

Company Overview

Established in 1998, Landmark Cars Limited is engaged in the automotive retail business in India, focusing on the premium and luxury automobile segment. The company has dealerships for Mercedes-Benz, Honda, Jeep, Volkswagen, and Renault along with the dealership of Ashok Leyland for selling commercial vehicles. The company operates in all the business verticals of the automotive retail value chain viz. sales of new vehicles, after-sales services and repairs which include the sale of spare parts, lubricants, accessories etc., and sales of pre-owned passenger vehicles and facilitation of the sales of third-party financial and insurance products. As on June 30, 2022, the company had a total of 112 outlets, comprising of 59 sales showrooms and 53 after-sales service and spares, spread across 32 cities in eight states and union territories including Maharashtra, Uttar Pradesh, Gujarat, Haryana, Madhya Pradesh, Punjab, West Bengal and the National Capital Territory of Delhi (NCR region). According to a CRISIL Report (September 2022), these states and union territories constituted approximately 51% of Indian vehicle demand in FY2022. For the three months ended June 30, 2022, the company's new vehicles sales stood at 5,398 units which comprised around 73.3% of total revenues, while it serviced 72,521 units which constituted around 20.6% of total revenues. The company is foraying into the EV sales space and has signed a letter of intent with BYD, a leading player in the global EV market, for dealerships in the NCR region and Mumbai. The company also has ownership in Chatpay Commerce Pvt. Ltd. (Pitstop) that provides training to technicians for multi-brand car service and repairs and Sheerdrive Pvt. Ltd. that focuses on digitalizing used car transactions at new car dealerships using its SaaS platform.

Objects of the issue

The objects of the net fresh issue is to raise funds for:

- ⇒ Pre-payment, in full or in part, of borrowings availed by the company's subsidiaries.
- ⇒ General corporate purposes.

Investment Rationale

Market leadership in the Indian car dealership market along with longstanding relationships with OEMs offers significant competitive advantage

For FY2022, the company was the top dealer for Mercedes-Benz in terms of retail sales, and Jeep and Honda in terms of wholesale sales. The company contributed about 15.8% to the total Mercedes-Benz retail sales in India, having sold 1 out of every 6 vehicles of the brand in India. For CY2021, the company was the top contributor to Volkswagen retail sales and was the third largest dealership in India for Renault in terms of wholesale sales contribution. The company also has longstanding relationships with its OEM partners, providing multiple competitive advantages over other players in similar category like ease in expanding to new cities, infrastructure and manpower sharing across brands, etc. The company also leverages its relationships with OEMs to expand across business verticals of the retail automotive business and to execute large-scale marketing campaigns. Additionally, the premium and luxury car market is expected to grow at a CAGR of 10-12% and 14-16%, respectively, over FY2022-27 period, benefitting the company as these segments are the company's key focus areas.

Robust after-sales business coupled with focused expansion plans likely to aid margins

The company has a growing presence in the after-sales market, having 53 service and repair outlets across geographies in India. The after-sales services and repairs segment provides a stable revenue pipeline to the company, forming approximately 19.7% of total revenues for FY2022, with an EBITDA margin of around 18.2%. For FY2022, the company serviced an average of 14 vehicles for each new vehicle sold, earning about Rs. 21,030 for every vehicle serviced. Furthermore, OEM's warranty and service programs bundled with vehicle sales create significant barriers of entry for new players, as warranty work is generally to be performed at authorized service centers. Additionally, the company also benefits from the sale of spare parts to local unorganised garages. The company further wants to expand and enhance its high-margin services and repairs business through capacity addition and technological advancements in the business vertical.

Valuation and Outlook

The Indian automobile industry is experiencing healthy growth due to a rise in income levels and favourable economic growth. The luxury and premium passenger vehicle market is gathering traction in recent times with an increased demand for pricier UVs, easier availability of credit and increased disposable incomes, providing Landmark Cars with a great potential to expand further. The company has a strong presence in states where demand for premium and luxury vehicles is strong compared to other market segments. However, any restrictions or adverse covenants imposed by OEMs along with the possibility of non-renewal of agreements by OEMs could adversely affect the company's business. On the upper end of the price band, the issue is valued at a P/E of 29x based on FY2022 earnings which we believe is richly valued. We, therefore, have a cautious view and recommend "AVOID" to the IPO.

Issue Details	
Offer Period	13 th Dec - 15 nd Dec, 2022
Price Band	INR.481 to INR.506
Bid Lot	29
Listing	BSE & NSE
Issue Size (no. of shares in mn)	11.47/10.91
Issue Size (INR. in bn)	5.52
Face Value	5

Issue Structure	
QIB	50%
NIB	15%
Retail	35%
BRLM	Axis Capital Limited ICICI Securities Limited
Registrar	Link Intime India Private Limited

Particulars	Pre Issue %	Post Issue
Promoters	41.38%	38.28%
Promoter Group	18.86%	16.95%
Public-Investor Selling S/H	29.70%	11.26%
Public- Others Selling S/H	6.76%	2.91%
Public-Other	3.30%	30.61%
Total	100%	100%

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Landmark Cars Ltd.

Income Statement (Rs in million)

Particulars	June 30 2022	FY22	FY21	FY20
Revenue				
Revenue from Operations	8,003	29,765	19,561	22,186
Total Revenue	8,003	29,765	19,561	22,186
Expenses				
Cost of Materials Consumed	-	-	-	-
Purchases of Stock in Trade	7,143	25,528	17,104	17,808
Change in inventory of Stock-in-Trade	(526)	(411)	(631)	1,140
Employee benefit expenses	450	1,532	1,077	1,367
Other expenses	424	1,369	912	1,141
Total Operating Expenses	7,491	28,018	18,463	21,457
EBITDA	512	1,747	1,098	729
Depreciation and amortisation expense	208	698	625	630
Other income	16	126	102	103
EBIT	320	1,175	576	202
Finance costs	123	352	378	449
Exceptional Item	-	-	-	-
PBT	197	823	198	(246)
Current tax	59	169	103	13
Deferred Tax charge	(43)	(8)	(17)	30
MAT Credit reversed/(availed)	-	-	-	-
Total tax	15	161	86	43
PAT	181	662	111	(289)
Diluted EPS	4.7	17.5	3.1	(7.8)

Source: RHP, BP Equities Research

Cash Flow Statement (Rs in million)

Particulars	June 30 2022	FY22	FY21	FY20
Cash Flow from operating activities	(646)	764	428	2,097
Cash flow from investing activities	(433)	(339)	(220)	(659)
Cash flow from financing activities	1,213	(375)	(334)	(1,483)
Net increase/(decrease) in cash and cash equivalents	134	50	(127)	(45)
Cash and cash equivalents at the beginning of the period	200	150	277	322
Cash and cash equivalents at the end of the period	335	200	150	277

Source: RHP, BP Equities Research



Landmark Cars Ltd.

Balance Sheet (Rs in million)

Particulars	June 30 2022	FY22	FY21	FY20
Equity and Liabilities				
Share Capital	183	183	183	183
Other Equity	2,500	2,286	1,635	1,508
Total equity attributable to equity holders of the parent	2,683	2,469	1,818	1,691
Non-Controlling Interest	16	13	6	8
Total equity	2,699	2,482	1,824	1,699
Financial Liabilities				
Borrowings	454	454	488	526
Lease liabilities	1,835	1,864	1,028	1,233
Deferred tax liabilities	14	6	9	14
Other non-current liabilities	130	92	72	46
Total Non Current Liabilities	2,435	2,415	1,597	1,819
Current Liabilities				
Borrowings	3,513	2,008	1,603	1,274
Vehicles floor plan payable	676	623	1,184	1,779
Lease liabilities	449	432	331	238
Trade Payables				
(a) total outstanding dues of micro enterprises and small enterprises	28	24	15	14
(a) total outstanding dues of creditors other than micro enterprises and small enterprises	1,019	1,425	987	543
Other Financial Liabilities	216	347	50	70
Other current liabilities	1,029	1,082	1,225	873
Current tax liabilities	29	15	63	7
Total Current Liabilities	6,960	5,956	5,458	4,799
Total liabilities	9,395	8,371	7,055	6,619
Total Equity and Liabilities	12,094	10,854	8,879	8,318
Assets				
Property, plant and equipment	2,136	2,146	1,901	2,114
Right-of-Use assets	2,063	2,089	1,096	1,311
Capital work in Progress	85	38	7	0
Goodwill	478	478	232	232
Other Intangible Assets	242	260	32	45
Intangible Assets under development	9	9	9	6
Investments	211	165	130	80
Loans and Advances	-	-	-	309
Other Financial Assets	185	150	126	148
Current Tax Assets	-	-	27	56
Deferred tax assets	102	60	57	49
Other non-current assets	32	18	21	6
Total Non current assets	5,543	5,414	3,636	4,356
Inventories	3,858	3,299	2,888	2,258
Financial Assets				
Investments	-	-	-	23
Trade Receivables	842	642	558	236
Cash and cash equivalents	335	200	150	277
Other Bank Balances	125	100	77	56
Loans and Advances	502	334	563	149
Other Financial Assets	309	284	276	289
Current Tax (net)	53	63	14	31
Other current assets	526	518	716	643
Total Current Asset	6,551	5,440	5,243	3,962
Total Assets	12,094	10,854	8,879	8,318

Source: RHP, BP Equities Research

Key Risks

- ⇒ The company is subject to significant influence and restrictions imposed by OEMs.
- ⇒ The company's success depends on the value, perception, marketing, and overall competitiveness of its OEMs and failure of the brands to compete in India could materially affect the company's business.
- ⇒ The company is heavily reliant on the renewal or modifications of contracts by the OEMs.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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