HYUNDAI

Business Case Study
of
HYUNDAI'S INDIA STRATEGY

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Hyundai in India

- Hyundai is set to launch the biggest IPO in the Indian stock market.
- 1996 → Hyundai entered Indian market, Maruti Suzuki had 60% market share.
- 2nd largest automobile company in India with 4653 crore Rs profit in FY 23.
- Profitability way ahead than Maruti per vehicle. (Hyundai 65355 Rs, Maruti 40939 Rs)


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Hyundai Understood Gaps in Indian Market

- Market did not respect the customers. (waitlist, after sales service, bad customer satisfaction)
- Compact cars were not solving India specific problems. (car height issues, cooling system, car damage for poor infrastructure)
- Middle and wealthy families wants to buy multiple compact vehicles, untapped customer based in upper class)
- Hyundai set up a larger scale manufacturing plant in India.

Hyundai Superpowers

- Low cost production.
- Superpower of producing cars at scale for next 30 years.
- Targeting tier 2 & 3 cities better services.
- In 2000’s there was a luck of middle range product in market.
- In 2007, they launched I10 (mid range), 2008 → I20 (upper mid range).
- These programs looked premium, but did not cost premium.
- Biggest midsize SUV seller in India, 30% market share.

Hyundai I10

Hyundai I20

Hyundai Superpowers

- Value for money product, capitalizing the existing gap at market gives them huge edge.
- Hyundai motors India EBITDA margin for last nine months ending 2023 → 12.7%.
- Maruti → 13%, Tata → 6.1%.
- Maruti → low margin, high volume.
- Hyundai → high cost, high margin, high volume.

Free Cash Flow Importance

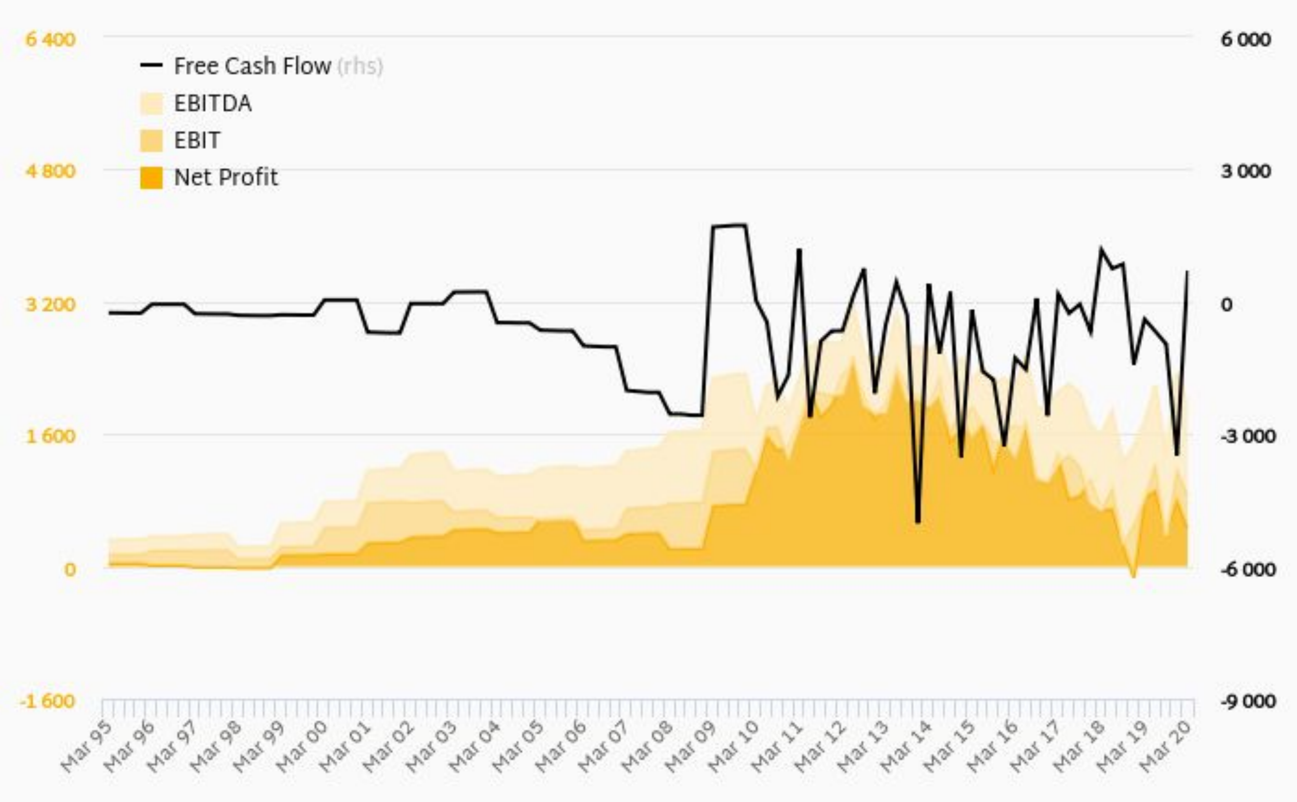
- How much money company is left after it makes investment into machines and factories.
- For an automobile company how safe a company is after making their heavy investments.
- How much money could a company distribute in dividends and share buybook.
- Hyundai has 93% free cash flow for its profit after tax.

Free Cash Flow

Free Cash Flow

FCF = Net Income + Non-Cash Expenses − Increase in Working Capital − Capital Expenditures

Free Cash Flow Hyundai



Free Cash Flow Importance

- Negative working cycle.
- Maruti working capital cycle → -22.5 days.
- Hyundai working capital cycle → -26.5 days.
- Return on capital employed,

  Hyundai → 27.19%

  Suzuki → 19.72% (For 100 rupees)

Hyundai SWOT Analysis

STRENGTHS

Strong global brand recognition, diverse product lineup, advanced technology and innovation, and a well-established manufacturing and distribution network.

WEAKNESSES

High dependence on the Asian market, vulnerability to fluctuations in raw material prices, and potential issues with product recalls.

S W T O

HYUNDAI

THREATS

Intense competition from other automobile manufacturers, regulatory changes, economic fluctuations affecting vehicle sales, and rapid technological changes in the automotive industry.

OPPORTUNITIES

Expansion into electric and autonomous vehicles, growth in emerging markets, leveraging AI and IoT for connected cars, and strategic partnerships.

https://admeducation.com/blog/swot-analysis-of-hyundai-motors/

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Business Factors

- Difficulty for Hyundai to cater to the rising demand of cars, less capacity of factories.
- Entire IPO money going to the parameters of parent company.
- Large chunk at profit to South Korea. The money is not used in the best way for the growth of Indian market. This is not a good news for the investors.