Hyundai Motors India (HYUMOT)

ICICI Direct

CMP: ₹2,170 | Target ₹ 2,520 (16%) | Target Period: 12 months | **BUY**

July 31, 2026

New launches to support domestic demand…

About the stock: Hyundai Motors India (HMIL), is a part of South Korea based the "Hyundai Motor Group". HMIL is a prominent auto OEM in the domestic passenger vehicle space in terms of sales volumes with market share pegged at 12.6% in FY26.

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

Q1FY27 Result: HMIL reported mixed performance in Q1FY27. Sales volume for the quarter stood at 1.78 lakh units, down 1% YoY Total operating income for Q1FY26 came in at ₹ 16,335 crore with ensuing ASPs at ~₹ 9.04 lakh/unit, up ~2.1% QoQ. SUV share of sales in total domestic PV sales volume stood at ~70% (vs. 68% in Q1FY26). EBITDA margins for the quarter came in at 9.3%, down ~110 bps QoQ. Consequent PAT in Q1FY27 came in at ₹889 crore, down 35% YoY.

Investment Rationale:

- **Structural Demand Tailwind Backed by Policy Reform:** GST 2.0 have had a positive influence on the auto industry and have resulted in improved sentiments in the domestic market. In Q1FY27 PV volumes delivered a record-breaking performance, with sales hitting 12.7 lakh units, up 26% YoY, making it the strongest Q1 on record on the back of improved affordability following the GST rate reduction. 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. HMIL has been a clear beneficiary of this trend, with its SUV sales growing rapidly and accounting ~70% of its total sales, vs. ~67% share for the industry, led by popular models such as Creta & Venue. Hyundai is entering a high product cycle phase, with two major launches in FY27 (including a localized EV-compact SUV and mid-size ICE SUV), which are expected to drive incremental volumes in high-demand SUV segments
- **Structural competitive advantages through exports, localization:** Hyundai appears to be entering a favourable earnings recovery phase after a temporary operational disruption in Q1. Beyond the near-term recovery, Hyundai continues to strengthen multiple long-duration growth drivers that enhance its competitive positioning. Combined with strong brand positioning, rural expansion, and rising CNG/EV penetration, while CNG contribution reached a record 18.2% penetration in Q1FY27, HMIL is well-placed to outperform industry growth and gain market share. Rural demand continues to outperform urban markets with rural contribution reaching an all-time high of 26%, supported by dealership expansion. Simultaneously, localization has already improved significantly to around 83%, with a target of reaching 90% by 2030, supporting better cost competitiveness and reducing supply chain risks.

Rating and Target Price

- With 2 new launches in the current fiscal (mid-size SUV in ICE, compact EV) and increasing capacity utilization, the company is confident of achieving 8-10% volume growth in FY27E. This coupled with margin recovery should support healthy double-digit earnings growth going forward. We therefore maintain our **BUY** rating on the stock & now value HMIL at **₹ 2,520** i.e. **28x P/E on FY28E EPS**

HYUNDAI

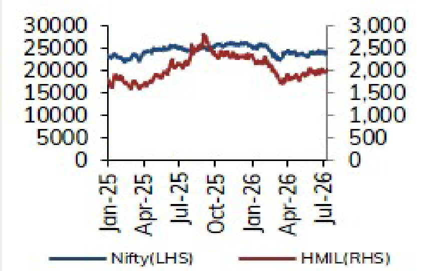
Particulars

Particulars	₹ crore
Market Capitalisation	1,76,321
Total Debt (FY26P)	997
Cash & Inv. (FY26P)	10,552
EV (₹ crore)	1,66,766
52 week H/L (₹)	2,890 / 1,659
Equity Capital (FY26P)	813
Face Value (₹)	10

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	82.5	82.5	82.5	82.5
FII	7.3	6.4	5.4	3.3
DII	7.7	8.6	9.7	11.7
Other	2.4	2.5	2.4	2.6

Price Chart



Recent event & key risks

- Reports mixed Q1'27. New launches to support demand.
- Key Risk: i) lower than anticipated sales volume growth over FY26-FY28E from new nameplates. ii) lower than anticipated margins recovery amidst volatile RM prices

Research Analyst

Shashank Kanodia
Shashank.kanodia@icicisecurities.com

Bhavish Doshi
Bhavish.doshi@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY23	FY24	FY25	FY26P	5 year CAGR (FY21-26)	FY27E	FY28E	2 year CAGR (FY26-28E)
Net Sales	60,308	69,830	69,193	70,763	11.5%	79,094	87,817	11.4%
EBITDA	7,549	9,133	8,954	8,598	15.2%	8,923	11,416	15.2%
EBITDA Margins (%)	12.5	13.1	12.9	12.2		11.3	13.0	
Net Profit	4,709	6,061	5,640	5,432	23.6%	5,626	7,309	16.0%
Reported EPS (₹)	58.0	74.6	69.4	66.8		69.2	90.0	
RoNW (%)	23.5	56.8	34.6	27.1		23.5	25.1	
RoCE (%)	24.2	55.0	37.7	29.1		25.7	27.8	
P/E (x)	37.4	29.1	31.3	32.5		31.3	24.1	

Source: Company, ICICI Direct Research

Q1FY27 Earnings Conference Call Highlights

- **Business Performance:** Despite the production disruption, Hyundai delivered 5.4% YoY domestic volume growth, indicating healthy underlying demand. Management highlighted that April-May domestic sales had grown 13% before the supplier issue. Rural demand continues to outperform urban markets with rural contribution reaching an all-time high of 26%, supported by dealership expansion, service penetration and improving road infrastructure. SUV penetration remained strong at 70%, while CNG contribution reached a record 18.2%.

- **Export Performance:** Exports were impacted by both the supplier disruption and geopolitical issues in the Middle East, resulting in lower quarterly volumes. However, management expects a sharp recovery beginning July, supported by strong order backlogs and improving logistics. Growth drivers include the launch of the new Venue across 35 export markets, left-hand drive Exter in 13 countries, Verna PE expansion across more than 25 markets and continued strength in Central & South America.
- **Strong Product Pipeline and Brand Engagement Driving Growth:** Management confirmed the launch of two strategically important products during H2 FY27—a new ICE midsize SUV during the festive season and Hyundai's first mass-market dedicated electric vehicle. The new SUV will be positioned distinctly from Creta with a technology-first and software-defined vehicle approach targeting digitally native consumers. The EV will emphasize AI-enabled capabilities, localization and eligibility under the Government's PLI scheme.
- **Margin pressure:** Q1 EBITDA margin declined to 9.3% due to lower export volumes, supplier disruption, commodity inflation and Pune plant stabilization costs. However, management reaffirmed its 11-14% EBITDA margin guidance for FY27, indicating confidence in restoring profitability over the remaining quarters. Commodity inflation impacted margins by roughly 200 bps YoY and 100 bps sequentially, largely driven by precious metals and copper.
- **Capacity Expansion & Utilization:** One of the most important operational updates was Hyundai's decision to advance Pune plant third-shift operations by nearly two years, beginning October 2026 instead of the earlier FY28 timeline. This reflects stronger-than-expected demand for the new Venue. Pune's annual capacity under three shifts will reach approximately 170,000 units. Simultaneously, Chennai Plant-1 utilization is expected to improve from roughly 72% to around 90% during CY2027 as two new models ramp up.
- **Growth Outlook & Guidance:** Management reiterated its confidence of delivering 8-10% domestic volume growth and 8-10% export growth for FY27 despite the production disruption caused by the supplier fire during June. The company clarified that the production loss was largely recovered within July itself and expects the remaining shortfall to be recovered during August-September. Hyundai emphasized that the disruption was purely operational rather than demand-driven, highlighting the company's execution capability and supply chain resilience.
- **Regulatory Compliance:** Management clarified concerns surrounding fuel efficiency regulations by stating that Hyundai expects zero penalty under CAFE-2 across FY23-FY27 based on internal assessments. The company also indicated that it is fully aligned with the proposed CAFE-3 framework and continues to pursue a technology-agnostic strategy involving CNG, hybrids and EVs. Management reiterated its target of achieving more than 50% green fuel contribution by 2030, supported by expansion of CNG models, hybrid introductions and multiple EV launches over the coming years.

Key tables & Charts

Exhibit 1: Quarterly Valuation

	Q1FY27	Q1FY26	YoY (Chg %)	Q4FY26	QoQ (Chg %)
Total Operating Income	16,335	16,413	-0.5	18,916	-13.6
Raw Material Expenses	11,860	11,602	2.2	13,799	-14.1
Employee Expenses	749	624	20.0	806	-7.1
Other expenses	2,214	2,002	10.6	2,345	-5.6
Operating Profit (EBITDA)	1,512	2,185	-30.8	1,966	-23.1
EBITDA Margin (%)	9.3	13.3	-406 bps	10.4	-114 bps
Other Income	274	215	27.7	259	5.8
Depreciation	557	528	5.5	584	-4.5
Interest	27	25	10.5	38	-27.8
Total Tax	313	478	-34.5	348	-10.1
PAT	889	1,369	-35.1	1,256	-29.2
EPS	11	17	-35.1	15	-29.2
Key Metrics					
Sales Volume	1,78,082	1,80,399	-1.3	2,08,275	-14.5
ASP (₹)	9,03,881	8,96,879	0.8	8,85,268	2.1

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

	FY21	FY22	FY23	FY24	**FY25**	**FY26P**	**FY27E**	**FY28E**
Total Volumes (lakh units)	5.8	6.1	7.2	7.8	**7.6**	**7.8**	**8.5**	**9.3**
Average ASPs (₹ lakh/unit)	7.0	7.6	8.2	8.8	**8.9**	**9.0**	**9.1**	**9.3**
RMC/Unit (₹ lakh/unit)	5.4	5.9	6.2	6.6	**6.6**	**6.5**	**6.8**	**6.8**

Source: Company, ICICI Direct Research

Exhibit 3: Change in Estimates

	FY27E			FY28E		
(₹ Crore)	**Old**	**New**	**% Change**	**Old**	**New**	**% Change**
Total Op. Income	80,257	79,094	-1.4	89,481	87,817	-1.9
EBITDA	8,956	8,923	-0.4	10,917	11,416	4.6
EBITDA Margin (%)	11.2	11.3	12 bps	12.2	13.0	80 bps
PAT	5,582	5,626	0.8	6,796	7,309	7.5
EPS (₹)	69.0	69	0.8	84	90	7.5

Source: ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26P	FY27E	FY28E
Total operating Income	69,193	70,763	79,094	87,817
Growth (%)	(0.9)	2.3	11.8	11.0
Raw Material Expenses	49,929	50,481	57,565	63,448
Employee Expenses	2,311	2,747	3,071	3,293
Other Expenses	7,999	8,937	9,535	9,660
Total Op. Expenditure	60,239	62,165	70,171	76,401
EBITDA	8,954	8,598	8,923	11,416
Growth (%)	(2.0)	(4.0)	3.8	27.9
Depreciation	2,105	2,198	2,294	2,459
Interest	127	106	111	166
Other Income	870	949	999	954
PBT	7,591	7,243	7,518	9,745
Total Tax	1,951	1,812	1,892	2,436
Reported PAT	5,640	5,432	5,626	7,309
Growth (%)	(6.9)	(3.7)	3.6	29.9
Reported EPS (₹)	69.4	66.8	69.2	90.0

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26P	FY27E	FY28E
Profit before Tax	7,591	7,243	7,518	9,745
Add: Depreciation & Interest	2,232	2,304	2,404	2,625
(Inc)/dec in Current Assets	(346)	(472)	(1,182)	(1,004)
Inc/(dec) in CL and Provisions	(1,850)	356	1,530	1,427
Others	(1,951)	(1,812)	(1,892)	(2,436)
CF from operating activities	5,676	7,620	8,378	10,357
(Inc)/dec in Investments	-	-	-	-
(Inc)/dec in Fixed Assets	(5,749)	(4,237)	(7,500)	(9,000)
Others	(253)	204	(40)	(40)
CF from investing activities	(6,002)	(4,033)	(7,540)	(9,040)
Proceeds from Issuance of Equity	-	-	-	-
Borrowings, leases & interest	1,593	92	(261)	1,034
Dividend paid & dividend tax	(1,706)	(1,706)	(1,706)	(2,113)
CF from financing activities	(114)	(1,615)	(1,967)	(1,079)
Net Cash flow	(439)	1,973	(1,129)	238
Opening Cash	9,018	8,579	10,552	9,423
Closing Cash	8,579	10,552	9,423	9,661

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY25	FY26P	FY27E	FY28E
Liabilities				
Equity Capital	813	813	813	813
Reserve and Surplus	15,484	19,202	23,122	28,318
Total Shareholders funds	16,297	20,015	23,934	29,131
Total Debt	792	997	847	2,047
Deferred Tax Liability	-	-	-	-
Minority Interest / Others	1,951	1,979	1,999	2,019
Total Liabilities	19,040	22,990	26,780	33,196
Assets				
Gross Block	23,564	31,794	39,019	48,019
Less: Acc Depreciation	16,654	18,852	21,146	23,605
Net Block	6,910	12,942	17,873	24,414
Capital WIP	4,718	725	1,000	1,000
Total Fixed Assets	11,628	13,667	18,873	25,414
Goodwill & Investments	195	128	138	148
Inventory	3,404	3,594	3,901	4,331
Debtors	2,389	2,194	2,817	3,128
Other Current Assets	1,660	2,138	2,389	2,653
Cash	8,579	10,552	9,423	9,661
Total Current Assets	16,032	18,477	18,530	19,772
Creditors	7,086	7,201	8,234	9,143
Provisions	497	597	667	741
Other current liabilities	3,474	3,616	4,042	4,488
Total Current Liabilities	11,058	11,414	12,944	14,371
Net Current Assets	4,974	7,063	5,586	5,401
Others	2,242	2,132	2,182	2,232
Application of Funds	19,040	22,990	26,780	33,196

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26P	FY27E	FY28E
Per share data (₹)				
EPS	69.4	66.8	69.2	90.0
Cash EPS	95.3	93.9	97.5	120.2
BV	200.6	246.3	294.6	358.5
Cash Per Share	105.6	129.9	116.0	118.9
Operating Ratios (%)				
EBITDA Margin	12.9	12.2	11.3	13.0
PBT / Net sales	9.9	9.0	8.4	10.2
PAT Margin	8.2	7.7	7.1	8.3
Inventory days	18.0	18.5	18.0	18.0
Debtor days	12.6	11.3	13.0	13.0
Creditor days	37.4	37.1	38.0	38.0
Return Ratios (%)				
RoE	34.6	27.1	23.5	25.1
RoCE	37.7	29.1	25.7	27.8
RoIC	140.7	59.8	43.2	41.6
Valuation Ratios (x)				
P/E	31.3	32.5	31.3	24.1
EV / EBITDA	18.8	19.4	18.8	14.8
EV / Net Sales	2.4	2.4	2.1	1.9
Market Cap / Sales	2.5	2.5	2.2	2.0
Price to Book Value	10.8	8.8	7.4	6.1
Solvency Ratios				
Debt/EBITDA	0.1	0.1	0.1	0.2
Debt / Equity	0.0	0.0	0.0	0.1
Current Ratio	1.0	1.0	1.0	1.0
Quick Ratio	0.5	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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