"Hyundai Motor India Limited Q1 FY'26 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY26 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aniket Mhatre from Motilal Oswal. Thank you, and over to you, sir.

Aniket Mhatre: Thank you, Sagar. Good evening and we welcome you all to the Q1 FY26 earnings conference call of Hyundai Motor India Limited. Today, we have with us Mr. Unsoo Kim, Managing Director, Mr. Tarun Garg, Chief Operating Officer, Mr. Wangdo Hur, Chief Financial 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 like to inform you that the call is being recorded and the audio call and the transcript will be available at the company's website. I would now like to invite Mr. K S Hariharan, Head of Investor Relations from Hyundai Motor India Limited. Over to you, Mr. Hariharan.

K S Hariharan: Thank you, Aniket. Good evening everyone and welcome to the Q1 FY26 earnings call. Before we begin, I want to remind you of the Safe Harbor. We may be making some forward-looking statements that have to be understood in conjunction with the uncertainties and the risks that the company faces. The conference call will begin with our MD remarks on the performance and outlook, followed by earnings presentation for the quarter, after which we will be happy to receive your questions.

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

Unsoo Kim: Thank you, Hari. Good evening and welcome to the First Quarter Earnings Conference Call for financial year 2026. As we enter the 30th year of our operations in India, we are filled with immense pride at a journey that began 29 years ago with a bold vision – to transform mobility for the Indian customers by not just providing smart mobility solutions, but a future that reflects innovation, sustainability and a deep connection with our customers. Since our first car rollout, Hyundai has grown alongside India – becoming a trusted household brand and a strong contributor to the nation's automotive and economic development.

Over these three decades we've gone beyond manufacturing cars – we have created experiences, introduced innovations, and built relationships that have stood the test of time. Guided by our global vision of 'Progress for Humanity', HMIL will continue to drive product innovations and market growth, while contributing meaningfully to the society.

Talking about the domestic sales performance during the quarter, the prolonged softness in demand continued to weigh on the overall industry sentiments, driven by persistent macro challenges and further intensified by uncertain global environment.

In these challenging times, we continue to remain agile and focus on advancing our core areas, such as enhancing brand presence, periodic product updates, expanding our footprints and consistent drive to enhance our rural presence.

It is indeed a matter of pride that Hyundai Creta has marked ten successful years of completion of enduring leadership in the mid-size segment, since its launch in 2015 – a powerful testament to the unwavering trust and confidence our customers place in the brand. Continuing with its legacy, Creta became the highest selling SUV during the quarter, fortifying its position as the "Undisputed, Ultimate SUV."

Our focus on enhancing the CNG adoption has led to record highest-ever CNG contribution of 16% in the quarter, supported by the dual-cylinder technology and introduction of new variants with CNG offerings.

As part of our drive to expand rural presence, we continue to unlock white spaces by expanding our network through strategic outlet additions and targeted rural marketing activities. These focused efforts have resulted in our highest-ever rural penetration of 23% this quarter.

In addition to the above initiatives, we have also strategically revisited our sales promotion schemes in response to the current market dynamics, which enabled us to stay competitive in a challenging market environment.

While the near-term market sentiment continues to be muted, we expect a gradual recovery in industry demand, on the back of good monsoon, festive season coupled with government measures - such as interest rate cut, income tax relief and upcoming pay commission.

On exports, we achieved a remarkable growth of 13% in volumes during the quarter, showcasing the global appeal of our products and thereby underscoring HMI's positioning as manufacturing hub for emerging markets. Notably, our exports contribution in the overall sales mix improved to 27% during the quarter, reflecting our operational flexibility to navigate and balance the headwinds in the domestic market. We are confident to maintain a positive momentum in our export operations, in line with our growth commitments.

Coming to margins, in a highly competitive landscape, with heightened price pressures, we closed the quarter with a strong EBITDA margin of 13.3%. This resilience was driven by 'Quality of Sales', enhanced focus on boosting exports and disciplined cost control measures.

As part of our strategic expansion plans, recently, we have commenced engine production at our Pune plant. This new facility will support both our Pune and Chennai operations, thereby enhancing efficiency and ensuring smooth scaling of production.

To conclude, we are pleased to announce that HMI will be hosting its first ever Investor Day on the 15th of October 2025, to unveil our near-to-mid term plans. As you are aware, we already announced that we will be launching 26 products (including new models, full model changes & product enhancements) by the end of financial year 2030. We will be sharing more details about these new launches, powertrain diversity & other strategies during the upcoming investor day. Thank you for listening. Now I hand over to Hari.

K S Hariharan: Thank You Sir. Let me begin with the key business highlights. As we mark 10 glorious years of CRETA in India, we are humbled by the love, trust and loyalty our customers have shown us, and we remain committed to raising the bar, always.

Since its debut in 2015, the Hyundai CRETA has become a phenomenon. Such is its impact that the mid-size SUV segment is now often referred to as the "CRETA segment" in the country. Despite increased competition, the Hyundai CRETA continues to lead from the front, maintaining its undisputed No.1 position in the country every completed year since its launch.

As part of our strategic expansion initiatives, we have kickstarted engine production at our new Talegaon plant, a significant milestone in our overall growth journey. Committed to the vision of 'Make in India, Made for the World,' our brand i10 has scaled over 3 million unit sales in India and export markets cumulatively. With over 2 million units sold in India and over 1 million units exported to global markets, brand i10 stands as a shining example of HMIL's commitment to delivering world-class products.

At HMIL, we have consistently worked towards democratizing global technologies and high-end features for a broader set of customers. We are proud to mention that the company achieved a remarkable milestone of selling over 1.1 million sunroof-equipped vehicles in India over the last five years. Going forward, we shall continue with our commitment to shape the future of mobility, by blending cutting-edge technology & innovation and future-ready product offerings.

In partnership with IIT Madras and Govt. of Tamil Nadu, we recently unveiled the design of the Hyundai HTWO Innovation Centre – a state-of-the-art Research & Development hub poised to serve as a catalyst for innovation in the field of green hydrogen technology and its ecosystem. This initiative demonstrates our commitment to 'Make in India' by empowering local innovation, nurturing talent, and supporting the development of scalable, affordable, and sustainable hydrogen solutions.

Moving onto sales performance for the quarter, We achieved total sales of 180,399 vehicles in Q1FY26, compared to 192,055 vehicles in the same period last year. In the domestic market, we sold 132,259 vehicles compared to 149,455 vehicles in the same period last year. The demand in the domestic market continued to remain weak during the quarter, amid challenging macro environment.

Exports on the other hand, grew by a strong 13% YoY to 48,140 vehicles, as compared to 42,600 vehicles in the same quarter last year. This is attributed to the strong global appeal for our products & our strategic focus towards optimizing exports amid the challenging domestic market conditions.

Talking about the volume mix during the quarter, despite challenging market conditions, our SUV contribution was quite strong at 68%, with strong traction in both urban & rural markets.

Hatchback continued to witness decline in line with industry trend, whereas Sedan volumes remained flattish on YoY basis.

Our fuel mix continues to evolve in alignment with consumer demand and regulatory trends. Our CNG contribution reached its highest-ever number of nearly 16% during the quarter, driven by great response to our dual cylinder technology & other product interventions, whereas EV contribution was at 1.4% during the quarter.

Now coming to the financial highlights for the quarter. Our revenue from operations stood at ₹164,129 Million in Q1FY26, as against ₹173,442 Million in Q1 of the previous year. While the challenging domestic market conditions impacted the volumes & revenue, the company could maintain the margin resilience, largely supported by better export numbers & cost control measures. EBITDA for the quarter stood at ₹21,852 Million, as compared to ₹23,403 Million in Q1FY25. We could maintain strong EBITDA margins at 13.3% as compared to 13.5% in Q1FY25. EBIT stood at ₹16,571 Million in Q1 of FY26, as against ₹18,113 Million in Q1 last year. EBIT margin was at 10.1% as compared to 10.4% in the same quarter last year. PAT for the quarter was ₹13,692 Million as against ₹14,897 Million in Q1 of FY25. Despite the challenging market dynamics, we could maintain the PAT margin at 8.2% as against 8.5% in Q1 of last financial year. It is pertinent to mention that the EBITDA, EBIT and PAT margins in the Q1 are better than the FY25 margins.

We would also like to give more clarity on key factors driving the margins during the quarter. On a year-on-year basis, the margins were impacted mainly due to higher discounts, the impact was however minimized by better model mix, higher export contribution & cost reduction efforts. However, the reduction in margins on a sequential basis was largely due to tail-ended impact of government incentives & enhanced discounts in domestic market in response to overall market dynamics, whereas the cost optimization efforts through localization & value engineering continued during the quarter as well. And lastly as announced earlier, we will be hosting our first ever Investor Day on 15th Oct, 2025 in Mumbai and we will be sharing more details in due course.

This concludes my presentation. Thank You all for your time and attention. Now we open the floor for Q&A.

Moderator: Thank you very much. We will now begin the Q&A session. Our first question comes from the line of Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: Hi, team. Thanks for the opportunity. Our general understanding is that exports tend to be more profitable than the domestic business, but when I look at this result, where your gross margin is one of the highest that you've had, is it fair to assume that the export gross margin is 700-800 basis point higher than domestic because that's the only way to sort of deconstruct and make the margin. Is that a fair assumption?

K S Hariharan: Hi, Binay. Let me give clarity on our gross margin for this quarter. If you look on a sequential basis, there are two important factors here. One is higher export mix. Apart from that, we also had material cost optimization. Basically, what we are doing is we are continuously working for improving our localization and other cost optimization efforts. So, that also helped us with better gross margins during this quarter.

If you look on a year-on-year basis, again, one is export mix plus the material cost optimization. Apart from these, we also had better model mix in domestic during the quarter plus the price increase which we did in January this year. So, all these things have collectively supported us with better gross margin during this period.

Binay Singh: Just to follow up on that, in your Slide 9, you've given this cost and other reductions, which is INR 549 million. Is that the material cost reduction number that you are saying that you've seen the benefit quarter over quarter? Because that's quite small. As a percentage, it's only 30 basis point or so. Is that the number when you're saying material cost optimization?

K S Hariharan: Let me give more clarity on a year-on-year basis. At a PBT level, of course, the major drag on the margins was because of the higher discounts, as we had indicated in the presentation as well. But the major part of this was offset by three important factors. One is the material cost reduction. If you look at material reduction, we had an impact of nearly 70 basis points during this quarter. We also have the price increase.

Binay Singh: Okay. Okay. No. I was focusing on quarter-to-quarter.

K S Hariharan: Even on a sequential basis, we had a significant material reduction, translating to nearly 50 basis points. So, that also supported us on the margin front.

Binay Singh: Okay. And lastly, on the export outlook, last call, we had given a 6-7% outlook for export growth this year. Now, if I look at that guidance, it implies that exports for the remaining part of the year will grow at 2-3%. So, are you changing your export guidance or maintaining it, or do you expect the growth to slow down very sharply for the rest of the year in exports?

K S Hariharan: See Binay, of course, we have been doing very well in exports in recent times and the Q1 number reflects that. We are seeing very good demand for our products across different geographies. Even if you look at this quarter, for example, markets like Africa, we had seen a growth of 28%, Mexico we had seen a growth of 14%. We expect that the momentum should continue in the near future.

But one thing we need to understand here is that there is also a seasonality factor, because normally what happens is, export for us, generally it is better in first half of the financial year as compared to the second half. So, considering that, we would like to keep the guidance at the similar level what we had indicated during last earnings. Having said that, we will be continuously looking for opportunities to maximize our export volumes wherever possible.

Binay Singh: Great. Great. Thanks for that, Hari. Thanks for the detailed response. I'll come back in the queue.

Moderator: Our next question comes from the line of Kapil Singh from Nomura.

Kapil Singh: Yes. Hi, sir. Thanks for the opportunity. So, first question is on the demand condition itself. We have seen a weaker demand through the last few months. If you could just give some details of region-wise color, rural versus urban? Also, we have seen some improvement in mix of CNG as well as the feedback on CRETA EV seems to be good. So, electric vehicles, what kind of adoption and response you are seeing? And can we see these numbers ramp up going ahead?

Tarun Garg: Okay. A lot of questions there. Let's take one by one and then I'll give you an overall perspective. Kapil, clearly the rural contribution continues to go up. In quarter one, we had a rural contribution of 22.6%. And for your reference, last year, same quarter, it was 19.9%. And for the last full financial year, it was 20.9%.

So, very clearly, you can see that, there is a clear shift in demand towards rural markets. And it is not a surprise because we have seen that the road infrastructure, the monsoon, the minimum support price, everything is going for rural. And of course, urban markets, basically, because they are affected by the general sentiment, whether it is reading about the world economy or what is happening or the uncertainty that does not affect the rural customers.

On the CNG front, again, like MD mentioned in his opening comments, this was the highest ever CNG contribution quarter for us. If I go model by model, I would like to tell you that Aura CNG contribution was 89%, EXTER CNG contribution was 30%, NIOS CNG contribution was 18%. These three models put together, CNG contribution was 46%.

And when you compare this with quarter one of last year, it was 33%. So, from 33%, we have moved to 46%. And the moment you have in the denominator, the full base, then from 11.4%, we have moved to 15.6%. So, this CNG contribution increase, besides increasing volumes, has also helped us to meet the CAFE norms, Kapil. Just to tell you, quarter one CAFE, our target was 117.286. Actual is 112.856. So, we have achieved CAFE very comfortably by minus 4.430.

And an addition on this has been CRETA Electric, which has received a reasonably good response. And also, it has helped CRETA, not only being the number one SUV in this quarter, but if you see this calendar year, three months out of six months, CRETA was the number one model across segments. So, I think it is really enhancing the brand CRETA. And of course, as we know, we are celebrating 10 years of CRETA.

Overall demand scene so far looks sluggish. In fact, June was the lowest TIV in the last 30 months if you leave aside December. So, this was not very good. But at the same time, we are now entering the festival. So, we have every reason to believe that the worst is behind us.

We will start with the Kerala Onam, the Ganesh, Janmashtami, Rakhi, Independence Day, and then of course, the Navratri start. Just to tell you, this year, Navratri is in September and Diwali is in October. Whereas last year, both Navratri and Diwali were in October. So, what will happen is this year, both quarter two as well as quarter three, the festival effect will be there.

Also, interest rates, although 100 basis point interest rate has been cut by RBI this year, I believe the effect to the customer is still being passed. If you remember Kapil, it was in 2008, when the last time 100 basis point interest rate had been cut. So, this is a very significant cut. Today's newspaper says that may be there will be another cut happening with the baseline inflation really at a very low level.

Also, income tax savings generally people do in the second half. We have the 8th pay commission coming in. 44% of our sales comes from salaried employees, out of which 16% are government employees. So, I think there are some positive offshoots. At the same time, underlying, there is definitely a weakness in the market so far. I hope I've answered all your questions. In case there's a follow-up, I'll be happy to take.

Kapil Singh: Thanks for the detailed answers. Another question, was on material cost reduction. Could you give some color? What are the areas in which you are reducing this cost? What are the potential areas where you can reduce cost? And if, any potential number you've identified, like how much is possible to reduce over next, let's say 1 or 2 years?

K S Hariharan: Kapil, if you look on the material side, first of all, last quarter, the commodity for us was more or less stable. Apart from that, there are two things here. One is, we are continuously improving our localization level. If you look at the number, a year back in financial year '24, the localization level was somewhere around 78%. Within a matter of a year, we have significantly improved this number to nearly 82% now. So, clearly, we are reaping the benefits of our localization efforts in the current period. Apart from that, at the plant level, we also do some value engineering activities. We try to identify some scope of cost reduction. So, these things have also supported us in keeping the material cost under check.

Going forward, though we cannot give any specific target number, we still see a lot of opportunities to improve the localization. For example, even for the EVs, you already know that we've localized battery assembly pack, and we are also working for improving the localization in other EV components as well. So, these things, should definitely help us even going forward to have control over the material cost.

Kapil Singh: Thank you, sir. And congratulations on a strong performance and also beating the CAFE numbers by a good margin. Thank you.

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

Pramod Kumar: Yeah, thanks a lot for the opportunity. My first question is on the comments you made on the rural demand trends and rural trade going up is positive for you. But just want to understand, because even with rural trade going higher, we see that SUVs continue to be seeing a pretty good traction for you. It's not slipping.

So, just wanted to understand, what are you discovering as you're going more into the rural network in terms of consumers' purchase behavior? Historically, rural is kind of, what do you say, bracketed along with small cars, hatches, and not SUVs and more premium products. But looking at your ASPs and the kind of SUV category mix, what is shown doesn't seem to be affecting you as you're increasing your exposure to rural.

So, if you can just help us understand, and Tarun, especially from your vintage point, you've been in the industry for long enough, from your earlier days to now, what is the kind of evolution you see in the rural demand? And what does it also kind of mean for, as we look ahead, post-monsoon demand revival or festivities, and also the pay commission coming in?

Will there be a difference in the buying pattern this time compared to the last pay commission? I'm sorry for the long question, but I hope I kind of made my questions pretty clear.

Tarun Garg: No, the question is long and answer will be short. Very, very clearly, to answer your question, rural SUV penetration today stands at 68.8% for me. So, very clearly, I think the key buying factor for rural has changed. You asked me that, yes, I have spent 32 years. I never expected that rural will come out of small cars.

But that said, if you see 2015, frankly speaking, SUVs used to contribute 13% to the overall sale. In fact, before 2014, it was 9%. So, actually, there's a paradigm shift across and rural has really caught up very, very fast. And today, rural customers have also become aspirational. I think one key reason for that is that the road infrastructure has improved tremendously.

Earlier, if you see rural customers were very hesitant to buy a premium car because they were not very sure about the reliability, because the road infrastructure was bad. The second thing is the service. If you see Hyundai, our service network and for that matter, the entire industry, if you see, very very strong in service network.

So, today, one is fixed network. We have 586 service network in the rural areas. Plus, we have rural service vans, 110 exclusive mobile service vans, which are serving the customers in the rural areas. So, that is also giving the customers the confidence.

I think the third is, if you see, while the urban economy or urban sentiment is affected by the general, what is happening on tariffs, what is happening to the world economy, what is happening to the Russia-Ukraine war, what is happening to general stuff, rare earth matter, but rural is very simple. Rural is monsoon, MSP you know, and I think very clearly if you see over the past three, four years, monsoon has been not only more than normal, but also not very very skewed in favor of only particular regions. It has been very well spread across the country. Even this year, it has started on a very positive note. So, I think all this while, what is happening is aspiration is taking over functionality, and Hyundai is clearly reaping benefits.

It is also reflected in terms of future because you asked a question about future. So, what we are doing now is the further network, I think, although currently 47% of my network is rural and 53% is urban, but if you ask me, seven out of 10 outlets, now I am making, are in the rural areas. So, I have expedited the network in rural areas, considering what kind of demand I am seeing there, and considering especially the affinity to SUVs, which directly helps me. I hope I answered your questions. In case there's a follow up, I'll be happy to take.

Pramod Kumar: Yes, Tarun sir, around the pay commission. What does it imply for pay commission? As we get the windfall, there will be a repeat of last pay commission when it was more dominated by small cars. So, how do you see that, linking the kind of changing consumer preferences?

Tarun Garg: If you see, 16% of my sales is through government employees. So, very clearly, that is benefited by the pay commission. I don't think that the same funda of small cars applies even for the government employees. Very clearly, even their aspirations are coming in. That is point number one.

Point number two, this whole funda of small cars, I think people are misinterpreting it to hatches. So, I'll just explain this. You know, if you see, hatches percentage is continuously going down. Very clearly, it is going down. In quarter one, it has gone down to 21%. However, what is happening is INR 6 - 8 lakh segment, where people earlier used to buy hatches, are now buying cars like EXTER or say for that matter, Punch as well. And that segment is really growing at a very fast pace.

So, customer choice has moved from hatches to SUVs and in the same price range, because obviously, he gets a better ground clearance, he gets a better visibility, he gets six airbag as standard, he gets a sunroof, he gets a very good body type. So, I think this is how you need to not differentiate. When you say small cars, it is no more about hatches.

I think we have to see whether the price segments are also moving up. And less than 10 lakh is not really moving too much in favor of more than 10 lakhs. I mean, it moved three years back. But now last one and a half years, it is very stable. But yes, more and more SUVs are getting sold.

The last point is about the first time buyers, where very interestingly, first point is at an all model basis, our first time buyer percentage has gone up from 32% in 2020 to 40% now in 2025. And even in models like CRETA, first time buyer percentage is 32%. It used to be 13% in 2020. Now it is 32%.

Even in VENUE, it is 45% now, it used to be 29% earlier. So, you can see the first time buyer, because of good financing, because of more and more youngsters coming in, because of children playing an important role in influencing the decision of their parents, all these factors are making aspiration more important than functionality, resulting in better SUV sales. Thank you.

Pramod Kumar: Just a follow up Tarun sir, network expansion, you talked about 7 out of 10 incremental being rural, but any broad numbers as to where you want your target to your overall network to grow for this year and next year in terms of number of outlets which you're going to add at the broad network level, urban plus rural?

Tarun Garg: Look, I would only say that we are very flexible in this. We continuously see the market and we do a balance, viability of the network is also very important. As you know, if you see FADA dealer satisfaction, last three year average, Hyundai is ranked number one and way ahead of its peers as well as industry average.

So, I think we need to keep track of that as well. And so, what we are doing is especially in rural areas, we're going for new dealer companies. We are giving opportunity to the existing dealers to expand. In fact, 75% of my overall expansion is being given to existing dealers so that they can keep their costs low and sales per dealer company continues to go up.

I will not give you the targets for this year and next year because obviously this is a confidential strategy, but at the same time, like I said, a big focus area is rural. And today, I am present in 75% of the districts in the country and it continues to go up. Almost 50 to 60 LOIs are in the pipeline, which should be activated in the next five to six months. So, I think this is the best I can do in terms of sharing the data. Thank you.

Pramod Kumar: Sir, last question on CRETA. It's been a phenomenal achievement that the brand which triggered the SUV segment is still without any incentives because the slowdown is clearly creeping up the price points. We've seen that last year with the small SUVs, this year with the midsize SUVs. Practically outside of CRETA, every model is on a discount and abundant inventory available. So, how do you see that? It's, of course, one thing to be very proud of and what you've done here and the affection of the customers very much with you, but isn't that a bit of a risk as well when you look at the year forward before the big upgrades come in on CRETA or the big platform change?

Should we expect that there will be discounts or incentives which will creep up in CRETA as well or you have a strategy around to keep it kind of insulated from the discounting bit because once you start discounting, there's never going back, right? So, I just want to understand your thoughts on that.

Tarun Garg: This question has been asked to me every year since the last three years, will CRETA continue to grow? Happy to report that continuously every year it has grown double digits, very healthy double digits, not because CRETA remains the same. Please see what we have done to CRETA. You saw the facelift which we did in January 2024.

It was almost like a full model change and the result was fabulous. And not only the product, if you see the entire marketing campaign, the brand ambassador, what we have done now, the 10-year thing has come in, you would have seen the kind of activities we are doing. So, the whole idea is to continue to keep on creating excitement around the brand, number one.

Number two, if you see the kind of variants we have been able to introduce in CRETA, like for example, we got a feedback that customer wants an automatic in the lower trims. Now, that gives me an opportunity to maintain my ASP, average selling price, at the same time, give more opportunity to the customers by democratizing the AT or may be bringing sunroof in the lower variants as well.

So, you know, rather than joining the price war or the discount war, what I am doing is bringing in those premium features in the lower variants, which really helps me to do that. That is point number two. Number three is, if you see dependence on CRETA, even Venue today is contributing 17% to my sales and it is number 14 in the list out of total 100 brands.

Even EXTER contributes 13% to my list, i10 10%, Aura 11% continuously going up, i20 is 9%. So, I think whether you see hatches, sedans, SUVs, unlike many of the industry players who are very very skewed towards only one, we have a very healthy mix of hatches, sedans, and SUVs. And obviously, because SUVs is the way where customers are wanting more, more launches happening there and, more and more contribution also coming there.

At the same time, I would say that sedans as well as hatches continue to be a very important part, because they're also helping me to meet CAFE. If you see the CNG penetration in Aura is 89%. And even in EXTER, it is very high, more than 30%. And that has also helped me, in addition, to meet the CAFE. Yeah, thank you.

Pramod Kumar: Thanks a lot and wish all the best. Thank you.

Moderator: Thank you. Our next question comes from the line of Vipul Agarwal from HSBC. Please go ahead.

Vipul Agarwal: Thank you for taking my question. So, my first question is on the localization of your ICE portfolio. So, it's currently around 18% of your parts is still imported. So, is it possible to pin down a few parts which are still, which can be localized pretty easily or maybe in a time frame of next couple of years? And what kind of margin expansion we can expect from that localization over there?

K S Hariharan: Vipul, you're asking about localization in ICE portfolio?

Vipul Agrawal: Yes. Localization in ICE portfolio? Yes.

K S Hariharan: Yeah. The localization level as I had mentioned earlier, which is about 82%, it is blended localization including EVs. But of course, if you look at our EV contribution in our total portfolio, it is quite less in the current scenario.

We have been continuously trying to improve the localization. We have been identifying a lot of opportunities. Recently, we have localized many of the components, for example, even sunroof is a classic case which we have localized last year. These initiatives are giving us a lot of advantage, even in terms of margins. We have a dedicated localization team working as part of the procurement function. Their role is basically to identify such kind of opportunities wherever we can go for such implementation.

But one thing we need to understand, there are some items, for example, if you take electronic items, the chips, where the availability of these components in the domestic market is still a challenge, those cases, obviously, we need to go for import sourcing only. Nevertheless, we will be continuously looking for opportunities here. Wherever possible, we will try to go for the localization.

Vipul Agrawal: Sorry, actually, my question was like, you localized the sunroof. So, do you have any like big parts in pipeline, which can be localized soon and are available? Maybe it's like it's pretty visible at this point in time that these parts will be localized in next couple of years if you can share as possible.

K S Hariharan: Maybe a little difficult to give specific details. But there are a lot of opportunities. Again, as I mentioned, in financial year '24, the localization level was 78%. And we have improved to 82% in the current scenario. So, you can understand quite a lot of efforts we have done here. This will be a continuous process. Wherever there is opportunity, we would like to capitalize on that.

Gopala Krishnan C S: Added to that, we have been localizing the high technology parts by partnering with the global players. And this will not only help us to reduce costs, but at the same time, we can de-risk the entire supply chain. As Hari said, we're giving a very strong focus in line with the Government of India's initiative, the Make in India program.

Vipul Agrawal: Understood. Thank you, sir. So, my second question is on the premiumization trend. Like sir already mentioned that now you are basically democratizing the high-end features like AMT and other features. What we see is like now light seats, dashboard, mostly sunroof are largely available across the models. So, what part can be premiumized now?

Like maybe if I'm looking from, say, if I take 3 years perspective and take a revenue CAGR, so what would be your aspiration to go beyond the volume growth CAGR in the next 3 to 4 years and that will be driven by premiumization? Because I think that large part of premiumization is largely done in the industry now.

Tarun Garg: Not really, I would say. I'll beg to differ with you. Even on sunroofs, quarter-on-quarter from 51% last year, we have moved to 54.4%. And let me answer your question. One is more and more models with sunroof. Even today in my portfolio, for example, hypothetically speaking, Nios does not have a sunroof. Aura does not have a sunroof. Why not? So, I think opportunities like this exist. This is point number one.

Point number two, more and more features are coming in. It's not only sunroof. Suppose today in-car payment has come in. Maybe more and more models can come with in-car payment. Then, like I mentioned, in the lower trims, we are adding automatics, we are adding sunroofs, we are adding ADAS.

So, as Indian market evolves, I think there will always be an opportunity. And the biggest point is because we are a part of Hyundai Motor Company, where, please understand, as Hyundai Motor Company, we are very strong in the US market. We are very strong in the Korean market. We are very strong in the European market. So, these are all developed markets.

So, we get a first-hand experience of what are the features which are working there. And typically, what we have seen is with a couple of years lag, some of those features very clearly, become a rage in India. And Hyundai has been a benchmark creator here. Like, for example, 2.5 years back, we introduced ADAS. And today, ADAS is contributing a good 12.3% to my overall sales. And nine of my models are having ADAS already. Because, at that time, I had not predicted maybe that highways will have a speed of 120 kilometers an hour. But then it has happened in India.

So, I think as India grows, as India becomes younger and aspirational, and as our technology prowess goes up, and as the electronic architecture in the system, in the car becomes more and more important with more and more software-defined vehicles, I think by being a part of Hyundai Motor Company will give us a huge edge with more and more opportunities in premiumization. But I cannot answer how much basis point it will help in profitability. That is very very hypothetical, and very very difficult to answer. Thank you.

Moderator: Our next question comes from the line of Raghunandan from Nuvama Research.

Raghunandan: Thank you, sir, and congrats on better quality of sales. On my first question, we are strong in UVs and CRETA has been phenomenal, but there are white spaces in MPVs. Considering there is a plan to launch eight models by FY27, can we expect any action in the MPV space?

Tarun Garg: As you know we have already announced that we are going to have 26 new models, including facelifts, in the next 5 years. On 15th of October, we are going to have the Investor Day, more details on the future models you can expect on that day. Please kindly bear with us till then. Thank you.

Raghunandan: Sure, sir. We'll patiently wait for the event. Thank you. Secondly, on Talegaon plant, engine manufacturing started recently. Would vehicle manufacturing be on track to start before the end of the year? And also by end of next year, what kind of capacity utilization ramp up can happen there, given that you would marry all the new production to happen from there?

K S Hariharan: Raghu if you see, yes, recently we have started the engine production. Even the vehicle production plan is well on track. As we had earlier committed, we are planning to start the vehicle production from this plant in quarter three of the FY '26. So that is point number one.

And number two, on the utilization level, as we had indicated earlier, during the initial period, the capacity utilization will be little low only. But as we move forward, we would like to accelerate both on the export side as well as on the domestic side. As we had discussed earlier, going forward, we expect gradual recovery should be happening for domestic with all these stimulus measures from the government side.

Even on the export side, we expect the momentum should continue. As you know, we would like to position ourselves as the manufacturing hub for emerging markets. So, we are looking at a lot of opportunities here. So, once this capacity commences, that really should open up a lot of opportunities for us even on the export front as well. So, that is what we are looking forward in the near future.

Raghunandan: Thank you, Hari. Just lastly, can you share the discount number as a percentage of sales?

K S Hariharan: Discounts during the quarter was 3.4% on ASP, the domestic discount.

Moderator: Our next question comes from the line of Gunjan Prithyani from Bank of America.

Gunjan Prithyani: Yeah, hi. Thanks for taking my questions. I actually had the follow-ups on margin, I think, Raghu asked about this discount. Is this 3.4% comparable to the 2% that you shared in the last quarter?

Tarun Garg: Yes, yes. It is comparable. The market situation has changed. But two things you must keep in mind. One is all the results obviously include this 3.4%. All the EBITDA and the PAT, PBT, whatever you are seeing includes that. That is point number one.

Point number two, ASP has actually gone up year on year, 7.60 lakhs last year same quarter and now 7.65 lakhs. So in a market where competition has given discounts to the tune of 4.5% to 5%, and of course having price cuts, whereas we have been able to increase our ASP in quarter one of financial '26 and keep the discounts much under check. So, yes, this is our strategy going forward and we believe that similar levels or slightly lesser levels should be going forward as well.

Gunjan Prithyani: Yes. No. I think what I am trying to understand is, given the discount rise, when I look at the numbers now about 1.4 percentage point increase versus last quarter on discounts and then the operating leverage being lower in this quarter, I am just trying to sort of think through that you have been able to deliver very very resilient margin in that context. So, is there anything beyond product mix you know? Because you did speak about RM 50 basis point. Is the model mix and export mix that big a tailwind that we were able to offset almost 2 percentage point impact of discounts and lower operating leverage?

K S Hariharan: Gunjan, as you rightly mentioned, one is the export mix. Higher export mix we had, whether it is a sequential basis or even on a year-on-year basis, the export mix has been much better. We also had the price increase in domestic market in the month of January. So, that also has supported us with some margin improvement.

Apart from these things, in fact, if you look at even the model mix, the model mix in domestic was quite positive, especially with more of CRETA sales. I think that has also supported us positively during this period. And of course, material side as I already explained, the localization efforts and the other cost optimization efforts have really supported us, as far as the margin improvement is concerned.

Gunjan Prithyani: Pretty solid performance in that context. Just to be clear, there is no impact of engine plant commissioning in this quarter and if there is any, can you just give us some sense, how should we think about the depreciation line item going into the next quarter for this plant?

K S Hariharan: This quarter we started our engine operation in the middle of June month only. So, as such, very negligible impact in the P&L.

Gunjan Prithyani: Okay. Okay. And my second question is on the export business. Now, export, the growth – the volume growth is pretty strong, but I do see the ASP has come off pretty meaningfully. Is there can you just throw some light on, is this a geo mix change? Is it more sort of aggression in the export markets, something that we should be reading from a strategy perspective or some color on that, please?

K S Hariharan: On the ASP front, if you look on a year-on-year basis, export, there is some decline in the ASP. This is mainly because of the increased discount level in recent times. We have been seeing very strong demand for our products across different markets. Recently, we are getting a lot of fleet orders. For example, markets like Middle East, Africa, for our models like Verna, Aura, we are getting a lot of fleet orders. So, in order to meet these demands, we have also supported with some higher discounts. That has resulted in some reduction in the ASP for exports. However, if you look on a sequential basis, ASP is more or less stable for us on the export front.

Tarun Garg: So, basically, if you see, I think this is a very good lever. And I think as a strategy, we decided that, yes, in terms of capacity utilization, as well as overall margins, and like you mentioned that solid performance in that context. I think one reason was that we were able to increase and enhance export by giving a little bit of a higher incentive.

So, I think we look at it as a holistic strategy, quality of sales, and MD mentioned in his opening remarks as well. And since IPO, we have been mentioning this balance between domestic and export, and this lever that we enjoy versus some of the other companies. I think that really helps us to navigate through some of these challenging domestic market environments and that is what we have used.

Gunjan Prithyani: Okay. I'll fall back in queue.

Moderator: Our next question comes from the line of Raghvendra from Ambit Capital.

Raghvendra: Yes. Yes. Thank you, sir. Congrats on great set of numbers. Just can you give me some quantitative view on how you are looking at things progressing on CAFE-III norms and likely implication on cost, if you can segregate between a small car and a UV kind of vehicle, any directional guidance you'd like to share?

Tarun Garg: Look, Hyundai has been in India now for 29 years. We have met all regulations and we have always believed that SIAM is the one agency which talks to the government and does the best for the auto industry. As far as general, I would say that, as a part of HMC, HMI is one company which has access to all technologies. We have petrol, we have CNG, diesel, strong hybrid, plug-in hybrid, for that matter, even hydrogen vehicles. So, we are watching this and waiting for the final notification to come in. As we have met in the past and as we are doing it currently, we are fairly confident that we will be able to meet CAFE-III. But we do not have any individual view. We will go by SIAM's collective view from the auto industry.

Raghvendra: Okay. That's all from me, sir.

Moderator: Ladies and gentlemen, we'll take this as our last question for today. I now hand the conference over to Mr. Aniket Mhatre for closing comments.

Aniket Mhatre: Thanks, Sagar. Ladies and gentlemen, that concludes our conference call for today. On behalf of Hyundai Motor India Limited, we thank you for joining us and you may disconnect your lines. Thank you. Have a great day.

Note: Edited for brevity and inadvertent errors.