SECTOR UPDATE

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Industrial Team

Youngsoo Han
Team Leader
han.youngsoo@samsung.com

Soyeon Chung
Research Associate
soyeon.chung@samsung.com

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Shipbuilding/Machinery Weekly

Why is HD Hyundai heading to India?

- The Clarksons Newbuilding Price Index rose by 1pt w-w to 185 last week on a rounded basis, reflecting a 0.2pt increase at the decimal level. In contrast, the Secondhand Price Index fell 1pt w-w to 190.
- The ClarkSea Index (which is used to determine vessels' earnings) declined 3.3% w-w, which we view as a temporary pause, largely driven by weaker bulk carrier indicators.
- **Weekly Comment:** Media reports indicate that HD Hyundai Group is reviewing entry into India. This week, we assess India's shipbuilding supply capacity and domestic vessel demand.

WHAT'S THE STORY?

HD Group's entry into India: Rational, from a corporate perspective

HD Hyundai has signed an MOU with the government of Tamil Nadu, southern India, regarding the construction of a new shipyard. From an industry perspective, the development is difficult to interpret as unequivocally positive, as project success—which seems likely given HD Group's shipbuilding capabilities—would imply an expansion of global shipbuilding capacity. Yet, from HD Group's perspective, there are three good reasons for the decision.

First, the likelihood of operational overlap between the Indian shipyard and the Ulsan headquarters is limited. It is not realistic for a newly established shipyard to construct high value-added vessels, which are the core products of Korean shipbuilders. Even HD Hyundai Heavy Industries' long-operating Vietnamese subsidiary continues to derive the majority of its revenue from tanker construction rather than high-end vessels.

Second, India has strong underlying demand. India is a market that would likely attract entry even without HD Group's participation. The country supplies the fifth-largest number of seafarers globally (12% share) and ranks as the second-largest seaborne importer worldwide with a 7% share (vs China's 25%). By commodity, India accounts for 19% of global coal imports, 12% of crude oil imports, and 16% of LPG imports. On the export side, it ranks 10th globally with a 2% share of seaborne exports. However, its share of the newbuilding market is a mere 0.1% (based on delivery figures in 2025).

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Performance

(%)	1W	3M	YTD
KSOE	4.2	7.7	96.7
HD Hyundai Heavy	8.0	11.6	97.9
Samsung Heavy	2.7	19.8	133.2
Hanwha Ocean	2.6	0.7	205.2
HD Hyundai Mipo	0.0	11.6	66.2
HD Hyundai Electric	3.8	45.4	126.4
HD Hyundai CE	12.1	14.3	84.9
HD Hyundai	-0.2	40.4	163.3
HD Hyundai Infracore	13.7	10.0	146.4
Doosan Bobcat	4.2	14.9	48.7
KAI	8.5	16.6	110.6
LIG Nex1	2.1	-24.2	73.2
Hanwha Aerospace	7.1	-5.0	196.1
Hyosung Heavy	-1.7	36.4	401.5
LS Electric	-1.2	60.4	215.3

Valuation summary

(x, %)	P/B	P/E	ROE
KSOE	2.5	14.0	18.8
HD Hyundai Heavy	7.4	34.6	23.4
Samsung Heavy	5.3	37.0	15.3
Hanwha Ocean	6.2	39.8	16.7
HD Hyundai Mipo	3.8	25.0	16.3
HD Hyundai Electric	15.7	44.5	40.2
HD Hyundai CE	1.1	17.4	6.3
HD Hyundai	1.8	16.5	11.0
HD Hyundai Infracore	1.6	18.8	8.8
Doosan Bobcat	0.8	13.9	6.1
KAI	6.1	52.3	12.1
LIG Nex1	5.8	28.0	22.5
Hanwha Aerospace	5.1	36.1	18.5
Hyosung Heavy	7.8	37.9	22.7
LS Electric	7.4	52.6	14.9

Note: 2025 estimates
Source: Samsung Securities estimates

Third, the Indian government has committed to supporting the project, which suggests the investment burden may be lower than anticipated. The Indian government is currently advancing the *Maritime Amrit Kaal Vision 2047*, a plan that aims to develop India into a global top-10 nation in new shipbuilding and repair by 2030, and further become one of the world's top-5 shipbuilding and maritime powers by 2047. To achieve this, it intends to order over 1,000 merchant and naval vessels over the next decade and invest approximately USD24b in the shipbuilding and maritime industries.

Industry news

HJ Shipbuilding secures first US Navy vessel MRO contract: HJ Shipbuilding & Construction signed a mid-life maintenance contract with the US Naval Supply Systems Command (NAVSUP) for a 40,000-tonne combat support vessel. This marks the company's first MRO contract for a US Navy logistics support vessel. Under the project, maintenance work will begin at the quay in Jan 2026, with delivery to the US Navy scheduled for end-March.

HD Hyundai signs LOI with NYK for up to eight LNG carriers: HD Hyundai Heavy Industries has signed a letter of intent (LOI) with Japanese shipping company NYK for LNG carrier construction. The LOI reportedly covers a firm order for four vessels and includes options for an additional four.

Hanwha Aerospace proposes 80% local production for Romania IFV program: Hanwha Aerospace proposed 80% local production for Romania's infantry fighting vehicle (IFV) program, significantly exceeding the 65% minimum local content requirement under Europe's Security Action for Europe (SAFE) regulations. The project is currently contested between Hanwha Aerospace's Redback and Germany's Lynx KF41. Hanwha Group plans to use Romania as a strategic foothold for expanding into the European defense market.

Peru to import Korean-made main battle tanks: Korea has signed a framework agreement to supply ground combat systems to the Peruvian Army. The agreement reportedly includes 54 K2 main battle tanks and 141 wheeled armored vehicles. If execution contracts are finalized, this would represent the largest export deal for Korean ground systems in Latin America.

LIG Nex1 awarded mid-range surface-to-air missile development contract: LIG Nex1 signed a KRW217b contract with the Agency for Defense Development for the development of a mid-range surface-to-air missile (M-SAM, Block III) system. The project, led by the Agency for Defense Development, aims to enhance the performance of the existing Cheongung II system, with completion targeted for 2030.

US DoD says Korea committed to taking a leading role in conventional defense: The US Secretary of Defense cited Korea, Israel, Germany, Poland, and the Baltic states as model allies that have responded positively to US calls for increased defense spending. The secretary also stated that Korea has committed to taking a leading role in conventional defense. This was further reaffirmed at the 5th Nuclear Consultative Group (NCG) meeting, where Korea's leadership in the conventional defense of the Korean Peninsula was explicitly stated.

Uncertainty still surrounds KDDX program: Uncertainty over the selection of the prime contractor for the KDDX program remains, including whether the contract will be awarded through sole-source negotiation or competitive bidding, as well as whether the project will be pursued by a single contractor or through joint development. Media reports suggest the design approach may be decided at the Defense Acquisition Program Committee meeting on Dec 22.

Australia approves Hanwha Aerospace's stake increase in Austal: The Australian government has approved Hanwha Group's acquisition of up to 19.9% of Austal, making the group the largest shareholder. However, it is reported that the Australian government will not approve stake increases beyond 19.9%, and Hanwha Group has no intention of acquiring management control. The stake increase enables closer cooperation with Austal's US shipyards.

Hanwha Ocean equalizes performance bonuses for subcontractor workers: Hanwha Ocean has decided to pay performance bonuses to subcontractor workers at the same rate as those paid to in-house employees, benefiting approximately 15,000 subcontractor workers. The Geoje Chamber of Commerce welcomed the decision, while the Dong-gu District Office in Ulsan issued a statement calling on HD Hyundai Heavy Industries to adopt a similar bonus policy for its subcontractors.

Shipbuilding weekly indices

	This week	A week ago		Vs end-2024	
	Dec 12, 2025	Dec 5, 2025	Chg (%)	End-2024	Chg (%)
New building prices (USDm)					
Overall (indexed)	184.6	184.4	0.1	189.2	-2.4
Bulkers (Capesize)	74.5	74.0	0.7	76.0	-2.0
Tankers (VLCC)	128.0	127.5	0.4	129.0	-0.8
Tankers (51,000 DWT PCs)	49.0	48.5	1.0	52.0	-5.8
Containerships (22,000 TEU)	236.0	236.0	0.0	244.0	-3.3
Containerships (13,000 TEU)	146.0	146.0	0.0	153.0	-4.6
LNG carriers (174,000m³)	248.0	248.0	0.0	260.0	-4.6
Secondhand prices (USDm)*					
Overall	190.0	191.0	-0.5	176.0	8.0
Bulkers (Capesize)	66.0	66.0	0.0	62.0	6.5
Tankers (VLCC)	118.0	118.0	0.0	114.0	3.5
Tankers (51,000 DWT PCs)	43.0	43.0	0.0	42.0	2.4
Daily charter rates (USD)**					
Bulkers (Capesize, eco)	25,150	26,725	-5.9	18,500	35.9
Bulkers (Capesize, non-eco)	24,150	24,475	-1.3	17,500	38.0
Tankers (VLCC, eco)	64,250	64,250	0.0	41,000	56.7
Tankers (VLCC, non-eco)	58,000	58,000	0.0	37,250	55.7
Freight rate index					
ClarkSea Index (USD/day)	32,590	33,706	-3.3	21,965	48.4
BDI	2,205	2,727	-19.1	997	121.2
WS (based on Saudi route)	130	130	0.0	40	225.0
CCFI	1,118	1,115	0.3	1,515	-26.2
SCFI	1,506	1,397	7.8	2,460	-38.8
Energy prices***					
Natural gas (USD/mil BTU)	4.1	5.2	-21.8	3.4	19.4
Oil (USD/bbl)	57.4	60.1	-4.4	71.7	-19.9
MGO-HSFO (USD/tonne)	296.0	304.8	-2.9	205.5	44.0
VLSFO-HSFO (USD/tonne)	80.5	84.8	-5.0	87.0	-7.5

Note: *Based on 5-year-old vessels
**1-year charters
***based on WTI spot (oil) and Henry Hub (natural gas) prices
Source: Clarksons, Bloomberg, Samsung Securities

Share performances and valuations

Shipbuilding: Share performance and valuations

(%)	Share performance				2025 valuation		
	1 week	1 month	3 months	Ytd	P/B (x)	P/E (x)	ROE
HD KSOE*	4.2	4.9	7.7	96.7	2.5	14.0	18.8
HD Hyundai Heavy Industries*	8.0	5.8	11.6	97.9	7.4	34.6	23.4
Samsung Heavy Industries*	2.7	-0.2	19.8	133.2	5.3	37.0	15.3
Hanwha Ocean*	2.6	-9.9	0.7	205.2	6.2	39.8	16.7
HD Hyundai Mipo*	0.0	4.9	11.6	66.2	3.8	25.0	16.3
Yangzijiang	0.0	0.0	0.0	6.0	n/a	n/a	n/a
CSSC Holdings	1.7	2.6	9.4	16.7	2.4	9.0	28.5
COMEC	1.3	-0.7	-10.0	-4.9	2.4	24.1	15.3
ST Engineering	-2.0	11.1	8.1	23.5	n/a	42.4	5.2
Sembcorp	2.1	0.6	n/a	79.0	8.8	31.8	29.0
Mitsubishi	0.5	-1.4	-9.4	2.9	1.1	22.9	5.0
Kawasaki	1.8	-3.9	8.9	87.0	5.7	51.8	11.4

Note: *Samsung Securities estimates
Source: Bloomberg, Samsung Securities estimates

Machinery: Share performance and valuations

(%)	Share performance				2025 valuation		
	1 week	1 month	3 months	Ytd	P/B (x)	P/E (x)	ROE
HD Hyundai Electric*	3.8	1.5	45.4	126.4	15.7	44.5	40.2
HD Hyundai Construction Equipment*	12.1	16.2	14.3	84.9	1.1	17.4	6.3
HD Hyundai*	-0.2	-7.3	40.4	163.3	1.8	16.5	11.0
HD Hyundai Infracore*	13.7	20.2	10.0	146.4	1.6	18.8	8.8
Doosan Bobcat*	4.2	5.8	14.9	48.7	0.8	13.9	6.1
KAI*	8.5	11.2	16.6	110.6	6.1	52.3	12.1
LIG Nex1*	2.1	-5.7	-24.2	73.2	5.8	28.0	22.5
Hanwha Aerospace*	7.1	-1.0	-5.0	196.1	5.1	36.1	18.5
Hyosung Heavy*	-1.7	-12.1	36.4	401.5	7.8	37.9	22.7
LS Electric*	-1.2	2.7	60.4	215.3	7.4	52.6	14.9
Lockheed Martin	6.2	5.1	1.9	-1.2	7.5	52.2	14.9
Raytheon	4.4	0.5	14.6	54.4	18.7	21.7	86.1
Siemens	1.5	-5.3	3.7	25.7	3.7	28.8	13.2
Caterpillar	-0.9	4.3	38.6	64.8	3.2	20.6	16.4
Komatsu	-1.2	-3.8	-3.2	16.3	15.1	32.1	50.5
Kubota	0.9	7.5	24.0	23.5	1.5	11.9	12.6

Note: *Samsung Securities estimates
Source: Bloomberg, Samsung Securities estimates

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SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

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**For more information,
please call our sales representatives:**

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao
Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953

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