Hyundai Motors India (HYUMOT)

ICICI Direct

CMP: ₹ 2,415 Target: ₹ 2,800 (16%) Target Period: 12 months BUY

October 31, 2025

Result Update

ICICI Securities – Retail Equity Research

Healthy Q2'26, on well charted growth trajectory…

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

- Its portfolio includes 14 models across major passenger vehicle segments including Grand i10, Aura, Verna, Exter, Venue & Creta among others

Q2FY26 Results: Hyundai Motor India reported healthy performance in Q2FY26. Sales volume for the quarter stood at 1.9 lakh units, flat YoY. Total operating income for Q2FY26 came in at ₹ 17,461 crore with ensuing ASPs at ~₹ 9 lakh/unit, up 2% YoY, flat QoQ. SUV share of sales in total domestic PV sales volume stood at ~71% (highest ever vs.69% in Q2FY25). EBITDA margins for the quarter came in at 13.9%, up 60 bps QoQ. Consequent PAT in Q2FY26 came in at ₹1,572 crore, up 14.3% YoY.

Investment Rationale:

- **Structural positives: Low car penetration, GST Rationalization:** Although India is the world's third largest passenger vehicle market, car penetration still remains low (at ~30 cars per 1000 people) vs. global average, developed economies in the West & China. With rising per capita income, this represents healthy long term growth longevity for domestic PV space with HMIL a clear beneficiary. Further, Government has announced GST 2.0 reforms thereby reducing GST rates for the automobile sector across the segments and value chain. Small cars will now attract 18% GST vs. 28% earlier while, total tax incidence for larger passenger cars, SUVs, is also reduced from 43-50% to 40%. The combination of GST-led demand recovery, festive momentum, new Venue launch & export resurgence positions it to outperform broader industry growth in H2FY26.

- **Unveils Blueprint to expand topline by 1.5x with sustained double-digit margins:** During its Analyst Day held in the recent past, HMIL announced strategic investment plan of ₹45,000 crores through FY2030 aimed at transforming India (HMIL) into Hyundai's second-largest global region. The company plans 26 new product launches, including seven new nameplates, with entries into MPV and off-road SUV segments, alongside India's first locally manufactured dedicated electric SUV by 2027 and the launch of the luxury brand Genesis in India in the same year. HMIL targets a 15%+ domestic market share with over 80% of its portfolio contribution from utility vehicles and more than 50% powered by eco-friendly technologies like CNG, EV, and hybrids. Additionally, HMIL aims for up to 30% export contribution, crossing ₹1 lakh crore in revenues with sustained double-digit EBITDA margins in the range of 11%-14% by 2030.

Rating and Target Price

- HMIL stands out for its strategic investments aimed at scaling revenue & product diversification. It's roadmap to achieve 1.5x revenue growth, combined with disciplined margin management and expanding market share, supports compelling growth outlook. Given this structural strength and a well-articulated strategy, we maintain our **BUY** rating on the stock & continue to value HMIL at **₹ 2,800** i.e. **30x P/E on avg. of FY27-28E EPS**.

HYUNDAI

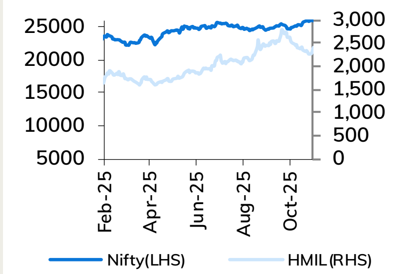
Particulars

Particulars	₹ crore
Market Capitalisation	1,96,229
Total Debt (FY25)	792
Cash & Inv. (FY25)	8,579
EV (₹ crore)	1,88,441
52 week H/L (₹)	2,890 / 1,542
Equity Capital (FY25)	813
Face Value (₹)	10

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	82.5	82.5	82.5	82.5
FII	6.7	7.2	7.1	7.3
DII	7.1	7.0	7.8	7.7
Other	3.7	3.3	2.7	2.4

Price Chart



Recent event & key risks

- Reports healthy performance in Q2FY26 with margins at 13.9%.
- Key Risk: i) lower than anticipated EBITDA margins in near term as new plant ramps up production ii) lower than anticipated sales volume growth over FY25- FY28E and consequent O/p leverage

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Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25	4 year CAGR (FY21-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Net Sales	40,972	47,379	60,308	69,830	69,193	14.0%	73,968	82,073	91,237	9.7%
EBITDA	4,246	5,486	7,549	9,133	8,954	20.5%	10,087	11,326	12,773	12.6%
EBITDA Margins (%)	10.4	11.6	12.5	13.1	12.9		13.6	13.8	14.0	
Net Profit	1,881	2,902	4,709	6,061	5,640	31.6%	6,405	7,096	8,009	12.4%
Reported EPS (₹)	23.2	35.7	58.0	74.6	69.4		78.8	87.3	98.6	
RoNW (%)	12.3	17.2	23.5	56.8	34.6		30.8	27.5	25.5	
RoCE (%)	13.1	17.7	24.2	55.0	37.7		34.8	32.3	30.9	
P/E (x)	104.3	67.6	41.7	32.4	34.8		30.6	27.7	24.5	

Source: Company, ICICI Direct Research

Q2FY26 Earnings Conference Call highlights

- **Demand & market reaction (GST + festive):** Hyundai said the GST reform and the festival season produced a pronounced retail recovery: retail volumes grew ~23% during the festival window (Navratri - Diwali), with strong segmental contributions — hatch +16%, sedans +47%, SUVs +21% and Exter+Venue +28% in the festival period. For Sep+Oct vs Jan–Aug the company cited ~20% growth overall and particularly strong traction in compact SUVs (Exter / Venue). Management expects the momentum to continue into the rest of FY26 but cautioned that some effects (inventory lag between wholesale/registrations) will take a month to normalize

- **Volumes, channels & exports:** Exports were a key driver, growing ~22% YoY and supported by strong demand in Middle East & Africa (+35%) and Mexico (+11%). Channel inventory compressed from ~5 weeks to ~3–3.5 weeks (including transit), signalling tight on-ground stock post-festival. It reiterated the dual-engine growth strategy — domestic plus exports — and said exports growth should exceed earlier FY26 guidance (~7–8%).

- **Product pipeline & launches (Venue + investor-day roadmap:** Hyundai underlined the strategic product roadmap unveiled at the investor day (roadmap to 2030) and highlighted the all-new Venue launch on 4 Nov as a near-term catalyst for compact-SUV volumes and market share. Management reiterated that investor-day timelines (including EV launches) should be the primary reference for product timing and avoided adding fresh guidance beyond that.

- **Manufacturing, Pune plant and cost impact:** Vehicle production at the Pune plant commenced on 1st Oct 2025. Management warned of short-term margin headwinds from incremental depreciation, labour and factory overheads related to ramping the new plant — they quantified this incremental cost impact in general terms (expecting a material increase in those cost elements) and described the pain as temporary, with confidence that ramp-up, exports and operating efficiencies will restore healthy margins over time.

- **Cost control & Localization:** Localization improved from ~78% last year to ~82% currently; the target is to reach ~90% by FY30. Management highlighted continuous value engineering, tier-2 localization, packing and route optimisation simulations, and vendor negotiations as levers. Royalty was reported at 2.8% of sales in the quarter.

- **Capital allocation & Strategic Investments:** Management reiterated the large capex/R&D ambition outlined at investor day (multi-year investment to support ~26 launches over 5 years and to build local capabilities). Rough allocation shared as 40% portion for product investments and another 40% for capacity expansion and localisation. They positioned the capex as necessary to capture the growth and global role of HMIL.

- **EV / hybrid strategy & product comments:** Hyundai emphasised a multi-powertrain approach (EVs, hybrids, CNG). The company confirmed dedicated EV launches (calendar 2027 referenced at investor day) and said hybrids will be part of the long-term mix — but reiterated that detailed timelines and technical specifics are those disclosed at the investor day. Hybrids currently have low penetration in India; EVs are seeing faster adoption in recent months.

Key tables and charts

Exhibit 1: Quarterly Analysis

	Q2FY26	Q2FY25	YoY (Chg %)	Q1FY26	QoQ (Chg %)
Total Operating Income	17,461	17,260	1.2	16,413	6.4
Raw Material Expenses	12,249	12,517	-2.1	11,602	5.6
Employee Expenses	618	549	12.5	624	-1.0
Other expenses	2,165	1,989	8.9	2,002	8.2
Operating Profit (EBITDA)	2,429	2,205	10.1	2,185	11.2
EBITDA Margin (%)	13.9	12.8	113 bps	13.3	60 bps
Other Income	231	192	20.3	215	7.6
Depreciation	518	519	-0.2	528	-2.0
Interest	17	29	-42.9	25	-32.6
Total Tax	554	474	16.7	478	15.8
PAT	1,572	1,375	14.3	1,369	14.8
EPS	19	17	14.3	17	14.8
Key Metrics					
Sales Volume	1,90,921	1,91,939	-0.5	1,80,399	5.8
ASP (₹)	8,98,583	8,83,656	1.7	8,96,879	0.2

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	**FY25**	**FY26E**	**FY27E**	**FY28E**
Total Volumes (lakh units)	5.8	6.1	7.2	7.8	**7.6**	**8.1**	**8.8**	**9.5**
Average ASPs (₹ lakh/unit)	7.0	7.6	8.2	8.8	**8.9**	**9.0**	**9.2**	**9.5**
RMC/Unit (₹ lakh/unit)	5.4	5.9	6.2	6.6	**6.6**	**6.4**	**6.6**	**6.8**

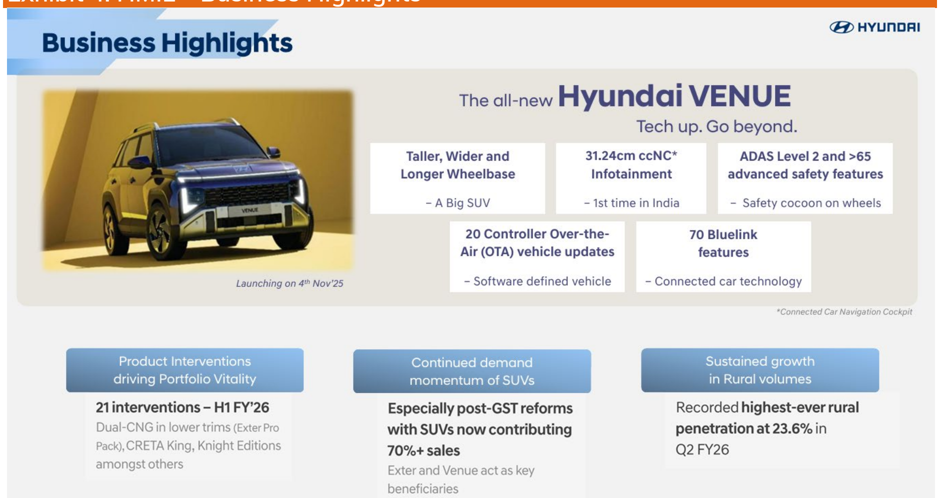
Source: ICICI Direct Research

Exhibit 3: Change in headline estimates

	FY26E			FY27E			FY28E
(₹ Crore)	**Old**	**New**	**% Change**	**Old**	**New**	**% Change**	**Introduced**
Total Op. Income	74,384	73,968	-0.6	82,067	82,073	0.0	91,237
EBITDA	10,168	10,087	-0.8	11,284	11,326	0.4	12,773
EBITDA Margin (%)	13.7	13.6	-3 bps	13.8	13.8	0 bps	14.0
PAT	6,422	6,405	-0.3	7,080	7,096	0.2	8,009
EPS (₹)	79.0	79	-0.3	87.0	87	0.2	99

Source: ICICI Direct Research

Exhibit 4: HMIL – Business Highlights



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Total operating Income	69,193	73,968	82,073	91,237
Growth (%)	(0.9)	6.9	11.0	11.2
Raw Material Expenses	49,929	52,117	58,108	64,413
Employee Expenses	2,311	2,585	2,790	3,102
Other Expenses	7,999	9,179	9,849	10,948
Total Op. Expenditure	60,239	63,881	70,747	78,464
EBITDA	8,954	10,087	11,326	12,773
Growth (%)	(2.0)	12.7	12.3	12.8
Depreciation	2,105	2,219	2,462	2,600
Interest	127	98	81	60
Other Income	870	852	742	637
PBT	7,591	8,622	9,525	10,750
Total Tax	1,951	2,217	2,429	2,741
Reported PAT	5,640	6,405	7,096	8,009
Growth (%)	(6.9)	13.6	10.8	12.9
Reported EPS (₹)	69.4	78.8	87.3	98.6

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit before Tax	7,591	8,622	9,525	2,342
Add: Depreciation & Interest	2,232	2,317	2,543	2,660
(Inc)/dec in Current Assets	(346)	(603)	(883)	(998)
Inc/(dec) in CL and Provisions	(1,850)	889	1,309	1,480
Others	(1,951)	(2,217)	(2,429)	5,667
CF from operating activities	5,676	9,008	10,065	11,151
(Inc)/dec in Investments	-	-	-	-
(Inc)/dec in Fixed Assets	(5,749)	(7,000)	(9,000)	(9,000)
Others	(253)	(40)	(40)	(40)
CF from investing activities	(6,002)	(7,040)	(9,040)	(9,040)
Proceeds from Issuance of Equity	-	-	-	-
Borrowings, leases & interest	1,593	(168)	(231)	(210)
Dividend paid & dividend tax	(1,706)	(1,909)	(2,113)	(2,438)
CF from financing activities	(114)	(2,078)	(2,343)	(2,647)
Net Cash flow	(439)	(110)	(1,318)	(537)
Opening Cash	9,018	8,579	8,469	7,151
Closing Cash	8,579	8,469	7,151	6,615

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	813	813	813	813
Reserve and Surplus	15,484	19,980	24,963	30,534
Total Shareholders funds	16,297	20,792	25,776	31,347
Total Debt	792	722	572	422
Deferred Tax Liability	-	-	-	-
Minority Interest / Others	1,951	1,971	1,991	2,011
Total Liabilities	19,040	23,485	28,339	33,780
Assets				
Gross Block	23,564	34,283	43,283	52,283
Less: Acc Depreciation	16,654	18,873	21,336	23,936
Net Block	6,910	15,409	21,947	28,347
Capital WIP	4,718	1,000	1,000	1,000
Total Fixed Assets	11,628	16,409	22,947	29,347
Goodwill & Investments	195	205	215	225
Inventory	3,404	3,648	4,047	4,499
Debtors	2,389	2,634	2,923	3,250
Other Current Assets	1,660	1,774	1,969	2,188
Cash	8,579	8,469	7,151	6,615
Total Current Assets	16,032	16,526	16,091	16,552
Creditors	7,086	7,701	8,545	9,499
Provisions	497	532	590	656
Other current liabilities	3,474	3,714	4,121	4,581
Total Current Liabilities	11,058	11,947	13,256	14,736
Net Current Assets	4,974	4,579	2,835	1,816
Others	2,242	2,292	2,342	2,392
Application of Funds	19,040	23,485	28,339	33,780

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
EPS	69.4	78.8	87.3	98.6
Cash EPS	95.3	106.1	117.6	130.6
BV	200.6	255.9	317.2	385.8
Cash Per Share	105.6	104.2	88.0	81.4
Operating Ratios (%)				
EBITDA Margin	12.9	13.6	13.8	14.0
PBT / Net sales	9.9	10.6	10.8	11.2
PAT Margin	8.2	8.7	8.6	8.8
Inventory days	18.0	18.0	18.0	18.0
Debtor days	12.6	13.0	13.0	13.0
Creditor days	37.4	38.0	38.0	38.0
Return Ratios (%)				
RoE	34.6	30.8	27.5	25.5
RoCE	37.7	34.8	32.3	30.9
RoIC	140.7	59.9	45.9	40.3
Valuation Ratios (x)				
P/E	34.8	30.6	27.7	24.5
EV / EBITDA	21.0	18.7	16.7	14.9
EV / Net Sales	2.7	2.5	2.3	2.1
Market Cap / Sales	2.8	2.7	2.4	2.2
Price to Book Value	12.0	9.4	7.6	6.3
Solvency Ratios				
Debt/EBITDA	0.1	0.1	0.1	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.0	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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Reduce: -15% to -5%;

Sell: <-15%

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