Date: **19th November, 2024**

To,

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai – 400 051

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001

SYMBOL: HYUNDAI

SCRIP CODE: 544274

Dear Sir/Ma'am

Sub: Submission of transcript of earnings conference call pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In continuation to our letter dated 7th November, 2024 and 11th November, 2024, Please find enclosed the transcripts of the earnings group conference Call with Investor/Analyst conducted on 12th November, 2024, for your information and records and can be accessed at www.hyundai.com/in/en.

Kindly take the same on record.

Thanking you,

Sincerely,

For **Hyundai Motor India Limited**

DIVYA VENKAT
Digitally signed by DIVYA VENKAT
Date: 2024.11.19 18:09:38 +05'30'

Divya Venkat
Company Secretary and Compliance Officer
Membership No. – A33561

"Hyundai Motor India Limited Q2 FY'25 Earnings Conference Call"

November 12, 2024

MANAGEMENT:	**MR. UNSOO KIM, MANAGING DIRECTOR, HYUNDAI MOTOR INDIA LIMITED** **MR. TARUN GARG – CHIEF OPERATING OFFICER, HYUNDAI MOTOR INDIA LIMITED** **MR. WANGDO HUR – CHIEF FINANCIAL OFFICER, HYUNDAI MOTOR INDIA LIMITED** **MR. SARAVANAN T. – FUNCTION HEAD (FINANCE), HYUNDAI MOTOR INDIA LIMITED** **MR. K S HARIHARAN – HEAD (INVESTOR RELATIONS), HYUNDAI MOTOR INDIA LIMITED**
MODERATOR:	**MR. SOUGATA BASU – HEAD (CASH EQUITIES) CITI**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY'25 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 conclusion of the "Presentation" and "Management Remarks". Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sougata Basu from Citi. Thank you. And over to you, sir.

Sougata Basu: Thank you, operator. Thank you. Good afternoon, good evening and good morning to everybody. We welcome you all to this Q2 FY'25 Earnings Call from Hyundai Motor India.

I am Sougata Basu. I head Cash Equities in Citi and today we are pleased to have with us Mr. Unsoo Kim – MD, Mr. Tarun Garg – Chief Operating Officer, Mr. Wangdo Hur – Chief Financial 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 on the company's website.

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

K S Hariharan: Thank you, Sougata. Good evening everyone and welcome to the Q2 FY'25 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 a brief presentation by me on our second quarter results and then remarks by our MD on the performance and outlook, after which we will be happy to receive your questions.

Let me start with the "Key Business Highlights during the Quarter."

At Hyundai Motor India Limited, we are committed to enhancing customer experience through our diverse and versatile products. We are also committed to providing customers with exceptional mobility experiences. We remain dedicated to listening to the changing consumer needs while continuously evolving to exceed their expectations.

The Bold New Hyundai ALCAZAR is a testament to this commitment. We launched the product in September '24, which has been receiving phenomenal response from the customers since the launch and we see that it has also played a pivotal role in driving up our average ASP in the domestic segment during the quarter.

The new Hyundai CRETA continues to fulfill dreams of those seeking a contemporary and adventurous SUV, thus making India 'Live the SUV life'. Launched in January this year, this Undisputed, Ultimate SUV crossed the 1 lakh sales milestone in just six months since its launch, reaffirming its strong fan following in its segment. The new Creta has also won the 'India's Best Design Projects Award' at 'IBDA 2024'. The new Hyundai Creta was the top selling model across all segments in July '24. It was also amongst the top three selling models in H1 FY'25.

The VENUE Adventure Edition, which was launched in September, brings out the outdoorsy spirit for adventure seekers who love to explore and embrace new experiences. We also introduced new variants in VENUE & EXTER, with electric sunroof to cater to the needs of aspirational customers.

Strengthening our commitment to innovation and providing sustainable mobility solutions, we launched the Dual Cylinder Technology in EXTER and Grand i10 NIOS providing enhanced comfort and convenience to the customers with ample boot space and great fuel efficiency.

Our popular entry-SUV model EXTER has surpassed the milestone of 1 lakh sales in India within a year of its launch. This exclusively "Made in India" model is now being exported to South Africa, being one of the important export markets for HMIL. EXTER is Hyundai's eighth model offering in the country.

As India aims for greater adoption of electric mobility, it is equally important to bolster the EV charging infrastructure to counter range-anxiety and build customer preference towards adoption of electric mobility.

By engaging in a strategic partnership with a local charge point operator, we are moving towards strengthening HMIL's EV charging network with 100 Hyundai dealerships now to be equipped with DC 60 kW fast chargers.

We are also proud that we have been recognized as "Top Employer 2024" in India by the "Top Employers Institute." This prestigious recognition underscores our unwavering commitment to creating a better world of work through exceptional HR policies and people practices.

Now, moving on to the Sales Performance for the Quarter. HMIL recorded total sales of 1,91,939 vehicles in second quarter of current financial year, as against 2,09,777 vehicles in same period last year. The impact on volumes is mainly attributed to the domestic industry slowdown and geopolitical factors.

Domestic sales for the quarter came in at 1,49,639 vehicles, as against 1,58,772 vehicles in Q2 of last year. The subdued demand in domestic sales is reflective of the cyclicality and seasonality in the industry. On a sequential basis, however, the domestic sales has shown an increase of 0.1%.

Exports, on the other hand, stood at 42,300 vehicles, as against 51,005 vehicles in same period last year. The impact on export volumes is mainly attributed to the Red Sea issue, impacting our exports to the Middle East region.

Despite the headwinds in the domestic market, we continue to grow stronger on premiumization through continuous growth in SUV contribution. During the quarter, we sold 1,02,636 vehicles in SUV segment, which accounted for nearly 69% of the overall volumes, once again highlighting our strength in this segment. Further, the contribution of our higher trims with aspirational features like Sunroof and ADAS continues to remain healthy.

Our sales under Hatchback segment was 29,668 vehicles, down 2% in terms of contribution to our total sales, reflecting the industry trend of customers moving to SUV segment.

With the sales volume of 17,335 vehicles during the quarter, the Sedan segment contributed around 12% to the total sales.

Our technology-agnostic approach allows us to adapt to evolving consumer needs and regulations effectively. Our consistent efforts have led to increasing contributions in the CNG segment, with Q2 FY'25 showing the highest contribution so far in our total sales, supported by strong customer response to our dual cylinder technology.

Let me now share the financial numbers. Our revenue from operations during the quarter stood at Rs.1,72,604 million, as against Rs.1,86,597 million in same period last year. During the quarter, our EBITDA was Rs. 22,053 million, as compared to Rs. 24,400 million in Q2 FY'24. EBITDA margin was at 12.8% as compared to 13.1% in the same quarter last year. EBIT was Rs.16,868 million in Q2 FY'25 as against Rs.18,834 million in Q2 FY'24. EBIT margin was 9.8% as against 10.1% in the same quarter last year. Despite many headwinds during the quarter, caused by domestic industry slowdown and geopolitical factors, we were still able to maintain healthy EBITDA and EBIT margins, led by our premiumization strategy and cost optimization activities.

PAT for the quarter stood at Rs.13,755 million, as against Rs.16,285 million in same period last year. PAT margin was 7.9% as against 8.6% in Q2 of last financial year.

Profitability during the quarter was impacted on account of the domestic industry slowdown and geopolitical challenges. However, the favorable mix we had in domestic due to premiumization focus and aggressive material cost reduction due to localization and value engineering efforts extended positive support to the profitability.

Our material cost reduced by nearly 2.3% during the quarter as compared to the same period last year, primarily due to decrease in price of certain raw materials, coupled with our localization strategy and efforts in developing alternative vendors for raw material supplies.

Coming to the Financial Results for H1 FY'25. During the first half of the year, the company sold total of 3,83,994 vehicles, as against 3,93,180 vehicles in the same period last year. The company registered revenue of Rs.3,46,046 million in H1 of current financial year as compared to Rs.3,52,832 million in H1 of last financial year.

With our continued focus towards operational and cost efficiencies, we were able to significantly improve our EBITDA and EBIT margins during this period. Our EBITDA during H1 FY'25 was Rs.45,456 million, as compared to Rs.44,373 million in same period last year. EBITDA margin in H1 FY'25 improved by 50 bps to 13.1% as compared to 12.6% in H1 of last year. EBIT margin on the other hand improved by 70 bps to 10.1% as compared to 9.4% in H1 of last year.

Further, despite the challenges we had in Q2, we were able to sustain our PAT margin at 8.2% in first half of this financial year, strongly supported by our premiumization and cost reduction initiatives.

Thank you. This concludes my presentation. And now I would like to invite our MD, Mr. Unsoo Kim for his remarks. Over to you, sir.

Unsoo Kim: Thank you, Hari. Good evening to everyone on the call and thank you for joining us today. It is my pleasure to be hosting you all on the First Earnings Call of Hyundai Motor India Limited as a listed entity.

First of all, I would like to thank all our investors for believing in our growth story and for trusting us. HMIL maintained healthy margins in the first half of the financial year, with our proactive and continuous cost control measures. During the second quarter, we had the challenges on volumes due to the domestic and the geopolitical factors, impacting our margins.

The Indian auto industry is cyclical in nature and has its ups and downs. After the phenomenal growth in the last 2-3 years due to the pent-up demand post-COVID, the current demand moderation is very natural. However, in the mid-to-long term, we are confident of a sustained demand momentum in the industry.

Despite the current slowdown in the overall sales volumes for the industry, HMIL continues to focus on quality of growth by maintaining an optimum balance between volume, market share and margins. Our SUV portfolio during the quarter accounted for a substantial 68.6% as against the industry penetration of 54.9%.

In September, we introduced the Bold New Hyundai ALCAZAR, which redefined the benchmark of aspirational 6/7-seater SUV. This, along with the strong performance of CRETA, VENUE and EXTER propelled HMIL to its highest ever monthly SUV contribution of 70% in September.

As a part of our premiumization strategy, we continue to innovate and bring forth hi-tech features to excite and engage our customers.

Further, the dual cylinder CNG option which we introduced in two of our models, NIOS and EXTER, is giving customers the convenience of CNG without compromising on any feature and space. We are witnessing good traction for these new variants, which has helped our overall CNG penetration increase to 13% in the second quarter of financial year 2025.

On exports, the company witnessed growth in almost all regions in the first half of Financial Year 2025 as compared to second half of financial year 2024, in particular, Africa, Mexico and Latin America. However, the Middle East continued to face the headwinds due to the Red Sea crisis. We will be closely monitoring the situation and will also plan to mitigate the risk by focusing on other regions.

While the macro-economic environment is expected to remain challenging for the auto sector in the near term, we plan to focus on our strengths and don't want to lose out on any potential opportunity to improve our volumes and profitability.

In the just concluded festive month of October, we have recorded a double-digit growth in enquiries and retails over last festive season and witnessed good traction for our models. The strong SUV demand along with the marriage season kicking off in November, gives us confidence of a stable third quarter.

In the last quarter of this financial year, we will be launching our Creta EV for mass market. We believe Creta EV could be a game changer in the Indian EV market.

The construction activity at our Pune plant is progressing in full swing and the plant is expected to have start of vehicle production by third quarter of financial year 2026. We strongly believe that the Pune plant and the localization of our EV ecosystem will further enhance our arsenal and our competitiveness in the market.

Our business fundamentals remain strong, supported by a clear strategy to drive growth and create long-term value. We are confident in our future growth trajectory, driven by our competent team and continued commitment to excellence.

Also, in order to enhance the shareholder value, we will be coming out with an appropriate dividend payout policy by benchmarking with industry-best practices, at the earliest possible. Thank you for listening.

Moderator: We will now begin the question-and-answer session. Please note that management might use English-Korean translation for better communication. Hence there could be a slight delay in the responses. Please note the management line will be on mute mode till then. We will take our first question from the line of Sougata Basu from Citigroup. Please go ahead.

Sougata Basu: Well, Mr. Kim, you spoke about double-digit festive season growth in October which is extremely encouraging to hear. What I think investors would also like to hear is some trends around pricing, around inventory, as we have heard a lot of your peers throughout this quarter. So, if you could throw some light on how you saw trends from your side as well?

Tarun Garg: Thank you, Sougata for your question. Tarun, this side. So, as we had mentioned earlier and Mr. Kim also mentioned, our strategy on premiumization continued even in this tough macroeconomic environment and I'll support it by giving you some data points. So, sunroof penetration in first half of last year '23-24 was 47.4%. It has moved to 53% in this half of this financial year’24-25. The automatics have moved up from 23.2% to 25.3%. The ADAS has moved up from 3.3% to 14.4%. In terms of CNG, we introduced Dual Cylinder CNG and let me share with you some numbers. For example, in Exter, in Q1, CNG penetration was 18%, in Q2, it moved up to 22.2%, in fact, in October it moved up to 28.4%. So, you can see how the dual cylinder CNG has really helped us to improve the CNG penetration and obviously taken the ASP up as well. Even in NIOS in Q1, CNG was 17.2%, moved up to 18.6% in Q2 and moved up to 20.2% in October. So, very clearly, the premiumization strategy is working. #3, if you see SUVization, in fact, in September, we reached a high of 70%, last year, our SUV was 60%, this year, Q2 FY’25, we are at 68.6%. So, very clearly the SUVization is also improving, and with the Alcazar facelift, which we had last month, and the Creta EV going up in January, again, the SUVization, we feel there is still more headroom towards SUVization. In addition to that, we also introduced new variants, for example, new sunroof variants in the Venue, we introduced a Knight Edition in the Creta, we have now introduced in the Verna, a Spoiler Edition. So, what we are doing is, we are adding more and more value to the customer so that this effort towards ASP increase continues. Also to manage, if you would have seen like the competition where there was a lot of price war happening, we were able to not join that price war and really keep our prices intact even in H1 of this year including the Q2 of the financial year ‘24-25. So, we believe this strategy has worked for us and we intend to continue on the strategy of premiumization, on the strategy of SUVization, on the strategy of new variantization, and, of course, cost optimization as well.

Moderator: We will take our next question from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Firstly, just wanted your view on the demand conditions and the industry growth outlook and how Hyundai is placed to grow in context of the market both in domestic as well as exports? I read some comments that company is committing to making India the export hub. So, if you could elaborate on that as well please?

Unsoo Kim: Yes, this is Unsoo. As we earlier announced, we are positioning HMIL as a production hub for emerging market. We are manufacturing and exporting, our cost optimized vehicle to the emerging market. As we mentioned earlier, we have a very healthy and balanced mix of domestic and export volume which gives us not only good profit but also the natural hedge against any market fluctuation. Currently, from last year, we are seeing the domestic volume is increasing, demand is increasing, also export market is also increasing. And then we have a very suitable product line up for emerging market. Our product lineup is very suitable for emerging markets. So, to meet both the domestic and export, last year we acquired the Pune plant. So, after the operation of this third plant, our capacity will reach 1.1 million units. It will cover all the domestic and export demand. So, we are very confident to meet both the markets and both the markets are also very promising. India is very promising and exciting market also. Our export market is the emerging market, in the Middle East and Africa and South Asia and Latin America we will see our export market very positively. We will meet both the demand. I hope I have answered your question. Thank you.

Tarun Garg: Kapil, just to add a little bit on the domestic demand, as Mr. Kim mentioned, and, of course, in October, we had a very strong growth in registrations close to more than 30% and which has brought the inventory down for us to less than four weeks. And of course, the Alcazar facelift, all these new variants which we have added, the Creta EV is going to come. So, we have been maintaining that this year the industry would see a low single digit growth on a very high base of last year, which of course came up with the growth of 8.5% and before that 23%. So, we believe that it's a very good place to be, at the same time we will not lose focus of this premiumization so that the value enhancement continues to happen, just in addition to what Mr. Kim said. Thank you.

Kapil Singh: Just also wanted to check on your views on the powertrain mix for Hyundai because you are now adding CNG as well and the parent company is fairly strong in hybrid and electric as well, but for India, what is the outlook? You mentioned also that Creta EV could be game changer. So, just your thoughts in terms of what attributes are needed for success of EVs in India, and how are we positioned to meet CAFE for past and future years?

Unsoo Kim: Yes, this is Unsoo. Thank you for your question. Earlier in our road show, we mentioned that India is in the early stage of electrification. India EV market is expected to grow strongly by 2030, led by government’s strong initiative and many OEMs’ EV focus. HMI has access to the HMCs global EV and battery technology. So, we are well positioned to launch the EV ecosystem in India. We are developing EV ecosystem in India. As we earlier mentioned that we are planning to launch 4 EV models including the Creta EV and we are also localizing EV supply chain like the battery pack, drive train and the battery cell and also we are investing in EV infrastructure as well. So, with these kind of government strong incentive to customer and the PLI scheme to OEMs and our localization effort and our 4 EV models will lead the enormous volume. These kinds of things will help our profitability also. And then in terms of the hybrid, as you mentioned that HMC has a variety of powertrain technology and not only petrol, diesel, CNG, but also EV and hybrid and plug-in hybrid and even hydrogen vehicle. Currently, HMC, our parent company is very strong in hybrid sales globally in the US market and our Korean market. So, HMIL has access to all kind of HMC powertrain technology and we are well positioned to launch a new model with these hybrid powertrain, based on the customer demand scenarios. So, currently we are monitoring the customers' preferences for powertrain.

Tarun Garg: Just to add a couple of things here. One is CAFE. You asked '23-24 we met CAFE, '24-25, we are on course to meet CAFE. We don't see any problem in '25-26 going forward as well. On the other powertrains, CNG, like I already mentioned a great traction has been seen. Frankly speaking, dual cylinder CNG, Exter going up from 18% in Q1 to 22% in Q2 to 28% in October is a testimony to how well it has been accepted. So, we believe that in the less than Rs.1 million segment, CNG will continue to play a very important role and that is a very critical part of our strategy. And in the SUV segment, of course, petrol and diesel, diesel continues to be very strong and then going forward EVs, because currently we are only in the IONIQ 5 but like MD mentioned, Creta EV will be a very strong model push, because it's a very strong brand and then three more EVs coming in, will help us to really reach a good market share even in the EV segment. So, we believe that having this kind of a product mix and a powertrain mix would help us not only to meet all the regulations, but also take care of all the customers in different states, which have different preferences towards petrol, CNG and diesel.

Moderator: We will take our next question from the line of Gunjan P from Bank of America. Please go ahead.

Gunjan P: Just a couple of follow-up sir. Tarun, with regard to your comments on premiumization, I'll be keen to know how the trend of first-time buyer in rural/urban mix stands in the portfolio and any call outs on demand difference between urban versus rural?

Tarun Garg: So, on the urban versus rural, very clearly, in fact in last one year, we have seen that rural demand continues to be very strong, in fact, the rural penetration has gone up to 21% for us now, it used to be around 20% last year, before that it was 18.5%, before that it was 16.5%, 17. So, a good monsoon this year would help it further. I believe the crop is very good. So, going forward we believe that the rural will continue to play a very important role and accordingly we are also adjusting our network strategy with a big thrust on the rural area. That is point #1. Regarding the first-time buyers, it continues to be very strong. In April to June also, the first-time buyer penetration for us was 38% and in July to September also it was about 36.5%. So, the first-time buyer percentage is very, very strong as far as Hyundai is concerned and like we had mentioned in the road shows, this has in fact gone up from 31% in 2019-20 to 36%-37% now. So, we continue to attract first-time buyers, which tells us that the future growth prospects are good, because these first-time buyers specially are moving directly into the Venue and the Creta segment. For example, for Venue, even in Q2, the first-time buyer percentage is 40% and in Creta it is 28%, so which is very, very good because this means that these customers are directly bypassing the Hatch and straightaway going into the Venue and the Creta segment which augurs very well for Hyundai and it has resulted in our SUV penetration, reaching 68.6% in the Q2 FY'25 period and 70% in fact for the month of September. So, I hope we have answered your question.

Gunjan P: My second question is on the model cycle. How should we think about that? Clearly, you did allude to four EVs in total in the next two, three years, but if you can share a little bit color on the ICE model cycle as well that are there any white spaces that you're looking to plug, how should we think about the evolution? I know maybe you don't share the specifics, but just the segments that you look to target with the ICE launches and what will be the intensity of launches there?

Tarun Garg: So, as you know, HMI has always been ahead of the curve in terms of launching new products, not only in terms of the model cycle, which is five to six years for us, but also in introducing new models in whatever segments we believe there is a demand. Exter was a very good example last year, Verna full model change was a very good example. This year in January, we had a Creta facelift and you know that what has happened, Creta continues to be on a double-digit growth path, Alcazar facelift has happened. So, going forward, while we have already clearly announced four EVs, including Creta EV, we have not given guidance on the ICE models. But what I can tell you is that wherever we are seeing opportunity and of course more so in the SUV segment as Indian market gets more and more segmented, we believe new and newer segments are emerging. So, we will continue to explore these areas. Now, with the Pune plant kicking in with the Q3 of financial year'26, the capacity will also be there. So, we believe that we can marry the new model introduction with this new capacity so that we can do justice to the demand which these new models will create. I think at this point of time, this is the best I can do in terms of answering this question and please look out for announcements from us in terms of new models, but we will continue to pursue this path of looking for opportunities and filling them up.

Gunjan P: And just a bookkeeping, if you can share the royalty number for this quarter?

Wangdo Hur: When it comes to our royalty, the royalty rate is around 2.6% on revenue from operations during the quarter. Actually, our royalty is calculated as 3.5% on net sales after adjustment of cost of certain materials procured from related party. Any change in such amount will accordingly impact the effective royalty rate, but nevertheless our actual royalty amount is 2.6%.

Moderator: We will take our next question from the line of Rishi Vora from Kotak Securities. Please go ahead.

Rishi Vora: My first question is, well, the premiumization wave the team has captured very well. But if we look at first half numbers, most of our growth is only driven by Creta. Obviously, Exter has grown, but in 1Q of FY'24, we hadn't launched the model. So, is there a strategy where we are thinking about reducing our dependence on Creta, because incrementally of our domestic portfolio I think it has almost become 33% and in value terms it would be even higher. So, any thought process around our increasing dependence on Creta?

Tarun Garg: Yes, very good. And I think this is very important and we continue to look for opportunities to diversify our portfolio. Recently, last month, we introduced the Alcazar facelift, which has received a very, very good response and we are already now clocking 2,200-2,300 numbers from the 1,000 odd numbers which we were clocking say before the facelift. Of course, we had the Exter launch which is now adding clearly 7,000 to 8,000 per month. Going forward, like I said, I cannot really comment on the exact nature of the new models, but we fully understand the opportunity which exist. The mid SUV segment is growing very fast. There are opportunities in the other segments as well. So, we will really look at introducing new models as well as the facelift of the other models as the five to six year model cycle continues to evolve. So, we will look at all those things to see that all the models do well. And just for your reference, this year even Aura has shown a growth, of course Exter has shown a growth, the Creta has shown a growth, last two months we have introduced so many new variants, Venue for example again touched 10,000. Please note that after a long time Venue again touched 10,000 because we introduced two sunroof variants in the Venue, then the dual cylinder CNG increased our NIOS numbers back to more than 6,000. So, I think we are doing a lot of innovations in the other models also so that we can continue to sustain as well as grow the numbers. So, the endeavor is of course to have a very strong Creta, at the same time other models as well.

Rishi Vora: My second question is regarding 2Q performance. So, on a sequential basis, our gross margins have declined by 70 basis points. So, what would have resulted in a decline? And if you could share first quarter and second quarter discount numbers, if you check that would be helpful?

Tarun Garg: So, let me share the domestic discount numbers. Of course, it has to be understood in the context of what is happening in the industry, but first let me give you our numbers. In Q1, the domestic discount number was 1.5%, in Q2, the domestic discount number is 1.9%. So, when you see it in the context of the other players as well as in the context of the overall pricing strategy which are being followed, you can see that the strategy of balanced growth or quality of growth has really helped us to manage the discounts very well and that is the whole idea, not to join any kind of price war and to pursue that path. On the first part of your question, I'll request Mr. Saravanan to answer.

Saravanan T: Regarding the decline in profit, it is attributable to the reduction in volume, and because of the geopolitical situation, there was some reduction in export numbers as well. However, we could manage with better cost saving on the material front and the better cost saving measure and the better capacity utilization, we have reduced the impact of the volume reduction and we could maintain the margin at an appropriate level.

Moderator: We will take our next question from the line of Aniket Mhatre from Motilal Oswal Securities. Please go ahead.

Anikit Mhatre: Just quickly following up from the previous participant, you mentioned that margins are down due to reduction in volumes, but you're saying even with decline in margins at a gross margin level, when net sales minus raw material, that is also declined and that won't be because of volume. Just trying to understand what was the reason for a decline in gross margins this quarter on a sequential basis?

Saravanan T: Yes, actually because of the selling pressure on both domestic and export side, so we need to consider some kind of incentive. So, in the case of domestic, the market is sluggish. So, we have to follow what the market practices are there. To some extent, we have to support with the additional incentive and that is one reason for domestic. As far as exports, because of geopolitical situation, we need to focus on different markets by pushing our products into a different market, obviously, we need to support with an additional incentive. That has actually reduced the gross margin.

Anikit Mhatre: My second question was around your exports opportunity. You have mentioned in the presentation about Exter landing in South Africa. Could you help us understand what kind of growth outlook or what kind of a opportunity we can expect in exports in the foreseeable future?

Tarun Garg: So, to start with about 1,000 per month is what we are looking at. But this is only of course South Africa. We are looking at other markets as well. It is very difficult to give exact guidance on that. And of course going forward like we do for all the other models, we look at left hand drive also, which will really open up many more markets. So, I think in line with our strategy right from the time we set foot in India, where we have focused big time on exports, I think Exter is going to be a very important tool for us in the future.

Anikit Mhatre: Just one quick follow up, like you have the Made in India Exter, would you have any other specific model in mind that you would look to export going forward specifically Made in India going to export markets?

Tarun Garg: We are exporting almost all models. So, it's not as if Exter. Since you asked about Exter, that's why we said. Now we are exporting to 80+ countries. We are a hub for the emerging markets. Now Alcazar facelift has come in. So, the plan always is that first we start domestic and then we start export. The Verna goes very strongly in the Middle East. So, we export all the models. We have been doing it for the past 25 years and will continue to focus on this because, all these countries, Middle East, Asia, if you see Africa, Latin America, I think the preferences are very close to what the Indian customers want. So, our strategy has always been to introduce a model, get success, get economies of scale and of course look at the export markets. And like Mr. Kim mentioned in his opening remarks also, for HMC, India is the production hub for all these emerging markets. So, I think we will continue on this path in the future as well.

Moderator: We will take our next question from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain: Sir, my first question is on CNG. So, as of now we have three models with the CNG version available. How do we see that shaping up given the traction we have got especially for Exter CNG? And secondly, earlier in the call you alluded to, if I got it right, rural being around 21% of Hyundai sales. Can you share the industry number on a like-to-like basis and apart from new stores, what are we doing to kind of increase that traction in rural, do you think pricing or our premium strategy is a bit of bottleneck for that or the acceptance is equally good in rural as well?

Tarun Garg: So, on the CNG, yes, you're right. Now, if you see Hyundai strategy, we believe every segment customer key buying factor is very different. So, at the entry level, we are offering petrol and CNG to the customer because for that customer, price is very important, fuel efficiency is very important and we offer Exter, NIOS and Aura and it is doing very well. I already mentioned about the dual cylinder percentage, I will not repeat. But in Aura, where we do not have dual CNG but the CNG penetration is already 85%. So, going forward as well, we believe that in the less than Rs.1 million entry level segment, CNG would continue to be a good tool. At the same time, we don't think that CNG is a good solution for the SUVs because that customer's key buying factor is he does not want to compromise on the initial torque. So, in the Creta, we have a diesel which is contributing 35% to 40%, in the Alcazar, we have diesel, then in the Tucson, we have diesel, in the Venue, we have diesel along with the petrol. This strategy is working very well. So, this is the second part. The third part is of course on the Sedan segment where we are offering Verna, turbo as well as petrol. So, that is also doing very well. So, my point is that a single solution cannot work for a country like India where customers are very different. The other thing is even when you see geographically, different states are also behaving very differently. For example, in UP and say Maharashtra, CNG is very strong, in Delhi, in Northeast, petrol is very strong, in Punjab, in Telangana, in Andhra, in Rajasthan, diesel is very strong. So, having all these powertrain options in our portfolio helps us to target these states equally well, at the same time, it is a very good hedge that tomorrow if there is any geopolitical situation or if there is any price increase or price cut, we can quickly leverage, and change our strategy to that to a different powertrain and utilize it. So, I believe this kind of a technology agnosticity gives us a very good risk hedge and is very good in terms of opportunity leveraging as well. So, we intend to continue the same kind of strategy. And on the rural, in addition to the network, we are also doing a lot of mobile service vans. Like for example, we have more than 100 mobile service vans which are exclusively for the rural network. That helps the customers to get a service on the road step. At the same time, we are also doing a lot of Grameen Mahotsav, because branding is also very important to give the customer that confidence. So, we are doing that. Also, in terms of district coverage, we are continuously enhancing the district coverage. We are currently at about 84% district coverage. We were at about 70%-75% a couple of years back. So, we intend to really continue on this path of more and more districts, more and more tahsils, more and more mobile service vans, more and more branding with the rural executives to educate them so that they can further educate the customers and the road infrastructure which the government is focusing on is really helping us in enhancing the rural sales along with the great monsoons which has happened this year which should really help the rural going forward.

Ashish Jain: Sir, just one follow up. Like the 21% number which you said is rural for you. What will be the corresponding number for the industry?

Tarun Garg: So, actually these numbers are not shared, point #1. Point #2, every company has a different way of identifying rural. Like for example in HMI what I say rural is, my rural sales outlets, what is their sales. That is rural for me. And today out of my total network, around 40 to 45% is in form of rural sales outlet and they contribute 21% to my sales, but for some other company, it could be a different formula. So, like-to-like is very very difficult to make because there is no proper forum where there is a proper rule where this is rural and this is urban.

Moderator: Ladies and gentlemen, we will take that as the last question for today. I now hand over the call to Mr. Sougata Basu for closing remarks. Over to you.

Sougata Basu: Thank you, operator. Ladies and gentlemen, that was the last question for today. With this, we conclude today's conference call. Thank you the entire team of Hyundai Motor India and on behalf of them and Citi, we thank you for joining us and you may now disconnect. Thank you.

Moderator: Thank you all.

Note: Edited to correct inadvertent errors.