Hyundai Motors India (HYUMOT)

CMP: ₹1,875 | Target ₹ 2,250 (20%) | Target Period: 12 months | BUY

October 29, 2026

New products to drive growth amid margin recovery...

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

Q2FY27 Result: HMIL reported steady performance in Q2FY27. Sales volume for the quarter stood at 2.19 lakh units, up ~15% YoY. Total operating income for Q2FY26 came in at ₹ 20,696 crore with ensuing ASPs at ~₹ 9.29 lakh/unit, up ~2.8% QoQ. SUV share of sales in total domestic PV sales volume stood at ~67% (vs. 71% in Q2FY26). EBITDA margins for the quarter came in at 9.5%, up ~30 bps QoQ. Consequent PAT in Q2FY27 came in at ₹1,196 crore, down 24% YoY.

Investment Rationale:

- **Strong product pipeline, SUV leadership & improving volume visibility:** GST 2.0 have had a positive influence on the auto industry and have resulted in improved sentiments in the domestic market. HMIL domestic volumes increased 18.8% YoY in Q2FY27, supported by strong customer demand, festive-season momentum and improved sales execution. It offers a compelling growth opportunity through its expanding SUV portfolio, new product launches and strengthening domestic demand. The Bayon launch, the upcoming mass-market EV and the new Venue are expected to support volume growth, improve the product mix and increase the company's competitiveness across segments. The combined annual domestic volume target of 2.5 lakh units for the Creta and Bayon portfolio, alongside a record rural contribution of 26.6% & CNG penetration of 19.1%, highlights the company's ability to tap multiple markets & powertrains. HMIL continues to guide for 8–10% domestic sales volume growth in FY27.
- **Margin recovery potential through operating leverage & localization:** Despite near-term profitability pressure from commodity inflation, HMIL has several identifiable levers to improve margins in H2FY27. HMIL expects the Tamil Nadu incentive to contribute more than 1% to margins in each of Q3 and Q4, while higher export volumes, price increases, localization and cost-control initiatives should provide additional support. The planned increase in Chennai plant utilization from below 80% to above 90%, should improve fixed-cost absorption as volumes increase. Tier-1 localization has already reached 84%, compared with 82% a year ago, helping reduce supply-chain exposure and supporting cost management. These factors provide a potential path towards guided 11% full-year EBITDA margin for FY27E amid its broader target of 11-14% EBITDA margin profile.

Rating and Target Price

- The combination of a strong SUV franchise, rising rural penetration, alternative powertrains and an expanding export portfolio provides HMIL the confidence 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 **₹ 2,250** i.e. **25x P/E on avg. of FY28-29E EPS**

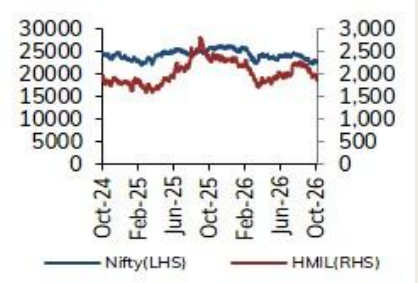
Particulars

Particulars	₹ crore
Market Capitalisation	1,52,351
Total Debt (FY26)	997
Cash & Inv. (FY26)	10,552
EV (₹ crore)	1,42,796
52-week H/L (₹)	2,468 / 1,658
Equity Capital (FY26)	813
Face Value (₹)	10

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	82.5	82.5	82.5	82.5
FII	6.4	5.4	3.3	3.2
DII	8.6	9.7	11.7	11.9
Other	2.5	2.4	2.6	2.5

Price Chart



Recent event & key risks

- Reports steady Q2'27. Launches Bayon in the mid SUV segment
- Key Risk: i) lower than anticipated margins recovery amidst volatile RM prices ii) lower than anticipated sales volume growth over FY26- FY29E from new nameplates.

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY24	FY25	FY26	5-year CAGR (FY21-26)	FY27E	FY28E	FY29E	3-year CAGR (FY26-29E)
Net Sales	69,830	69,193	70,763	11.5%	79,593	90,321	1,02,061	13.0%
EBITDA	9,133	8,954	8,598	15.2%	8,737	10,838	12,707	13.9%
EBITDA Margins (%)	13.1	12.9	12.2		11.0	12.0	12.5	
Net Profit	6,061	5,640	5,432	23.6%	5,430	6,749	7,839	13.0%
Reported EPS (₹)	74.6	69.4	66.8		66.8	83.1	96.5	
RoNW (%)	56.8	34.6	27.1		22.9	23.7	23.2	
RoCE (%)	55.0	37.7	29.1		25.1	26.4	26.7	
P/E (x)	25.1	27.0	28.0		28.1	22.6	19.4	

Source: Company, ICICI Direct Research

Q2FY27 Earnings Conference Call Highlights

- **Strong volume recovery & Domestic demand outlook remains strong:** Domestic volumes increased 18.8% YoY to 1,65,772 units, supported by strong customer demand, festive-season momentum and improved sales execution. The recovery was particularly encouraging given the production disruption in the previous quarter, with operations restored to normal within just 22 days. Management remains confident of achieving its full-year domestic sales growth guidance of 8–10% in FY27 and expects HMIL to outperform the PV industry in H2. It expects festive demand; new model launches and incremental production capacity to support growth.
- **SUV portfolio and rural demand provide structural growth support:** Hyundai continues to benefit from healthy SUV demand across both urban and rural markets. Rural contribution reached a record 26.6% during the quarter, reflecting the benefits of network expansion, improved road infrastructure and deeper penetration into smaller markets. SUV preference is also strong in rural markets, where SUV traction was indicated at ~68–69%, broadly comparable with urban markets. The Bayon, the new Venue and Exter are expected to reinforce Hyundai's SUV positioning and support volumes across domestic and export markets.
- **New models and export diversification offer additional growth opportunities:** Management expects the new Venue, Exter and Bayon to improve export growth and increase the SUV share of the export mix. Hyundai is targeting at least a doubling of Venue export volumes in the current calendar year compared with the previous year, while Exter export volumes are expected to increase by at least 50%. The Bayon has attracted interest from more than 50 countries, with export volumes from the Bayon expected to begin in Q4FY27.
- **Margin pressure:** Management indicated that the estimated commodity impact was ~400 basis points YoY & 250 basis points QoQ. However, management reaffirmed its 11-14% EBITDA margin guidance for FY27, indicating confidence in restoring profitability over the remaining quarters. Several factors are expected to support this improvement: the Tamil Nadu incentive, effective from late September, is expected to contribute more than 1% to margins in Q3 and Q4; higher export volumes should improve the overall sales mix; and the September price increase will benefit the entire second half. Hyundai also typically takes a price increase in January, while further localization and value engineering should help contain costs.
- **Exports recover sequentially despite geopolitical and logistical challenges:** Exports increased 3.7% YoY and 38% QoQ in Q2 FY27, with export volumes accounting for ~24% of total quarterly sales. Growth was supported by healthy demand across markets, including Latin America, Mexico, Africa & Middle East, although the latter continues to face logistical disruptions. On QoQ basis, management highlighted growth of 57% in the Middle East, 35% in Africa, 56% in Mexico and 10% in Latin America. It is targeting high-double-digit export growth in H2, with support from new products, alternate shipping routes and diversification across markets.
- **Bayon launch marks the beginning of a new product cycle:** The launch of the Bayon is a key growth catalyst, marking the beginning of what management described as a strong or “golden” product cycle. Initial customer response has been encouraging, supported by its design, AI-enabled features and value proposition. Hyundai is targeting combined annual domestic volumes of approximately 2.5 lakh units for the Creta and Bayon portfolio, compared with an estimated 1.7 lakh units for the Creta. The Bayon is also expected to receive a CNG variant in January, which could further expand its addressable customer base.

Key tables & Charts

Exhibit 1: Quarterly Valuation

	Q2FY27	Q2FY26	YoY (Chg %)	Q1FY27	QoQ (Chg %)
Total Operating Income	20,696	17,461	18.5	16,335	26.7
Raw Material Expenses	15,268	12,249	24.7	11,860	28.7
Employee Expenses	752	618	21.7	749	0.4
Other expenses	2,701	2,165	24.7	2,214	22.0
Operating Profit (EBITDA)	1,974	2,429	-18.7	1,512	30.6
EBITDA Margin (%)	9.5	13.9	-437 bps	9.3	29 bps
Other Income	224	231	-3.1	274	-18.4
Depreciation	555	518	7.3	557	-0.3
Interest	25	17	51.4	27	-7.6
Total Tax	422	554	-23.8	313	34.7
PAT	1,196	1,572	-23.9	889	34.6
EPS	15	19	-23.9	11	34.6
Key Metrics					
Sales Volume	2,19,072	1,90,921	14.7	1,78,082	23.0
ASP (₹)	9,29,474	8,98,583	3.4	9,03,881	2.8

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Total Volumes (lakh units)	5.8	6.1	7.2	7.8	**7.6**	**7.8**	**8.5**	**9.4**	**10.5**
Average ASPs (₹ lakh/unit)	7.0	7.6	8.2	8.8	**8.9**	**9.0**	**9.3**	**9.4**	**9.6**
RMC/Unit (₹ lakh/unit)	5.4	5.9	6.2	6.6	**6.6**	**6.5**	**6.8**	**7.0**	**7.0**

Source: Company, ICICI Direct Research

Exhibit 3: Change in Estimates

	FY27E			FY28E			FY29E
(₹ Crore)	Old	New	% Change	Old	New	% Change	Introduced
Total Op. Income	79,094	79,593	0.6	87,817	90,321	2.9	1,02,061
EBITDA	8,923	8,737	-2.1	11,416	10,838	-5.1	12,707
EBITDA Margin (%)	11.3	11.0	-30 bps	13.0	12.0	-100 bps	12.5
PAT	5,626	5,430	-3.5	7,309	6,749	-7.7	7,839
EPS (₹)	69.0	67	-3.5	90	83	-7.7	96

Source: ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Total operating Income	70,763	79,593	90,321	1,02,061
Growth (%)	2.3	12.5	13.5	13.0
Raw Material Expenses	50,481	57,773	65,483	73,739
Employee Expenses	2,747	3,009	3,161	3,368
Other Expenses	8,937	10,073	10,838	12,247
Total Op. Expenditure	62,165	70,856	79,482	89,355
EBITDA	8,598	8,737	10,838	12,707
Growth (%)	(4.0)	1.6	24.1	17.2
Depreciation	2,198	2,308	2,529	2,858
Interest	106	111	174	235
Other Income	949	991	923	909
PBT	7,243	7,309	9,059	10,522
Total Tax	1,812	1,880	2,310	2,683
Reported PAT	5,432	5,430	6,749	7,839
Growth (%)	(3.7)	(0.0)	24.3	16.2
Reported EPS (₹)	66.8	66.8	83.1	96.5

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Profit before Tax	7,243	7,309	9,059	10,522
Add: Depreciation & Interest	2,304	2,419	2,703	3,093
(Inc)/dec in Current Assets	(472)	(1,240)	(1,235)	(1,352)
Inc/(dec) in CL and Provisions	356	1,612	1,756	1,921
Others	(1,812)	(1,880)	(2,310)	(2,683)
CF from operating activities	7,620	8,221	9,972	11,502
(Inc)/dec in Investments	-	-	-	-
(Inc)/dec in Fixed Assets	(4,237)	(7,500)	(9,000)	(9,000)
Others	204	(40)	(40)	(40)
CF from investing activities	(4,033)	(7,540)	(9,040)	(9,040)
Proceeds from Issuance of Equity	-	-	-	-
Borrowings, leases & interest	92	(261)	1,026	(235)
Dividend paid & dividend tax	(1,706)	(1,706)	(2,031)	(2,438)
CF from financing activities	(1,615)	(1,967)	(1,005)	(2,673)
Net Cash flow	1,973	(1,286)	(73)	(211)
Opening Cash	8,579	10,552	9,266	9,192
Closing Cash	10,552	9,266	9,192	8,981

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Liabilities				
Equity Capital	813	813	813	813
Reserve and Surplus	19,202	22,926	27,643	33,045
Total Shareholders funds	20,015	23,738	28,456	33,857
Total Debt	997	847	2,047	2,047
Deferred Tax Liability	-	-	-	-
Minority Interest / Others	1,979	1,999	2,019	2,039
Total Liabilities	22,990	26,584	32,521	37,943
Assets				
Gross Block	31,794	39,019	48,019	57,019
Less: Acc Depreciation	18,852	21,161	23,690	26,547
Net Block	12,942	17,859	24,330	30,472
Capital WIP	725	1,000	1,000	1,000
Total Fixed Assets	13,667	18,859	25,330	31,472
Goodwill & Investments	128	138	148	158
Inventory	3,594	3,925	4,454	5,033
Debtors	2,194	2,835	3,217	3,635
Other Current Assets	2,138	2,404	2,728	3,083
Cash	10,552	9,266	9,192	8,981
Total Current Assets	18,477	18,430	19,592	20,732
Creditors	7,201	8,286	9,403	10,626
Provisions	597	671	762	861
Other current liabilities	3,616	4,068	4,616	5,216
Total Current Liabilities	11,414	13,025	14,781	16,702
Net Current Assets	7,063	5,404	4,811	4,030
Others	2,132	2,182	2,232	2,282
Application of Funds	22,990	26,584	32,521	37,943

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY26	FY27E	FY28E	FY29E
Per share data (₹)				
EPS	66.8	66.8	83.1	96.5
Cash EPS	93.9	95.2	114.2	131.6
BV	246.3	292.1	350.2	416.7
Cash Per Share	129.9	114.0	113.1	110.5
Operating Ratios (%)				
EBITDA Margin	12.2	11.0	12.0	12.5
PBT / Net sales	9.0	8.1	9.2	9.7
PAT Margin	7.7	6.8	7.5	7.7
Inventory days	18.5	18.0	18.0	18.0
Debtor days	11.3	13.0	13.0	13.0
Creditor days	37.1	38.0	38.0	38.0
Return Ratios (%)				
RoE	27.1	22.9	23.7	23.2
RoCE	29.1	25.1	26.4	26.7
RoIC	59.8	42.0	39.0	36.6
Valuation Ratios (x)				
P/E	28.0	28.1	22.6	19.4
EV / EBITDA	16.6	16.5	13.4	11.4
EV / Net Sales	2.0	1.8	1.6	1.4
Market Cap / Sales	2.2	1.9	1.7	1.5
Price to Book Value	7.6	6.4	5.4	4.5
Solvency Ratios				
Debt/EBITDA	0.1	0.1	0.2	0.2
Debt / Equity	0.0	0.0	0.1	0.1
Current Ratio	1.0	1.0	1.0	1.0
Quick Ratio	0.6	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%

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