Management Discussion and Analysis

Global Economy

During 2025, the global economy remained resilient, with growth broadly sustaining at around 3.5%, as per the International Monetary Fund's July 2026 World Economic Outlook Update report. This growth was supported by accommodative financial conditions, policy support and strong technology-led investment. Improved liquidity, a relatively weaker US dollar and easing inflation through much of the year helped stabilize demand, particularly across emerging markets.

However, trade policy developments, particularly US tariff measures and sector-specific restrictions, introduced uncertainty in global trade flows, affecting cross-border supply chains and moderating export momentum in several regions. While some tariff rollbacks and temporary truces helped stabilize conditions, policy uncertainty remained elevated throughout the year.

At the beginning of 2026, the West Asia conflict added fresh pressures by disrupting energy supply routes, leading to higher fuel and logistics costs. Given the region's critical role in global oil and gas transit, this translated into increased input costs for energy-importing economies across Asia and Africa. Consequently, the earlier easing in price pressures reversed, with global inflation rising from 4.1% in 2025 to around 4.4% in 2026.

Outlook

The global outlook remains cautiously moderated, with growth expected to ease to around 3.0% in 2026 amid persistent geopolitical and inflationary pressures. Continued uncertainty around the West Asia conflict could keep energy prices elevated, sustaining inflation and constraining consumption, particularly in energy-importing regions such as Africa and parts of Asia.

While technology investments and policy support may provide some offset, risks of tighter financial conditions and weaker global trade persist. Inflation is expected to gradually moderate to 3.7% by 2027, assuming easing commodity prices, though any prolonged supply disruption could delay this trajectory and weigh further on global growth.

World Economic Outlook Growth Projections

(Real GDP, annual percent change)	Projections		
	2025	2026	2027
World Output	3.5	3.0	3.4
Advanced Economies	1.9	1.7	1.8
United States	2.1	2.3	2.2
Euro Area	1.4	0.9	1.2
Germany	0.2	0.7	1.0
France	0.9	0.6	0.9
Italy	0.5	0.5	0.5
Spain	2.8	2.1	1.8
Japan	1.1	0.6	0.7
United Kingdom	1.4	1.0	1.3
Canada	1.9	1.1	1.7
Other Advanced Economies	3.0	2.8	2.3
Emerging Market and Developing Economies	**4.5**	**3.8**	**4.5**
Emerging and Developing Asia	5.6	5.0	4.8
China	5.0	4.6	4.1
India	7.7	6.4	6.7

Source: IMF

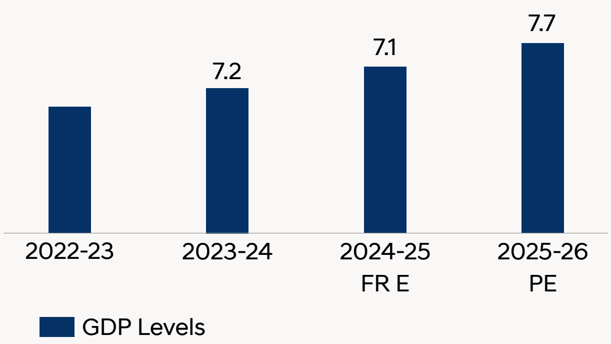
Indian Economy

In FY 26, India retained its position among the fastest-growing major economies, with real GDP growth estimated at 7.7% (PIB), up from 7.1% in FY 25. The economy demonstrated broad-based resilience, supported by strong momentum in manufacturing, services and construction, alongside sustained domestic demand. Growth was led by the secondary and tertiary sectors, each expanding above 9%, while the Trade, Repair, Hotels, Transport and Communication segment grew by 10.1%.

A key catalyst during the year was the Government's GST 2.0 reforms, which introduced rate rationalization through a simplified two-slab structure of 5% and 18%. The reduction in GST rates across mass-consumption categories, including essential goods and labor-intensive sectors, improved affordability and boosted household disposable income, directly supporting consumption.

Additionally, supportive fiscal measures, including income tax rationalization, further enhanced purchasing power. With inflation remaining benign at 2.1% for much of the year, the combined impact of policy support and stable prices sustained consumer confidence and underpinned India's strong economic performance.

Annual GDP Growth Rates (%) at Constant Price



Note: The GDP estimates are calculated with base year FY 23

FRE - First Advance Estimates

PE - Provisional Estimates

Source: PIB

Management Discussion and Analysis (Contd.)

Outlook

The International Monetary Fund (IMF), in its July 2026 World Economic Outlook Update, projects India's real GDP growth at 6.4% and 6.7% for FY 27 and FY 28, respectively. This growth trajectory will be supported by robust domestic consumption trends, carryover momentum from a strong FY 26 performance, structural reforms such as rationalized GST rates, and expected policy calibrations, including cumulative central bank rate cuts.

However, global headwinds present notable downside risks to this trajectory. The outbreak of conflict in West Asia and lingering trade policy uncertainties are expected to exert fresh pressure on global energy and supply networks, pushing projected global inflation upward to approximately 4.4% in 2026. Consequently, rising global energy and commodity prices may trigger a re-emergence of domestic inflationary pressures. While India's macroeconomic foundations remain structural and constructive, persistent geopolitical tensions, volatile crude oil prices, and broader external trade disruptions continue to shadow the near-term global and domestic economic environment.

Global Auto Industry

The global automobile industry continued its recovery in 2025, with light vehicle sales reaching approximately 91.7 million units, surpassing pre-pandemic levels for the first time. The rebound was supported by easing supply chain constraints, improved semiconductor availability and resilient consumer demand, despite affordability pressures and elevated interest rates. Electrification remained a key structural theme, with growing adoption of battery electric vehicles (BEVs) driven by regulatory support, expanding product portfolios and investments in cleaner mobility technologies.

However, the global landscape is undergoing a phase of recalibration. Production is expected to moderate in 2026 amid rising trade policy uncertainty, including the impact of US automotive tariffs, which are influencing global supply chains and pricing dynamics. Electrification momentum has also softened in certain markets due to affordability concerns, infrastructure gaps and evolving subsidy regimes, leading to a more balanced shift towards hybrids and alternative powertrains.

At the same time, the industry is witnessing structural transformation through digitalization and software-defined vehicles, enabling new revenue streams via connected services and over-the-air upgrades. Advances in materials, battery technologies and vehicle electronics continue to reshape product innovation, even as supply chain risks, particularly in semiconductors and critical minerals, remain key challenges for global manufacturers.

Outlook

The global auto market is expected to witness marginal growth in 2026, with sales projected at 91.86 million units. While demand recovery and electrification trends are expected to continue, the pace of growth may remain measured amid macroeconomic uncertainty and evolving regulatory frameworks.

Source: S&P Global Mobility

Indian Auto Industry

India, as one of the world's largest automobile markets and the third-largest passenger vehicle market globally, is well positioned to benefit from long-term structural shifts in mobility, consumption and clean transportation.

FY 26 marked a milestone year for the industry, with all major segments, Passenger Vehicles, Two-Wheelers, Three-Wheelers and Commercial Vehicles, recording their highest-ever annual sales in seven years. Growth was driven by favorable policy interventions, particularly GST 2.0 rate rationalization, which reduced tax incidence across mass-market categories and significantly improved affordability. This, along with multiple repo rate cuts, income tax relief and rising EV adoption, strengthened consumer sentiment and accelerated demand, especially in the second half of the year.

According to SIAM, total industry production stood at 34.7 million units during FY 26, highlighting broad-based momentum across segments and underscoring the sector's structural growth trajectory.

Vehicle Category	FY 26 Domestic Sales (Units)	FY 25 Domestic Sales (Units)	Growth (%)
Passenger Vehicles	46,43,439	43,01,848	7.9%
Two-Wheelers	2,17,05,974	1,96,07,332	10.7%
Three-Wheelers	8,36,231	7,41,420	12.8%
Commercial Vehicles	10,79,871	9,58,679	12.6%

Source: SIAM

Passenger Vehicles

The Passenger Vehicle segment was a key growth driver, achieving record sales of 46,43,439 units in FY 26, reflecting a 7.9% YoY increase. The segment also recorded its highest-ever quarterly sales of 13,16,282 units in Q4, driven by strong festive demand and improved retail conversions.

Demand surge was supported by a combination of improved affordability, tax rationalization, lower financing costs and sustained consumer preference for utility vehicles and feature-rich models. Additionally, rising electrification contributed meaningfully to volumes, with electric passenger vehicle registrations witnessing growth of over 94% during the year.

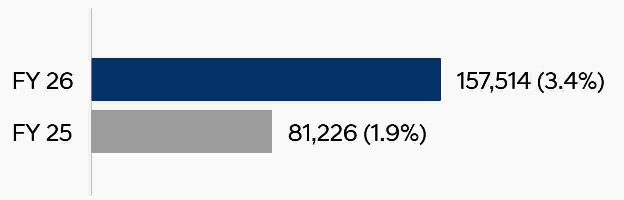
Export performance remained robust, with passenger vehicle (4-wheeler) exports reaching a record 9,05,200 units, up 17.5%, driven by steady demand from markets such as the Middle East, Africa and Latin America.

Electric Vehicles

The Electric Vehicle (EV) market accelerated sharply in FY 26, signaling that EV adoption is moving from early momentum to more broad-based scale. According to SIAM portal data, growth was led by both the electric two-wheeler (e2W) and electric four-wheeler (e4W) segments, with the latter emerging as a particularly strong area of expansion.

Overall EV Passenger Vehicles growth is 93.9%.

% Contribution of EV in Passenger Vehicle



Source: SIAM Data

The policy environment also remained supportive. Measures such as the PLI-Auto Scheme, PLI for ACC battery storage, PM E-DRIVE, PM-eBus Sewa, and the Scheme to Promote Manufacturing of Electric Passenger Cars in India (SPMEPCI) continue to strengthen the EV value chain by incentivizing demand, infrastructure creation, and manufacturing investment. Together, these developments are steadily improving the long-term viability and affordability of EV adoption in India.

Powertrain and Technology Mix

India's automotive market is steadily diversifying beyond conventional petrol and diesel vehicles, driven by affordability, fuel efficiency and evolving consumer preferences. In FY 26, alternative and clean mobility solutions recorded strong traction across the industry. EV penetration rose by 1.5% to command a 3.4% market share, up from 1.9% in FY 25. Concurrently, Compressed Natural Gas (CNG) solidified its strategic role as an essential transition fuel, growing its industry share by 2.4% to capture 21.9% of market volumes, compared to 19.5% in the previous year.

Conventional Petrol options experienced contraction, with its market share declining by 4.7% YoY to 53% from 57.7%, while Diesel and Hybrid-Petrol alternatives remained relatively stable at 19.1% (up 0.6%) and 2.7% (up 0.3%), respectively. This transformation highlights a clear structural evolution in India's mobility landscape, pointing toward a highly balanced, multi-fuel ecosystem.

Management Discussion and Analysis (Contd.)

Fuel	Industry		
	Cont% in FY 26	Cont% in FY 25	Change vs FY 25
CNG	21.9%	19.5%	2.4%
Diesel	19.1%	18.5%	0.6%
Electric	3.4%	1.9%	1.5%
Hybrid-P	2.7%	2.4%	0.3%
Petrol	53.0%	57.7%	-4.7%

Source: SIAM

Export Sector

India's automobile exports delivered a strong performance in FY 26, reinforcing the country's growing stature as a global manufacturing and mobility hub.

Growth was broad-based across segments. Passenger vehicle exports (4 wheelers) increased 17% to 0.90 million units, with utility vehicle exports rising by 23%, reflecting the growing global acceptance of India-manufactured SUVs and crossovers.

Demand remained particularly steady across the Middle East, Africa, and Latin America, underscoring India's competitiveness in value, reliability, and product adaptability. With improving product quality, stronger manufacturing capabilities, and deeper global market penetration, automobile exports are emerging as a significant growth lever for the Indian auto industry.

Outlook

The Indian automobile industry is expected to sustain its growth trajectory in FY 27, albeit at a more moderate pace following the strong recovery witnessed in the second half of FY 26. According to ICRA, industry volumes are likely to normalize, with growth supported by stable demand conditions, healthy rural sentiment, improving affordability, and a conducive financing environment.

The passenger vehicle segment is projected to grow by 4–6%, underpinned by continued demand for personal mobility, new launches, and the sustained popularity of utility vehicles. Meanwhile, commercial vehicles are expected to post 4–6% growth, supported by ongoing infrastructure activity, replacement demand, and healthy prospects for the bus segment.

Over the medium term, structural shifts such as premiumization, alternative powertrain adoption, and rising EV penetration are expected to shape the industry's next phase of growth. With policy support, localization, and technology adoption continuing to strengthen the ecosystem, the sector remains well-positioned for steady and resilient expansion.

Source: ICRA

Opportunities

Rising Premiumization and SUV Dominance

Premiumization is reshaping India's automotive market, with SUVs emerging as the preferred choice for customers seeking elevated mobility experiences.

Increased EV Adoption

FY 26 saw continued structural progress in electric mobility, with government-led initiatives such as the PLI scheme for automobiles and auto components, and the ACC battery scheme supporting localization, investment, job creation, and the long-term development of India's EV ecosystem.

Sustainability and Responsible Manufacturing

India's transition towards clean mobility and resource-efficient manufacturing is creating opportunities for companies investing in sustainable operations and future-ready technologies.

Digital-first Customer Service

Customer expectations are shifting towards digital-first experiences, making convenience, transparency, personalization, and seamless service key differentiators.

Rising Global Demand for Indian Manufactured Cars

India's growing competitiveness as an automotive manufacturing hub was reflected in continued export momentum, with double-digit growth in the first half of FY 26, driven by increasing global acceptance of India-made vehicles.

Personalization, Connected Mobility, Safety and Seamless User Experience

Customers increasingly expect vehicles that combine connected technologies, advanced safety, personalized features, and intuitive digital experiences, making mobility smarter and more engaging.

Urban Expansion and Rural Market Formalization

India's auto industry benefited from sustained consumption momentum during FY 26, supported by improving household spending, GST rate rationalization, and softer inflation, which enhanced affordability and strengthened vehicle demand across segments.

Read more on **Page 46**

Key Challenges

Despite a strong FY 26, the Indian automobile industry enters FY 27 with a degree of caution. A key near-term challenge is the geopolitical tension in West Asia, which has raised concerns around supply chain disruptions and input cost volatility. According to FADA, over 53% of dealers reported some level of dispatch or supply disruption linked to the conflict, with the commercial vehicle segment witnessing the sharpest impact.

Another important challenge is the risk of higher fuel prices, which could influence consumer purchase decisions, particularly in price-sensitive segments. Around 36.5% of dealers indicated that rising or expected fuel costs are affecting buyer sentiment, potentially elongating decision cycles and accelerating the shift toward CNG and electric vehicles.

Additionally, after a strong year-end, the industry is expected to enter a phase of demand normalization. While underlying sentiment remains positive, managing affordability, supply continuity, and changing consumer preferences will remain critical to sustaining momentum.

Company Overview

Hyundai Motor India Limited (HMIL) is one of India's leading passenger vehicle manufacturers and a key pillar of the Hyundai Group's global growth strategy. Anchored in the philosophy of 'Progress for Humanity', our Company combines advanced mobility technologies, high localization and sustainable manufacturing to serve the evolving needs of Indian consumers.

With a diversified portfolio spanning hatchbacks, sedans, SUVs and electric vehicles, HMIL has built a strong market presence supported by an extensive nationwide network of 1,508 sales points and 1,671 service points. Hyundai's integrated manufacturing facility near Chennai has an installed annual capacity of 8,24,000 units and Pune has 1,70,000 units and cumulatively produced over 13.5 million vehicles to date, including over 3.9 million exports to more than 150 countries cumulatively.

Backed by India's structural automotive opportunity, HMIL is well positioned to drive its next phase of growth through capacity expansion, premiumization, exports and future-ready mobility solutions.

Operational Performance

During the year under review, our Company reported total sales of 7,75,031 units against 7,62,052 units in FY 25. While domestic sales noted a decline due to lower product enhancement activity compared to competitors, our Company noted around 16.4% growth in its export sales volume.

Management Discussion and Analysis (Contd.)

Sales Performance (Units)

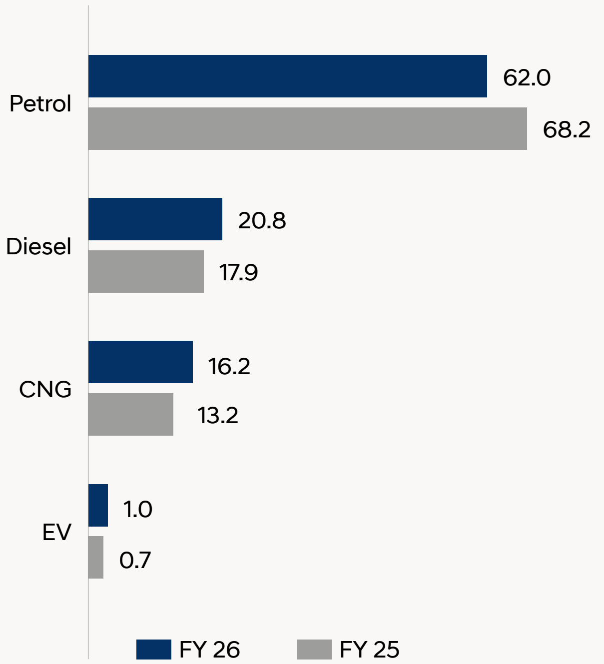
	FY 26	FY 25	Change (%)
Domestic	584,906	598,666	(-2.3%)
Exports	190,125	163,386	16.4
Total	**775,031**	**762,052**	**1.7%**

During the year, SUV sales dominated our Company's domestic market mix, anchoring a strong performance with a 68% penetration rate. This volume was fueled by a highly diversified product portfolio, led by the flagship Hyundai CRETA, which hit a historic sales milestone of 2,01,921 units. The VENUE and EXTER lines also successfully captured rising customer preferences across both urban and rural markets, with the latter achieving a record penetration rate of over 24% and reinforcing strong brand presence and broad-based demand.

Segment-wise Sales (Body Type) – Domestic (Units)

	FY 26	Share of total sales (%)	FY 25	Share of total sales (%)
SUV	399,569	68.3	410,199	68.5
Hatchback	107,346	18.4	117,928	19.7
Sedan	77,991	13.3	70,539	11.8
Total	**584,906**	**100**	**598,666**	**100**

Fuel Mix Share (%)



Product Enhancement

During the year, we refreshed the VENUE model with the all-new VENUE Full Model Change (FMC) in November 2025, which successfully re-energized our presence in the highly competitive sub-compact SUV segment and became a core volume catalyst by expanding individual nameplate to a peak of 12,413 units in January 2026.

Parallelly, we drove advancements in sustainable mobility with CRETA Electric, our first deeply localized EV. It promises a paradigm shift in the electric SUV segment with its bold design, cutting-edge technology, performance, and all-around safety. Building on this momentum, we further strengthened our premium EV portfolio with the IONIQ 5 in April 2026, reaffirming our commitment to offering cutting-edge electric mobility solutions across customer segments.

Read more on **Page 18**

Logistics

Our Company has established an integrated inbound and outbound logistics ecosystem, with end-to-end transportation managed through specialized logistics service providers for both domestic and export markets. This network supports the efficient movement of completely built units across India as well as to international destinations, while focusing on operational efficiency and sustainability.

Chennai Plant

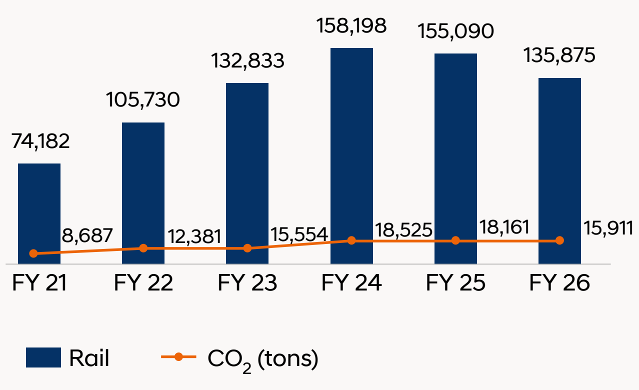
The Chennai Plant's domestic outbound logistics network utilizes a multimodal approach, with 74.2% of dispatches through road and 25.8% through rail. Our Company has consistently strengthened rail transportation as a sustainable logistics solution, dispatching more than 1,35,000 vehicles by rail during FY 26 and achieving a rail share of 25.8%. This optimization of rail logistics, including 100% rail dispatches to the North-East region of India, helped prevent approximately 15,911 tons of CO_2 emissions during the year compared to conventional road transportation.

Over the last six years (FY 20 to FY 26), HMIL has cumulatively dispatched 7,61,908 vehicles by rail, resulting in the avoidance of approximately 89,219 tons of CO_2 emissions. To support efficient distribution across distant markets, our Company has also established Regional Stock Yards, which are connected through rail logistics.

Rail Share and CO_2 Emission Reduction

	FY 22	FY 23	FY 24	FY 25	FY 26
Rail (vehicle units)	105,730	132,833	158,198	155,090	135,875
Rail share (%)	22%	23%	26%	26%	26%
CO_2 (tons)	12,381	15,554	18,525	18,161	15,911

Rail Share & CO_2 Emission Reduction



Pune Plant

With the commencement of operations at the Talegaon Plant in October 2025, HMIL has expanded its logistics footprint to support both domestic demand and export growth. The Pune logistics cluster was quickly stabilized to manage high-volume, single-model operations and enhancing overall dispatch efficiency.

During the first six months of operations (October 2025 to March 2026), the plant dispatched more than 62,000 units of the All-New Hyundai VENUE. To improve logistics efficiency, our Company proactively deployed third-party logistics partners for New Modified Goods (NMG) rail services, with rail dispatches commencing within the first week of operations to serve destinations across Central, North, and North-East India. Increasing rail utilization remains a strategic priority to optimize logistics operations and reduce dependence on road transportation.

Management Discussion and Analysis (Contd.)

The Pune Plant also marked an important milestone in HMIL's export journey with the rollout of its first export vehicle on February 26, 2026. Export volumes from the facility are integrated directly with Mumbai Port for bulk Roll-on/Roll-off (RORO) vessel operations, further strengthening HMIL's global supply chain and export capabilities.

Discussion on Financial Performance

The financial statements have been prepared in accordance with IND AS per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of The Companies Act ('the Act'), 2013 and other relevant provisions of the Act.

All Financial information discussed in this section is derived from our Audited Consolidated Financial Statements except for Key Financial ratios which are from Audited Standalone Financial statements.

Overview

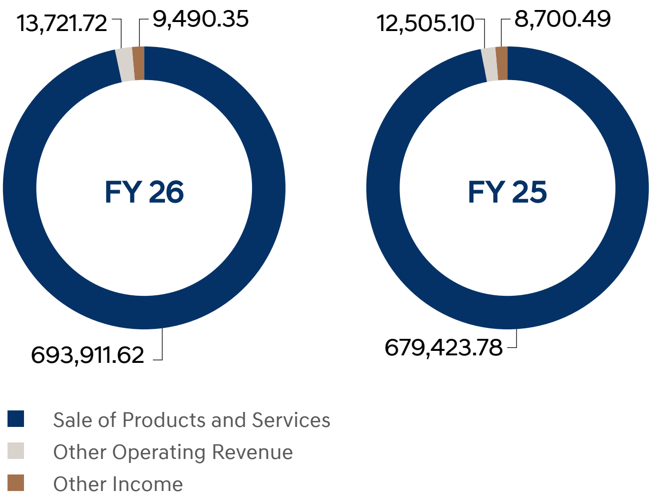
For FY 26, our Company earned a revenue of ₹ 7,07,633.34 million achieving Net Profit margin and EBITDA margin (excluding other income) of 7.57 % and 12.15%, respectively.

A. Profit and Loss Statement

(In ₹ million)

	FY 26	%	FY 25	%
Income				
Revenue from operations	7,07,633.34	98.68	6,91,928.88	98.76
Other income	9,490.35	1.32	8,700.49	1.24
Total Income	**7,17,123.69**	**100.00**	**7,00,629.37**	**100.00**
Expenses				
Cost of materials consumed	5,01,813.61	70.39	4,93,978.87	71.26
Purchases of stock-in-trade	3,957.98		7,497.41	
Changes in inventories of FG, WIP and stock-in-trade	(566.46)		(1,772.37)	
Cost of materials consumed for own use	(397.60)		(414.50)	
Employee benefits expense	27,474.38	3.83	23,112.09	3.30
Finance costs	1,064.68	0.15	1,272.00	0.18
Depreciation and amortization expense	21,979.96	3.07	21,052.58	3.01
Other expenses	89,366.57	12.46	79,989.80	11.42
Total expenses	**6,44,693.12**	**89.90**	**6,24,715.88**	**89.17**
Profit before tax (PBT)	**72,430.57**	**10.10**	**75,913.49**	**10.84**
Total tax expenses	18,115.37	2.53	19,511.35	2.78
Profit after tax	**54,315.20**	**7.57**	**56,402.14**	**8.05**

1. Total Income FY 26 and FY 25



(In ₹ million)

Particulars	FY 26	FY 25	%
Sale of Products	6,41,404.24	6,30,827.86	1.68%
Sale of Services	52,507.38	48,595.92	8.05%
Other Operating Revenue	13,721.72	12,505.10	9.73%
Other Income	9,490.35	8,700.49	9.08%

a. Sale of Products

Average Selling Price (ASP)

Volume	FY 26		FY 25	
	Units	ASP (₹)	Units	ASP (₹)
Domestic	584,906	771,927	598,666	767,230
Exports	190,125	820,427	163,386	786,218
Total	775,031	783,825	762,052	771,301

Our Company's overall ASP expanded during the period. This growth was driven by a favorable product mix in export markets, complemented by domestic ASP appreciation resulting from increased SUV volumes vehicle premiumization.

b. Sale of Services

Our Company recorded an 8.05% increase in service income, driven by higher revenue from broking and engineering services rendered by our subsidiaries, alongside growth in freight and other services associated with vehicle sales.

c. Other Operating Revenue

Operating revenue expanded by 9.73%, primarily driven by the accrual of MoU benefits amounting to ₹ 507 million for the Pune facility upon the commencement of commercial production. This performance was further supported by a special capital subsidy of ₹ 300 million, supplementing existing MoU benefits from the Government of Tamil Nadu.

d. Other Income

Despite adverse exchange rate impacts on import costs, other income increased by 9.08% due to net foreign exchange gains on export proceeds.

Adjusted EBITDA:

Metric	Unit	FY 26	FY 25
EBITDA (Excluding Other Income)	(in ₹ million)	85,985	89,538
EBITDA margin (Excluding Other Income)	(in %)	12.15	12.94

The YoY moderation in the EBITDA margin was chiefly driven by impact of fixed overheads related to capacity stabilization, compounded by higher employee benefits expense and increased operating costs. This negative impact was partially countered by strategic material cost optimization, favorable exchange rates, and strong export volumes.

2. Material Cost

Our material cost as a percentage of total income has decreased from 71.26% in the previous year to 70.39% in the current year mainly on account of localization and value engineering efforts taken by the management for higher material cost saving.

3. Employee Benefits Expense

Our employee cost as a percentage of total income increased from 3.30% (₹ 23,112 million) in the previous year to 3.83% (₹ 27,474 million) in the current year mainly due to impact of new Labor Code, annual increment and additional incentives provided during the year.

4. Finance Costs

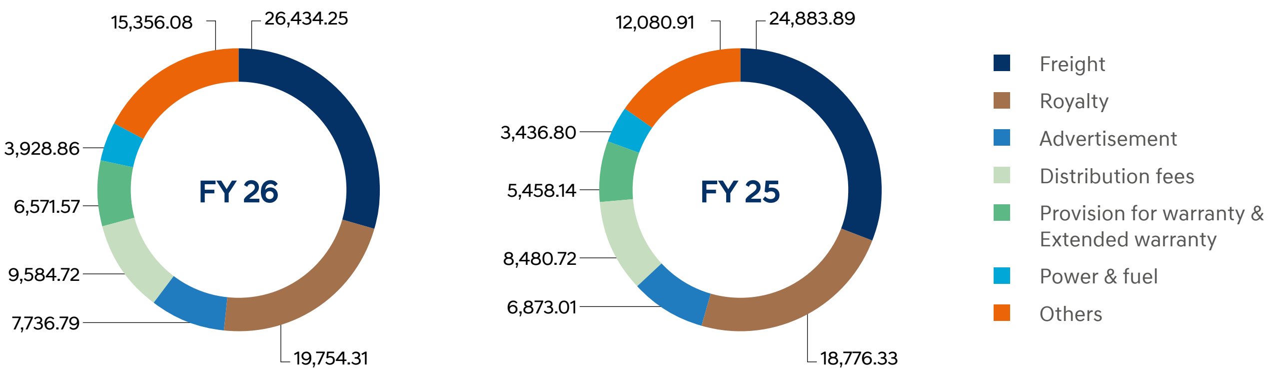
Finance cost as a percentage of total income has decreased from 0.18% (₹ 1,272 million) in the previous year to 0.15% (₹ 1,065 million) in the current year on account of repayment of borrowing during the year.

5. Depreciation and Amortization Expense

Depreciation and Amortization Expense as a percentage of total income has increased from 3.01% (₹ 21,053 million) in the previous year to 3.07% (₹ 21,980 million) in the current year, reflecting the capitalization impact of the Pune plant from the mid of the year.

Management Discussion and Analysis (Contd.)

6. Other Expenses



Other expenses as a percentage of total income increased from 11.42% (₹ 79,990 million) in the previous year to 12.46% (₹ 89,367 million) in the current year. This increase was primarily driven by the fixed cost impact of the newly commissioned plant, as well as the following factors:

a. Increase in royalty expenses by ₹ 978 million due to increase in sales during the year

b. Increase in warranty expenses by ₹ 1,113 million due to model mix

c. Increase in Distribution fee by ₹ 1,104 million due to the impact of corresponding increase in income from broking services

d. Increase in freight expenses by ₹ 1,550 million due to corresponding increase in freight charges

7. Tax Expenses

(In ₹ million)

Particulars	FY 26	FY 25
PBT	**72,430.57**	**75,913.49**
Current Tax (a)	18,293.04	20,508.41
Deferred tax (b)	491.88	(811.48)
In respect of previous years	(669.55)	(185.58)
	18,115.37	**19,511.35**
(a) + (b) / PBT	**25.935%**	**25.947%**

Deviation of the effective tax rate from the standard rate of 25.168% is due to the impact of permanent disallowance such as CSR Expenditure and Tax on non-monetary perks provided during the year.

B. Balance Sheet

Below is a discussion of major items and variations (25%) in our consolidated balance sheet as at March 31, 2026 and 2025.

(In ₹ million)

Particulars	As at March 31, 2026	As at March 31, 2025	Variance	%
Assets				
Non-current assets				
Property, plant and equipment	1,22,907.21	62,907.54	59,999.67	95.38%
Capital work-in-progress	7,253.04	47,183.61	(39,930.57)	(84.63%)
Right-of-use assets	6,510.10	6,192.50	317.60	5.13%
Intangible assets	1,281.79	1,951.01	(669.22)	(34.30%)
Investments	73.59	0.00	73.59	100.00%
Other Financial Asset	919.57	774.01	145.56	18.81%
Deferred tax assets (net)	9,851.41	10,320.99	(469.58)	(4.55%
Non-current tax assets (net)	5,458.82	6,465.27	(1,006.45)	(15.57%)
Other Non-Current Assets	5,019.97	4,855.25	164.72	3.39%
Total non-current assets	**1,59,275.50**	**1,40,650.18**		
Current assets				
Inventories	35,935.14	34,043.57	1,891.57	5.56%
Trade receivables	21,936.95	23,891.23	(1,954.28)	(8.18%)
Cash and cash equivalents and Bank Balances	1,05,519.78	85,791.70	19,728.08	23.00%
Other Financial Asset	6,631.53	4,572.66	2,058.87	45.03%
Other Current Assets	14,743.68	12,024.25	2,719.43	22.62%
Total current assets	**1,84,767.08**	**1,60,323.41**		
Total assets	**3,44,042.58**	**3,00,973.59**		

1. Property Plant and Equipment, and Capital Work in Progress

Increase in PPE (excluding the impact of depreciation and disposal) for the year stood at ₹ 80,959 million under Property, Plant, and Equipment (PPE), anchored by an investment of ₹ 69,859 million in the newly commissioned Pune plant. Residual allocations were directed toward the renovation of Plant 1, the BSA plant facility, and an employee Occupational Health Center.

2. Intangible Asset

Decrease in intangible asset is due to normal amortization of computer software and technical know-how without any major addition during the year.

3. Investment

During the year, our Company invested ₹ 380.51 million (accounted at fair value using amortized cost method as per IND AS 109) in FPEL TN Wind Farm Private Limited, acquiring a 26.49% stake to procure electricity generated from solar and wind energy as part of our Company's RE100 initiative.

4. Other Financial Asset (Current)

The increase in other financial assets was primarily driven by outstanding receivables from state governments. This includes SGST incentives, capital subsidies, and special investment subsidies due from the Government of Tamil Nadu (GoTN), alongside SGST incentives receivable from the Government of Maharashtra (GoMH).

Management Discussion and Analysis (Contd.)

(In ₹ million)

Particulars	As at March 31, 2026	As at March 31, 2025	Variance	%
Equity and liabilities				
Equity				
Equity share capital	8,125.41	8,125.41	0.00	0.00%
Reserves and surplus	1,92,024.77	1,54,839.24	37,185.53	24.02%
Total equity	**2,00,150.18**	**1,62,964.65**		
Liabilities				
Non-current liabilities				
Financial liabilities				
Borrowings	4,549.65	5,359.88	(810.23)	(15.12%)
Lease liabilities	796.33	474.38	321.95	67.87%
Provisions	10,040.51	8,736.37	1,304.14	14.93%
Other Non-Current Liabilities	9,749.07	10,775.08	(1,026.01)	(9.52%)
Total non-current liabilities	**25,135.56**	**25,345.71**		
Current liabilities				
Financial liabilities				
Borrowings	5,415.39	2,558.37	2,857.02	111.67%
Lease liabilities	214.25	109.67	104.58	95.36%
Trade payables	72,006.06	70,862.08	1,143.98	1.61%
Other Financial liabilities	14,634.88	15,767.52	(1,132.64)	(7.18%)
Other Current Liabilities	14,903.68	14,281.65	622.03	4.36%
Provisions	5,968.76	4,974.42	994.34	19.99%
Current tax liabilities (net)	5,613.82	4,109.52	1,504.30	36.61%
Total current liabilities	**1,18,756.84**	**1,12,663.23**		
Total liabilities	**1,43,892.40**	**1,38,008.94**		
Total equity and liabilities	**3,44,042.58**	**3,00,973.59**		

5. Reserves and Surplus

During the year, our Company made profit of ₹ 54,315 million. Other comprehensive loss of ₹ 66.31 million and dividend paid for FY 25 amounts to ₹ 17,063 million.

6. Borrowings (Current and Non-Current)

During the year, our Company has borrowed ₹ 7,026 million and repaid ₹ 4,077 million taken as pre-shipment loans from various financial institutions.

These borrowings were made to meet working capital requirement and as part of hedging strategy.

Further, an amount of ₹ 1,391 million has been repaid as per the schedule to Government of Tamil Nadu from the sales tax deferral and CST soft loan obtained as a part of MoU Incentive entered in the prior year.

7. Lease Liabilities (Current and Non-Current)

The expansion of lease liabilities during the year was driven by entering into new lease agreements and renewing existing contracts. Key additions include commitments for regional offices in Pune, New Delhi, Hyderabad, and Chennai, as well as training centers located in Kolkata and Hyderabad.

8. Current Tax Liabilities

Current tax liabilities decreased during the period, primarily due to the receipt of an advance tax refund amounting to ₹ 4,068 million for prior years. This advance tax was appropriately offset against the tax provision of the relevant year in the financial statements of previous year.

C. Key Financial Ratios

The Key Financial Ratios of our Company (Standalone) are given as below:

S. No	Particulars	FY 26	FY 25	Change (%)	Remarks, where change is more than 25%
(i)	Debtors Turnover (No. of Times)	33.53	29.63	13.14	-
(ii)	Inventory Turnover (No. of Times)	18.33	18.77	-2.36	-
(iii)	Interest Coverage Ratio	68.00	59.13	15.01	-
(iv)	Current Ratio	1.52	1.38	10.14	-
(v)	Debt Equity Ratio	0.05	0.05	0.00	-
(vi)	Operating Profit Margin (%)	10.63	11.32	-6.08	-
(vii)	Net Profit Margin (%)	7.87	8.27	-4.80	-
(viii)	Return on Net Worth (%)	27.48	34.83	-21.12	-

D. Internal Control Systems and their Adequacy

Our Company has a proper and adequate systems of internal control to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition, and that all transactions are authorized, recorded and reported correctly. The internal control system is designed to ensure that financial and other records are reliable for preparing financial information and other data.

The Audit Committee of our Company reviews the adequacy and effectiveness of our Company's internal control environment and monitors the implementation of audit recommendations.

During the year, there have been no changes in our process that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

These controls are regularly tested for their effectiveness by Statutory Auditors. For the year ended March 31, 2026, they have assessed the effectiveness of the internal control over Financial Reporting and has determined them to be effective in their Audit Report.

Human Resources Management Including Health and Safety

At HMIL, people remain central to our long-term growth and transformation journey. Guided by a culture of innovation, agility, inclusion, and responsibility, we continue to strengthen a future-ready workforce aligned with evolving mobility trends, including EVs, AI/ML, robotics, and digital transformation.

During FY 26, we further strengthened our role-based organizational architecture and Agile Team framework to enhance flexibility, faster decision-making, and leadership readiness across functions.

Talent development remained a strategic priority during the year. Our flagship ARISE Leadership Program, conducted in collaboration with IIM Trichy and MDI, developed 66 leaders through integrated projects, Individual Development Plans (IDPs), and structured leadership capability building, achieving a participant feedback score of 4.79 out of 5.

The NEXT Young Talent Program delivered blended learning and mentorship-led development to 58 young professionals, while our Young Talent Pool (YTP) initiative strengthened campus engagement across 20 premier institutions, resulting in the hiring of 58 young professionals across engineering and management roles.

Management Discussion and Analysis (Contd.)

Our digital learning ecosystem continued to expand through the Hy-Learn platform and associated learning systems. During the year, our Company recorded over 24,126 training man-days and 1,93,000 learning hours, reaching 94.5% of employees with a 96% adoption rate. Average learning hours increased to 10.4 hours per employee, reflecting the growing maturity of our learning culture.

To support manufacturing readiness and operational capability expansion, the Hyundai Mobility Training Center trained 943 BJT trainees and completed 703 On-the-Job Training (OJT) evaluations during the year.

HMIL continued to strengthen meritocracy, inclusivity, and employee well-being through structured talent progression and diversity initiatives. Female representation among young talent hires reached 48% during the year, supported by leadership development programs such as TrailblazHer and initiatives under Women @ Work 2.0, including enhanced maternity support, childcare assistance, flexible work arrangements and workplace infrastructure support.

Our Company also launched the Hyundai Identity Program – Heritage Course across locations to strengthen cultural alignment and foster one unified way of working across HMIL.

Safety and employee well-being remain deeply embedded in our organizational culture. As an ISO 45001-certified Company, we continue to strengthen workplace safety through AI-driven safety tools, Safety Experience Centers, emergency response systems, and preventive risk management practices under initiatives such as 'My Place, My Pride.'

During the year, our Company also undertook several initiatives to strengthen occupational health services, industrial hygiene, and workplace wellness. A key milestone was the development of a state-of-the-art Centralized Occupational Health Center (OHC), commenced operations in July 2025. The facility has been designed with separate emergency and OPD access, dedicated male and female wards and physically challenged-friendly infrastructure to enhance onsite medical care, inclusivity, emergency preparedness, and regulatory compliance.

HMIL also implemented a structured health screening program for contract labor, including pre-employment medical examinations and periodic health assessments linked to entry pass renewals. These initiatives support preventive healthcare, early risk identification, and statutory compliance.

In addition, our Company continued to strengthen workplace hygiene through regular water quality monitoring, pest control compliance audits, and industrial hygiene assessments to ensure safe, hygienic, and health-conscious working conditions across facilities.

Looking ahead, HMIL remains focused on building a digitally enabled, inclusive, and high-performance workplace while continuing to strengthen leadership capability, employee experience, learning culture, workplace safety, and future-ready talent across the organization.

4,068
Total permanent employees

2,194
Total permanent workers

10,539
Other than permanent workers

Read more on **Page 94**

Risk Management

At HMIL, our Risk Management policy is focused on the proactive identification, assessment, and mitigation of both internal and external risks. Embedded across all functions, the policy ensures business continuity and strengthens organizational resilience in an evolving and dynamic market environment. We follow a data-driven approach, underpinned by robust governance practices, scenario planning, and strong cross-functional collaboration. Regular reviews, internal audits, and well-defined contingency planning enable us to effectively safeguard stakeholder interests while advancing innovation and sustainable growth.

Key Risks

External Risks

- Macroeconomic environment
- Competition intensity
- Regulatory compliance
- Electrification transition
- Climate change

Internal Risks

- Input price volatility
- Supply chain disruption
- Technology evolution
- Financial exposure
- Distribution network disruption

External Risks

1. Macroeconomic Environment

The prevailing turbulent macroeconomic environment is influencing domestic market conditions and overall industry demand. Factors such as inflationary pressures, fluctuations in economic growth, changes in employment levels, and shifts in consumer sentiment may impact passenger vehicle demand in India. Additionally, geopolitical developments and evolving global trade policies, including tariffs and protectionist measures, could disrupt supply chains, affect the availability and pricing of imported components, and increase input costs. Such uncertainties may impact operational efficiency and overall business performance.

Mitigation

We actively monitor macroeconomic and geopolitical developments, supported by scenario planning and regular assessment of demand indicators and inventory levels. A diversified product portfolio across price points, along with a strong export base, helps reduce dependence on any single market segment. Demand, pricing, and product strategies are dynamically aligned to evolving conditions, while supply chain resilience is strengthened through diversification and localization initiatives. Disciplined cost management and periodic evaluation of input costs, tariffs, and trade regulations further support effective risk mitigation.

2. Competition Intensity

The automotive industry continues to witness intensifying competition, driven by frequent launches of feature-rich and competitively priced vehicles across segments, including new entrants gaining market share. Demand remains sensitive to advancements in technology, features, and innovation. Any lag in adapting to evolving customer expectations or competitive developments may impact market positioning and share.

Mitigation

We actively monitor the competitive landscape and adopt a structured approach to strengthen product portfolio and market presence. Regular product upgrades, introduction of new features and variants, and identification of emerging opportunities support portfolio refresh and relevance. To support growth and enhance manufacturing scale, the Pune plant was operationalized in 2025, complementing the Chennai plant and taking the consolidated annual production capacity to 9,94,000 units, with plans to scale up to 10,74,000 units by 2028. We maintain a strong focus on ensuring timely delivery of new products to market, effective cost management, and optimization of profitability across our sales.

3. Regulatory Compliance

The automotive sector operates within a highly regulated environment, with continuously evolving requirements across emissions, safety, and technology. Any non-compliance with applicable laws and regulations may result in legal actions, product recalls, regulatory interventions, financial penalties, or sanctions, which could adversely impact operations and corporate reputation.

Mitigation

We maintain a strong focus on compliance with applicable laws and regulations across our business operations. Dedicated teams closely track regulatory developments, establish internal standards, and drive organization-wide adherence through robust processes and governance mechanisms. To democratize vehicle safety, HMIL introduced six airbags as a standard feature across all variants from October 2023. Building on this commitment, starting from VENUE, HMIL achieved BNCAP 5-star safety rating, with the long-term goal of expanding enhanced safety standards across its entire vehicle lineup. Successfully transitioned to E20 fuel compliance ahead of the scheduled April 2025 deadline. Continuous monitoring and cross-functional coordination support timely and effective compliance with evolving requirements.

4. Electrification Transition

The Indian automotive sector is undergoing a rapid transition towards electrified mobility, supported by government initiatives such as FAME and PLI schemes. This shift brings complexities across financial investments, technology adoption, supply chain alignment, and workforce skill transformation. Any gaps in scaling capabilities, ecosystem readiness, or alignment with evolving industry requirements may pose challenges to sustain competitiveness and long-term growth in a transforming mobility landscape.

Mitigation

We are advancing our EV roadmap through calibrated expansion of India-focused EV portfolio including models such as the CRETA Electric and a new upcoming localized dedicated EV in the compact SUV space. Simultaneously, local manufacturing capabilities are being strengthened through localization of battery packs and key components. We continue to develop a comprehensive EV ecosystem, including expansion of charging infrastructure and deployment of digital solutions to enhance customer adoption.

5. Climate Change

The increasing shift towards low-carbon and sustainable mobility, along with the accelerating transition from conventional fuels to cleaner energy sources, is driving evolving regulatory and compliance requirements for the automotive sector. Changes in government policies and regulations may result in additional operational costs, including carbon pricing and related levies. Further, the rising frequency of extreme weather events and the broader impacts of climate change have the potential to disrupt supply chains and operations.

Mitigation

We adopt a proactive approach to managing climate-related risks across short-, medium-, and long-term horizons. Strong focus is placed on ensuring compliance with all applicable environmental regulations, with ongoing efforts to enhance product efficiency and reduce emissions across operations. Investments in cleaner technologies, sustainable manufacturing practices, and resource efficiency initiatives support alignment with evolving regulatory and market requirements.

Internal Risks

6. Input price volatility

Fluctuations in commodity prices, which form a significant portion of the cost base, may impact cost competitiveness and overall profitability. Changes in the regulatory landscape, including tariffs and trade policies, can also have direct and indirect implications on suppliers, logistics, and lead times. In addition, volatility in foreign exchange rates, particularly depreciation of the Indian rupee against the US dollar, may increase the cost of imported components, royalty payments, and critical materials such as EV batteries and rare-earth inputs. Elevated inflation driven by higher costs of raw materials, energy, and transportation further adds to production cost pressures.

Mitigation

We manage these risks through structured foreign exchange practices and close monitoring of currency movements to support pricing and procurement decisions. Increasing localization of components, including EV-related parts, helps reduce dependence on imports and mitigates currency exposure. Focus is also placed on cost optimization initiatives such as Value Analysis and Value Engineering (VAVE), along with continued efforts to localize high-volume and routine components, thereby enhancing cost efficiency and resilience against input price volatility.

7. Supply Chain Disruption

Ongoing supply constraints and volatility in global and domestic supply chains continue to impact the automotive sector. Timely availability of critical components and raw materials remains essential to maintaining production schedules and meeting customer demand. Disruptions in the supply of key parts or materials from suppliers may lead to production delays and impact operational efficiency.

Mitigation

We actively engage internal teams and supplier partners to mitigate potential disruptions through diversified sourcing strategies, increased localization, and strengthened supplier relationships. Continuous monitoring of supply chain dynamics and input cost trends, supported by disciplined planning and operational flexibility, enables effective management of supply-related challenges and enhances overall resilience.

8. Technology Evolution

Technology in the automotive industry is also evolving rapidly, particularly with respect to autonomy, connectivity and electrification. Our ability to succeed in the future relies on staying abreast of evolving automotive trends, meeting changing customer demands through timely innovation and maintaining product competitiveness and quality. Demand for our products can be impacted by our potential failure to develop new products and technologies that meet customer preferences. Any delays in development or introduction of technology led products, or risks of technological obsolescence, may impact product relevance and influence customer preference in favor of competing offerings.

Mitigation

We maintain a focus on strengthening our innovation capabilities through continuous product development, smart interventions, and timely portfolio refreshes, with emphasis on design, safety, and advanced technology features. Efforts are directed towards aligning product development with evolving trends and customer expectations, ensuring sustained competitiveness in a dynamic environment. Guided by a progressive vision to make the future of mobility more accessible than ever, turning new-age aspirations into everyday reality, initiatives also aim at delivering enhanced customer value.

9. Financial Exposure

Heightened competition and industry-wide discounting increase receivables and dealer-financing exposure.

Mitigation

Structured credit policies, close monitoring of receivables, and a strong balance sheet with high credit ratings (A1+/AAA) provide resilience against channel-level credit pressure.

10. Distribution Network Disruption

An effective and well-coordinated distribution and service network is critical to delivering consistent customer experience across sales and after-sales operations. Disruptions in retailer operations, variability in service quality, or inefficiencies across customer touchpoints directly impact customer satisfaction and retention. Timely availability of spare parts remains essential to seamless service delivery, and any gaps in parts supply or logistics adversely affect the overall customer experience.

Mitigation

We are strengthening the resilience of our sales network through effective channel management, dealer capability building, digital enablement and expansion into rural and emerging markets. HMIL drives consistency across its sales ecosystem through standardized operating procedures, structured training programs, and adherence to defined facility and brand standards across the network. Together, these measures enhance execution quality, improve customer accessibility, and support sustainable growth.

Through a network of 162 Mobile Service Vans, we extend professional vehicle care to customers' doorsteps, particularly in rural areas. We have pioneered digital innovation in service with 91% of repair orders opened digitally, live streaming of vehicle service at 633 workshops, digital vehicle health check and remote diagnosis.

Outlook

The Indian automotive industry is expected to be shaped by evolving customer preferences, rapid technological advancements, increasing electrification, and a progressively changing regulatory landscape. These structural shifts will create new opportunities across premium mobility, connected technologies, sustainable manufacturing, and exports. HMIL is entering this phase with enhanced manufacturing capabilities, a diversified product portfolio, expanding localization, and a growing digital mobility ecosystem. Guided by Vision 2030, our Company is building the capabilities required for long-term growth by investing in manufacturing capacity, innovation, software-defined mobility, multiple powertrain technologies, and stronger domestic partnerships. With a disciplined approach to execution and a clear long-term roadmap, HMIL is well positioned to adapt to changing market dynamics, strengthen its competitive advantage, and deliver sustainable value for all stakeholders.