Hyundai Motor India Limited

Q1 FY '27 Earnings Conference Call"

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MODERATOR: **MR. JOSEPH GEORGE – IIFL CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '27 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. Should you need assistance during the conference call, please signal an operator by pressing (*), then (0) on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Joseph George from IIFL Capital. Thank you, and over to you, sir.

Joseph George: Thank you, Dorwin. Good evening, everyone. We welcome you all to the Q1 FY '27 Earnings Conference Call of Hyundai Motor India Limited. Today, we have with us Mr. Tarun Garg, Managing Director and Chief Executive Officer; Mr. Wangdo Hur, Chief Financial Officer; Mr. Dong Huwy Park, Chief Operating Officer; Mr. Gopalakrishnan 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. I would now like to inform you that the call is being recorded.

I would like to invite Mr. K.S. Hariharan, Head of Investor Relations from Hyundai Motor India Limited. Over to you, sir.

K. S. Hariharan: Thank you, Joseph. Good evening everyone, and welcome to the Q1 financial year '27 earnings conference call. Before we begin, I want to remind you of the safe harbour. 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 business highlights, financial performance and outlook, followed by a brief presentation by me on Q1 financial year '27, after which we will be happy to receive your questions.

Now I hand over to our MD. Over to you, sir.

Tarun Garg: Thank you, Hari ! Good evening, everyone. Before we discuss our quarterly results, let me begin by highlighting a landmark achievement in our journey. 2026 marks Hyundai's 30 glorious years in India, celebrating three decades of trust, pride, and progress. From investing over ₹40,000 crore to surpassing 13.5 million sales cumulatively and making India a key global manufacturing and export hub, we continue to drive progress with purpose.

This milestone is not just a celebration of our past achievements, but also a testament to the strong foundation we have built for continued growth and success in the years ahead. During this journey, Hyundai has helped shape India's automotive landscape through innovation, localization, and customer-centricity. As we enter the next phase of growth, we remain committed to advancing technology and delivering future-ready mobility solutions for our customers.

Moving on to our domestic business. Fiscal '27 began on a very strong note. The first 2 months of the quarter reflected healthy momentum with cumulative sales in April and May growing by 13% year-on-year, supported by a favourable demand environment and our strategic product actions. However, the fire incident at one of our supplier facilities temporarily impacted vehicle production in June, constraining our ability to fully meet market demand. As a result, domestic volume growth for the quarter was 5.4% year-on-year, lower than our initial expectations.

At Hyundai, agility has always been part of our DNA. Throughout our 30-year journey in India, we have successfully navigated various challenges through swift decision-making, strong execution, and close collaboration with our partners. The recovery from recent operational disruption was yet another example of this resilience, enabling us to return our operations to normalcy within a short period. Notably, we expect to recover the impacted production volume within Q2 with most of it having already been recovered in July month itself.

Despite the challenging quarter, we continued to embark on several milestones. The all-new Hyundai Venue continues to witness strong customer traction despite intensifying competition in the segment, recording its highest-ever quarterly volumes in the domestic market. CNG contribution continued to be healthy at 18%, with Aura & Exter reaching their highest-ever CNG contribution of 95% and 32%, respectively. Our rural contribution reached an all-time high of 26%.

Supported by production normalization, strong demand momentum, upcoming festive season and our planned product launches, we expect to bounce back strongly in the coming quarters and deliver our stated growth guidance of 8% to 10% for FY27.

Moving on to our export business. The US-Iran conflict, which started towards the end of last financial year, continued to impact our Middle East exports during Q1 FY27. Further, export volumes were also affected by the temporary production disruption in June.

That said, the underlying fundamentals of our export business remain strong. We continue to maintain a healthy order backlog across key markets, and customer demand remains robust. The new Venue continues to receive encouraging response in export markets as well. We have also started shipments for Verna PE & Exter PE including the left-hand-drive version of Exter. These models should further strengthen our product offerings and competitiveness in export markets.

Supported by healthy backorders, continued portfolio expansion, and our resilient operations, we expect strong recovery in export volumes from Q2 onwards and remain confident in delivering our stated full-year growth guidance of 8% to 10%.

I am pleased to inform that as per our internal assessment, HMIL shall meet the compliance requirements and not incur any penalty under CAFE-II for the period FY23 to FY27 as per the revised draft regulatory framework proposed by the Govt.

Further, we are also aligned with the government's objective of reducing greenhouse emissions & remain committed to comply with future regulatory requirements as well.

Turning to profitability for the quarter, year-on-year margins were largely impacted due to lower export volumes on account of US-Iran war, production disruption (fire incident) & cost associated with capacity stabilization. Further, we had to face the impact of elevated commodity prices. However, our efforts to balance calibrated pricing actions with disciplined cost-management initiatives have enabled us to minimize the impact. As volumes recover and plant utilization improves, we expect operating leverage to progressively strengthen.

Combined with our cost optimization initiatives, we remain well positioned to drive sustainable margin improvement through the remainder of the year. Importantly, we remain confident of delivering EBITDA margin within our guided range of 11% - 14% for FY27.

Looking ahead, we remain committed to delivering sustainable and profitable growth. The temporary production disruption faced during June is behind us, and we are committed to deliver on our volume and profitability targets.

I am pleased to announce that we are also progressing with preparations to commence third-shift operations at our Pune facility from October 2026. This development would effectively advance our capacity ramp-up plan by nearly two years, enabling us to meet growing customer demand and accelerate business growth.

Also, we remain excited about our upcoming product pipeline. In this regard, I am happy to share that the new ICE Mid-SUV is planned for launch during the festive season, which will further strengthen our SUV offering and accelerate our volumes meaningfully in high-demand segment.

Finally, I would like to share my perspective on how AI is shaping the future. The next phase of business transformation will be defined by how effectively organizations harness the power of AI. For HMIL, AI is not a future aspiration, it is already becoming part of how we operate across the business today.

In Sales and Marketing, AI-powered solutions such as our Hyundai AI Sales Agent, the HyGenie chatbot, and dealer AI platforms are helping enhance customer engagement and improve sales effectiveness. In Service, AI is already supporting customer interactions, service automation, VOC analytics, & conversational insights to drive better customer experiences & operational efficiency.

At the same time, we are building the foundation for the next wave of AI adoption. In Manufacturing and Supply Chain, we are working toward multiple initiatives including AI-enabled quality inspection, predictive maintenance, and production optimization.

In our products, we are advancing in-vehicle AI capabilities that will deliver more natural, personalized, and proactive experiences for customers. Our vision is to evolve AI from a productivity tool into an intelligent co-worker that supports employees, augments decision-making, accelerates innovation, and transforms the entire value chain.

We believe this AI-led transformation will be a key driver for Hyundai's next phase of growth and long-term value creation for stakeholders.

I would like to thank all our stakeholders for their continued support and confidence in Hyundai Motor India. I will now hand over the call to Hari for a detailed review of the financial performance for the quarter. Thank you.

K. S. Hariharan: Thank you, sir. Let me begin with our sales performance during the quarter. We achieved total sales of 1,78,082 vehicles in Q1 fiscal year '27 compared to 1,80,399 vehicles in the corresponding quarter last year, a decline of 1.3% on year-on-year. The impact on volumes was mainly due to the production disruption caused by supplier fire incident and geopolitical headwinds.

In the domestic market, we sold 1,39,374 vehicles compared to 1,32,259 vehicles in the same quarter last year, a growth of 5.4% on a year-on-year basis. We exported 38,708 vehicles as compared to 48,140 vehicles same quarter previous year.

Moving to the segment mix in domestic market. SUVs continue to be the core pillar in our portfolio with a healthy mix of 70% during the quarter and similar trend has been observed both in urban and rural markets. On fuel front, we also continue to see strong momentum in the CNG segment with steady growth, reaching highest-ever contribution of 18.2% in a quarter in Q1 fiscal year '27.

Let me now share the financial numbers. Our revenue from operations stood at INR1,63,346 million in Q1 financial year '27 as against INR1,64,129 million in the corresponding quarter previous year. Despite many headwinds, our calibrated pricing strategy and favourable exchange rate helped support our revenue, which remained largely flat year-on-year.

EBITDA stood at INR15,117 million as compared to INR21,852 million in Q1 fiscal year '26. EBITDA margin stood at 9.3% as compared to 13.3% in Q1 fiscal year '26. EBIT stood at INR9,546 million for the quarter as against INR16,571 million in Q1 fiscal year '26. EBIT margin stood at 5.8% in Q1 fiscal year '27. PAT for the quarter was INR8,886 million as against INR13,692 million in the corresponding quarter. PAT margin for Q1 fiscal year '27 stood at 5.4%.

Our Q1 fiscal year '27 margins were impacted by a combination of factors. Key common headwinds for both year-on-year and sequential basis were; 1) the production disruption, which impacted the volumes, especially of certain high-margin models; 2) West Asia conflict impacting our export volumes; and 3) the commodity cost pressures.

In addition to these, on year-on-year, margins were also impacted by cost associated with capacity stabilization. These pressures were partly offset by favourable exchange rate and our calibrated pricing strategy.

On a sequential basis, margins were impacted by increase in discount levels and lower government incentives due to seasonality. While discounts increased sequentially, this was in line with the typical seasonal trend for the quarter. Importantly, our discount levels remained below the industry average and our Q1 financial year '26 discount levels, reflecting our disciplined pricing approach. The sequential headwinds were partially mitigated by our continuous cost optimization initiatives and also absence of certain one-off expenses incurred in Q4 fiscal year '26. This concludes my presentation. Thank you all for your time and attention.

Now we open the floor for Q&A. Thank you.

Moderator: Thank you very much. Our first question comes from the line of Kapil Singh with Nomura. Please go ahead.

Kapil Singh: Congratulations on a strong performance. My first question is on the margins. We have seen very strong gross margins, actually an improvement at a time when there was severe cost pressure. So, can you just talk us through how much cost pressure we faced during the quarter and how we were able to mitigate that? And is there further cost pressure that we are envisaging on account of commodities and any price hikes we have taken thereof?

K. S. Hariharan: The commodity impact on our margins during the quarter was roughly 100 basis points on a Q-on-Q basis. The impact was largely seen in precious metals and copper. We could minimize the impact on margins during this quarter, to some extent, mainly supported by three factors; 1) our calibrated pricing strategy; 2) our cost reduction efforts and 3) also, if you remember, last time we indicated that there was certain one-off in commodity in Q4 of last financial year. So that also helped us to some extent during this quarter.

Secondly on the price hike, we normally take a calibrated approach. So far in this calendar year, we have taken 3 price hikes cumulatively around 100 basis points. Going forward, we will continue to see the commodity trend, the market condition and other factors as well. Looking at all these factors, we will take decision on price increase.

Tarun Garg: Kapil, we stay committed to our EBITDA guidance of 11% to 14% for the fiscal year. I think this is very important. So, all our decisions are guided by that commitment. It is what we have communicated and promised to the market. And we have to have that balance between the volume aspiration and the margin. But one thing which you would have noticed is that year-on-year, the discounts have also come down. Last year, same quarter, discount was 3.4%. This year it is 2.8%. And when the new models come in, typically, in the first year, the discount levels are zero. So, we believe that H2, where we will see 2 new models should really help us in even managing within this discount level and also help us to not really go for aggressive price hikes and maintain our EBITDA margins within this range, 11% to 14%.

Kapil Singh: Yes. Sir, actually, most of the OEMs are calling out very severe cost pressure of, let's say, around 300 to 400 basis points. So, in that context, should we expect more cost pressure ahead? Or most of it is reflected in your financials? Just was trying to understand that.

Tarun Garg: Year-on-year, we had about 200 basis points on the commodity. Like we said, quarter-on-quarter, 100, but year-on-year, 200. Now what happens in the future is anybody's guess. It's very, very difficult, Kapil. But as of now, we are holding on, and we will see how the market goes. The demand looks good.

We also have to understand that the base of last year will start coming up from October. Till September, everything is looking much better in industry growth because the base was very low. But the GST came in September. So, we are expecting that from October, industry growth will be muted. And I think we have to be conscious of that as well. Let's see, like I said, we'll have a calibrated approach and do what is best in terms of volume and profit put together.

Kapil Singh: Sure, sir. And sir, second question was on demand side. What is the outlook for the industry? And for Hyundai, can we expect market share to pick up now? And in the second half, do you expect Hyundai's growth to be higher than the industry?

Tarun Garg: Like I said, we are maintaining our 8% to 10% guidance, which means that we have to grow minimum 8% to 10% in the second half also because we have grown by only 5.4% in quarter 1. And frankly speaking, from H2, like I mentioned, the base effect will start coming in. What will work for Hyundai is two absolutely new models in a high-growth segment, which I think which will be an edge for us over the others.

The second thing which will help is the Pune third shift, which will mean more Venue volumes come up. I think these are the 2 things which are really helping Hyundai versus the competition, which will help us to get back on the market share winning going forward.

On the export front also, like I mentioned, the back order is very strong. And also, all these recent launches of Exter left-hand drive, Exter PE and all the efforts which we have put in the Central and South American markets because of the problem in Middle East. I think now we'll have both the Middle East coming in as well as the strong CSA and New Venue is also adding up. I think all these things should really help us in the coming quarters.

Moderator: The next question is from the line of Binay Singh with Morgan Stanley.

Binay Singh: Just a clarification from the earlier question. So, looking at all the cost pressures that you know of today is where you still feel comfortable with the margin guidance, right? What is the way to read it.

Tarun Garg: Comfortable is not the word. Nobody can be comfortable in this kind of a scenario. But I think we feel that we are in charge of what we are doing. We know that where we are. And what we are saying is that we will take actions as and when required to ensure that we are within the 11% to 14% EBITDA range. I think this is what we are saying to be very clear.

Even we don't like prices going up. At the same time, there is uncertainty. Even crude, you see one day it reaches 90, other day, it is 73. So, in this scenario, it's very difficult to really judge what's going to happen in the future. Frankly speaking, our internal assessment suggests that things are not going to be so tough on the raw material side. I think things will start cooling off, if not immediately, but definitely in the coming months. And we will keep that in mind when we are taking a decision on price and volume. But discounts, of course, we'll keep them in check like we have been able to do in the last couple of years.

Binay Singh: And secondly, on the new model launch, fair to assume that both the models will be available for 6 months or one is available for 6 months of this year?

Tarun Garg: Like I said, the festive season is coming. So H2, both the models will be available in H2. Can't really inform you the exact time of launch. But one model definitely, since it's coming in the festive season, it will be for the entire H2 almost.

Binay Singh: And just lastly, on electric vehicles. This will be your first sort of a major EV launch in India. How do you see profitability of that versus the market? Because what we are seeing in your assumption is that you are probably launching an electric vehicle. Still, we are seeing margin trajectory moving up. So, is it the global cost structure of Hyundai that is helping you position it or you plan to price it in a premium side? Any thoughts on what will be your EV cost structure versus competitors? Do you have an edge over there?

Tarun Garg: While I'll not like to comment exactly on the profitability or the cost structure, but a couple of things which are very important is that one, we are gunning for the PLI for this new model. I think this is something which we have not been able to do so far. So, this is a very big boost to our efforts in this. Number two, we have been working very strongly on the localization.

In addition to the battery packs, we are looking at the other elements, on power electronics, et cetera. As you know, for the PLI, we need a 50% domestic value addition as well. I think that is something which is very important. Of course, HMC strength in the EVs is something which will help us.

I think we will use AI in a big way. We're also working on the overall value proposition to the customer. You would have read Binay, about our announcements on the myHyundai app, which gives customers access to 30,000 charging points. I think a lot of things we are doing, which will make our EV proposition a very strong one.

And also, this is the first mass market dedicated EV from Hyundai. We are building a very strong proposition for the customer, and we are quite confident that this should really give us volumes. On the profit and all, I would not like to make a comment, but these are some of the things which will help us to position it better.

Moderator: Our next question comes from the line of Chandramouli Muthiah with Goldman Sachs.

Chandramouli Muthiah: My first question is just around the current utilization rates at the Chennai and the Talegaon facilities. And I just want to understand how much additional capacity you see getting unlocked with the third shift on the Venue?

Tarun Garg: So just to explain to you that we have 3 plants, 2 plants in Chennai, 1 in Pune. For Pune, if you remember, we had said that Phase 1, we will be 170,000, which is a 3-shift operation. Currently, we are working on 2 shifts. So now we are going to 3 shifts, which means that potential capacity can be 170,000. We'll see how much of it we can use starting from October. So, this is where Pune stands.

But the most important thing is Plant 1 in Chennai, where this year, because the Venue got shifted, the capacity utilisation is only 72%. I think with the new models coming in, we will reach the capacity utilization of 88% in the plant 1 of Chennai. And this is a major game changer for us in terms of optimizing the cost.

So, on these 2 fronts. One is the Pune plant, where, the third shift will help. And second is the plant 1 of Chennai, where the capacity utilization will go up from 72% to minimum about 88-90%. I hope I've answered your question.

Chandramouli Muthiah: Got it. That's helpful. Second question is just on the export business. I think over the past 4 to 5 months, there's been a lot of disruption on the shipping lines into the Middle East, which is also an important part of your export business. So just want to understand the confidence that you're seeing on export volumes coming back. Just want to understand how the supply chain is looking, how the shipping channels are looking for you?

And also, just related to that, we've seen reasonably big improvement in export ASPs, it's up about 7% Y-o-Y, 5% to 6% up Q-o-Q. So, I just want to understand what are the key models that are driving that ASP pickup. So just export volume pickup in the medium term, is that backed by visibility around shipping channels as well as just ASP drivers? What are the key models that drive that momentum?

Tarun Garg: Let me give you some levers for exports and why are we confident? So first is the new Venue, it has received a great reception. Already 29 markets are in, they have started giving orders, and we are planning for 35 total markets in the near future. Then Exter LHD, which we have launched for the first time, the shipment is starting in this quarter. We will reach 13 markets by quarter 3 and Verna PE also from June we have started and more than 25 markets will reach by Q3. So, I think these are the 3 things on the product front.

Yes, those challenges on freight, Strait of Hormuz, et cetera, are still continuing. At the same time, with our logistics partner, we are finding ways. We believe the order backlog is very strong. So, I think export shipments will increase in July itself. Number one, things are opening up from Middle East in terms of orders and number two, because that fire incident is behind us, and we have been able to do the production.

Mexico, although there were challenges because of tariff, but it's still holding on, and we are receiving some good orders from Mexico as well. So, I think the efforts done in Central and South America in January to March quarter and April to June quarter will hold us in good state going forward, because of which in Q1, we witnessed 23% year-on-year growth in CSA, and the demand remains steady in these markets.

On ASP, although it improved, but please understand because we had to shift from Middle East to CSA, the hatch contribution went up because CSA is more of hatch dominated. But the moment Middle East opens, the Verna opens up and so that will again give us more opportunity. Also, Middle East is mostly automatic. So that will increase the ASP. So, I think all those factors should really help us to increase exports ASP. And maybe Hari will add some more things.

K. S. Hariharan: Chandru, our broader strategy is we are looking at enhancing our SUV mix in exports as well. In domestic already we are very strong with 70% SUV contribution. But if you see exports, we hardly have 13-14% contribution. So clearly there is a lot of headroom here to improve the SUV mix & we are working towards that.

Moderator: The next question is from the line of Gunjan Prithyani with Bank of America.

Gunjan Prithyani: My first question is just clarification on this Pune third phase. Essentially, the entire Pune plant is going to be new Venue, which means roughly 14,000, 15,000 sorts of per month production.

That caters to both domestic as well as exports. So, this third line will essentially cater both domestic as well as exports. That's the way to think about it, right?

Tarun Garg: Absolutely. You're spot on.

Gunjan Prithyani: Okay. And on the capacity utilization, which you mentioned will go up from 72% to 88% in the Chennai plant. Is that something when both the launches are ramped up? Or is it that we are expecting 88% in second half? How should I think about this number that you gave on the Chennai capacity utilization?

Tarun Garg: I talked about Plant 1. And what I mentioned was that in 2026, in Plant 1, broadly, we are at about 72% capacity utilization. And we believe in 2027, we should be around 90%, 92%, maybe more in plant 1 of Chennai. So, in 2026 calendar, 72%. In 2027 calendar, 90%, 92%. Yes, this is the best I can do to answer your question. I hope it helps you.

Gunjan Prithyani: This is helpful. Okay. And second question, Tarun, if you can give us a little bit more -- if you can, to whatever extent, give us a little bit more understanding on the position of the midsized SUV that is due for launch during festive. And the reason for this question is, I mean, often, we end up comparing mid-sized Creta and other model in the same category. How should we think about the positioning of this model? And if you indeed with this launch, worry about what happens to the Creta volume. So, some thoughts around this.

Tarun Garg: Look, if you see this segment, mid-SUV segment is growing very sharply. And of course, Creta continues to be the market leader here. At the same time, we believe that 2 models, clearly a space for 2 models. And the positioning will be very different from the Creta. Like I mentioned, it will be kind of a technology-first positioning. We are moving more and more into software-defined vehicles, connected mobility platform. Of course, we are having more and more Gen Z and digitally native customers.

So, a lot of things. You have to be more patient because I don't want to divulge too much of our marketing strategy, but we have a very clear differentiation with the Creta. And like I mentioned, if you see, there is a clear space between 4 meter and, say, 4.4 meter. This segment is really, really opening up. And we have seen even the industry, many more models coming in. So, I think there is a very clear opportunity for us, and that is why we have decided to get into this segment. Thank you.

Gunjan Prithyani: Got it. And just last quick one, if I can, on the Venue. Can you share which are the markets that Venue can cater globally because outside of India and Korea, Venue is roughly 100,000 or 90,000-odd market sizing. But is it that we cater to entire market size outside of India and Korea? Or is there any other way to think about in terms of the potential for target markets for Venue?

Tarun Garg: No, it's not so easy because the regulations are very different in different markets. So, if we want to really cater to some of those markets, then we will have to spend a lot in capex, et cetera, et cetera, and then it increases the cost for the overall Venue. So, we have to be very selective. At the same time, there are enough markets where, like I mentioned that we can do the Venue volumes. We are already looking at doubling the Venue volumes. And the response has been very good, in fact, from all the markets.

So, I think this is a new opportunity, which is kind of opening up. Answer to your question on the developed markets, taking this new Venue, I think the answer is a clear no because the regulations will be very expensive for us to do as of now. But at the same time, we will continuously evaluate and see if there are more opportunities there.

Moderator: The next question is from the line of Amyn Pirani with JPMorgan.

Amyn Pirani: Most of the questions have been answered. But can you just give us a sense, given the demand has been so strong and your production had been impacted, what is the kind of dealer inventory levels that you are witnessing right now? And how do you think about dealer inventory buildup as we go into the festive season, and you prepare for the launch?

Tarun Garg: Obviously, in June, the dealer inventory level came down because of the production disruption. We had a good growth in the retails, and we were able to meet the retail numbers. But now we have to build the volumes, now the production is back. Like I mentioned, most of the production loss has been recovered. So, we will continue to build inventory over July, August and September for the festive season. At the same time, we are very prudent in that. So, we will take a balanced approach and not really burden the dealers with inventory.

The good thing is the retail momentum continues to be high. And you would have seen that our discount levels also at 2.8% are lower than the year-on-year discount level of 3.4%. So, I think we are maintaining a very prudent approach, and we will see adequate inventory levels, as we enter the festive season in October.

Moderator: The next question is from the line of Raghunandhan N. L. with Nuvama Research.

Raghunandhan N. L.: My first question was on the demand side. Good to see that you are retaining the domestic growth expectation at 8% to 10%. For the industry, when it comes to urban versus rural demand, are you seeing any signs of slowdown in rural? July Vahan registration indicate that there is a slower growth in the rural markets versus that of urban markets. So, trying to understand any initial signs of slowdown because of the El Nino impact or anything like that?

Tarun Garg: Okay. So, first thing is, of course, we are not seeing any slowdown in the rural markets. If you see quarter 1 of '26, rural contribution was 22.6%. Whereas this year, quarter 1 of '27, rural contribution has increased to 25.9% for us. In terms of growth, rural growth was 23.2% in this quarter year-on-year. Urban growth was only 2.8%, and that is how the overall 5.4% growth came in.

So, I think we are seeing a good traction. That has also to do with our strategy on the rural, like I mentioned, 6 out of 10 outlets which are being given are in the rural areas, and that we have been doing now for 3 years, the mobile service vans, which we are deploying. The acceptance of our SUVs in the rural markets is something which is again helping us. I think we are seeing a continuous traction. El Nino and all, we have been hearing about it now for 3, 4 years, but we have not seen that kind of an impact. I think 2 or 3 things which have happened is, one, the road infrastructure has improved dramatically in the rural areas. Number two, the dissemination of information because of widespread adoption of internet.

So rural customers now know about the new products, and that is why the demand for SUVs has really gone up. In fact, our SUV contribution in the rural areas is now equal to urban areas. And number three, not only more outlets, but the big focus on service is another thing which is giving the confidence to the rural areas.

The momentum in rural markets continues unabated. So, we don't see too much of a pressure there as far as rural growth is concerned. I hope I've answered your question.

Raghunandhan N. L.: That was comprehensive. My second question is on the cost side. Good to see the maintenance or the efficiency in the gross margin. But on the employee cost and other expenses, there has been an increase, 20% growth in the employee cost and 10% growth in the other expenses. Any one-offs or anything to call out in these cost items? And how should we see these items going forward?

K. S. Hariharan: First of all, on the employee cost, year-on-year increase whatever we are seeing is mainly to do with the Pune plant commencement. And of course, the increase also reflects the yearly salary revisions. Regarding other expenses, the increase is mainly attributed to increase in freight cost, especially for the export operations. But the point we need to understand here is that as far as freight is concerned, we generally don't see any impact on the margins because whatever is the increase, we generally recover from the distributors. Hope it clarifies.

Moderator: The next question is from the line of Ashish Jain with Macquarie India.

Ashish Jain: Sir, my first question is the new model launches. Is there any export opportunity of these that we are evaluating at this moment?

Tarun Garg: So, if you see, Ashish, right from the time we set foot in India 30 years back, export has been a key pillar of our strength. And our SOP normally is that we launch a model in the domestic market. And after 3 months, we launch it in the export markets. Also, if you see the emerging markets, their economy, their customer preferences are very similar to India. So, these 2 models, we believe, would have good traction, both the mid-SUV as well as the EV in the export market. But at this point of time, I cannot give you some numbers or the market. So, at the right time, we will inform you about our plans for the export markets of these models as well.

Ashish Jain: Sir, secondly, you spoke about the difference between rural and urban growth in this quarter. Is it also reflecting the disruption in Creta sales? Is that the main reason? Or you think this is the core demand momentum was so divergent between rural and urban this quarter?

Tarun Garg: Like I mentioned, the SUV contribution in rural and urban is same. Production disruptions in June resulted in a loss of 13,900 units, most of them Creta. But generally, we are seeing the same SUV contribution in urban and rural areas. So, I don't think Creta has anything to do with it.

Moderator: The next question comes from the line of Pramod Kumar with UBS Securities.

Pramod Kumar: Tarun, just one clarification. Sir, on the industry growth, what is our forecast for the full year?

Tarun Garg: Look, H2, like I said, H2 industry growth will be the real industry growth because that will come at a base which is real after the GST. So, let's see, it's anybody's guess. We are definitely looking at HMIL growth of 8% to 10%. My guess is industry growth should be in the lower single digits in H2. So, because the base is really high. Presently, industry is seeing a lot of headwinds in terms of raw material costs, et cetera, et cetera. So, I think it should normalize to lower single digit in H2 fiscal '27.

Pramod Kumar: So full year consequently will be what, again, 7%, 8% growth for the industry because first half 17% growth or thereabout July so far.

Tarun Garg: I wish I could really guess as good as you. But maybe 8% or 9%, let's see. We don't know. Different companies are giving different projections. Still some people are sticking to 5% to 7%. It should be in the range of 6 - 9% is what my guess is.

Pramod Kumar: And okay, the industry growth can be a very different outcome, but something which you can have reasonable confidence on the market share side, sir, with the launches and what is the exit market share you're looking at? Because we've kind of paid a huge price on market share because of production issues and various other problems. Now with the launches also coming, capacity ramping up, what kind of exit market share would you aspire to have when you exit FY '27, sir?

Tarun Garg: Definitely. So, if you see the last fiscal, we ended with something around 12.3 - 12.35% market share. So, we should do much better than that in terms of the exit market share because by the time we exit this year, we would have both these 2 models up and running. So, I think we should be doing fine in terms of market share.

And like I mentioned, in H2, we will surely be outpacing the industry growth. This is where we are very confident about it. And 2, 3 factors, like I already mentioned, 2 new models, then, of course, the fleet sales, and of course, the Venue third shift. All these 3 factors are very, very specific to Hyundai and which should help us to outpace the industry growth in H2.

Pramod Kumar: And second is on the PLI. Sir, you said the new model, you aspire to have PLI, which I think will make the product pretty competitive. But do you expect it to be the case from day 1? Or do you expect it will happen over a period of time as you kind of ramp up the localization? Or you're already starting the production with high localization and hence eligible for PLI from day 1?

Tarun Garg: So as far as readiness is concerned, we are targeting day 1. Administrative and all could take whatever time. But as far as we are concerned, we are targeting day 1 readiness on the PLI for the new EV.

Pramod Kumar: And finally on Creta, anything because we can see the volumes what Seltos is doing. Of course, Creta is holding its own, but the kind of bump-up what Seltos has seen in demand even without the hybrid coming. So just trying to understand what is the likely time, is it first half FY '28, where one should expect the new Creta or it could happen earlier?

Tarun Garg: I think we have given enough information on the new launches. Don't worry, at the right time, we'll announce about the Creta FMC as well. Right now, let's enjoy the new mid-SUV, which is going to be launched in the festive season and the new dedicated EV, which we are going to launch. I think they would be exciting enough.

Moderator: Our next question is from the line of Yash Agarwal with Nirmal Bang Institutional Equities.

Yash Agarwal: Most of the questions have been answered. Just one question on rising CNG contribution. So basically, like CNG have a better margin profile than the ICE counterparts and if the CNG contribution increases going forward, can you see a better product mix?

Tarun Garg: I would not like to comment on margins. I think you can say similar margins is much better to understand this. And CNG helps us in multiple ways. Of course, it is the cheapest way to meet CAFÉ compliance and of course, it helps us to increase volumes.

We have a technology-agnostic strategy. We believe that in the lower segments, especially in the less than 15-20 Lacs segments, CNG is a very potent weapon. We'll continue with that. By 2030, we will have minimum of 6 CNG models, 4 EVs and 5 to 6 hybrids. So, we will have a very strong mix of all the technologies, all the green technologies. So, every year, you will see improvement as we work towards our 2030 goal of more than 50% through green fuels.

Yash Agarwal: Basically, I'm just asking that the staff costs and other costs have been elevated in Q1. So, can we expect them to moderate a bit, or they will remain at same level as same percentage of sales going forward?

K. S. Hariharan: I already explained the reasons for increase in employee cost. Even commodity pressure we have discussed. So, though these cost pressures are there on one side, we have been working on lot of cost optimization efforts like improving our localization and value engineering activities to take care of the margins.

Tarun Garg: The staff cost is primarily because of the Pune plant, like we mentioned. So, more volume, so it comes at some cost, yes.

Moderator: The next question is from the line of Jyoti Singh with Haitong Securities.

Jyoti Singh: Just as a follow-up question on the export side. Like we have mentioned a good export overall. So, can we expect export volume to recover to the Q1 level, which was 48,000 somewhere within the next 2 quarters? And what markets get you there? And another question on the AI side, like we have discussed very detailed in the PPT. So, what kind of vision we are seeing over there? And can you quantify the actual P&L impact so far on the cost savings side, whether headcount avoidance or conversion uplift. So that will be very helpful.

Tarun Garg: Okay, first things first. You are looking at 48,000 units in a quarter. I think your expectations are much lower, while our aspirations are much higher. Therefore, we expect to do better than a 48,000-unit quarter in the coming quarters on the export front. I already gave you the reasons, so I will not repeat.

On AI, so many things are already happening in sales, service operations. And I already mentioned about manufacturing, supply chain, something which we have not witnessed so far so much is on the product side, which you will soon start witnessing with our future product launches. What I can assure you is that Hyundai Motor India will take a lead in terms of AI in the automotive space, and it will be a 360-degree effect you will see, not only limited to one area. Hari, can you take the cost question?

K. S. Hariharan: Yes. So, as I mentioned, we have been closely working with the supply chain towards improving our localization. In fact, our localization level a couple of years ago, it used to be somewhere around 77 - 78%. But today, if you look at our number, it is quite healthy at 83%. We have a mid-term target of reaching 90% localization by 2030. So quite clearly, you can understand we have been very aggressive in improving the localization.

Similarly, as I mentioned, we have been continuously working with supply chain for value engineering activities as well. Even at the plant level also, we encourage our employees to come out with cost reduction ideas. We motivate the employees. So, these are all some of the activities we have been continuously doing to keep the cost under check.

Jyoti Singh: Sure. And another, any impact we are expecting in Q2 because of the June disruption? Or we are fully caught up on production in the July and August, any expectation over there, sir?

Tarun Garg: Fully caught up. In fact, almost most of the thing has already been done in July. Whatever little is left will be done in August and September. So, everything will be done within this quarter.

Moderator: We have no further questions, ladies and gentlemen. I would now like to hand the conference over to Joseph George for closing remarks. Over to you, sir.

Joseph George: Thank you, Dorwin. On behalf of the management of Hyundai Motor India Limited, I thank you all for joining the call. You may now disconnect your lines. Thank you.

For any further queries or clarifications, please reach out to us on investorrelations@hmil.net.

Note: Edited for brevity and inadvertent errors