

July 31, 2025

Steady Q1'26, recent run up capes the upside...

About the stock: Hyundai Motors India (HML), is a part of South Korea based the "Hyundai Motor Group". HML has for long been the second largest auto OEM in the domestic passenger vehicle market in terms of sales volumes.

- Its portfolio includes 13 models across major passenger vehicle segments including Grand i10, Aura, Verna, Exter, Venue & Creta among others

Q1FY26 Results: HMI reported steady performance. Sales volume for the quarter stood at 1.8 lakh units, down 6% YoY. Total operating income for Q1FY26 came in at ₹ 16,413 crore with ensuing ASPs at ₹8.97 lakh/unit, down 2% QoQ. SUV share of sales in total domestic PV sales volume stood at ~69% (unchanged QoQ vs.67% in Q1FY25). EBITDA margins for the quarter came in at 13.3%, down 80 bps QoQ. Consequent PAT in Q1FY26 came in at ₹1,369 crore, down 8% YoY.

Investment Rationale:

- Robust SUV mix position- HML to leverage PV premiumization trend:** The current shift in domestic consumer's preference toward upright seating position, advance tech features loaded safety-oriented vehicles has fuelled growth of the SUV segment. HML has been a clear beneficiary of this trend, with its SUV sales growing rapidly and accounting ~69% of its total sales, vs. ~66% share for the industry. Notably, its flagship model Creta, has led the sales in the mid-size SUV segment. Furthermore, with the introduction of new facelifts for Venue & Alcazar, as well as new product launches planned in tandem with ramp up of new plant, HML is well-positioned to capitalise on ongoing premiumization trend going forward. HML has guided for 26 product launches over FY26-30 (including refreshes), which includes 20 fossil fuel vehicles & 6 EV's. It will also bring Hybrids to India. It expects domestic volumes to grow in tandem with industry i.e. low single digit in FY26E while exports to grow 7-8% in FY26E.
- Accelerating the transition to clean mobility with greater rural penetration:** Hyundai achieved its highest ever rural contribution of ~23% in Q1FY26 which was at 19.9% in Q1FY25. With a stronger focus on alternate fuel vehicles, CNG contribution reached all time high of 15.6% amidst the introduction of dual-cylinder technology and new variants. Moreover, with an evolving trend towards EV segment, HML aims to launch six new EV models domestically including recent launch of Creta EV. Furthermore, it will leverage the expertise of its parent HMC, which offers a diverse range of powertrain options including electric, hybrid and hydrogen. This is structurally positive for HML and bodes well for long run.

Rating and Target Price

- Despite HML's ongoing strategic advances and a healthy product launch pipeline, the recent up move in the stock price will limit the upside gains in our view (near to medium term). While we remain constructive on financial strength of cash positive B/S, healthy Cash flow generation & robust RoCE profile at 30%+, we downgrade the stock to HOLD and value it at ₹ 2,220 i.e. 26x P/E on FY27E (in tandem with the industry leader).

Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25P	4 year CAGR (FY21-25P)	FY26E	FY27E	2 year CAGR (FY25P-27E)
Net Sales	40,972	47,379	60,308	69,830	69,193	14.0%	72,340	79,556	7.2%
EBITDA	4,246	5,486	7,549	9,133	8,954	20.5%	9,587	10,880	10.2%
EBITDA Margins (%)	10.4	11.6	12.5	13.1	12.9		13.3	13.7	
Net Profit	1,881	2,902	4,709	6,061	5,640	31.6%	6,020	6,934	10.9%
Reported EPS (₹)	23.2	35.7	58.0	74.6	69.4		74.1	85.3	
RoNW (%)	12.3	17.2	23.5	56.8	34.6		29.3	27.4	
RoCE (%)	13.1	17.7	24.2	55.0	37.7		33.2	31.7	
P/E (x)	89.2	57.8	35.6	27.7	29.7		27.9	24.2	

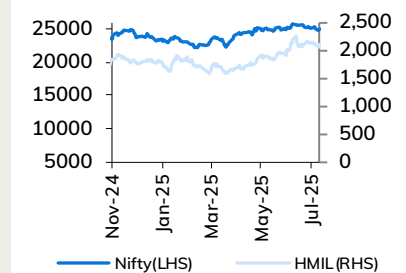
Source: Company, ICICI Direct Research

**Particulars**

Particulars	₹ crore
Market Capitalisation	1,70,634
Total Debt (FY25P)	792
Cash & Inv. (FY25P)	8,579
EV (₹ crore)	1,62,846
52 week H/L (₹)	2,265 / 1,542
Equity Capital (FY25)	813
Face Value (₹)	10

Shareholding pattern

	Oct-24	Dec-24	Mar-25	Jun-25
Promoter	82.5	82.5	82.5	82.5
FII	7.4	6.7	7.2	7.1
DII	5.8	7.1	7.0	7.8
Other	4.4	3.7	3.3	2.7

Price Chart**Recent event & key risks**

- Reports steady performance in Q1FY26 with Margins at 13.3%.
- Key Risk: i) lower than anticipated sales volume growth over FY25P-FY27E ii) Stability in commodity prices resulting in EBITDA margins expansion in near term.

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Q1FY26 Earnings Conference Call highlights

- **Overall performance:** During Q1 FY26, Hyundai faced prolonged softness in domestic demand due to macroeconomic challenges and global uncertainties. Total vehicle sales stood at 180,399 units, down from 192,055 units in the same period last year. Domestic sales dropped to 132,259 units from 149,455 units, while exports grew strongly by 13% to 48,140 units, underscoring Hyundai's growing presence in emerging markets.
- **Rural and Urban market:** In terms of demand scenario, rural market has been outperforming the urban markets with rural penetration reaching a record 23%, up from 19.9% the previous year, reflecting focused rural strategies and improved infrastructure. Hyundai has a 68.8% penetration in SUV segment in rural market.
- **Segment & product mix:** SUVs continued to dominate Hyundai's product mix, accounting for nearly 69% of overall sales—a testament to the enduring popularity of the Creta, which has led its segment since its 2015 launch. CNG vehicle contribution hit a record high of ~16%, thanks to innovative dual-cylinder technology and expanded variants. Electric vehicles accounted for 1.4% of sales. The company's localization efforts resulted in an 82% localization rate, up from 78% in the previous fiscal year, helping drive material cost reductions and support margins.
- **Export:** The company reiterated its 7% export growth guidance for the year, noting seasonal trends but expecting ongoing momentum, especially in markets such as Africa and Mexico.
- **Gross Margin expansion:** Gross margins for the company improved amidst higher export mix, improved localisation, better model-mix in domestic market & appropriate price increase.
- **Technology & localization:** The company has also excelled in democratizing high-end features—selling over 1,100,000 sunroof-equipped vehicles in the last five years—and remains a benchmark creator for introducing new automotive technologies. Hyundai reaffirmed its ability to meet evolving regulatory norms (including CAFE III), citing deep technical resources and ongoing localization and engineering innovation.
- **Others:** During this quarter, increase in sales promotion & discounts impacted margins. While material cost reduction initiatives resulted in 50 bps positive rub-off.
- **Network expansion:** Currently, HMIL has 586 service outlets in rural market & 110 mobile service vans. Their overall network is in the ratio of 55:47 for urban & rural. Going forward 7 out of 10 incremental service outlets are in rural market.
- **Model wise CNG penetration:** Aura CNG had an 89% contribution, Exter CNG had 30% contribution while NIOS CNG had 18% contribution during the quarter. These has helped HMIL to increase the overall CNG contribution from 11.4% to ~16% in Q1FY26.

Key tables and charts

Exhibit 1: Quarterly Analysis

	Q1FY26	Q1FY25	YoY (Chg %)	Q4FY25	QoQ (Chg %)
Total Operating Income	16,413	17,344	-5.4	17,940	-8.5
Raw Material Expenses	11,602	12,464	-6.9	12,779	-9.2
Employee Expenses	624	553	12.9	602	3.7
Other expenses	2,002	1,987	0.8	2,027	-1.2
Operating Profit (EBITDA)	2,185	2,340	-6.6	2,533	-13.7
EBITDA Margin (%)	13.3	13.5	-18 bps	14.1	-80 bps
Other Income	215	224	-4.0	210	2.5
Depreciation	528	529	-0.2	530	-0.4
Interest	25	32	-21.9	36	-32.2
Total Tax	478	514	-7.0	561	-14.8
PAT	1,369	1,490	-8.1	1,614	-15.2

Source: Company, ICICI Direct Research

With the help of localisation efforts, HMIL saw its RM cost fall YoY and result in overall gross margin expansion.

Exhibit 2: Assumptions

	Current						
	FY21	FY22	FY23	FY24	FY25P	FY26E	FY27E
Total Volumes (lakh units)	5.8	6.1	7.2	7.8	7.6	7.8	8.4
Average ASPs (₹ lakh/unit)	7.0	7.6	8.2	8.8	8.9	9.1	9.4
RMC/Unit (₹ lakh/unit)	5.4	5.9	6.2	6.6	6.6	6.6	6.8

Source: ICICI Direct Research

Exhibit 3: Change in headline estimates

	FY26E			FY27E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Total Op. Income	75,347	72,340	-4.0	82,815	79,556	-3.9
EBITDA	9,513	9,587	0.8	10,725	10,880	1.4
EBITDA Margin (%)	12.6	13.3	63 bps	13.0	13.7	73 bps
PAT	5,799	6,020	3.8	6,654	6,934	4.2
EPS (₹)	71.0	74	3.8	82.0	85	4.2

Source: ICICI Direct Research

Exhibit 4: HMIL – Business Highlights

Business Highlights

Creta : Legend Forever

A Decade of Leadership...

2015 **10** 2025
Years

.....and many miles to go

From Vision to Velocity

Engine production Kickstart at Pune Plant

'Brand i10' Surpassed **3 Million**

Sunroof-equipped cars Surpassed **1.1 Million**

"Make in India, Made for the World"

Engineering a Cleaner Tomorrow

Pioneering Green Hydrogen Innovation in India

Hyundai Motor India & IIT Madras Unveil Design of Hyundai HTWO Innovation Centre

Unveiling Ceremony
Hyundai HTWO Innovation Centre
at Indian Institute of Technology Madras

A Hydrogen Research Hub in Collaboration with IIT Madras and Government of Tamil Nadu

Foundation for Hydrogen-powered tomorrow

Responsible Mobility

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 5: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Total operating Income	69,830	69,193	72,340	79,556
Growth (%)	18.1	(0.9)	4.5	10.0
Raw Material Expenses	51,539	49,929	51,589	56,683
Employee Expenses	1,975	2,311	2,525	2,701
Other Expenses	7,182	7,999	8,638	9,291
Total Op. Expenditure	60,696	60,239	62,753	68,675
EBITDA	9,133	8,954	9,587	10,880
Growth (%)	44.0	(2.0)	7.1	13.5
Depreciation	2,208	2,105	2,170	2,307
Interest	158	127	117	97
Other Income	1,473	870	791	831
PBT	8,240	7,591	8,090	9,307
Total Tax	2,180	1,951	2,070	2,373
Reported PAT	6,061	5,640	6,020	6,934
Growth (%)	28.7	(6.9)	6.7	15.2
Reported EPS (₹)	74.6	69.4	74.1	85.3

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Profit before Tax	8,240	7,591	8,090	9,307
Add: Depreciation & Interest	2,366	2,232	2,288	2,404
(Inc)/dec in Current Assets	514	(346)	(426)	(786)
Inc/(dec) in CL and Provisions	1,328	(1,850)	626	1,165
Others	(2,180)	(1,951)	(2,070)	(2,373)
CF from operating activities	10,268	5,676	8,508	9,717
(Inc)/dec in Investments	-	-	-	-
(Inc)/dec in Fixed Assets	(3,033)	(5,749)	(7,000)	(5,000)
Others	39	(253)	(40)	(40)
CF from investing activities	(2,994)	(6,002)	(7,040)	(5,040)
Proceeds from Issuance of Equity	-	-	-	-
Borrowings, leases & interest	(562)	1,593	(187)	(247)
Dividend paid & dividend tax	(15,436)	(1,706)	(1,788)	(2,113)
CF from financing activities	(15,998)	(114)	(1,975)	(2,360)
Net Cash flow	(8,723)	(439)	(507)	2,318
Opening Cash	17,742	9,018	8,579	8,072
Closing Cash	9,018	8,579	8,072	10,390

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Liabilities				
Equity Capital	813	813	813	813
Reserve and Surplus	9,854	15,484	19,717	24,538
Total Shareholders funds	10,667	16,297	20,529	25,351
Total Debt	768	792	722	572
Deferred Tax Liability	-	-	-	-
Minority Interest / Others	2,008	1,951	1,971	1,991
Total Liabilities	13,442	19,040	23,222	27,914
Assets				
Gross Block	21,881	23,564	34,783	39,783
Less: Acc Depreciation	14,549	16,654	18,825	21,132
Net Block	7,332	6,910	15,958	18,651
Capital WIP	653	4,718	500	500
Total Fixed Assets	7,985	11,628	16,458	19,151
Goodwill & Investments	283	195	205	215
Inventory	3,316	3,404	3,567	3,923
Debtors	2,510	2,389	2,576	2,833
Other Current Assets	1,281	1,660	1,735	1,908
Cash	9,018	8,579	8,072	10,390
Total Current Assets	16,125	16,032	15,951	19,055
Creditors	7,493	7,086	7,531	8,283
Provisions	453	497	520	572
Other current liabilities	4,962	3,474	3,632	3,995
Total Current Liabilities	12,908	11,058	11,684	12,849
Net Current Assets	3,217	4,974	4,267	6,206
Others	1,958	2,242	2,292	2,342
Application of Funds	13,442	19,040	23,222	27,914

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY24	FY25P	FY26E	FY27E
Per share data (₹)				
EPS	74.6	69.4	74.1	85.3
Cash EPS	101.8	95.3	100.8	113.7
BV	131.3	200.6	252.7	312.0
Cash Per Share	111.0	105.6	99.3	127.9
Operating Ratios (%)				
EBITDA Margin	13.1	12.9	13.3	13.7
PBT / Net sales	9.9	9.9	10.3	10.8
PAT Margin	8.7	8.2	8.3	8.7
Inventory days	17.3	18.0	18.0	18.0
Debtor days	13.1	12.6	13.0	13.0
Creditor days	39.2	37.4	38.0	38.0
Return Ratios (%)				
RoE	56.8	34.6	29.3	27.4
RoCE	55.0	37.7	33.2	31.7
RoIC	236.8	140.7	53.9	53.2
Valuation Ratios (x)				
P/E	28.2	30.3	28.3	24.6
EV / EBITDA	17.8	18.2	17.0	14.8
EV / Net Sales	2.3	2.4	2.3	2.0
Market Cap / Sales	2.4	2.5	2.4	2.1
Price to Book Value	16.0	10.5	8.3	6.7
Solvency Ratios				
Debt/EBITDA	0.1	0.1	0.1	0.1
Debt / Equity	0.1	0.0	0.0	0.0
Current Ratio	0.9	1.0	1.0	1.0
Quick Ratio	0.5	0.5	0.5	0.5

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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