CRISIL Ratings

Rating Rationale

August 29, 2024 | Mumbai

Hyundai Motor India Limited

Ratings reaffirmed at 'CRISIL AAA/Stable/CRISIL A1+'

Rating Action

Total Bank Loan Facilities Rated	**Rs.3700 Crore**
Long Term Rating	**CRISIL AAA/Stable (Reaffirmed)**

Rs.100 Crore Short Term Debt	**CRISIL A1+ (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL AAA/Stable/CRISIL A1+' ratings on the bank facilities and debt instruments of Hyundai Motor India Ltd (HMIL).

On August 21, 2024, S&P Global Ratings upgraded the rating on the long term debt facilities of Hyundai Motor Company (HMC, parent entity of HMIL) to '**A-**' from '**BBB+**' and revised the outlook to '**Stable**' from '**Positive**' respectively.

The change in the rating of HMC will have no impact on the rating of HMIL, which continues to reflect HMIL's established position in the domestic and overseas passenger car market, and a robust financial risk profile with strong liquidity. The company also benefits from strong technical and managerial support provided by its parent, HMC. These strengths are partially offset by exposure to intense competition in the domestic passenger vehicle (PV) industry and susceptibility to fluctuations in foreign exchange (forex) rates

In fiscal 2024, HMIL's performance benefitted from the launch of new models and facelift variants, strong demand from SUV segment, better availability of semiconductors, signs of rebound in economic activity and household income, besides increase in vehicular mobility. HMIL recorded its all-time peak of 614,721 units of domestic sale volumes during fiscal 2024 which along with price hikes taken, and increasing share of SUVs, is expected to help HMIL register sizeable revenues (~Rs.68,000-70,000 crore) during the fiscal. Further, with expected new launches including in the electric vehicle segment, revenue growth is expected to be steady over the medium term. Operating profitability is expected to remain healthy above ~12% in fiscal 2024 (~14% in 9 months period April-December 2023) due to better operating leverage and price hikes taken on vehicles, to offset inflationary trends in input prices, and volatile forex movements. HMIL is also expected to maintain operating profitability at healthy levels over the medium term.

HMIL's financial risk profile remains robust, driven by negligible debt and strong liquidity driven by annual cash accretion along with sizeable cash surpluses and bank balances (~Rs.15000 crore at December 31, 2023). Capex spend in fiscal 2024 was largely met out of available surpluses and annual cash generation. CRISIL Ratings also notes that HMIL has recently filed a draft red herring prospectus (DRHP) with the Securities and Exchange Board of India (SEBI) for an initial public offering (IPO), where HMC proposes to sell 142.2 million shares through an offer for sale (OFS), representing ~17.5% of share capital of HMIL, and no proceeds are expected to come to HMIL. Also, any significant depletion of liquid surplus including due to large outgo to HMC through dividend payout, capital reduction or share buyback will be a key monitorable.

Analytical Approach

For arriving at the ratings, CRISIL Ratings has combined the business and financial risk profiles of HMIL and its subsidiaries. CRISIL Ratings has also factored in technical and operational support from HMC.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established position in India's PV industry and in the export segment:** HMIL is India's second-largest manufacturer of PVs after Maruti Suzuki India Ltd (MSIL; 'CRISIL AAA/Stable/CRISIL A1+').

In the first four months, April-July 2024, HMIL had a market share of ~15% in domestic PV sales (~14.5% in fiscal 2024); its market share in both domestic passenger cars and domestic SUV segments stood at 14.7% and 16% during this period. Domestic sale volumes during April-July 2024 stood at 198,468 nos , almost similar to that sold during April-July 2023. Earlier, in fiscal 2024, the company sold 777,876 units (720,565 units in fiscal 2023) including 614,721 units in the domestic market (567,546 in fiscal 2023) with the balance exported. Domestic and export sale volumes increased by 8.3% and 6.6% in fiscal 2024, leading to overall volume growth of 7.9% over a high base. The company had registered revenues of Rs. 52158 crore in the 9 month period, April-December 2023, and is estimated to have reported revenues of Rs.68,000-70,000 crore in fiscal 2024. With stable raw materials, new launches including facelifts of existing models, HMIL is well positioned to consolidate its market position in the domestic market and register steady growth in revenues in fiscal 2025, though competition, especially in the SUV segment, is intensifying, with a few players with material product offerings. The mid-size segment where HMIL has limited presence is witnessing rebound after launch of its new model ‘New Verna’, with HMIL improving its market share in the segment.

HMIL’s established presence in the domestic PV market is underpinned by the strong position of the Grand i10 Nios, Aura, and i20 in the compact car segment and Creta, Venue, Alcazar and Tucson in the SUV segment. HMIL also benefitted with new model launches such as Exter, Ioniq 5, all new Verna, Creta facelift, Tucson in fiscals 2023 and 2024 aiding HMIL to become one of the highest selling models in mid-size segment.

HMIL’s status as a global sourcing hub for cars makes it a key subsidiary to HMC. It is the second largest exporter of PVs from India next to MSIL, besides being HMC's global sourcing hub for PVs (especially Verna and Creta). Share of exports in total sales volumes, which declined from 26% in fiscal 2020 to 18% in fiscal 2021, improved to 21% in fiscal 2024 and further to ~22% between April-July 2024. Given the expectation of stable demand in the domestic market, the company is expected to focus more on the domestic segment over the medium term. HMIL’s presence in both domestic and overseas markets cushions the impact of a slowdown in any particular market.

- **Strong linkages with HMC:** HMIL has access to HMC's superior technology and expertise in the passenger car segment, and receives product development, operational and technological support from the parent. HMC has helped the company launch several models from its product portfolio in the Indian market. HMIL is an integral part of the parent's global supply chain. The company also receives strong managerial support from the parent; HMC elects the board of directors and appoints key management personnel. The company will continue to receive support from HMC, especially on the operational and technology fronts, given the strategic importance of the Indian market for the Hyundai group.

- **Robust financial risk profile:** HMIL continues to maintain a robust financial profile, supported by strong annual cash generation, low debt and sizeable net worth (Rs.19778 crore at December 31, 2023). Capex spend has ranged between Rs.1000-3000 crores annually and has been funded largely from accruals in the past, resulting in strong debt protection metrics – The company had no sizeable long term loans except interest free sales tax loans of ~Rs.784 crores at December 31, 2023. These loans have a nominal annual repayment schedule spread over long tenures, thereby providing additional financial flexibility. Dividend payout was Rs.1493 crore in fiscal 2023, and the company is expected to generate cash accruals of over Rs.5500 crore annually, which will suffice to fund major portion of its annual capex spend of ~Rs.4000-5000 crore over the medium term.

  Cash surplus and bank balance was Rs 17,875 crore as of March 31, 2023 and at ~Rs. 15000 crore at December 31, 2023. Any sizeable reduction in cash surplus due to large dividend payout, share capital reduction or share buyback would remain a key monitorable.

Weaknesses:

- **Intense competition in the domestic PV industry:** Competition in the Indian PV market has intensified with players launching new models regularly, especially in the compact and mid-size segments. With more players and models vying for a share of the growing pie, price competition has intensified, resulting in pressure on market share, which has fallen gradually from ~19.1% seen in fiscal 2020. HMIL’s position and operating profitability will depend on its ability to launch successful variants and models in the domestic market. The domestic demand for PVs in India registered a strong growth of 26.7% in fiscal 2023 due to healthy pent-up demand created by two years of slump in sales volumes owing to a pandemic induced disrupted supply chain. The orderbooks of auto OEMs were further supported by plethora of launches in the growing UV category, which had witnessed high traction, along with multiple facelifts of existing models and easing semiconductor supplies drove record sales. Domestic PV sales grew by ~8.3% in fiscal 2024, over a high base due to healthy demand confirmed by strong order books along with multiple new models launches in the growing UV segment. Similar trends are expected in fiscal 2025.

- **Susceptibility to fluctuations in forex rates:** Imports are sizeable (~23% of raw materials in value terms between April-December 2023) and royalty payments (over Rs 1,400 crore annually). Although exports (~23% of revenue from operations in fiscal 2023) offer a natural hedge, the company faces forex-related risks. Discounting of export usance bills reduces the time gap in realisation of bills.

Liquidity: Superior

The liquid surplus was sizeable at Rs 17,875 crore as on March 31, 2023 and is estimated to be sizeable at present as well. Average utilisation of the fund-based limit of Rs 3,700 crore was negligible in the past 12 months ended July 2024. Debt repayments pertaining to interest free sales tax loan are modest at ~Rs.120 crore annually. Expected annual cash accrual will cover capex of around Rs.4000 crore expected, besides meeting incremental working capital needs, leading to continued superior liquidity position.

Outlook: Stable

HMIL's credit profile is expected to remain stable over the medium term, backed by its healthy and established market position in domestic and export markets PV markets, good demand for PVs, especially SUVs, good operating efficiencies. Its financial risk profile is also expected to remain robust, supported by healthy cash flow generating ability and solid liquidity position.

Rating sensitivity factors

Downward Factors

- Sluggish business performance, resulting in material decline, and considerable reduction in operating profitability (to below 5-6%), impacting cash generation
- Larger-than-anticipated debt-funded capex or acquisition, leading to sustained moderation in debt protection metrics
- Significant reduction in liquid surplus due to buyback or capital reduction of material dividend payout, or by way of support provided to group companies.

About the Company

Incorporated in 1996 as a 100% subsidiary of HMC, HMIL is the second-largest player in the Indian passenger car industry and the second largest exporter of PVs. The company has access to HMC's technology and large product portfolio and pays royalty to the parent on both domestic and overseas sales. The plant in Sriperumbudur in Tamil Nadu is HMC's first fully integrated production facility, and second-largest facility, outside South Korea. The company is also expanding production through a plant at Talegoan near Pune, Maharashtra, which will commence operations in the second half of fiscal 2026. HMIL's models include Aura, i20 and Grand i10 Nios in the compact segment; Verna in the mid-size segment; and Creta, Venue, Exter, Alcazar, Tucson, Kona and ioniq5 in the SUV segment. The company can manufacture 8,24,000 cars annually at Sriperumbudur plant at present, and upto 250,000 cars annually at Talegoan (post commissioning).

The company reported a profit after tax (PAT) of Rs.4,383 crore on sales of Rs.52,158 crore between April-December 2023.

About HMC

HMC, the largest automobile manufacturer in South Korea, was incorporated in December 1967. The company and its subsidiaries manufacture and distribute motor vehicles and parts and manufacture trains. The company's shares have been listed on the Korea Exchange since June 1974, and the global depositary receipts issued by it are listed on the London Stock Exchange and Luxembourg Stock Exchange.

Key Financial Indicators*

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	63,394	47,043
Profit after tax (PAT)	Rs crore	4,709	2,862
PAT margin	%	7.4	6.1
Adjusted debt / Adjusted networth	Times	0.06	0.06
Interest coverage	Times	60.93	45.42

**CRISIL adjusted numbers*

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook

NA	Short Term Debt	NA	NA	7 to 365 days	100.00	Simple	CRISIL A1+
NA	Packing Credit*	NA	NA	NA	3693.00	NA	CRISIL AAA/Stable
NA	Proposed Working Capital Facility	NA	NA	NA	7.00	NA	CRISIL AAA/Stable

**Interchangeable with Letter of Credit, Buyers Credit, Short Term Loan, Overdraft, Bill Discounting, WCDL and Bank Guarantee*

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Hyundai Motor India Engineering Pvt Ltd	Full consolidation	Wholly owned subsidiary
Hyundai India Insurance and Broking Private Limited	Full consolidation	Wholly owned subsidiary

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	LT	3700.0	CRISIL AAA/Stable	31-01-24	CRISIL AAA/Stable	20-10-23	CRISIL AAA/Stable	31-10-22	CRISIL A1+ / CRISIL AAA/Stable	01-11-21	CRISIL A1+ / CRISIL AAA/Stable	CRISIL A1+
			--		--		--		--	14-09-21	CRISIL A1+ / CRISIL AAA/Stable	--
Non-Fund Based Facilities	ST		--		--		--		--	14-09-21	CRISIL A1+	CRISIL A1+
Short Term Debt	ST	100.0	CRISIL A1+	31-01-24	CRISIL A1+	20-10-23	CRISIL A1+	31-10-22	CRISIL A1+	01-11-21	CRISIL A1+	CRISIL A1+
			--		--		--		--	14-09-21	CRISIL A1+	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Packing Credit&	**365**	**The Hongkong and Shanghai Banking Corporation Limited**	**CRISIL AAA/Stable**
Packing Credit&	**125**	**KEB Hana Bank**	**CRISIL AAA/Stable**
Packing Credit&	**537**	**HDFC Bank Limited**	**CRISIL AAA/Stable**
Packing Credit&	**117**	**Shinhan Bank**	**CRISIL AAA/Stable**
Packing Credit&	**675**	**Standard Chartered Bank Limited**	**CRISIL AAA/Stable**
Packing Credit&	**402**	**MUFG Bank Limited**	**CRISIL AAA/Stable**
Packing Credit&	**402**	**DBS Bank Limited**	**CRISIL AAA/Stable**
Packing Credit&	**522**	**Citibank N. A.**	**CRISIL AAA/Stable**
Packing Credit&	**161**	**Woori Bank**	**CRISIL AAA/Stable**
Packing Credit&	**387**	**ICICI Bank Limited**	**CRISIL AAA/Stable**
Proposed Working Capital Facility	**7**	**Not Applicable**	**CRISIL AAA/Stable**

& - Interchangeable with Letter of Credit, Buyers Credit, Short Term Loan, Overdraft, Bill Discounting, WCDL and Bank Guarantee.

Criteria Details

Links to related criteria
[CRISILs Approach to Financial Ratios]()
[Rating criteria for manufaturing and service sector companies]()
[CRISILs Bank Loan Ratings - process, scale and default recognition]()
[Rating Criteria for Auto Component Suppliers]()
[Mapping global scale ratings onto CRISIL scale]()
[CRISILs Criteria for rating short term debt]()
[CRISILs Criteria for Consolidation]()

Media Relations	Analytical Contacts	Customer Service Helpdesk
Prakruti Jani Media Relations **CRISIL Limited** M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com **Rutuja Gaikwad** Media Relations **CRISIL Limited** B: +91 22 3342 3000 **Rutuja.Gaikwad@ext-crisil.com**	Anuj Sethi Senior Director **CRISIL Ratings Limited** B:+91 44 6656 3100 anuj.sethi@crisil.com Poonam Upadhyay Director **CRISIL Ratings Limited** D:+91 22 6172 3385 poonam.upadhyay@crisil.com DHANASEELAN CHANDRAN Manager **CRISIL Ratings Limited** B:+91 44 6656 3100 DHANASEELAN.CHANDRAN@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

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