



IPO Report

12th Oct '24

Snapshot

Hyundai Motor India Ltd is a part of the Hyundai Motor Group, the third largest auto original equipment manufacturer (“OEM”) in the world based on passenger vehicle sales in CY2023. Company have been the second largest auto OEM in the Indian passenger vehicles market since Fiscal 2009 (in terms of domestic sales volumes). Company have a track record of manufacturing and selling four-wheeler passenger vehicles that are reliable, safe, feature-rich, innovative and backed by latest technology.

VALUATION

Company is bringing the issue at price band of Rs 1865-1960 per share at p/e multiple of 24x on post issue annualized Q1FY25 PAT basis.

Company have been the second largest auto OEM since Fiscal 2009 in the Indian passenger vehicles market & have pan-India sales and distribution and after-sale services network offered by company’s dealers. Company have digitised its customers and dealers’ interactions with each other and with company. Company have flexible and automated manufacturing capabilities with an experienced management team with a track record of delivering profitable growth and superior returns. Hence , looking after all above , we recommend “Long term Subscribe” to the issue.

Price Band (Rs./Share)	1865-1960
Opening date of the issue	15th Oct '2024
Closing Date of the issue	17th Oct '2024
No of shares pre issue	812,541,100 Eq Shares
Issue Size	Rs 26505-27856 Cr
Offer For Sale	142,194,000 Equity Shares
Employee Discount	Rs 186/share
Face Value (Rs/ share)	Rs 10/share
Bid Lot	7

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 70,708,150 Eq Shares)
Non-Institutional	15% of the offer (Approx 21,212,445 Eq Shares)
Retail	35% of the offer (Approx 49,495,705 Eq Shares)
Employee Reservation	Upto 778,400 Eq Shares
Lead managers	Kotak Mahindra Capital, Citigroup Global, HSBC Securities, J P Morgan India, Morgan Stanley
Registrar to the issue	KFin Technologies

WHAT WE LIKE

Company is the second largest auto OEM in India and the leading exporter of passenger vehicles

Company have consistently been the largest auto OEM in India by sales volume in the mid-size SUV sub-segment from Fiscal 2019 to the three months ended June 30, 2024. Company’s 2016 India Car of the Year (ICOTY) awardee, Creta had a market share of 38% in the mid-size SUV sub-segment in the three months ended June 30, 2024. Further, Verna was the top selling model in the premium sedans sub-segment in Fiscal 2024, and Aura was the second highest selling model in the sedans segment with 185 15% market share in the three months ended June 30, 2024.

Pan-India sales, distribution and after-sale services network offered by its dealers.

As of June 30, 2024, company had 1,377 sales outlets across 1,036 cities and towns in India and 1,561 service centres across India across 957 cities and towns in India. This has grown from 1,282 sales outlets across 974 cities and towns in India and 1,422 service centres across 905 cities and towns in India as of March 31, 2022. Company’s sales and service network was the second largest in India in terms of the number of customer touchpoints as of March 31, 2024. Company sell all its passenger vehicles, except for IONIQ 5, through company’s dealer network. Company facilitate the sale of IONIQ 5 through “Click to Buy” with support from select franchise dealers, which enables company to understand the premium electric SUV (E-SUV) space better from the direct customer feedback.

Company’s experienced management team with a track record of delivering profitable growth and superior returns

Company is led by an experienced management team which includes company’s Managing Director, Unsoo Kim; company’s Wholetime Director and Chief Operating Officer, Tarun Garg; company’s Whole-time Director and Chief Financial Officer, Wangdo Hur; and company’s Whole-time Director and Chief Manufacturing Officer, Gopalakrishnan Chathapuram Sivaramakrishnan. Company is also governed and advised by an experienced Board of Directors, which has representations from India and Korea, to ensure high corporate governance standards in line with HMC’s governance standards



COMPANY BACKGROUND

Company's Business Model

Company's business model is founded on the following fundamental pillars. First, "strong parentage" of Hyundai Motor Group. Company is a part of the Hyundai Motor Group, which is the third largest auto OEM in the world based on passenger vehicle sales in CY2023. Company have the support of HMC in many aspects of its operations including management, R&D, design, product planning, manufacturing, supply chain development, quality control, marketing, distribution, brand, human resources and financing, among others. Company benefit from HMC's centralised R&D hub that oversees global R&D initiatives for the Hyundai Motor Group. HMC has invested an aggregate amount of ₹1,875.03 billion (KRW 30,392.56 billion or US\$26.04 billion) towards global R&D from CY2014 to June 30, 2024. including towards emerging mobility areas such as electrification, shared mobility and autonomous driving.

Second, "advanced technology". Company deploy technology that is integrated across its operations, including in product design, manufacturing, and customer and dealer engagement. As a key part of the Hyundai Motor Group, company gain early access to global trends in automotive, technologies and features, including from HMC's dedicated technology arm covering passenger vehicle IT services, smart manufacturing, mobility services, data security services and enterprise IT services – Hyundai Autoever

Third, "Hyundai brand". In addition to benefitting from the strength of the "Hyundai" brand globally, company have established "Hyundai" as a trusted brand in India. Company have received the highest number of the Indian Car of the Year (ICOTY) awards over the years (based on data provided in the CRISIL report). The eight passenger vehicle models that have received this accolade are i10 (2008), Grand i10 (2014), Elite i20 (2015), Creta (2016), Verna (2018), Venue (2020), i20 (2021) and Exter (2024).

Fourth, "Localisation". Company's value proposition to customers is to manufacture passenger vehicles that are featurerich, reliable and innovative at a competitive price point. To achieve this and enhance profitability, company focus on localisation of parts and materials. Under its localised supply chain ecosystem, company source majority of parts and materials from suppliers based in India

Fifth, "Win-Win approach". Company aim to build long term relationships with all its stakeholders and create sustained value by following a "win-win" approach, as described below.

- **Customers:** Company's continuous endeavour is to exceed customer expectations not only through innovative, feature-rich, reliable, safe and innovative passenger vehicles, but also through consistent and highquality service, that is readily accessible to the customers through its dealer showrooms and service network, as well as through its digital applications.

Dealers: Company strive to establish long-term relationships with its dealers and develop this relationship by providing opportunities to dealers to set up additional showrooms, continuous training and upskilling of dealer employees and owners, and offering incentives and awards for meeting performance targets. As of June 30, 2024, company partnered with 364 dealer companies for distribution and sales in India.

Suppliers: Hyundai Motor Group's largest supply chain outside Korea is in India, which as of June 30, 2024, comprised of 194 tier-1 and 1,083 tier-2 suppliers by location in India. Company have rigorous supplier on-boarding processes which requires each supplier to satisfy certain metrics, including high-quality standards.

Employees: As of June 30, 2024, company had 5,672 full-time employees. Company have implemented a role-based organisational structure, providing employees with learning and development opportunities. Company was recognised by the Confederation of Indian Industry with the Special Awards for EHS Engagement in Workforce at the Environment Health & Safety Excellence Awards 2021 for its achievements in safety and employee engagement.

Environment and Community: Company's values of serving its community and being an aware, green and inclusive brand are core to how company operate. For example, in Fiscal 2024, 63% of its total energy need at the Chennai Manufacturing Plant was sourced from renewable sources. At this plant, company use water that is sourced primarily from six rainwater harvesting ponds and the plant had a green belt of 33% as of June 30, 2024



INVESTMENT RATIONALE	
<i>Company's ability to identify emerging market trends in a timely manner and introduce innovative passenger vehicles and technologies to meet customer needs in India</i>	Company identify emerging market trends, latent customer needs and aspirations based on company's and HMC's global network, in-depth market and product research. As a key part of the Hyundai Motor Group, company gain early access to the latest global trends in the automotive industry, technologies and features; and strive to be a front-runner in introducing passenger vehicles and technologies in India. This is company's unique competitive advantage. Company's R&D centre in Hyderabad, works closely with the HMC's centralised R& D hub at Namyang, Korea. This centre in Hyderabad is being expanded to become the hub for global compact passenger vehicle R&D for HMC, including through proposed introduction of an automotive test tracking facility for its products (including EVs).
<i>Digitisation across the value chain</i>	Company have digitised its customers and dealers' interactions with each other and with company. Through the "myHyundai" app and its website, customers can interact with company at every stage of the passenger vehicle purchase journey and access after-sale services. Company's constant endeavour is to provide a 360-degree customer experience in passenger vehicle purchase, insurance, maintenance, and after-sales service. Customers can use the "Click to Buy" website and "myHyundai" app to browse new or pre-owned passenger vehicles, request for personalised shopping assistance from company's sales consultants, schedule a test drive and locate a dealer nearest to them. After company's customers have made their purchase, they can use the myHyundai app to access connected car features, book after-sale and maintenance services, renew or extend warranties and receive support from a 24/7 call centre, among other services.
<i>Company's flexible and automated manufacturing capabilities</i>	The Chennai Manufacturing Plant was amongst the few large single location passenger vehicle manufacturing plants in India in terms of production capacity as of June 2024. Company's passenger vehicles are based on five different platforms (four for internal combustion engine ("ICE") passenger vehicles and one for EVs). To enhance operational efficiency, company have a common platform architecture across the two manufacturing plants in Chennai and this enables it to manufacture eight different models in one plant and six different models in the other plant, with one model manufactured in both plants. As a result, based on market demand, selected models can be produced on multiple lines in parallel at the Chennai Manufacturing Plant. This flexibility of having a common platform architecture lowers company's product development costs, reduces its time-to-market, streamlines its manufacturing process, allows higher capacity utilisation and boosts agility in delivering new models. Company's manufacturing operations are highly automated, and the Chennai Manufacturing Plant is optimised to manufacture full range of 13 passenger vehicle models. Company's plant operates in three shifts over 293 working days per year, six days per week, and on an average, producing 131 passenger vehicles per hour, with a production rate of one passenger vehicle within 30 seconds. As of June 30, 2024, over 2,000 critical machines were connected with technologically advanced systems and 743 robots.
<i>Company have a diverse portfolio of passenger vehicles across powertrains and major passenger vehicle segments</i>	Together, the passenger vehicle segments in which company is present in India accounted for approximately 88% of the total passenger vehicle sales volume in India in Fiscal 2024 and approximately 87% for the three months ended June 30, 2024, based on the data provided in the CRISIL Report. Various passenger vehicle models have multiple engine fuel options across petrol, diesel, compressed natural gas ("CNG") and EV along with diverse transmission options (MT, AMT, AT, DCT and iVT). Company also seek 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.



OBJECTS OF OFFER

The objects of the Offer are to (i) to carry out the Offer for Sale of up to 142,194,700 Equity Shares of face value of ₹ 10 each by the Promoter Selling Shareholder and (ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges.

RISKS

Two of company's Group Companies, Kia Corporation and Kia India Private Limited, are in a similar line of business as company which may involve conflict of interests, which could adversely impact company's business.

Source:RHP

INDUSTRY OVERVIEW

Review of the Indian Passenger Vehicle Industry

Review of the Indian Domestic PV Industry (Fiscals 2019 to Q1 Fiscal 2025)

Between Fiscals 2019 and 2024, India's domestic PV sales volume rose at 5% CAGR. This growth was despite the sales contraction (at 10% CAGR) witnessed during Fiscals 2019 to 2021. From the low base of Fiscal 2021, PV sales bounced back and grew at a healthy pace to reach a historic high of 4.2 million vehicles in Fiscal 2024. In Fiscal 2020, contraction of the economy put pressure on vehicle sales. Moreover, the Non-Banking Financial Company (NBFC) liquidity crisis and halting of BS-IV vehicle production amid mandatory implementation of BS-VI norms from Fiscal 2021 exerted added pressure during the year. The industry also lost nearly half a month's sales at fiscal year-end owing to outbreak of the COVID-19 pandemic and subsequent nationwide lockdown. In Fiscal 2021, domestic sales volume continued to be impacted by the first wave of the pandemic. A nation-wide lockdown, reduced mobility, and supply chain constraints leading to production cuts weighed on annual sales. Despite some improvement in sales with the reopening of the economy and increased demand for personal mobility during the second half of the year, sales contracted approximately 2.2% year-on-year owing to the additional price hikes due to implementation of the BS-VI norms. Fiscal 2022 began with a much severe second wave of COVID-19. State-imposed lockdowns, economic uncertainty, and a global shortage of semiconductor supply caused extended waiting periods that impacted sales, especially in the first half of the year. There was some improvement in the economic scenario with the reopening of markets in the second half of the fiscal. Pent-up vehicle demand, further increased need for personal mobility and improved supply scenario provided thrust to PV sales during the second half. After a two-year consecutive drop, PV sales rose 13% from a very low base of Fiscal 2021. In Fiscal 2023, the PV industry grew at a rate of 27% year-on-year, which was more than double the rate of 13% year-on-year witnessed during Fiscal 2022, owing to the healthy pent-up demand created by two years of slump in sales volume. The orderbooks of auto OEMs were further supported by several new launches in the growing SUV category, which saw higher traction, along with multiple facelifts of existing models and easing supply of semiconductors. In fact, overall wholesale volume reached a historic high of 3.9 million units in the fiscal. During Fiscal 2024, growth momentum of the industry continued, albeit at a slower pace, backed by the continued traction for the SUV segment, intermittent launches and improvement in disposable income. Off the high base of Fiscal 2023, the industry grew by 8.4% in Fiscal 2024 to reach the historic high of 4.2 million units. During Q1 FY25, industry witnessed a million-vehicle offtake, an approximately 3% year-on-year increase. Hatchbacks continued to remain under pressure while the SUV and MPV segments primarily drove the industry growth.



Consolidated Financials

(Rs in Lakhs)

Financials	FY22	FY23	FY24	Q1 FY25
Total Revenue (A)	473784.32	603075.80	698290.57	173442.34
Total Expenditure (B)	418923.43	527588.00	606964.41	150039.8
EBIDTA	54860.89	75487.80	91326.16	23402.54
EBIDTA Margin	11.58	12.52	13.08	13.49
Other Income	5876.16	11290.62	14732.68	2237.50
Depreciation	21695.86	21898.66	22079.31	5289.81
EBIT	39041.19	64879.76	83979.53	20350.23
Interest	1319.13	1424.01	1580.79	316.40
PBT	37722.06	63455.75	82398.74	20033.83
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	37722.06	63455.75	82398.74	20033.83
Exceptional	0.00	0.00	0.00	0.00
PBT	37722.06	63455.75	82398.74	20033.83
Tax	8706.15	16363.25	21798.30	5137.31
PAT	29015.91	47092.50	60600.44	14896.52
NPM	6.12	7.81	8.68	8.59
ROE%	17.21	23.48	56.82	12.26
EPS	35.71	57.96	74.58	18.33
Eq Cap	8,125.41	8,125.41	8,125.41	8,125.41
Net Worth	1,68,562.55	2,00,548.18	1,06,657.37	1,21,487.10

(Source: RHP)

Peer Comparison

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>Company</i>	<i>10</i>	<i>74.58</i>	<i>--</i>	<i>56.82</i>	<i>131.26</i>
Peers					
Maruti Suzuki India Limited	5	429.01	29.38	15.75	2723.77
Tata Motors Limited	2	81.89	11.36	36.98	221.67
Mahindra & Mahindra Limited	5	101.14	29.96	17.02	594.08

(Source: RHP)



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