Hyundai Motor India

Operator: Ladies and gentlemen, good day and welcome to the Q1 FY27 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 this conference call, please signal an operator by pressing star and zero on your touchtone 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 – IIFL Capital: Thank you, Robin. Good evening everyone. We welcome you all to the Q1 FY27 earnings conference call of Hyundai Motor India Limited. Today we have with us Mr. Tarun Garg, Managing Director and Chief Executive Officer; Mr. Wang Do Hur, Chief Financial Officer; Mr. Dong Ki Bak, Chief Operating Officer; Mr. Gopalakrishnan C S, Chief Manufacturing Officer; Mr. Saravanan P, 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.

Management: Thank you, Joseph. Good evening everyone and welcome to the Q1 FY27 earnings conference call. Before we begin, I want to remind you of the Safe Harbor statement. 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 Managing Director's remarks on the business highlights, financial performance and outlook, followed by a brief presentation by me on Q1 FY27, after which we will be happy to receive your questions. Now, I hand over to our Managing Director. Over to you, sir.

Management: 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 years in India, celebrating three decades of trust, pride, and progress. From investing more than 40,000 crore rupees 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 our 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 two months of the quarter reflected healthy momentum with cumulative sales in April and May growing by 13% year-on-year, supported by a favorable 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.

However, 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 disruptions was yet another example of resilience, enabling us to return our operations to normalcy within a very short period.

Operator: Ladies and gentlemen, we thank you for your patience. We have now reconnected with the management. Please go ahead, sir.

Management: Extremely sorry about this network issue. I will quickly go through the presentation again. I mentioned about the 30-year completion, 40,000 crore investment, and 13.5 million sales. Of course, domestic Fiscal 27 began on a very strong note. However, the fire at our supplier facility constrained our growth to 5.4% in the quarter. But if you remember, we said that we will recover this production within this quarter too. I am very happy to report that most of it has already been done within July itself. This shows the strong resilience of Hyundai Motor India.

Of course, there are some achievements like the Hyundai Venue reaching its highest ever quarterly volumes, CNG contribution at 18%, and rural contribution at an all-time high of 26%. So we are very confident that we are going to have 8-10% year-on-year volume growth for this year, which we stated at the beginning of the year. In exports, in addition to this disruption in production, the Middle East was affected but you would have seen that we have increased our exports to the other markets and we have a very healthy order backlog. So now that the production is in full swing, we will start reflecting it in export sales right from July itself. Venue is also receiving a great response, and we have also started dispatches of the Verna PE, Exter PE, and the left-hand drive version of the Exter. So we are expecting a very strong recovery in exports and again, we are confident of delivering our stated full year guidance of 8-10% year-on-year in exports as well.

On the CAFE update, as per our internal assessment, we will fully meet the compliance requirements and not incur any penalty at all under CAFE 2 for the period Fiscal 23 to Fiscal 27. Fiscal 27 is also going great, so we expect zero penalty on CAFE 2. Also, we are fully aligned with the CAFE 3 draft notification, though we are waiting for the final notification to be issued. Of course, profit margins year-on-year were impacted due to lower export volumes and costs associated with the Pune plant, but our efforts to balance calibrated pricing actions with disciplined cost management have helped us minimize the impact. So we are again very confident that we are well on track to achieve our previously guided EBITDA margin of 11-14% even in Fiscal 27.

I am also happy to report that we are starting the third shift at the Pune plant from October. The earlier plan was the middle of 2028, but we are preponing this by 2 years because of the strong response received on the Venue in the domestic as well as in the export markets. Also, the mid-size ICE SUV is ready to be launched in the festive season. We have a lot of activities on AI integration, whether in sales and marketing with the AI sales agent, the H-Buddy chatbot, and dealer AI platforms; in service with VOC analytics and service automation; or in manufacturing and supply chain with multiple initiatives, including quality inspection and predictive maintenance. Our vision is to evolve AI from a productive tool into an intelligent co-worker that supports employees, augments decision-making, and accelerates innovation. Soon you will see us advancing in-vehicle AI capabilities in our products as well. Thank you very much for your continuous support, and I will now hand it over to Hari for a detailed review of the financial performance for the quarter. Thank you.

Management: 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% year-on-year. The impact on volumes was mainly due to production disruptions.

In Q1 FY27, our performance was impacted by the production disruption caused by a 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% year-on-year. We exported 38,708 vehicles as compared to 48,140 vehicles in the same quarter of the previous year.

Moving to the segment mix, in the domestic market, SUVs continue to be the core pillar in our portfolio with a healthy mix of 70% during the quarter. A similar trend has been observed both in urban and rural markets. On the fuel front, we also continue to see strong momentum in the CNG segment with steady growth, reaching the highest ever contribution of 18.2% in a quarter in Q1 FY27.

Let me now share the financial numbers. Our revenue from operations stood at Rs. 1,63,346 million in Q1 FY27 as against Rs. 1,64,129 million in the corresponding quarter of the previous year. Despite many headwinds, our calibrated pricing strategy and favorable exchange rates helped support our revenue, which remained largely flat year-on-year. EBITDA stood at Rs. 15,117 million as compared to Rs. 21,852 million in Q1 FY26. EBITDA margin stood at 9.3% as compared to 13.3% in Q1 FY26. EBIT stood at Rs. 9,546 million for the quarter as against Rs. 16,571 million in Q1 FY26. EBIT margin stood at 5.8% in Q1 FY27. PAT for the quarter was Rs. 8,886 million as against Rs. 13,692 million in the corresponding quarter. PAT margin for Q1 FY27 stood at 5.4%.

Our Q1 FY27 margins were impacted by a combination of factors. Key common headwinds on both a year-on-year and sequential basis were: first, the production disruption which impacted the volumes especially of certain high-margin models; second, the West Asia conflict impacting our export volumes; and third, the commodity cost pressures. In addition to these, year-on-year margins were also impacted by capacity stabilization costs. These pressures were partly offset by favorable exchange rates and our calibrated pricing strategy.

On a sequential basis, margins were impacted by an 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 FY26 discount levels, reflecting our disciplined pricing approach. The sequential headwinds were partially mitigated by our continuous cost optimization initiatives and also the absence of certain one-off expenses incurred in Q4 FY26. This concludes my presentation. Thank you all for your time and attention. Now we open the floor for Q&A. Thank you.

Operator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star two. Participants are requested to please use handsets while asking a question. Ladies and gentlemen, we will now wait for a moment while the question queue assembles. Our first question comes from the line of Kapil Singh with Nomura. Please go ahead.

Kapil Singh – Nomura: Good evening sir and congratulations on a strong performance. My first question is on the margins. We have seen very strong gross margins, actually showing an improvement at a time when there were severe cost pressures. 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 you are envisaging on account of commodities, and any price hike you have taken thereof?

Management: Hi Kapil, Hari here. The commodity impact on our margins during the quarter was roughly 100 basis points on a quarter-on-quarter basis. In fact, the impact was largely seen in precious metals and copper. We could somehow minimize the impact on margins during this quarter to some extent, mainly supported by three factors: first, our calibrated pricing strategy; second, our cost reduction efforts; and also, if you remember, last time we indicated that there was a certain one-off in commodity costs in Q4 of the last financial year. So that also helped us to some extent during this quarter.

Your second question was on the price hike. So price increase is something where we normally take a calibrated approach. So far this calendar year, we have taken three price hikes, cumulatively around 100 basis points. Going forward, we will continue to monitor the commodity trend, the market conditions and other factors as well. Looking at all these factors, we will take a decision on the price increase.

Management: And Kapil, we stay committed to our EBITDA guidance of 11-14% for the fiscal year. This is very important. All our decisions are based on what we have promised to the market, so we will make decisions accordingly to maintain 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 in the same quarter, the discount was 3.4%, and this year it is 2.8%. When the new models come in, typically for the first year, the discount levels are zero. So we believe that H2, which will see at least two new models, should really help us in managing within these discount levels and also help us to not go for aggressive price hikes, maintaining our EBITDA margins within this range of 11-14%. I hope I have answered your question. Thank you.

Kapil Singh – Nomura: 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 is most of it already reflected in your financials? I was just trying to understand that.

Management: Look, year-on-year we had about a 200 basis points impact on the commodity. Like we said, quarter-on-quarter was 100, but year-on-year was 200. Now what happens in the future is anyone's guess. It is 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 {? DST ?} came in in September. So we are expecting that from October, industry growth will mute. I think we have to be conscious of that as well. So let us see. Like I said, we will have a calibrated approach and do what is best in terms of volume and profitability together.

Kapil Singh – Nomura: Sure, sir. Thanks. My second question was on the 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?

Management: For sure. We are maintaining our 8–10% guidance, which means that we have to grow a minimum of 8–10% in the second half as well, because we have grown by only 5.4% in quarter one. And or frankly speaking, from H2, the base effect will start coming in. What will work for Hyundai is having two absolutely new models in a high-growth segment, which will give us an edge over the others. The second thing which will help is the Venue third shift, which will mean more Venue volumes coming up. So these are the two things that are really helping Hyundai versus the competition, which will help us to get back on the market share winning spree going forward.

On the export front as well, the backorder is very strong. And also we have all these Exter Left Hand Drive, Exter {? PE ?}, of course the Middle East, and all the effort we have put into the Central and South American market because of the problems in the Middle East. I think now we will have exports coming into both the Middle East and the strong {? CSA ?} markets. The Venue is also adding up. So all these things should really help us in the coming quarters. Thank you.

Kapil Singh – Nomura: Thank you sir and best wishes.

Operator: Thank you. The next question is from the line of Binay Singh with Morgan Stanley. Please go ahead.

Binay Singh – Morgan Stanley: Hi team and thanks for that. Just a clarification from the earlier question. Looking at all the cost pressures that you know of today, is that where you still feel comfortable with the margin guidance? Is that the correct way to read it?

Management: 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 where we are. What we're saying is that we will take actions as and when required to ensure that we are within the 11–14% EBITDA range. I think this is what we are saying very clearly, Binay. We do not like prices going up. At the same time, look at the uncertainty; even with crude, one day it is $90 and another day it is $73. In this scenario, it is very difficult to judge what is going to happen in the future. That being said, 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, then definitely in the coming months. We will keep that in mind when we are taking a decision on price and volume. But discounts, of course, we will keep under check, like we have been able to do in the last couple of years. Thank you.

Binay Singh – Morgan Stanley: Thanks. And secondly, on the new model launch, is it safe to assume that both models will be available for 6 months of this year, or is one available for 6 months?

Management: Like I said, the festive season is coming, so both models will be available in H2. Whether it is the full H2 or how much, I cannot really inform you of the exact time of the launch. But one model, since it is coming in the festive season, will definitely be there for almost the entire H2.

Binay Singh – Morgan Stanley: And lastly, on electric vehicles, this will be your first major EV launch in India. How do you see the profitability of that versus the market? Because from what we see in your assumptions, despite launching an electric vehicle, we are still seeing the margin trajectory moving up. Is it the global cost structure of Hyundai that is helping you position it, or do you plan to price it on the premium side? Any thoughts on what your EV cost structure will be versus competitors? Do you have an edge there?

Management: While I would not like to comment exactly on the profitability or the cost structure, a couple of things are very important. First, we are targeting the PLI scheme for this new model, which we have not been able to do so far. So this is a very big boost to our efforts. Second, we have been working very strongly on localization; in addition to the battery packs, we are looking at other elements of power electronics, etc. As you know, for PLI we need a 50% domestic value addition as well, so that is very important.

Of course, HMC's strength in EVs will help us. We also want, as I mentioned in my opening remarks, to make this EV more than just an EV; we will use {? AI ?} in a big way. We are 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. We are doing a lot of things to make our EV proposition very strong. This is the first mass-market dedicated EV from Hyundai, so we are building a very strong proposition for the customer and we are quite confident that this should really give us volume. On profitability, I would not like to comment, but these are some of the things which will help us to position it better. Thank you.

Binay Singh – Morgan Stanley: Great. Thanks team. Best wishes for the next stages.

Operator: Thank you. Ladies and gentlemen, in order that the management is able to address questions from all participants in the queue, we request you to please restrict yourselves to two questions only. You may rejoin the queue if you have any further questions. Our next question comes from the line of Chandramouli Muthiah with Goldman Sachs. Please go ahead.

Chandramouli Muthiah – Goldman Sachs: Hi, good evening and thanks for taking my questions. My first question is just around the current utilization rates at the Chennai and the Talegaon facilities. Related to that, I want to understand how much additional capacity you see getting unlocked with the third shift on the Venue.

Management: Just to explain to you, we have three plants: two plants in Chennai and one in Pune. Regarding Pune, if you remember, we said that in phase one we will reach 1,70,000, which is a three-shift operation. Currently, we are working on two shifts, and now we are going to a three-shift operation, which means the potential capacity can be 1,70,000. We will see how much of it we can use starting from October, which will be in the second half of this year. So this is where Pune stands.

But the most important thing is Plant 1 in Chennai. This year, because the Venue got shifted, the capacity utilization is only 72%. With the two new models coming in, we will reach a capacity utilization of 88% in Plant 1 of Chennai, and this is a major advantage for us in terms of optimizing costs. So on two fronts: one is the Pune plant where the third shift will help, and second is Plant 1 of Chennai where the capacity utilization will go up from 72% to a minimum of about 88%, 90%, or 91%, if not more. I hope I have answered your question. Thank you.

Chandramouli Muthiah – Goldman Sachs: Got it, that is helpful. My second question is on the export business. Over the past 4-5 months, there has been a lot of disruption on the shipping lines into the Middle East, which is also an important part of your export business. So I want to understand the confidence that you are seeing regarding export volumes coming back. How is the supply chain looking, and how are the shipping channels looking for you?

Related to that, we have seen a reasonably big improvement in export average selling prices (ASPs) — they are up about 7% year-on-year, and 5-6% up quarter-on-quarter. So I want to understand what the key models are driving that ASP pickup. For export volume pickup in the medium term, is that backed by visibility around shipping channels as well as ASP drivers? What are the key models driving that from a mix perspective?

Management: Let me give you some levers for exports and explain why we are confident. First is the new Venue; it has received a great reception. Already 29 markets have started giving orders, and we are planning for 35 total markets in the near future. Then there is the Exter LHD (Left-Hand Drive), which we have launched for the first time; shipments are starting in this quarter, and we will reach 13 markets by Q3. The Verna PE has also started from June, and we will reach more than 25 markets by Q3.

So those are the three things. Yes, those challenges on freight, the Strait of Hormuz, etc., are still continuing. At the same time, we are finding ways along with our logistics partner, and we believe that because the backorder is very strong, you will see the shipments of exports scale up in July itself. This is one, because of things opening up from the Middle East in terms of orders, and two, because that incident is behind us and we have been able to restart production.

In Mexico, although there were challenges because of tariffs, it is still holding on and we are receiving some good orders from Mexico as well. So the effort we put into Central and South America (CSA) in the fourth quarter and first quarter of this year will hold us in good stead going forward, as we saw 23% year-on-year growth and demand remains steady there.

So that is why we are confident. On ASP, although it improved, please understand that because we had to shift from the Middle East to CSA, the hatchback contribution went up since CSA is more hatchback dominated. But the moment the Middle East and Verna open up, that will again give us more opportunities. Also, the Middle East is mostly automatic, which increases the ASP. So all those factors should help us to increase exports. Maybe Hari will add some more comments.

Management: Yes, Tarun, so our broader strategy is that we are looking at enhancing our SUV mix in exports as well. In the domestic market, we are already very strong with a 70% SUV contribution, but if you look at exports, we are at roughly 13-14% contribution. So we can clearly see there is a lot of headroom here to improve the SUV mix. That is the broader strategy, and we are working towards that. Thank you.

Chandramouli Muthiah - Goldman Sachs: Got it. Thank you very much and all the best.

Operator: Thank you. The next question is from the line of Gunjan Pratyani with Bank of America. Please go ahead.

Gunjan Pratyani - Bank of America: Hi, thanks for taking my question. My first question is just a clarification on the Venue third shift. Is the entire Pune plant going to be a Venue plant, which means roughly 14,000 to 15,000 per month of production, catering to both domestic and exports?

This third line will essentially cater to both domestic and exports; is that the correct way to think about it?

Management: Absolutely, you are spot on.

Gunjan Pratyani – Bank of America: Okay. Regarding the capacity utilization you mentioned, which will go up from 72% to 88% in the Chennai plant, is that assuming both the launches are fully ramped up, or are we expecting 88% in the second half? How should I think about this number you gave on the Chennai capacity utilization?

Management: I talked about Plant 1, and what I mentioned was that in the 2026 calendar year, Plant 1 is broadly at about 72% capacity utilization. We believe in the 2027 calendar year, we should be around 90-92%, or maybe more, in Plant 1 of Chennai. So for the 2026 calendar year, we are at 72% capacity utilization, and for the 2027 calendar year, we expect 90-92%. That is the best explanation I can provide. I hope it helps you. Thank you.

Gunjan Pratyani – Bank of America: No, this is helpful. For my second question, if you could give us a little bit more understanding on the positioning of the mid-size SUV that is due for launch during FY27. The reason for this question is that we often end up comparing the mid-size Creta and other models in the same category. How should we think about the positioning of this model, and with this launch, should we worry about what happens to Creta volumes? Please share your thoughts around this.

Management: If you look at this segment, the mid-size SUV segment is growing very sharply, and of course Creta continues to be the market leader here. At the same time, we believe that there is clearly a space for two models, and the positioning will be very different from the Creta. As I mentioned, it will have a technology-first positioning. We are moving more towards software-defined vehicles and a connected mobility platform, as we are serving more Gen Z and digitally native customers. You will have to be a little patient because I do not want to divulge too much of our marketing strategy, but we have a very clear differentiation from the Creta, so do not worry about it.

As I mentioned, there is a clear space between the 4-meter and 4.4-meter segments; this segment is really opening up and we have seen many more models entering this space in the industry. So there is a very clear opening for us and that is why we have decided to enter this segment. Thank you.

Gunjan Pratyani – Bank of America: Got it. Just a quick last question on the Venue. If I remember correctly, in the last call you mentioned you would share which markets the Venue can cater to globally, because outside of India and Korea, the Venue has a market size of roughly 90,000 to 100,000 units. Do we cater to the entire market size outside of India and Korea, or is there another way to think about the potential target markets for the Venue?

Management: It is not so easy because regulations are very different across different markets. If we want to cater to some of those markets, we would have to spend a lot of capex, which would increase the cost for the overall Venue. We have to be very selective. At the same time, there are enough markets where we can export the Venue. We are looking at at least doubling the Venue

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export volumes, and the response has been very good across all markets. This is a new opportunity opening up. But to answer your question on developed markets taking this new Venue, the answer is a clear no as the regulations would make it very expensive for us to do so as of now. However, we will continuously evaluate and see if there are more opportunities. Thank you.

Gunjan Pratyani – Bank of America: Got it. Thank you so much.

Operator: Thank you. The next question is from the line of Amin Pirani with JP Morgan. Please go ahead.

Amin Pirani – JP Morgan: Yes, hi. Thanks for the opportunity. Most of my questions have been answered. Can you give us a sense, given that demand has been strong and production was impacted, what kind of dealer inventory levels you are witnessing right now? How do you think about dealer inventory build-up as we go into the festive season and prepare for the launches?

Management: Obviously, in June, the dealer inventory level came down because of the production disruption. We had good retail growth and were able to meet our retail targets, but now we have to build inventory. Production is back and, as I mentioned, most of the production loss has been recovered. We will continue to build inventory over July, August, and September for the festive season.

At the same time, we are very prudent, so we will take a balanced approach and not burden the dealers with excess inventory. The good thing is that the retail momentum remains high. As you can see, our discount levels at 2.8% are lower than last year's level of 3.4%. We are maintaining a very prudent approach and we will ensure we have optimal inventory as we enter the festive season in October. Thank you.

Amin Pirani – JP Morgan: Okay. Thanks for that, sir. I'll come back in the queue.

Operator: Thank you. The next question is from the line of Raghunandan N.L. with Nuvama Research. Please go ahead.

Raghunandan N.L. – Nuvama Research: Thank you, sir, for the opportunity. My first question is on the demand side. It is good to see that you are retaining the domestic growth expectation of 8-10%. For the industry, when it comes to urban versus rural demand, are you seeing any kind of slowdown in rural? July Vahan registrations indicate that there is slower growth in the rural market compared to the urban market. I am trying to understand if there are any initial signs of a slowdown due to El Nino or other factors. Thank you.

Management: First, we are not seeing any slowdown in the rural market. If you look at Q1 FY26, the rural contribution was 22.6%, whereas this year in Q1 FY27, our rural contribution has increased to 25.9%. In terms of growth, rural growth was 23.2% year-on-year in this quarter, while urban growth was only 2.8%, which is how the overall 5.4% growth came in.

So we are seeing good traction. This has to do with our rural strategy; as I mentioned, 6 out of 10 outlets being opened are in rural areas, which we have been doing now for 3 years. The mobile service vans we are deploying and the acceptance of our SUVs in the rural market are also helping us. We are seeing continuous traction. We have been hearing about El Nino for 3-4 years, but we

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have not seen much impact. This is because a few key things have happened: first, road infrastructure has improved dramatically in rural areas; second, the dissemination of information because of Jio and other connectivity means that rural customers now know about new products, which is why their demand for SUVs has risen dramatically (our SUV contribution in rural areas is now equal to urban areas); and third, in addition to having more outlets, our big focus on service gives rural customers the confidence to buy a vehicle because they know someone is there to support them.

So these things give us confidence in the rural market and its momentum continues unabated. We do not see much pressure on rural growth. I hope I have answered your question. Thank you.

Raghunandan N.L. – Nuvama Research: Yes, thank you, sir. That was comprehensive. My second question is on the cost side. It is good to see the efficiency in the gross margin, but employee cost and other expenses have increased, showing a 20% growth in employee cost and 10% growth in other expenses year-on-year. Are there any one-offs to call out in these cost items, and how should we look at these items going forward?

Management: Raghu, first of all, on the employee cost, the year-on-year increase is mainly due to the commencement of the Pune plant and yearly salary revisions being reflected. If you look at other expenses, the year-on-year increase is mainly attributed to higher freight costs, especially for export operations. But the point to note here is that we do not see a margin impact from freight because any increase is generally recovered from the distributors. I hope this clarifies it, Raghu.

Raghunandan N.L. – Nuvama Research: Thank you, Hari. That was helpful.

Operator: Thank you. The next question is from the line of Ashish Jain with Macquarie India. Please go ahead.

Ashish Jain – Macquarie India: Hi sir, good evening. My first question is regarding the new model launches we have seen: is there any export opportunity for these that we are evaluating at this moment?

Management: If you look at our history, Ashish, right from the time we set foot in India 30 years ago, exports have been a key pillar of our strength. Our standard operating procedure is that we launch a model in the domestic market, and about 3 months later, we launch it in the export markets. The emerging markets have customer preferences and economies very similar to India, so we believe these two models will have good traction both for the mid-size SUV as well as the EV in export markets. But at this point in time, I cannot give you specific numbers for these markets. At the right time, we will inform you about our plans for the export markets for these models as well. Thank you.

Ashish Jain – Macquarie India: 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 a main reason, or do you think this is the core demand momentum being so divergent between rural and urban this quarter?

Management: As I mentioned, the SUV contribution in rural and urban areas is the same. The Creta sales hit only happened in June because of the production disruption; the majority of the 13,900 units we lost was Creta. So that took place only in June. Generally, we see the same SUV contribution in urban and rural areas, so I do not think the Creta disruption has anything to do with that divergence. Thank you.

Ashish Jain – Macquarie India: Okay, yes, sir. Thank you so much and best of luck.

Operator: Thank you. The next question comes from the line of Pramod Kumar with UBS Securities. Please go ahead.

Pramod Kumar – UBS Securities: Thank you very much for the opportunity. Sir, just one clarification on industry growth: what is our forecast for the full year, just to double-check?

Management: In the second half, as I said, H2 industry growth will be the real indicator because that will come against a base that reflects the implementation of the GST. My guess is industry growth should be in low single digits in H2. The base is quite high, and the industry is facing headwinds in terms of raw material costs. So I think it should normalize to low single digits in H2 FY27. Thank you.

Pramod Kumar – UBS Securities: So what will that mean for the full year? Around 7-8% growth for the industry? Because the first half has seen low single-digit growth so far up to July.

Management: I wish I could guess as well as you do. Maybe 8%, maybe 9%; let's wait and see. Different companies are providing different projections. Some people are still sticking to 5-7%. My guess is it should be in the range of 6% to {? 8-9% ?}. Let us see.

Pramod Kumar – UBS Securities: Okay, industry growth can have a very different outcome, but what is something which you can have reasonable confidence in on the market share side? With the launches, and what is the exit market share you are looking at? We paid a heavy price on market share because of production issues and other challenges. With the launches coming and capacity ramping up, what level of exit market share would you aspire to have as you exit FY27, sir?

Management: We ended the last fiscal year with around 12.3% or 12.35% market share. We should do much better than that in terms of exit market share because by the time we exit this year, we will have both of these new models up and running. I think we should be doing well in terms of market share, and as I mentioned, we will surely be outpacing industry growth in H2. We are very confident about this. A few factors support this, such as our two new models, fleet sales, and the Venue third shift. All three of these factors are very specific to Hyundai, and they should help us to outpace industry growth in the second half. Thank you.

Pramod Kumar – UBS Securities: My second question is on the PLI scheme. You mentioned you want the new model to qualify for PLI, which I think will make the product highly competitive. Do you expect that to be the case from Day 1, or over a period of time as you ramp up localization? Are you starting production with high localization from the beginning and hence will be eligible for PLI from Day 1?

Management: As far as readiness is concerned, we are targeting Day 1. Administrative approvals could take some time, but as far as operations are concerned, we are targeting Day 1 readiness on the PLI for the new EV.

Pramod Kumar – UBS Securities: And finally, any update on the Creta? While we can see how the volumes are doing, and the Creta is holding its own, look at the kind of bumper demand the Seltos has seen, even without a hybrid option. I am trying to understand the likely timeline: is it the first half of FY28 when we should expect the new Creta, or could it happen earlier?

Management: You are always very hungry for information. We have given enough information on the new launches, and at the right time, we will make announcements regarding the Creta FMC as well. Right now, let us look forward to the new mid-size SUV that will launch in the festive season and the new dedicated EV we are launching. I think they will be exciting enough. Thank you.

Pramod Kumar – UBS Securities: Yeah, thanks a lot. Best of luck, sir.

Operator: Thank you. Ladies and gentlemen, we request you to please restrict yourself to two questions only. Our next question is from the line of Yash Agrawal with Nirmal Bang Institutional Equities. Please go ahead.

Yash Agrawal – Nirmal Bang Institutional Equities: Hi, sir. Thank you for the opportunity. Most of my questions have been answered. I just have one question on the rising CNG contribution. Since CNG generally has a better margin profile than its traditional ICE counterparts, if the CNG contribution increases going forward, can we expect a better product mix?

Management: I would not like to comment on margins. Similar margins is a better way to understand this. CNG helps us in multiple ways: first, it is the most cost-effective way to meet CAFE compliance; and second, it helps us to increase volumes. We have a technology-agnostic strategy. We believe that in the lower segments, especially under the 15-20 lakh price bracket, CNG is a very potent option. We will continue with that.

As you might recall, we have announced that by 2030, we will have 5 or 6 CNG models, 4 or 5 hybrids, and 4 or 5 EVs. So we will have a very strong mix of clean technologies rather than sticking to just one. Every year, you will see us making moves towards our 2030-2032 goal of achieving more than 50% of our sales through green fuel options. Thank you.

Yash Agrawal – Nirmal Bang Institutional Equities: My second question is on the elevated staff and other costs. Since staff costs and other costs were elevated in Q1, can we expect them to moderate a bit, or will they remain at the same level as a percentage of sales going forward?

Management: On the overall cost trends, we are continuously making cost optimization efforts. On the employee cost, I have already explained the reasons for the increase, and we have also discussed the commodity pressures. While these cost pressures exist, we are taking up several other cost optimization efforts, such as improving our localization levels and undertaking value engineering activities to protect our margins.

The staff cost increase is primarily because of the Pune plant, as we mentioned, to support higher volumes. Thank you.

Yash Agrawal – Nirmal Bang Institutional Equities: Okay, sir, that's it from my side. Best of luck for the next quarter. Thank you.

Operator: Thank you. The next question is from the line of Jyoti Singh with Haitong Securities. Please go ahead.

Jyoti Singh – Haitong Securities: Thank you for the opportunity. I have a follow-up question on the export side. Since we mentioned a good export outlook overall, can we expect export volume to recover to the Q1 level of around 48,000 units during the next two quarters, and which markets will get us there?

My other question is on the AI side, which was discussed in detail in the presentation. What is our long-term vision there, and can you progress toward quantifying the actual P&L impact of these initiatives so far on the cost-saving side, such as headcount avoidance or conversion uplift? That would be very helpful. Thank you.

Management: First question first: 48,000 in a quarter is what you want. I think your aspirations are much lower; our aspirations are much higher. We will do better than 48,000 units per quarter in the coming quarters on the exports front. I already shared the reasons for this, so I will not repeat them.

On AI, so many things are already happening across our sales and service operations, and I already mentioned manufacturing and supply chain. Something we have not witnessed as much so far is on the product side, which you will soon start seeing with our future product launches. I can assure you that Hyundai Motor India will take the lead in terms of AI in the automotive space, and you will see a 360-degree effect across all areas.

As I mentioned, we have been closely working to improve our localization and cooperating with our supply chain. Our localization level a couple of years ago used to be around 77-78%, but today it is quite healthy at 83%. We have a mid-term target of reaching 90% localization by 2030. So you can understand that we have been very aggressive in improving localization.

Similarly, as I mentioned, we are continuously conducting value engineering activities. We are working with our supply chain and encouraging our employees at the plant level to share cost-reduction ideas. We motivate our employees, and these ongoing activities help us keep costs under check. Thank you.

Jyoti Singh – Haitong Securities: Thank you, sir. Do we expect any residual impact in Q2 because of the June disruption, or have we fully caught up on production in July and August? What is the expectation there?

Management: We have fully caught up. In fact, almost the entire backlog was resolved in July. Whatever little is left will be done in August and September, so everything will be completed within this quarter.

Jyoti Singh – Haitong Securities: Okay, thank you so much.

Operator: Thank you. 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 – IIFL Capital: Thank you, Dobson. On behalf of the management of Hyundai Motor India Limited, I thank you all for joining the call. You may now disconnect your line. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.