BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 2,327 | ▲ 15%

HYUNDAI MOTORS INDIA | Automobiles | 31 July 2026

Capacity ramp up to help growth, pricing to guard margins, BUY

- **Production disruption and weak exports weigh on performance keeping revenue flat YoY despite ~1% YoY improvement in realisations**
- **EBITDA margin contracts to 9.3%, though HMIL indicates sharp margin recovery driven by 2 new launches in H2FY27, retains 11-14% guidance**
- **Growth focus puts some pressure on EBITDA margins; FY27/FY28 EPS cut, retain FY29. Value at 26x June 2028 EPS with revised TP. BUY**

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Production disruptions offset pricing gains; exports weigh on revenue: HMIL reported a muted Q1FY27 with flat YoY revenues YoY (-13.6% QoQ) at ~Rs163bn. Volumes fell ~1.3% YoY to ~178k units as domestic gains (+5.4% YoY) were offset by a ~19.6% fall in exports amid the West Asia conflict and temporary production disruption following a fire at supplier end. Net ASP gain (~1% YoY/QoQ) aided by ~100bps cumulative price hikes YTD and lower discounts at 2.8% vs 3.4% YoY.

Commodity inflation and operating deleverage pressure margins: Gross margins stayed under pressure despite commodity inflation contained at ~100bps QoQ. Higher employee costs, spiked export freight costs and lower operating leverage due to production disruptions impacted Q1. HMIL expects cost inflation to ease, and higher localization (at 83%), value engineering and pricing should help margin recovery.

Lower exports and Talegaon costs drag profitability: EBITDA fell ~30%/10% YoY/QoQ to ~Rs15.1bn with EBITDA margin contracting ~406bps YoY to 9.3%. PAT fell ~35% YoY to ~Rs8.9bn, additionally impacted by higher depreciation after the Talegaon plant commissioning. FY27 EBITDA margin guidance of 11-14% was reiterated by HMIL supported new product launches in H2FY27, improving plant utilization (Chennai to ramp from 72% to 90%) and ongoing cost optimisation.

H2 product cycle and capacity ramp up: HMIL remains on track to launch two all-new models in H2FY27. The Talegaon plant's third shift will commence from October'26 (advanced by two years), taking annual capacity to ~170k units and supporting higher Venue production for both domestic and export markets.

Small Earnings cut, Maintain BUY: Growth focus puts some pressure on EBITDA margins, to factor the same we cut our FY27/FY28 EPS by 7%3% but retain FY29 EPS. HMIL's timely capacity addition to 1.1mn units by FY28, will help it improve market share and attain growth. Focus on premiumisation (SUV ~ 70% of domestic sales) and strong export strategy, implies revenue gains with a mix of volume/ASPs. Cashflow is healthy despite capex helps EBITDA/PAT CAGR of 14% over FY26-29E. We value HMIL at 26x P/E Jun-28 EPS with TP of Rs2,327 (Rs2,261), BUY.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	HYUNDAI IN/Rs 2,018
Market cap	US$ 6.4bn
Free float	44%
3M ADV	US$ 25.1mn
52wk high/low	Rs 2,890/Rs 1,658
Promoter/FPI/DII	56%/23%/16%

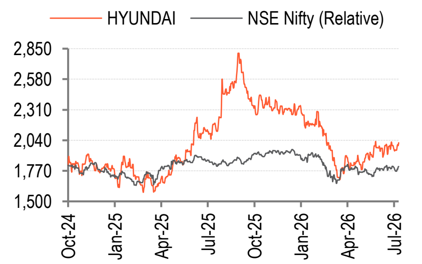
Source: NSE | Price as of 30 Jul 2026

Key financials

Y/E 31 Mar	FY26P	FY27E	FY28E
Total revenue (Rs mn)	7,07,633	7,36,395	8,41,447
EBITDA (Rs mn)	85,985	89,074	1,12,159
Adj. net profit (Rs mn)	54,315	54,550	69,287
Adj. EPS (Rs)	66.8	67.1	85.3
Consensus EPS (Rs)	66.8	68.9	86.5
Adj. ROAE (%)	27.1	23.2	24.5
Adj. P/E (x)	30.2	30.1	23.7
EV/EBITDA (x)	8.2	7.7	5.9
Adj. EPS growth (%)	(3.7)	0.4	27.0

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q1FY27	Q4FY26	Our view
Domestic volumes	Domestic volumes grew ~5.4% YoY to ~139k units due to temporary supplier fire disrupting June production with an estimated impact of 13.9k units, particularly of high-margin models. HMIL indicated most of the lost production was recovered in July with the balance expected by September. SUV contribution remained healthy at ~70%, while rural penetration reached an all-time high of ~26% and CNG mix improved to 18.2%. The company reiterated 8-10% domestic volume growth guidance for FY27, supported by production normalization, two new launches and higher Pune capacity utilization. Rural demand remained resilient with 23.2% YoY growth compared to 2.8% in urban markets.	Q4FY26 domestic volumes grew ~8.5% YoY to ~167k units. Export volumes also remained resilient with a ~9.4% YoY growth, despite geopolitical disruptions in the Middle East markets — taking FY26 exports growth to ~16.4% YoY, ahead of the initial guidance of 7-8%. Discounts reduced to ~1.9% of ASP in Q4FY26 vs ~2.6% in Q3FY26. The company implemented price hikes in January and March, with another selective increase planned in May'26. Rural penetration improved steadily to ~24.7% in Q4FY26 vs ~13% in Q4FY25. The improvement was supported by network expansion and deeper market-penetration initiatives. Management guided for domestic and export volume growth of ~8-10% each in FY27, fueled by the upcoming launches and increased production flexibility.	New launches, ramp up of utilization rates, additional shift (3rd shift) at the Talegaon unit should help reduce operating deleverage impact. Better product mix and export ramp up should help support margins recovery. We factor only limited margin recovery up to ~12% in FY27/FY28.
Margins and profitability	EBITDA margin declined to 9.3% (vs 13.3% YoY) due to lower exports, production disruption, commodity inflation and Pune plant stabilization costs. Commodity inflation impacted margins by ~200bps YoY (~100bps QoQ), largely driven by precious metals and copper. HMIL highlighted that calibrated pricing (three price hikes YTD) totaling to ~100bps, localization and cost optimization partly mitigated the pressure. The company maintained its 11-14% EBITDA margin guidance for FY27 despite commodity uncertainty. PLI readiness is being targeted aggressively for the upcoming mass-market EV to enhance profitability. The increase in other costs was primarily due to yearly revision and commencement of Talegaon plant. Discount levels were down to 2.8% vs 3.4% YoY in Q1 though QoQ they were up.	EBITDA margin compressed sharply by ~372bps YoY to ~10.4%, due to elevated commodity prices, higher employee expenses, initial fixed-cost absorption from Pune operations as well as an adverse product mix. Management highlighted that the cost inflation impacted margins by ~120bps QoQ in Q4FY26 — of which — ~50-60bps was one-off related to vendor compensation and should not recur. Additional pressure arose from labour code-related provisions and actuarial adjustments. Management has guided EBITDA margin in the 11-14% range for FY27, to be led by operating leverage, a better product mix, further pricing actions and improvement in Chennai plant utilisation.	Lower discounts, calibrated pricing and new launches will imply improving ASPs for HMIL in the 2H. This accompanied with relatively easing cost inflation and better leverage with higher capacity utilization both at Pune and Chennai facility should guard margins.
Product pipeline and strategy	HMIL reaffirmed the launch of two all-new models in H2FY27. First a technology-led mid-size SUV during the festive season which will differentiated from Creta. Second a dedicated mass-market EV. The EV is targeted to qualify for PLI incentives from Day-1 through higher localization. HMIL aims to have 5-6 CNG models, 4-5 hybrids and 4-5 EVs by CY30	HMIL confirmed the launch of two completely new nameplates in FY27. One ICE SUV placed in the mid-SUV segment (>4m) while the other a dedicated mass market EV in compact SUV space. Recent product interventions including Venue, Verna and Exter refreshes are already aiding the demand recovery across segments. HMIL ended FY26 at ~114.5 g/km CO_2 vs CAFE-II requirement of ~117.6 g/km and expects CAFE-III compliance, driven by the multi powertrain strategy.	Product pipeline guidance maintained Entry into mass market EV should help growth and climbing back with market share. Balancing this with improvement in margins will be a challenging task.
Capacity expansion and Capex strategy	The company advanced the Pune plant third shift to October 2026, nearly two years ahead of the earlier plan, taking the plant to its full 170k-unit capacity. The preponement is being done driven by strong response to Venue. Chennai Plant-1 utilization is expected to improve from	HMIL announced incremental capacity expansion at Pune facility with an additional ~70k units post Phase-II expansion, taking the Pune plant capacity to ~320k units and overall, India capacity to ~1.14mn units by FY30. Chennai plant utilisation was	Capacity expansion and preponement of additional shift at Talegaon plant to help HMIL. Leveraging benefits should help margin recovery.

Parameter	Q1FY27	Q4FY26	Our view
	~72% in CY26 to ~88-92% in CY27 as production of the two upcoming models ramps up, improving fixed-cost absorption.	temporarily impacted after Venue production shift to Pune. However, it is expected to improve as the upcoming FY27 launches will be manufactured in Chennai. Both the new nameplates will be manufactured at the Chennai unit. FY27 capex guidance stands at ~Rs75bn. Management indicated that ~45-50% will be directed towards the upcoming products and ~30% towards plant-related investments including Pune expansion and Chennai upgradation.	
Exports	Export volumes were impacted by Middle East disruptions and production constraints in Q1. Management expects a strong recovery from July onwards, supported by a healthy order backlog, normalization of production and ramp-up of Venue, Verna PE and Exter LHD exports. Shifting sales to CSA had an impact on mix as hatchbacks are preferred, reopening of Middle East should help improve ASP as the market prefers high-end automatic vehicles.	To offset the impacts from the Middle East conflict, HMIL has ramped up the shipments to other markets, specifically LATAM and Mexico. HMIL is also evaluating alternate shipping routes to manage regional disruptions. Exports volume will likely be bolstered by Verna PE, Exter PE and Exter LHD version. Additionally, the two new launches will also be considered for export.	Shift to other geographies after middle-east conflict will help expand the export divergence. This will be of immense benefit in the medium term. Revival in middle east if war situation improves to add cushion
Other information	Management expects PV industry growth to moderate to ~6-8% in FY27 with H2 likely witnessing low-single-digit growth due to a high base. HMIL indicated that based on internal assessment CAFÉ 2 compliance requirements will be met without any penalties. Dealer inventory will be rebuilt gradually ahead of the festive season while maintaining disciplined discounts.	The company has added 89 sales outlets in FY26. A significant portion of the network expansion is directed towards rural markets, with 7 out of every 10 new outlets being established in rural areas. Going forward, the same ratio of 70:30 will be followed for the new outlet addition. The Board recommended a dividend of Rs 21/share for FY26 (payout ratio 31.4%).	Compliance with CAFÉ 2 norms and even after gives confidence of minimal impact on earnings and having smooth growth and margins revival.

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance (Consolidated)

(Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Deviation (%)
Volume	1,77,812	1,80,399	(1.4)	2,08,275	(14.6)	1,77,812	0.0
Avg. Realization per Vehicle	9,18,646	9,09,810	1.0	9,08,230	1.1	9,15,041	0.4
Net Revenues	1,63,346	1,64,129	(0.5)	1,89,162	(13.6)	1,62,705	0.4
Total Income (A)	**1,63,346**	**1,64,129**	**(0.5)**	**1,89,162**	**(13.6)**	**1,62,705**	**0.4**
Operating Expenses:							
Raw materials consumed	1,18,756	1,16,082	2.3	1,38,073	(14.0)	1,21,862	(2.5)
Employee Expenses	7,490	6,242	20.0	8,059	(7.1)	8,140	(8.0)
Other Expenses	21,983	19,952	10.2	23,370	(5.9)	19,525	12.6
Total Expenditure (B)	**1,48,229**	**1,42,276**	**4.2**	**1,69,502**	**(12.6)**	**1,49,526**	**(0.9)**
EBITDA (A-B)	15,117	21,852	(30.8)	19,660	(23.1)	13,179	14.7
Other Income	2,744	2,148	27.7	2,594	5.8	2,941	(6.7)
Depreciation	5,571	5,281	5.5	5,836	(4.5)	5,914	(5.8)
EBIT	12,290	18,719	(34.3)	16,417	(25.1)	10,206	20.4
Finance Costs	273	247	10.5	379	(27.8)	397	(31.2)
PBT after excep items	12,017	18,472	(34.9)	16,039	(25.1)	9,809	22.5
Tax expense	3,130	4,780	(34.5)	3,482	(10.1)	2,050	52.7
Reported PAT	**8,886**	**13,692**	**(35.1)**	**12,556**	**(29.2)**	**7,759**	**14.5**
Adjusted PAT	**8,886**	**13,692**	**(35.1)**	**12,556**	**(29.2)**	**7,759**	**14.5**
Adj EPS (Rs)	**10.9**	**16.9**	**(35.1)**	**15.5**	**(29.2)**	**9.5**	**14.5**
Key Ratios (%)			**(bps)**		**(bps)**		
Gross Margin (%)	27.3	29.3	(198)	27.0	29	25.1	220
EBITDA Margin (%)	9.3	13.3	(406)	10.4	(114)	8.1	115
EBIT Margin (%)	7.5	11.4	(388)	8.7	(116)	6.3	125
PBT Margin (%)	7.4	11.3	(390)	8.5	(112)	6.0	133
Tax Rate (%)	26.0	25.9	17	21.7	434	20.9	515
Adj PAT Margin (%)	5.4	8.3	(290)	6.6	(120)	4.8	67

Source: Company, BOBCAPS Research

Valuation Methodology

HMIL's growth focus puts some pressure on EBITDA margins and to factor the same we cut our FY27/FY28 EPS by 7%3% but retain FY29 EPS. HMIL's timely capacity addition to 1.1mn units by FY28, will help it improve market share and attain growth. Focus on premiumisation (SUV ~ 70% of domestic sales) and strong export strategy, implies revenue gains with a mix of volume/ASPs. Additionally, a strong focus on localisation and higher operating leverage will help maintain/improve margins. We expect gross margins at ~28% and EBITDA margins at ~12%/13%, to be maintained in FY28E/FY29E.

With fixed royalty rates (3.5%) for the parent company HMC, the actual payout turns out to be lower as the mix stays healthy. A strong parentage back-up with sound technology and 100+ markets the parental help, only remains as facilitator for the Indian company.

HMIL has earmarked Rs45bn over the next 4-5 years with a judicious mix of R&D spend and capacity expansion. HMIL healthy cashflow despite capex helps EBITDA/PAT CAGR of 14% over FY26-29E.

Factoring in the same, we value HMIL at 26x P/E FY28 EPS (no change in the earlier stance of 10% discount to MSIL). We maintain BUY with new TP of Rs2,327 (Rs2,261), on rollover to June FY28 earnings.

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	7,36,395	8,41,447	9,24,980	7,39,685	8,41,447	9,24,980	(0.4)	0.0	0.0
EBITDA	89,074	1,12,159	1,28,529	94,541	1,14,905	1,28,489	(5.8)	(2.4)	0.0
Adj PAT	54,550	69,287	79,725	58,650	71,347	79,695	(7.0)	(2.9)	0.0
Adj EPS (Rs)	67.1	85.3	98.1	72.2	87.8	98.1	(7.0)	(2.9)	0.0

Source: BOBCAPS Research

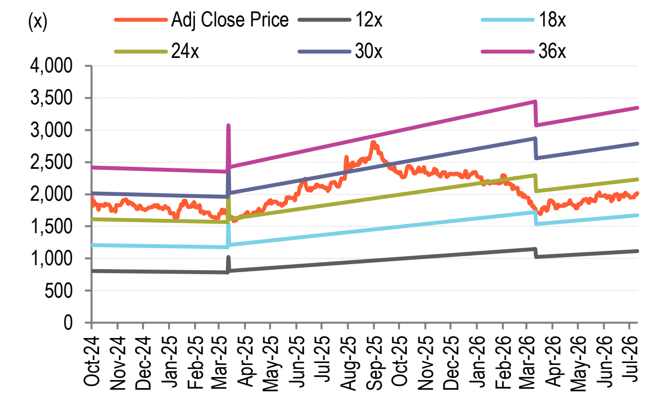
Fig 4 – Key assumptions

Parameter	FY26E	FY27E	FY28E	FY29E
Volume (nos)	7,69,673	7,86,990	8,81,429	9,49,740
Growth (%)	1.0	2.3	12.0	7.8
ASP (Rs)	8,36,080	8,52,801	8,74,121	8,92,478
Growth (%)	1.0	2.0	2.5	2.1
Revenues (Rs mn)	7,07,633	7,36,395	8,41,447	9,24,980
Growth (%)	2.3	4.1	14.3	9.9
EBITDA (Rs mn)	85,985	89,074	1,12,159	1,28,529
Growth (%)	(4.0)	3.6	25.9	14.6
EBITDA Margin (%)	12.2	12.1	13.3	13.9
Adjusted Net Profit (Rs mn)	54,315	54,550	69,287	79,725
Growth (%)	(3.7)	0.4	27.0	15.1
Adjusted EPS (Rs)	66.8	67.1	85.3	98.1
Growth (%)	(3.7)	0.4	27.0	15.1

Source: Company, BOBCAPS Research

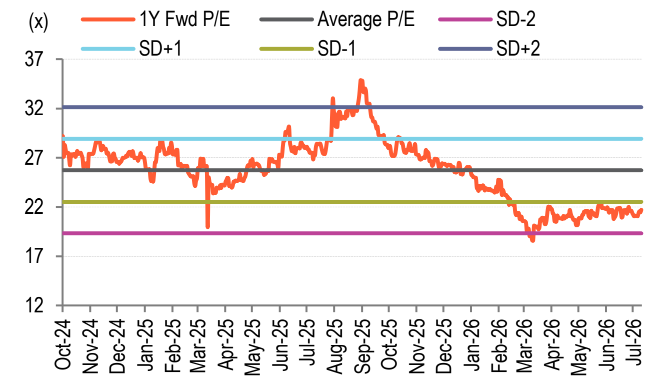
Valuation Charts:

Fig 5 – We value HMIL at 26x FY28 P/E marginal discount to the market leader MSIL



Source: Company, BOBCAPS Research

Fig 6 – Valuations to revert to mean in the medium-term following growth and margins recovery by H2FY27



Source: Company, BOBCAPS Research

Key Risks

- **Cost inflation driven by commodity and mandatory costs:** Any hike in the cost driven by commodity inflation and additionally receiving a leg-up from compliance related cost can be detrimental to sales. While HMIL has managed to pass-thru the same to end users this may be challenging in the down-cycles
- Domestic volumes for HMIL have become increasingly concentrated in a few high-volume models; particularly in the compact and mid-size SUV segments. The combined contribution from Creta and Venue has increased to ~55% currently from ~48% of domestic sales in FY23.
- Additionally, the UV market itself is relatively fragmented, with no single player enjoying a dominant position. Competitive pressure within the segment is increasing as peers strengthen the products eyeing Creta's leadership in the market

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26P	FY27E	FY28E	FY29E
Total revenue	**6,91,929**	**7,07,633**	**7,36,395**	**8,41,447**	**9,24,980**
EBITDA	89,538	85,985	89,074	1,12,159	1,28,529
Depreciation	21,053	21,980	21,922	25,852	30,240
EBIT	77,185	73,495	73,788	93,416	1,07,292
Net interest inc./(exp.)	(1,272)	(1,065)	(1,054)	(1,033)	(992)
Other inc./(exp.)	8,700	9,490	6,636	7,109	9,003
Exceptional items	0	0	0	0	0
EBT	75,913	72,430	72,734	92,383	1,06,300
Income taxes	19,511	18,115	18,183	23,096	26,575
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**56,402**	**54,315**	**54,550**	**69,287**	**79,725**
Adjustments	0	0	0	0	0
Adjusted net profit	**56,402**	**54,315**	**54,550**	**69,287**	**79,725**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26P	FY27E	FY28E	FY29E
Accounts payables	70,862	85,084	81,993	92,887	1,02,665
Other current liabilities	32,717	32,834	33,122	38,135	42,572
Provisions	17,820	16,009	21,563	23,719	26,091
Debt funds	5,834	9,965	7,059	7,765	8,542
Other liabilities	10,775	0	0	0	0
Equity capital	8,125	8,125	8,125	8,125	8,125
Reserves & surplus	1,54,839	1,92,025	2,26,508	2,74,923	3,32,159
Shareholders' fund	1,62,964	2,00,150	2,34,633	2,83,049	3,40,284
Total liab. and equities	**3,00,973**	**3,44,042**	**3,78,371**	**4,45,554**	**5,20,153**
Cash and cash eq.	85,792	1,05,519	66,485	75,026	1,09,271
Accounts receivables	23,891	21,937	26,409	30,557	32,496
Inventories	38,616	35,935	42,291	48,551	54,573
Other current assets	23,345	32,774	31,496	36,200	40,741
Investments	774	74	1,974	2,574	3,174
Net fixed assets	69,100	73,301	1,06,379	1,45,526	1,67,286
CWIP	47,184	64,652	92,500	95,200	99,500
Intangible assets	1,951	0	0	0	0
Deferred tax assets, net	10,321	9,851	10,837	11,920	13,112
Other assets	0	0	0	0	0
Total assets	**3,00,974**	**3,44,042**	**3,78,371**	**4,45,554**	**5,20,153**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26P	FY27E	FY28E	FY29E
Cash flow from operations	**44,205**	**62,699**	**61,982**	**89,949**	**1,04,056**
Capital expenditures	(56,615)	(41,698)	(82,848)	(67,700)	(56,300)
Change in investments	(150)	700	(1,900)	(600)	(600)
Other investing cash flows	8,700	9,490	6,636	7,109	9,003
Cash flow from investing	**(48,064)**	**(31,507)**	**(78,113)**	**(61,191)**	**(47,897)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(951)	4,131	(2,906)	706	777
Interest expenses	(1,272)	(1,065)	(1,054)	(1,033)	(992)
Dividends paid	(17,063)	(18,688)	(20,313)	(21,125)	(22,750)
Other financing cash flows	(1,059)	470	(985)	(1,084)	(1,192)
Cash flow from financing	**(20,345)**	**(15,152)**	**(25,258)**	**(22,536)**	**(24,158)**
Chg in cash & cash eq.	**(24,205)**	**16,040**	**(41,388)**	**6,222**	**32,001**
Closing cash & cash eq.	**85,792**	**1,05,519**	**66,485**	**75,026**	**1,09,271**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26P	FY27E	FY28E	FY29E
Reported EPS	69.4	66.8	67.1	85.3	98.1
Adjusted EPS	69.4	66.8	67.1	85.3	98.1
Dividend per share	21.0	23.0	25.0	26.0	28.0
Book value per share	200.6	246.3	288.8	348.4	418.8

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26P	FY27E	FY28E	FY29E
EV/Sales	0.9	1.0	0.9	0.8	0.8
EV/EBITDA	7.1	8.2	7.7	5.9	5.6
Adjusted P/E	29.1	30.2	30.1	23.7	20.6
P/BV	10.1	8.2	7.0	5.8	4.8

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26P	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.3	75.0	75.0	75.0	75.0
Interest burden (PBT/EBIT)	98.4	98.6	98.6	98.9	99.1
EBIT margin (EBIT/Revenue)	11.2	10.4	10.0	11.1	11.6
Asset turnover (Rev./Avg TA)	454.6	363.2	326.0	316.0	289.2
Leverage (Avg TA/Avg Equity)	1.1	1.1	1.0	1.0	1.0
Adjusted ROAE	41.9	29.9	25.1	26.8	25.6

Ratio Analysis

Y/E 31 Mar	FY25A	FY26P	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	(0.9)	2.3	4.1	14.3	9.9
EBITDA	(2.0)	(4.0)	3.6	25.9	14.6
Adjusted EPS	(6.9)	(3.7)	0.4	27.0	15.1
Profitability & Return ratios (%)					
EBITDA margin	12.9	12.2	12.1	13.3	13.9
EBIT margin	11.2	10.4	10.0	11.1	11.6
Adjusted profit margin	8.2	7.7	7.4	8.2	8.6
Adjusted ROAE	34.6	27.1	23.2	24.5	23.4
ROCE	37.7	28.5	24.7	26.3	25.2
Working capital days (days)					
Receivables	13	12	12	12	12
Inventory	20	19	19	20	20
Payables	53	56	58	53	55
Ratios (x)					
Gross asset turnover	0.3	0.4	0.4	0.4	0.5
Current ratio	1.4	1.5	1.2	1.2	1.4
Net interest coverage ratio	(60.7)	(69.0)	(70.0)	(90.4)	(108.2)
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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SEBI Depository Participant Registration No: **IN-DP-728-2022**
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HOLD – Expected return from -6% to +15%

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Note: Recommendation structure changed with effect from 21 June 2021

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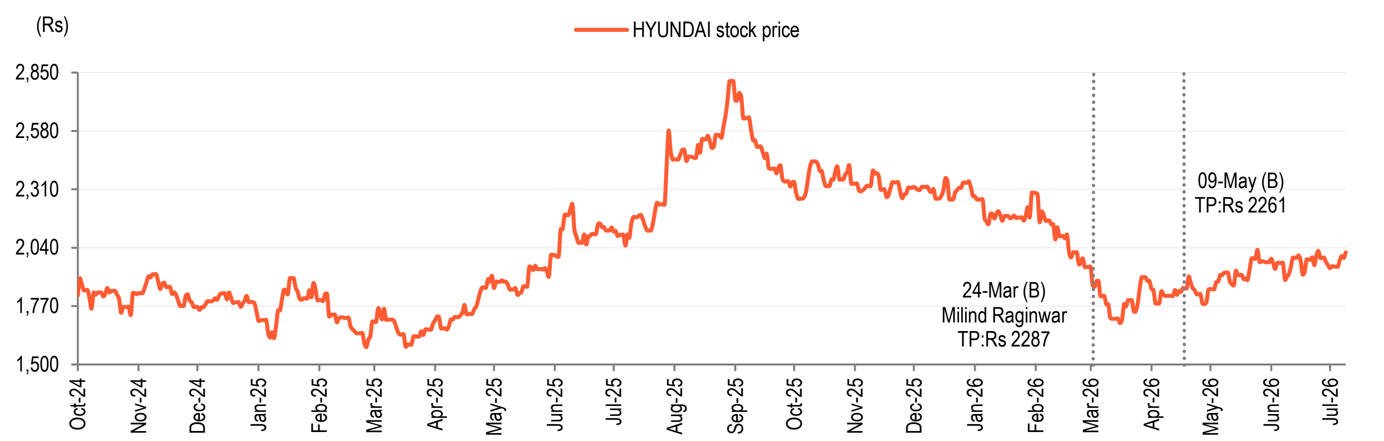
Ratings and Target Price (3-year history): HYUNDAI MOTORS INDIA (HYUNDAI IN)



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