer Date	15-Oct-24
Close Date	17-Oct-24
Face Value	10
Lot Size	7

Issue Composition

	In shares
Total Issue for Sale	142,194,700
QIB	71,097,350
NIB	21,329,205
Retail	49,768,145

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	100.00%	82.50%
QIB	0.00%	8.75%
NIB	0.00%	2.63%
Retail	0.00%	6.13%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

The company will not receive any proceeds from the Offer (the "Offer Proceeds") and the Promoter Selling Shareholder will receive all the Offer Proceeds after deduction of Offer related expenses and relevant taxes thereon, to be borne by the Promoter Selling Shareholder.

Book Running Lead Manager

- Kotak Mahindra Capital Company Limited
- Citigroup Global Markets India Private Limited
- HSBC Securities & Capital Markets Pvt Limited
- JP Morgan India Private Limited
- Morgan Stanley India Company Private Limited

Name of the registrar

- Kfin Technologies Limited

About the company

Incorporated in May 1996, Hyundai Motor India Limited is a part of the Hyundai Motor Group, which is the third largest auto original equipment manufacturer ("OEM") in the world based on passenger vehicle sales. The company manufactures and sells reliable, feature-rich, and innovative four-wheeler passenger vehicles backed by the latest technology. The company also manufactures parts such as transmissions and engines. The company provides mobility solutions, operating a network of 1,366 sales points and 1,550 service points across India. As of March 31, 2024, the company has sold nearly 12 million passenger vehicles in India and through exports. The company manufactures and sells four-wheeler passenger vehicles, including models such as sedans, hatchbacks, SUVs, and electric vehicles (EVs). The company's models include the Grand i10 NIOS, i20, i20 N Line, AURA, Elantra, Venue, Venue N Line, Verna, Creta, Creta N Line, Alcazar, Tucson, and the all-electric SUV Ioniq 5. As of December 31, 2023, the company had partnered with 363 dealer companies for distribution and sales in India. HMIL's manufacturing plant is situated near Chennai can produce its full range of vehicle models. The company exports its products to Africa, the Middle East, Bangladesh, Nepal, Bhutan, and Sri Lanka.

Strength

The second largest auto OEM in India and the leading exporter of passenger vehicles: Hyundai Motor India has consistently held the position of the second-largest passenger vehicle manufacturer in India since FY09, demonstrating its strong market presence and brand recognition. The company has also been a significant exporter of passenger vehicles, with over 3.61 million units exported to 150 countries since its inception. Hyundai Motor India serves as a key production and export hub for Hyundai Motor Company, contributing to the company's global revenue through higher average selling prices for exported vehicles.

Diverse Product Portfolio of passenger vehicles across powertrains and major passenger vehicle segments: Hyundai Motor India offers a comprehensive range of 13 passenger vehicle models across various segments, (including N Line models which is passenger vehicle models that feature sporty performance features) across major passenger vehicle segments by body type include 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).. This diverse portfolio caters to a broad spectrum of consumer preferences and includes models with multiple engine and transmission options, as well as different fuel types like petrol, diesel, CNG, and electric. It also seeks to become a significant player in the EV segment sustainably, and its future EV investments will be calibrated based on the expected growth of the Indian four-wheeler EV market.

Ability to identify emerging market trends in a timely manner and introduce innovative passenger vehicles and technologies to meet customer needs in India: Hyundai Motor India's ability to identify emerging market trends and introduce innovative products has been a key driver of its success. The company leverages its global network and in-depth research to understand latent customer needs and aspirations. By closely collaborating with Hyundai Motor Company's R&D hub in Namyang, Korea, Hyundai Motor India gains early access to cutting-edge technologies and features. The company's R&D center in Hyderabad plays a crucial role in developing and tailoring these technologies to meet the specific needs and preferences of Indian customers. With a focus on innovation, Hyundai Motor India has introduced numerous groundbreaking features and technologies, including audio-video navigation, telematics, and electric vehicles. Since its inception, the company has launched a total of 38 passenger vehicle models in India, demonstrating its

commitment to product development and market leadership.

Pan-India sales, distribution and after-sale services network offered by its dealers: As of June 30, 2024, Hyundai Motor India boasted a robust network of 1,377 sales outlets spread across 1,036 cities and towns. This extensive reach was complemented by 1,561 service centers located in 957 cities and towns nationwide. Since March 31, 2022, the company has significantly expanded its sales and service network, demonstrating a commitment to customer accessibility. To enhance after-sales service, Hyundai Motor India introduced the "Doorstep Service Programme" in 2020. This initiative provides mobile service vans to cater to customers in rural areas and emerging cities. As of June 30, 2024, these vans had served customers in 113 cities and towns. Additionally, the "Hyundai Shield of Trust" offers comprehensive coverage for the replacement of 14 wear and tear parts, ensuring long-term vehicle reliability.

Digitisation across the value chain: Hyundai Motor India has embraced digital technology to streamline customer interactions and dealer operations. The "myHyundai" app and website empower customers to engage with the brand at every stage of the vehicle ownership journey, from purchase to after-sales services. The company's focus on providing a seamless 360-degree customer experience extends to insurance, maintenance, and support services. For dealers, Hyundai Motor India offers the Global Dealer Management System (GDMS). This web-based platform facilitates day-to-day operations, including sales, service, and "Hyundai Promise" initiatives. The "H-Smart" app, developed specifically for Indian dealers, further streamlines processes like lead management, customer inquiry handling, scheduling, and sales monitoring.

Flexible and automated manufacturing capabilities: Hyundai Motor India's Chennai Manufacturing Plant is one of the largest single-location passenger vehicle manufacturing plants in India. The plant operates with high automation and efficiency, producing 131 vehicles per shift with a production rate of one vehicle every 30 seconds. To enhance flexibility and reduce costs, the plant utilizes common platform architecture for multiple models. As of June 30, 2024, over 2,000 critical machines were connected with technologically advanced systems and 743 robots.

Strategy

Leveraging deep understanding of consumer preferences to successfully expand its passenger vehicle portfolio: Hyundai Motor is dedicated to investing in R&D and launching new passenger vehicles to strengthen its market position and enhance the appeal of its vehicles to customers. The company aims to remain a leading player in the Indian automobile market, catering to passenger vehicle buyers across all segments, from affordable to premium. To achieve this, Hyundai plans to identify and address emerging global trends, offering advanced technology, design, and quality while customizing features to meet customer demands from both “price” and “value” perspectives. To stay ahead of evolving market trends, Hyundai Motor will continue to innovate, invest in robust market research channels to integrate customer feedback, and leverage its global R&D insights and advanced technologies. Additionally, Hyundai is committed to providing sustainable fuel options, including hydrogen energy. It has signed a memorandum of understanding with the Tamil Nadu government’s investment promotion agency and IIT Madras to conduct research on developing a cost-effective green hydrogen energy ecosystem. This partnership aims to establish a hydrogen innovation center in India, allowing Hyundai to build on its alternate fuel strategy for the future.

Focus on continued premiumisation of its passenger vehicle portfolio: Hyundai Motor India has successfully implemented a premiumization strategy, focusing on selling vehicles with higher average selling prices (ASP). As younger buyers in India become more discerning, there is a growing preference for factors beyond price, such as design, driving experience, safety, and advanced features. This trend has led to a shift towards SUVs and higher-end variants. Hyundai Motor consistently achieved SUV sales contribution that surpasses industry level by sales volumes in units. In Fiscals 2022, 2024 and the three months ended June 30, 2024, the contribution of SUV sales volume to total passenger vehicle sales volumes in India was 41.1%, 51.2% and 53.5%, respectively. On the other hand, its domestic SUV sales volumes accounted for 52.01%, 63.24% and 67.41% of its total domestic sales volumes in Fiscals 2022, 2024 and the three months ended June 30, 2024, respectively. Hyundai Motor intends to bolster its sales in the SUV segment and mid-to-high range

passenger vehicles in other segments through targeted passenger vehicle introduction across price points and powertrains. Hyundai Motor may also explore vehicle leasing to offer last-mile connectivity.

Calibrated manufacturing capacity expansion and efficient capital allocation: Hyundai Motor India is strategically expanding its manufacturing capacity to meet growing demand. The company plans to develop its Chennai Manufacturing Plant as an EV and SUV hub and is adding a new manufacturing plant in Talegaon. Further, with the addition of the Talegaon Manufacturing Plant, which is expected to start commercial operations partly in the second half of Fiscal 2026, it is expanding its manufacturing capacity to boost production volume and accelerate economies of scale to match its supply capabilities in line with the growing demand in the domestic market. Its Chennai Manufacturing Plant had an annual production capacity of 824,000 units as of June 30, 2024. Hyundai Motor expects its annual production capacity across the Chennai and Talegaon manufacturing plants in aggregate to increase to 994,000 units when the Talegaon Manufacturing Plant is partly operational and to 1,074,000 units once the Talegaon Manufacturing Plant is fully operational. By optimizing operations and maintaining high capacity utilization, Hyundai Motor India aims to achieve economies of scale and enhance its supply capabilities.

Focus on increasing EV market share: Hyundai Motor India is strategically aligning its electric vehicle (EV) strategy with the evolving Indian market. The company plans to introduce suitable EV models across different price segments to cater to diverse customer needs. Following a phased approach, Hyundai Motor India started with the launch of premium EVs and intends to gradually expand its EV offerings to the mass market as the EV ecosystem matures in India. In line with this strategy, Hyundai Motor India aims to launch additional EV models, including the Creta EV in the last quarter of Fiscal 2025. The company's diversified xEV portfolio, encompassing battery EVs, hybrid EVs, plug-in hybrid EVs, mild hybrid EVs, and fuel cell EVs, is a key enabler for its EV ambitions. Leveraging its expertise in developing localized internal combustion engine (ICE) models, Hyundai Motor India is focused on developing localized xEV models tailored to the Indian market. To enhance price competitiveness, Hyundai Motor India is prioritizing the establishment of local production capabilities for key EV components such as cells, battery packs, power electronics, and drivetrains. The company has taken a significant step towards localizing battery production by leasing a section of its Chennai Manufacturing Plant to Mobis for the assembly of EV batteries. This strategic move will reduce import costs and strengthen Hyundai Motor India's EV supply chain.

Further strengthening its position as the export hub for HMC: Hyundai Motor intends to leverage its local manufacturing capabilities to set itself up as HMC's largest foreign production base in Asia. Hyundai Motor 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. Its aim is to be the global manufacturer and supplier of cost-optimised passenger vehicles including the Grand i10 NIOS, i20, Aura, Venue, Verna, Creta and Alcazar. Hyundai Motor also intends to collaborate with its stakeholders in export countries with innovative sales strategies.

Continue to enhance its brand as a trusted brand in India: Hyundai Motor intends to continue to invest in targeted marketing campaigns with a strong India connect, through digital media initiatives, sponsorships, television advertisements, gaming shows and sporting events and carefully selected celebrity endorsements to position itself as a trusted brand in India. It also intends to increase further its customer base by tapping into new markets in India, such as rural, tier-2 and tier-3 towns, to meet demands of customers. Specifically, Hyundai Motor intends to partner with its dealers to conduct outreach events to showcase its passenger vehicle portfolio to enhance brand awareness and generate interest. It also plans to continue undertaking inclusivity initiatives such as "Samarth by Hyundai" and make its passenger vehicles accessible to all. By expanding its reach across age groups and geographies, it aims to continue to enhance the image of "Hyundai" as a trusted brand across India.

Further deepen its physical-and digital network for sales and services across India: Hyundai Motor intends to continue to deepen its dealer network across India. With the expanding road infrastructure in India, Hyundai Motor has been expanding its presence across rural areas by engaging with its existing dealers to expand their operations as well as to onboard new dealers. It is also taking steps to enhance allied businesses such as pre-owned passenger vehicle sales, conducting benchmarking studies and sharing of best practices with dealers, to boost efficiency and

provide more business opportunities for its dealers. It also intends to continue focusing on sustainability at its dealer showrooms.

Risk factor

- A substantial part of Hyundai's revenue is generated from India, which exposes the company to risks associated with local economic downturns and regulatory changes.
- Hyundai's electric vehicle lineup in India is limited, with a focus on premium models like the Ioniq 5, which restricts its appeal to a broader range of consumers.
- Hyundai Motor India faces strong competition in the compact car segment from well-established brands, posing challenges to its ability to maintain market leadership.
- Although Hyundai Motor India offers a diverse vehicle portfolio, it has experienced a decline in sedan market share as SUVs continue to gain popularity.
- Hyundai's emphasis on the mass-market segment reduces its attractiveness among luxury car buyers who tend to favor premium brands like BMW or Audi.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Maruti Suzuki India Limited	137950.50	14704.80	467.71	27.28	4.68	2723.77	5	12757.15	401088.10
Tata Motors Limited	440771.28	33762.11	92.27	10.18	4.77	196.91	2	939.15	345690.20
Mahindra & Mahindra Limited	141882.92	11042.86	88.80	35.52	5.92	532.80	5	3154.25	392240.10
Hyundai Motor India Limited	70549.78	6220.51	76.56	25.60	7.45	263.14	10	1960.00	159258.06

***Peer companies financials are TTM based**
****Hyundai Motor India Limited 's financials are TTM based too.**

Valuation

Considering the P/E valuation on the upper price band of Rs.1960, TTM EPS and P/E are Rs.76.56 and 25.60 multiple respectively and at a lower price band of Rs. 1865, P/E multiple is 24.36. Looking at the P/B ratio on the upper price band of Rs.1960, book value and P/B are Rs. 263.14 and 7.45 multiple respectively and at a lower price band of Rs. 1865 P/B multiple is 7.09. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital

Industry Outlook

The Indian automobile industry is a significant contributor to the nation's economy, ranking as the third-largest market globally. With a production of 28.43 million vehicles in fiscal year 2024, the industry is poised for continued growth, projected to reach a value of $187.85 billion by 2029. The passenger vehicle market is especially thriving, driven by factors such as increasing disposable incomes, new model launches, and rising demand for SUVs. The Indian government's focus on electric vehicles further presents opportunities for sustainable growth and innovation within the industry.

Outlook

Hyundai Motor India Limited has a strong market position and innovative approach in the automotive industry. As a subsidiary of Hyundai Motor Company, it contributes significantly to the parent company's global revenue and profitability. With a diverse product portfolio, including popular models across various segments, Hyundai has established a well-respected brand in India. The company's commitment to quality, advanced technology, and a robust manufacturing network has driven its consistent growth in market share. As the PV industry continues to expand, Hyundai's diverse offerings and strong financial performance position it well to capitalize on the growing demand. However, Hyundai Motor India faces strong competition in the compact car segment from well-established brands, posing challenges to its ability to maintain market leadership. Also the entire issue is Offer For Sale (OFS).

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	15-October-24
BID/ISSUE CLOSES ON	17-October-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	18-October-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	21-October-24
Credit of Equity Shares to Demat Accounts of Allottees	21-October-24
Commencement of trading of the Equity Shares on the Stock Exchanges	22-October-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-24 (3 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	17344.234	69829.057	60307.58
Total expenditure	15003.98	60696.441	52758.8
Operating Profit	**2340.25**	**9132.62**	**7548.78**
OPM%	13.49	13.08	12.52
Other Income	223.75	1473.268	1129.062
PBDIT	**2564.00**	**10605.88**	**8677.84**
Depreciation	528.981	2207.931	2189.866
PBIT	**2035.02**	**8397.95**	**6487.98**
Interest	31.64	158.079	142.401
Profit BeforeTax	**2003.38**	**8239.87**	**6345.58**
Tax	513.731	2179.83	1636.325
PAT	**1489.65**	**6060.04**	**4709.25**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-24	As on 31-Mar-24	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	6378.69	6438.65	6713.56
Capital work-in-progress	972.13	708.12	652.84
Right of use assets	613.41	56.08	618.34
Intangible assets	261.29	305.91	282.53
Financial Assets			
Other financial assets	62.92	54.63	62.41
Deferred Tax assets (net)	989.67	875.51	947.79
Non-current tax assets	701.28	621.27	688.64
Other non current assets	303.11	221.57	259.09
Total Non Current Assets	**10282.50**	**9281.74**	**10225.20**
Current assets			
Inventories	2888.29	3594.37	3315.63
Financial Assets			
Trade Receivables	2358.14	2643.41	2510.03
Cash and cash equivalents	4504.29	6463.05	973.22
Bank balances (other than Cash and cash equivalents)	4008.50	12806.59	8044.13
Loans	371.82	300.34	343.92
Other current assets	956.71	615.38	937.12
Total current assets	**15087.74**	**26423.14**	**16124.04**
Total Assets	**25370.24**	**35704.88**	**26349.25**
Non-current liabilities			
Financial liabilities			
Borrowings	601.70	686.21	622.80
Lease Liabilities	53.35	25.93	55.77
Provisions	867.14	827.00	846.74
Other non current liabilities	1196.82	1011.91	1161.10
Total non-current liabilities	**2719.01**	**2551.05**	**2686.40**
Current liabilities			
Financial liabilities			
Borrowings	156.45	596.89	145.12
Lease Liabilities	9.66	3.43	9.56
Total outstanding dues of micro enterprises and small enterprises	183.15	207.21	215.82
Total outstanding dues of creditors other than micro enterprises and small enterprises	6871.83	7296.35	7277.24
Other Financial Liabilities	603.11	880.95	575.97
Other Current Liabilities	1546.68	1794.88	3932.79
Provisions	458.07	439.30	452.82
Current Tax Liabilities (Net)	673.58	554.00	387.87
Total current liabilities	**10502.52**	**11773.01**	**12997.19**
Total	**13221.53**	**14324.05**	**15683.59**
Net worth represented by:			
Equity Share Capital	812.54	812.54	812.54
Other Equity	11336.17	20568.29	9853.12
Net Worth	**12148.71**	**21380.83**	**10665.66**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: researchfeedback@smcindiaonline.com

Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park , A Wing 401 / 402 ,
4th Floor ,Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach Signal,
Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-28805606

Kolkata Office:
18, Rabindra Sarani,
Poddar Court,Gate No.- 4, 5th Floor, Kolkata-700001
Tel: 91-33-39847000, Fax: 91-33-39847004

Investments in securities market are subject to market risks, read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. The securities quoted are for illustration only and are not recommendatory. SMC is a SEBI registered Research Analyst having registration number INH100001849. CIN : L74899DL1994PLC063609.

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities market. SMC or its associates or its Research Analyst or his relatives do not hold any financial interest in the subject company interest at the time of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not hold any actual/beneficial ownership of more than 1% (one percent) in the subject company, at the end of the month immediately preceding the date of publication of this Report. SMC or its associates its Research Analyst or his relatives does not have any material conflict of interest at the time of publication of this Report.

SMC or its associates/analyst has not received any compensation from the subject company covered by the Research Analyst during the past twelve months. The subject company has not been a client of SMC during the past twelve months. SMC or its associates has not received any compensation or other benefits from the subject company covered by analyst or third party in connection with the present Research Report. The Research Analyst has not served as an officer, director or employee of the subject company covered by him/her and SMC has not been engaged in the market making activity for the subject company covered by the Research Analyst in this report.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject company.

Disclaimer: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s)in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance if this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of the subject company(ies) mentioned here in; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company(ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender/borrower to such subject company(ies); or (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.