"Hyundai Motor India Limited
Q2 and H1 FY'26 Earnings Conference call"

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MODERATOR: **MR. NISHIT JALAN – AXIS CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY'26 Earnings Conference Call of Hyundai Motor India Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes.

I now hand the conference over to Mr. Nishit Jalan from Axis Capital. Thank you, and over to you.

Nishit Jalan: Thank you. Good evening, everyone, and welcome you all to the Q2 and H1 FY'26 earnings conference call of Hyundai Motor India Limited. From the management team, today we have with us, Mr. Unsoo Kim, Managing Director, Mr. Tarun Garg - Chief Operating Officer, Mr. Wangdo Hur - Chief Financial Officer, Mr. Gopala Krishnan C S - Chief Manufacturing Officer, Mr. Saravanan T - Function Head, Finance and Mr. K S Hariharan - Head of Investor Relations from Hyundai Motor India Limited.

Before we start, I would like to inform you that the call is being recorded, and the audio call and transcript will be available at the company's website. I would now like to invite Mr. K S Hariharan, Head of Investor Relations, to start the call. Over to you, Mr. Hari.

K S Hariharan: Thank you, Nishit. Good evening, everyone. Welcome to the Q2 and H1 financial year'26 earnings call.

Before we begin, I want to remind you of the safe harbor. We may be making some forward-looking statements that have to be understood in conjunction with the uncertainties and the risks that the company faces. The conference call will begin with our MD remarks on the performance and outlook, followed by a brief presentation by me on Q2 performance, after which we will be happy to receive your questions.

Now I handover to our MD. Over to you, Sir.

Unsoo Kim: Thank you, Hari!

Good evening and welcome to the Second Quarter Earnings Conference Call for financial year 2026. At the outset, I would like to express my sincere gratitude to everyone for showing great interest in HMI’s first ever Investor Day. We successfully concluded our Investor Day, showcasing strategic roadmap till 2030. Our Global CEO’s participation reinforced HMC’s unwavering confidence in India’s potential and HMI’s contribution to the group’s global ambition. In the words of our Global CEO, “India is not just important to Hyundai’s Global Strategy, India is Hyundai’s Global Strategy.”

GST 2.0 marks a transformative milestone and brings renewed wave of optimism – one that fuels growth, enhances ease of doing business and strengthens consumer confidence. It is a reform that sets the tone for sustained industry momentum including empowering millions of customers by making personal mobility more affordable and accessible. Following the implementation of GST 2.0 reforms, the Indian automobile industry witnessed a strong wave of demand momentum.

This led to positive shift in consumer sentiments coupled with improved affordability, which translated into remarkable surge in sales in last week of the quarter, partially offsetting the muted demand amid postponement of buying by the customers.

It is overwhelming that these macro tailwinds have come at the most opportune time for HMI, coinciding with our Pune Plant expansion and product launch cycle, which will further reinforce our commitment to accelerate.

Talking about domestic sales performance during the quarter, sales volumes improved sequentially by nearly 6%, propelled by GST reforms and vibrant festive boost. During the quarter, HMI marked domestic SUV sales penetration at 71%, highest-ever since inception.

Rural market continues to be one of the key pillars of our domestic growth strategy. Our focused efforts in terms of channel expansion and deeper market penetration, along with targeted marketing initiatives are yielding positive outcomes, with rural sales contribution further inched up during the quarter, reaching a record high of nearly 24%.

Exports continued its robust momentum during the quarter with nearly 22% growth on year-on-year basis. We are witnessing strong demand traction in our key export markets, with Middle East & Africa recording a remarkable volume growth of 35% and Mexico recorded a growth of 11%. Going forward, we expect to leverage our new plant capacity and new product launches to sustain this growth momentum.

HMI remains committed to advancing the vision of 'Make in India' and driving inclusive growth across the mobility ecosystem. We will continue to benefit from the synchronized growth of domestic and export markets, fueling our two-pronged growth strategy.

Coming to margins, we delivered yet another quarter of strong EBITDA margin performance at 13.9%, with favorable product & export mix along with cost optimization efforts.

With the commencement of vehicle production operations in Pune Plant from this month, the incremental cost impact may weigh on profitability in the near term. However, we are confident that we will minimize the above impact & secure healthy margins through better operating efficiencies and cost control measures.

On domestic front, we aim to keep pace with the industry's growth momentum for the residual part of the year, while our strong export performance is set to surpass targets for Financial Year 2026.

We are gearing ourselves for the much-awaited launch of the all-new Hyundai VENUE on 4th November. The new VENUE truly embodies our vision of 'Tech up. Go beyond,' offering a driving experience that is both dynamic and deeply connected to our customers' evolving lifestyles.

We believe it will be a catalyst in fortifying Hyundai's leadership and expanding our stronghold in the compact SUV segment.

To conclude, we are focused on sustaining growth by leveraging GST-driven optimism, executing our product launch plans effectively and strengthening our on-ground efforts to capture emerging opportunities. This synergy is poised to reinforce our competitiveness and accelerate our growth trajectory.

Thank you. Now I handover to Hari.

K.S. Hariharan: Thank You Sir !!

Let me now explain about our business & financial performance.

First of all, we are truly excited about the upcoming launch of the all-new VENUE on 4th of November.

We are confident that with an upgraded design, cutting-edge features and class-leading safety, the all-new VENUE will redefine customer convenience and set new benchmarks in the compact SUV segment.

Talking about business highlights, we continue to carry out product interventions across segments & models. So far in first half of FY'26, we have executed 20+ interventions. This strategy helps us in maintaining market competitiveness, aligning with evolving consumer preferences.

Our SUV portfolio now contributes more than 70% in volumes this quarter. The demand for SUVs continues to be robust, particularly in the wake of GST reforms. This reform unlocks growth opportunities for Hyundai, especially in entry and sub-compact SUVs like Exter and Venue, which offer perfect balance of aspirations and affordability.

As already highlighted by our MD, rural sales continue to grow for HMI and we have achieved highest ever rural penetration of 23.6% during the quarter.

During the quarter, we concluded the wage settlement agreement with the recognized Union for the period 2024–2027 which sets a new benchmark in the automotive industry & reflects our shared commitment to fostering a progressive workplace culture, that prioritizes employee welfare & supports long-term organizational growth. We are also happy to share that in line with our commitment, we commenced vehicle production operations at our Pune plant from 1st of October, a strategic step to support our future growth plans.

Moving onto sales performance for the quarter. We achieved total sales of 190,921 vehicles in Q2 FY26, compared to 191,939 vehicles in the same period last year. In the domestic market, we sold 139,521 vehicles compared to 149,639 vehicles in the same quarter last year. Exports played a key role in sustaining overall volumes during the quarter. Our exports grew by 21.5% year-on-year, driven by strong demand in emerging markets. The consistent upward trajectory in our export volumes reflects the global competitiveness of our product portfolio and underscores HMI's strategic importance as HMC's global manufacturing hub - a shining example of 'Make in India, Made for the World.'

On a sequential basis, we saw growth in both domestic and export markets during the quarter, reflecting our dual engine growth strategy.

Moving on to volume mix for the quarter. Both urban & rural markets continued to witness strong traction in SUV volumes. Hatchback reported decline, whereas Sedan volumes increased marginally on year-on-year basis.

Coming to the fuel mix, we observed strong traction in both Diesel and CNG powertrains. Diesel accounts for 23% of our volumes, while CNG contributes 15%, during the quarter.

Now coming to financial highlights for the quarter. Our revenue from operations stood at ₹174,608 Million in Q2FY26, as against ₹172,604 Million in Q2 of previous year.

EBITDA for the quarter stood at ₹24,289 Million, as compared to ₹22,053 Million in Q2FY25. We were able to deliver strong EBITDA margins at 13.9% as compared to 12.8% in Q2FY25.

EBIT stood at ₹19,114 Million in Q2 of FY26, as against ₹16,868 Million in Q2 last year. EBIT margin was at 10.9% as compared to 9.8% in the same quarter last year.

PAT for the quarter was ₹15,723 Million as against ₹13,755 Million in Q2 of FY25. We delivered a strong PAT margin of 8.9% as against 7.9% in Q2 of last financial year.

This reflects our continued focus on operational efficiency and margin enhancement.

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This reflects our continued focus on operational efficiency and margin enhancement.

Talking about the drivers of margins, on a year-on-year basis, the improved margins are attributed to favorable product & export mix coupled with cost reduction efforts.

On sequential basis, the key margin drivers were better volumes and product mix amongst others.

This concludes my presentation. Thank You all for your time and attention!!

Now we open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.

Chandramouli Muthiah: Hi, good evening and thank you for taking my questions. My first question is just on the festive season. I just want to understand what growth Hyundai would have registered in wholesale and retail in terms of the festive season and how you are thinking about potential momentum post-festive season and the balance of the fiscal year?

Tarun Garg: Thank you for your question. If you see the festive season, we count the festive season from 1st Navaratri to Diwali, which was 22nd September to 23rd October, which was the end of Bhai Dooj. So, retails actually grew by 23%. When we do a deep dive into which segments, Hatch segments grew by 16%, Sedan grew by 47%, SUVs grew by 21%.

More importantly, Exter plus Venue grew by 28%. So, in the festive season, we very clearly saw that Exter and Venue grew. At the same time, as you know, Venue was seeing this transformation from old to new. We had some limitation in terms of the old Venue stock, so we lost out on that, but very clearly, the festive and the GST is giving a big impetus to the Venue and Exter segment and the 4th November launch of Venue should help.

The other way to look at it is, how does September plus October retail compare to January to August? When we see that, the growth was about 21%, Hatch is 24%, Sedan 14%, SUV is 21%, and Exter plus Venue again 27%. So, a very strong growth registered in the festive season as well as in the September and October versus January to August. Thank you.

Chandramouli Muthiah: That helps. I just have one follow-up question on the product pipeline that you shared with us on the Investor Day. It was very useful. I just want to understand how you're thinking about rough timing of the MPV, the off-roader and the localized electric compact SUV. It would give us some sense on rough timing, when you potentially plan to bring those products to customers?

Tarun Garg: Actually, we shared a lot of stuff on the Investor Day. So, my request is let's stick to that. But the third question was answered by José. So, calendar 27, we mentioned EV will be launched. I think let's stick to that because we have already shared a lot of information on the investor day. We don't have anything further to add on that. Thank you.

Moderator: Thank you. Next question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Good evening, Sir. Congratulations on a strong performance in what I think was a very tough quarter. Firstly, Sir, on the margins we are pretty close to our upper end of the margin guidance. And I just want to understand what are the reasons that management has been conservative in giving margin guidance for the future?

Because capacity will grow from here. And are there company-specific factors or these are like industry-specific factors which will affect the entire industry because of which you are conservative on margin outlook? And if you could also give a breakdown in terms of commodity costs and discounts for the quarter, what was the impact?

K S Hariharan: Thanks, Kapil. If you look, on the margin front, this quarter, once again, we delivered a strong performance. But we need to understand that with the start of production at Pune plant, obviously, we are looking at some incremental costs, especially in terms of depreciation, labor costs and factory overheads. So, these elements will have some pressure on the margins for some time in the initial period, but as we move forward, we are expecting to ramp-up our production and the sales volumes. We have already indicated we are also looking at exports as a very good opportunity in the future. So, all these things should definitely support us to secure healthy margins going forward.

On the commodity, as you asked, we had pressure in some of the items during the quarter. However, we have been doing cost optimization efforts through our localization and value engineering activities. So, these efforts have helped us to keep the material cost under check during the quarter.

Going forward, we still expect some pressure may be there in some of the commodities. But again, the point is that, as we are continuously working on mitigation efforts for cost optimization, we believe that we will be able to manage the situation.

On the discount part, sequentially, if you look at, we have seen some moderation in the discounts. Especially if you see domestic, our discount during the quarter was 3.2% of ASP. This is despite the market condition, as you already know, the industry has been giving further price cuts over and above the GST cuts. But we were able to follow a disciplined approach on the discounting front. I hope I have answered your question.

Kapil Singh: Yes thanks. The second question is now when we look at the market share outlook going ahead for the company, because we have seen some dip in market share, at least in the Vahan data. Can you just talk about what are the factors that have affected? Is it the model changeovers or any other supply constraints you are facing? And when we look at the second part of the year or period going forward, how to think about your market share?

Tarun Garg: Kapil thank you for the question. As I mentioned, Venue is the second highest volume grosser for us. And obviously on the retail front, we were constrained by the availability of Venue because the launch is on 4th November and retails will happen post that. So, obviously we had a little bit of a gap there. As you saw in the investor day, very clearly, the new 26 model pipeline starts from Venue.

So, we believe very strongly that this is the time when we will start, kind of, not losing market share. So, November onwards, we expect to really grow with the industry going forward and aided not only by the model cycle, but also, of course, the local interventions which we are going to make. You saw that even in these last 6 months, we made some 20 odd interventions. So, we'll continue to make those interventions.

Rural is going strong. I think there are enough tailwinds for us to now come back on the growth part. At the same time, what you must appreciate is that even in the not so good model cycle, we were able to limit our discounts. We did not join the price war. You saw that pre-GST, there were

OEMs who offered the customers the post-GST price. We refrained from doing that. Post-GST, some OEMs cut the price over and above the GST cut. We refrained from doing that.

Right from the IPO time, we have maintained that we believe in quality of sales. We believe in the balance between volume and profit. We believe in the balance between domestic and exports. And I think all that is reflected in our margins and our results, since then. So, I think the approach will remain the same. And to answer your specific question, the new Venue should help us to get back into the growth phase starting November. Thank you.

Kapil Singh: Thanks. I look forward to the launch and best wishes. Thank you.

Tarun Garg: Thank you.

Moderator: Thank you. Next question is from the line of Amyn Pirani from JP Morgan. Please go ahead.

Amyn Pirani: Hi. Thanks for the opportunity. My question was on the continuous improvement that we have seen in your material costs. And you have talked about localization in the past. But are there any specific things that you can help us to understand as to how are you able to drive this gross margin improvement and how should we think about the reductions and the cost savings in material cost going forward as to how much more should we expect in the coming, say, 1 or 2 years?

K S Hariharan: Amyn, yes, as you rightly mentioned, material is something where clearly we have done a lot of activities. In fact, if you look at this quarter, we have seen 110 basis points improvement on the profitability, mainly supported by material cost reduction. What we are doing is, one is the localization. As you know, last time also we indicated, for the year before last year, our localization level was somewhere around 78%. Today, we stand somewhere around 82%.

Second thing is that, it is not only Tier 1 level, we are also looking at Tier 2 level as a potential opportunity for improving the localization. Apart from localization, we also do a lot of value engineering activities. That also helps us with some cost reduction. So, localization is one. Second is value engineering. These two are major drivers for us in terms of controlling the material cost.

Gopala Krishnan C S: Yes, adding to that, we are localizing the parts, which gives us leverage for the cost reduction. During localization, we have a very strong focus on value engineering. During the process of localization, we do a process audit. We thoroughly study the processes, we do process optimization, and we try to implement the best practices across the plant, from global plants, and from our mother plant, which improves the overall yield. This also gives us an opportunity for us to demand a better price from the vendors. This value engineering is a continuous process. I can give few examples. How can you optimize the route or how can you optimize the packing? We have simulation tools by which we can improve the overall packing. So, these kinds of continuous value engineering activities give us leverage to reduce the material cost.

Amyn Pirani: That's very helpful. Just to follow up on that, your localization is currently 82%, like you mentioned. Say over the next 4 to 8 quarters, theoretically, is it possible for you to reach 85% or even higher levels? Just want to get a sense as to how much localization is possible. And just another question. And after that, I'll come back in the queue. If you can also highlight what was the royalty number for the quarter?

Gopala Krishnan C S: With a strong, dedicated localization team, we are co-working with all of our stakeholders, including the HMC headquarters and HMIE R&D. So, our aim is to reach 90% by FY'30. Our focus is on high technology parts. For example, electrical sensors, hardwares, premium car parts and electronic parts. And going forward, we're also looking for deep localization till Tier 3.

K S Hariharan: On the question of royalty, during the quarter, royalty was 2.8%.

Amyn Pirani: Okay. Thank you.

Moderator: Thank you. We'll take our next question from the line of Arvind Sharma from Citi. Please go ahead.

Arvind Sharma: Hi. Good evening, Sir. Thank you for taking my question. My first question would be your view on the recent issue around Nexperia. Is this something that you are seeing as a possible impediment to growth or disruption in production?

K S Hariharan: Thank you so much for the question. If you look at Nexperia, the e-component issue, it is an industry-wide issue. There is no doubt. As far as HMI is concerned, we are constantly monitoring the inventory situation. We are also closely working with our vendor partners to mitigate this impact so that we can have uninterrupted production.

Arvind Sharma: All right. So, Hari Sir, is there something that could impact near-term or it's not a concern as of now?

K S Hariharan: As of now, we are not facing much challenges because we have some inventory for near-term. But this will be a continuous process for us to review and align our countermeasures so that we can have seamless production operations.

Arvind Sharma: Sure. Thanks. Second question would be on the export part. You had given a guidance in last quarter. Given where the export trends have been in the first half, what would be the guidance for the full year, if you could share, FY'26?

K S Hariharan: Of course, exports have been quite strong for us in recent times. So Q2, as we had indicated, we grew by nearly 22% on the export side. The momentum is good. In fact, we are seeing very strong demand for our products across regions. As our MD had also indicated in the opening remarks, Middle East and Africa, we have seen growth of 35%. Mexico has grown by 11%.

This momentum should continue for us in the near term. Though it is difficult to give specific volume guidance, but what we believe is that, by the end of this financial year, we will be in a position to exceed the guidance we had originally indicated during the beginning of the year.

Arvind Sharma: Got it, Sir. So, while you are not giving a number, but the 7% to 8% guidance.

K S Hariharan: Yes. W indicated 7% to 8% originally, if you remember. We expect that we will be in a position to exceed that number.

Moderator: We will move on to the next question from Binay from Morgan Stanley. Please go ahead.

Binay: Hi, team. Congratulations for a good set of earnings. I have two questions, both for the second half. Firstly, it's good to see discount trending down. How do you expect that trend to play out for the domestic market into the December quarter? Because you do have a new product launch. So, ideally, fair to assume that the discount trend should continue its downward trajectory?

Tarun Garg: Binay, we have maintained that we believe in quality of sales. There are definite tailwinds in terms of industry tailwinds, especially the GST. Of course, there are headwinds for the industry. You would know better than me. We believe that this is probably the maximum discount level.

The new Venue is being launched on the 4th of November, which should help us to reduce discounts. At the same time, we will need to be very watchful going forward how the industry landscape is panning out and how we are able to have a good balance between volume and profit. But yes, it seems that the discounts for us have peaked out. Thank you.

Binay: I think that's a good comment. Secondly, in the opening remark, we talked about the incremental impact of the new plant. How long or how many quarters do you expect that to last, or what sort of capacity utilization rate in the new plant you need, to reach that margin trajectory so that it does not have a drag on margins.

K S Hariharan: Binay, we have started our vehicle production in Pune plant from this month, October. The major incremental costs would come from three elements. Depreciation, labor, and overheads. What we expect is there should be an increase of around 20% to 25% in the cost of these elements, over the current levels in Chennai Plant. So, these cost elements, will put some pressure for some time.

We are bringing Venue from this plant. We are pretty confident that we should be in a position to recover our volumes as far as Venue is concerned. Plus, we will be focusing strongly on the export markets as well. So, though it is difficult to give guidance, specifically about the timelines, but we expect that we will be able to maintain healthy margins once these things are streamlined.

Binay: Great. And lastly just, team, one question on the CAFE norms, the CAFE-3. Any update you are getting from the government? When do we expect the final notification on that?

Tarun Garg: This is in discussion with SIAM, we are still awaiting the final notification on CAFE-3.

Binay: Okay, great. Thanks, team.

Moderator: Thank you. We'll take our next question from the line of Gunjan Prithyani from Bank of America. Please go ahead.

Gunjan Prithyani: Hi, thanks for taking my questions. The first question is clarification on the comment that you made on the constrained availability of Venue. Can you share where the channel inventory is right now for you guys? And the numbers that you shared on the festive sales, I assume those were for Hyundai.

Is there a number that you can share for the industry as well? Because these numbers somehow are not similar to what we see on Vahan. So, maybe if you can just help us explain, is there an element which is not being captured on Vahan registrations?

Tarun Garg: You have to just understand that because 15th August to 22nd September, nobody could wholesale, nobody could retail. So, everything got piled up. Normally there is not so much of a difference between Vahan and retail and wholesale. But because of all this piling up, what happened was there's a logistic challenge, there's a capacity challenge, retail challenge. So, my point is that we need to be slightly patient. I believe that this lag between Vahan and retail will continue for probably one more month. And only at the end of November, we will know what was the actual situation. This is a very unique situation where for 37 days, basically customers postponed the purchase. And then everybody wanted a car suddenly. So, this is one.

The second is on the Venue. We are more or less done with the old Venue stock. So, hardly we have any vehicles, a few hundred vehicles in the factory and a couple of thousand vehicles in the network. But of course, because of that, what happened was the old Venue stock was not available at many dealerships. And that is why we probably lost out on the opportunity. But we believe this is a short-term pain for long-term gain, because the new Venue is coming in full force on the 4th of November. And I'm sure you would have seen the pictures and all the initial response we are getting is very, very good. And on the 4th of November, stay tuned, because we'll be sharing a lot of things, including the price and the features and the bookings received etc. Thank you. I hope I have answered your question.

Gunjan Prithyani: This is clear. I think just overall channel inventory would have also run low. I'm assuming given that there was this sudden surge in logistics constraints, as you mentioned. So, at an overall level also, it's fair to assume that we are very, very low on the stock for the rest of the models?

Tarun Garg: Yes. If you see the last 6 months inventory, the channel inventory was about 5 weeks. Now we are running at about 3 - 3.5 weeks of channel inventory, including transit. So, yes, the channel inventory has come down. But this is very normal. I mean, after every festival, the channel inventory comes down. Before every festival, the channel inventory is high. So, I don't read too much into it, but it is always healthy when the channel inventory comes down, which means there is hunger in the system to take more. Thank you.

Gunjan Prithyani: Okay, got it. And the second question is on the new plant. I think very similar to what Binay asked. Venue, it's now commissioned. If we were to think about the ramp up, and I'm not really looking for a timeline as to when the ramp up happens, just trying to understand the thought process that a completely new model is still some time away. How do you think the ramp up of the new plant happens? Is it going to be some of the models, let's say, a new Venue or an Exter, which is not right now to its full potential. We sort of start manufacturing it in the new plant and we expect a step up in the volumes of the existing models. And, you know, maybe exports, which you've spoken about earlier. Any thoughts on how this whole new plant ramp up happens? What are the models or transitioning of existing models or maybe, exploring new markets for exports? What is it going to happen in the next 6 - 9 months till we have a completely new model in the portfolio?

Tarun Garg: Look, it's a very difficult question to answer. I can give you a very general answer that it is about a short-term pain for a long-term gain. Please understand a new plant has come in. Obviously, it's a very natural phenomena for some kind of a time gap. So, my request to you is, be patient. I think what we have demonstrated in the past is our ability to really make innovations. For example, last 1 year was very tough for us in the domestic market. We were able to step up on the exports. Last year was very tough in terms of price cuts and discounts. We refrained from that temptation to buy market share or buy volume at that cost. I think we will make all kinds of efforts to increase exports, to increase the existing models, to increase the Venue sales and increase all models sales also. I know this is a general answer, but I think we have enough on this. And you have to also appreciate that beyond this, it is very difficult to give you specifics on how the specific margins will be affected or how the specific capacity utilization for the plants will happen in the next six to nine months. But we will continue to make all the efforts to improve it at the fastest possible pace. Thank you.

Gunjan Prithyani: Alright. Thank you so much.

Moderator: Thank you. Next question is from the line of Vipul Agrawal from HSBC. Please go ahead.

Vipul Agrawal: Thank you. May I request you to comment on any change in customer behavior post-GST cut, like any sense on improvement in share of first-time buyers or variant upgrades by customers post-GST cut? And what will be the share of first-time buyers for Hyundai?

Tarun Garg: If you see, yesterday I think there's an independent survey which was conducted by a news agency, PTI. 80% of the car buyers post-GST survey said that they use tax relief to switch to a better model, brand, or premium add-ons during the festive season post-GST 2.0 implementation. The report also suggests that SUVs remain the most popular choice amongst the buyers. Also, more than 60% of buyers plan to upgrade to higher variants within the same brand. And 46% have already shifted from hatchbacks to SUVs. This is an independent third-party report. I already shared that for Hyundai, very clearly, Venue and Exter look to be the maximum gainers from this GST shift. But if you talk about first-time buyers, I think it's too early. It's only 37 days. I think we do this survey after every one month. So, you have to wait for it. But generally, the first-time buyers for Hyundai have increased from 29% five years back to about 40% now. We continue to see great traction for the first-time buyers, which is very good. Because if you see from an ASP perspective, it is going up for Hyundai. From an SUVization perspective, it is going up for Hyundai. Still, we are able to attract the first-time buyers, which means our value proposition has very strong affinity to the young and trendy modern buyers. And we believe the new Venue will further add to this kind of momentum. So as of now, I think this is what I can share with you. And I hope I have answered your question. Thank you.

Vipul Agrawal: That was helpful, Sir. My second question is on what are the trends between the three categories? Compact UV, UV1, and UV2 category. Like between Venue and Exter category, Creta category, and Mahindra Scorpio and 7OO category, post GST cut? Do you think now compact UV category and the large UV2 category will grow faster than the Creta category because of the GST changes? Any trend you are seeing over there?

Tarun Garg: There's no data. I mean, how do I know? Because the data will be shared after 10th of November. So, I think let's be patient. Broadly, for us, if I see September plus October projected numbers, SUVs have grown by 21% in retails. Sedans have grown by 14%. Hatches have grown by 24%. And within SUVs, Exter plus Venue have grown by 27%. We are seeing strong traction for Creta also. So as of now, it appears that it will be compact SUVs like Venue which will see a maximum growth. But other SUVs are also seeing strong traction. But I think we need to be more patient. And not only for October numbers, I think at least let us see two to three months, to see the real customer pulse on how each segment is behaving post the GST cut. Thank you.

Vipul Agrawal: Thank you, Sir.

Moderator: Thank you. Next question is from the line of Raghunandhan NL from Nuvama Research. Please go ahead.

Raghunandhan NL: Thank you, Sir. Congratulations for strong margin performance and festive greetings. Sir, my first question is, there is an increase in other operating income by 31% QoQ to ₹305 crore. Can you indicate if it includes any state government incentive and will it continue going forward?

K S Hariharan: Raghu, if you look at sequential basis, the increase is mainly due to two reasons. One is we have seen sequential growth in export volumes. So that gives us better duty drawback and other export incentives. Second thing is, the Tamil Nadu incentive. The MOU incentive normally accrues for us from the mid of August or end of August like that. So, that is also another reason for the increase in this other operating revenue. Going forward, of course, the Tamil Nadu incentive will continue. We also, will be accruing the Maharashtra incentive from the month of October.

Raghunandhan NL: Thank you, Hari, for that. My second question is on hybrids. Considering that there are no significant subsidy benefits like what EV has, how do you ensure that cost of ownership for hybrids will match with ICEs? And if you can give some color, when is the first launch expected?

Tarun Garg: So, in the investor day, our global CEO mentioned a very strong plan and the might of the Hyundai Motor Group in terms of supporting HMI. So, our plan is not limited to one powertrain. You saw a very healthy EV. He mentioned five EVs, a lot of hybrids, a lot of CNGs. We believe India is a very big country. Going forward, we have opportunities in all powertrains. Globally, if you see, EVs are also doing well, but hybrids have seen a very strong growth. So, I think our timing for hybrids has been planned in a way where we believe that the customer preference would shift towards hybrids. Today, if you see, we don't have hybrids and the market is not really growing for hybrids. In fact, last year, hybrid penetration contribution was around 2.5%. EV was also 2.5%. EVs have increased to 6% in August. Hybrids remain at around 2.5%. So, very clearly it shows that Hyundai's strategy is very right, that we are right now focusing on EVs and very strongly, like José mentioned, in 2027, we will come out with a fully dedicated EV for us, which will give us more traction. But going forward, we believe there will be a strong market and the cost of ownership, everything else should take care of itself. I cannot really comment on what kind of incentives government will give or not give, but we believe that there will be enough customers down the line for all kinds of technologies, and we will be offering the customers all kinds of options, whether it is hybrid, EV, CNG, or any other powertrain. Thank you.

Raghunandhan NL: Thank you so much, Tarun Sir. Just a clarification, within hybrid, you would look at all possibilities as well, plug-in, strong, range extender?

Tarun Garg: Look, we gave a lot of information. My request to all of you is that let's limit to what we gave in the investor day. That's a fairness for everybody. So, I don't have any further comment adding on to the investor day that what kind of hybrids are going to come. Thank you.

Raghunandhan NL: Thank you, Sir. We'll wait for the details.

Moderator: Thank you. We'll take our next question from the line of Pramod Kumar from UBS Securities. Please go ahead.

Pramod Kumar: Thanks a lot for the opportunity, Sir. Tarun Sir, asking this question more from a strategic perspective, not looking for exact specifics or timeline, but given the very high capex what we are planning to invest on R&D, as stated in the investor day, what are the kind of capabilities that you are aiming to build here over the longer term? Because you have pretty high localization levels. So if you can just help us understand, what are the kind of technological capabilities Hyundai Motor India will build with these kind of elevated capex, which will help us understand how critical these are and what kind of global capabilities it gives you for export market as well?

And also, in terms of filling any portfolio gap or technology gap, if you can just help us understand the kind of substantial amount of money and capabilities the listed entity will have under its belt.

K S Hariharan: The mid-term guidance what we have given is ₹45,000 crores. First of all, we need to understand the major activities where we are planning to spend this. One is, out of this ₹45,000 crores, 40% would be for product-related investments. When I say product, it is basically for the 26 launches over the next five years. So, that will obviously require investment into fixed assets like moulds, dies, etc. That is one. Another 40% would include mainly capacity expansion, localization, systemization, and other similar activities. So, this is a broad picture I wanted to share why we are investing all this money. We are looking at a good amount of growth, whatever we had indicated in terms of volume projection, market share, and profitability. So, all these things are linked to the investment as well. Because when we are looking at growth aspirations, obviously it calls for investment as well. Hope I have clarified your question.

Pramod Kumar: No, but Hari, any plans of localizing battery chemistry or hybrid power technology in India? I'm just trying to look at those aspects on the technological side, what all localization will happen here?

K S Hariharan: Pramod, this is the broader guidance we can give at this moment. We will be in a position to share more details in due course of time. Hope you understand this.

Pramod Kumar: Fair enough. The second question is on the product pipeline timeline. Given the elevated spend what we do and the kind of support we have from the global leadership for Hyundai India's plan, is it fair to assume that some of these launches could be ahead of what you have called out in the investor day? Because that's what has been the track record of Hyundai, even in the U.S. market, where José Muñoz was heading the business before taking up the global leadership roles. So, is it fair to assume that we can expect faster product launches from Hyundai going forward?

Tarun Garg: I think let's stick to the investor day. Again and again I'm requesting, whatever we have said on the investor day, let's stick to that. You already want us to deny what was said in the investor day and move ahead. I don't think we'll be able to do that. So, let's stick to what we have said in the investor day. There's a lot of information there. I think we have set a new industry benchmark in terms of information. My request is let's stick to that and wait for further guidance from us at an appropriate time. Thank you.

Pramod Kumar: Fair enough. Thanks a lot. Best of luck.

Moderator: Thank you. Ladies and gentlemen. We'll take that as the last question for today. I now hand the conference over to Mr. Nishit Jalan from Axis Capital for closing comments. Over to you.

Nishit Jalan: Thank you, everyone. At this point, I'd like to thank the management for giving us the opportunity to host the call. With this, we conclude today's conference call. On behalf of Hyundai Motor India Limited, we thank you for joining the call. And you may now disconnect your lines. Thank you so much.

Note: Edited for brevity and inadvertent errors