



SMC Ranking
 ★★☆☆☆ (2/5)

Issue Highlights

Industry	Automobile
Offer for sale (Shares)	79,44,644
Fresh Issue (Shares)	29,64,427
Net Offer to the Public	1,09,09,071
Issue Size (Rs. Cr.)	525-552
Price Band (Rs.)	481-506
Employee discount	Rs.48
Offer Date	13-Dec-22
Close Date	15-Dec-22
Face Value	5
Lot Size	29

Issue Composition

	In shares
Total Issue for Sale	1,09,09,071
QIB	54,54,536
NIB	16,36,361
Retail	38,18,175

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	60.24%	51.88%
QIB	29.70%	25.03%
NIB	3.99%	7.83%
Retail	6.07%	15.26%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The Company proposes to utilise the Net Proceeds from the Fresh Issue towards funding the following objects:

- Repayment/pre-payment, in full or in part, of certain borrowings availed by the Company and Subsidiaries.
- General corporate purposes.

About the company

Incorporated in 1998, Landmark Cars Limited is the leading premium automotive retail business in India with dealerships for Mercedes-Benz, Honda, Jeep, Volkswagen and Renault. The company also caters to the commercial vehicle retail business of Ashok Leyland in India. Landmark Cars offers services such as sales of new vehicles, after-sales service and repairs (including sales of spare parts, lubricants and accessories), sales of pre-owned passenger vehicles and facilitation of the sales of third-party finance and insurance products. The company has expanded the network to include 112 outlets in 8 Indian states, comprised of 61 sales showrooms and outlets and 51 after-sales services and spare outlets, as of September 30, 2021. Landmark Cars Limited vehicle dealership network is spread across 31 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. The company operates as an authorized service centre for Mercedes-Benz, Honda, Volkswagen, Jeep, Renault and Ashok Leyland. Landmark Cars Ltd also provides after-sales service and repairs through 51 after-sales services and spare outlets, as of September 30, 2021.

Strength

Leading automotive dealership for major OEMs with a strong focus on high growth segments: The company is a leading automotive dealership for major OEMs with a strong focus on high growth segments. In FY 2022, the company contributed 15.8% to retail sales of Mercedes Benz, 5.8% to wholesale sales of Honda, 8.7% to wholesale sales of Volkswagen, 26.8% to wholesale sales of Jeep and 5.1% to wholesale sales of Renault.

Growing presence in after-sales segment leading predictable growth in revenues and superior margins: The company has a track record of delivering strong financial performance, its consolidated revenue, in the three months ended June 30, 2022, and FYs 2022, 2021 and 2020, was Rs 801.90 crore, Rs 2989.11 crore, Rs 1966.34 crore and Rs 2228.93 crore, respectively. Revenue grew at a CAGR rate of 15.8% from FY2020 to FY2022. The company's longstanding relationships with its OEM partners offers advantages like sharing infrastructure and manpower across brands to increase margins and expanding business into new cities and geographies. The company is growing its presence in after-sales segment, which contributes to higher-margin revenues.

Comprehensive business model capturing entire customer value-chain: The company's business caters to the entire customer value-chain including retailing new vehicles, servicing and repairing vehicles, selling spare parts, lubricants, and other products, selling pre-owned passenger vehicles and the distribution of third party financial and insurance products. The company benefits from the synergies of these complementary businesses as well as increased customer retention from servicing its customer's various automotive needs.

Robust business processes leveraging technological innovation and digitalization: The company has established robust business processes, which assists it in reducing costs and increasing efficiency as well as ensuring faster operationalization of new facilities. The company has established processes for operationalizing new outlets including purchasing inventory, selecting and leasing premises and hiring sales and technical personnel. The company's online presence help lead generation for new vehicle sales by allowing customers to book test drives and appointments with sales agents and to provide a convenient platform to book service appointments.

Book Running Lead Manager

- Axis Capital Limited
- ICICI Securities Limited

Name of the registrar

- Link Intime India Private Limited

Strategy

Continue expansion focusing on high growth segments and brands: The overall passenger vehicles sales (mass market and premium market) expect to grow at a CAGR of 8-10% from Fiscal 2022 to Fiscal 2027 and reach approximately 4.6-4.8 million units by Fiscal 2027. Landmark intends to focus on expanding its business in high growth segments like premium and luxury passenger vehicles including UVs as well as electric vehicles. The company also plans to leverage its relationships with the OEMs to expand geographically to achieve economies of scale.

Expand after-sales service business: Its strategy is to expand its after-sales service offering in order to cater to additional customers and further enhance its higher-margin service and repair revenues. In that regard, the company will continue to explore with its OEM dealership partners the possibility of adding service workshops and additional authorized service centers in the markets in which it operates.

Build the pre-owned passenger vehicle business leveraging the experience, technology and network: The sale of pre-owned cars facilitates trade-ins by customers and, thereby, assists sales of new vehicles. The company looks to capture the expected growth in this segment. Increased need for personal mobility, rising aspirations of customers, growing disposable income, lowering replacement cycles and increasing financial penetration will drive the growth in the pre-owned passenger vehicle segment.

Continue to invest in technology and digitalizing sales and service channels: The Company intends to continue to invest in IT systems to enhance process efficiencies and to support sales, inventory control, aftersales service, financial control and customer interaction. Building digital footprint is a strategic priority. The company aims to be a leading omnichannel premium automotive retail business through the use of technology, which it believes will help us scale more quickly and efficiently.

Continue strategic acquisitions to expand geographic reach in premium and luxury brands: The company will continue to seek to acquire dealerships to expand its geographic reach in premium and luxury automotive brands which may or may not be part of its existing portfolio. In particular, it is looking to expand its dealership network in fast growing demographic areas with a growing upper-middle class to which it can market its premium and luxury brands. It is focused on identifying dealership acquisition targets that will not only benefit from its management expertise, strong OEM relations and the scale of its operations, but also provide it with a competitive advantage in terms of operating independently in an area which leads to improved margin retention in sales as well as improved customer retention.

Risk factor

- The company is subject to the significant influence and restrictions imposed by OEMs.
- The company's operations are subject to various governmental laws and regulations and certain state specific notifications and guidelines.
- Automobile retailing is a highly competitive business.
- Any closure of the company's outlets and service centers may result in a reduction of revenue.

Peer comparison

There are no listed companies in India that engage in a business similar to that of our Company. Accordingly, it is not possible to provide an industry comparison in relation to our Company.

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.506, the stock is priced at pre issue P/E of 28x on FY22 EPS of Rs.18.07. Post issue, the stock is priced at a P/E of 30.27x on its EPS of Rs.16.72. Looking at the P/B ratio at Rs.506, pre issue, book value of Rs. 67.78 of P/Bvx 7.47x. Post issue, book value of Rs.98.72 of P/Bvx 5.13x.

Considering the P/E valuation, on the lower end of the price band of Rs.481, the stock is priced at pre issue P/E of 26.62x on FY22 EPS of Rs.18.07. Post issue, the stock is priced at a P/E of 28.77x on its EPS of Rs.16.72. Looking at the P/B ratio at Rs.481, pre issue, book value of Rs. 67.78 of P/Bvx 7.10x. Post issue, book value of Rs.98.72of P/Bvx 4.87x.

Industry Outlook

Dealerships forms an intrinsic part of the automobile sector playing the role of an intermediary between the customers and the manufacturers. It also plays a key role in the aftermarket space by providing maintenance services and supplying spares/automotive parts as well as accessories. As of Fiscal 2022, there were around 17,000 dealerships with nearly 28,000 touchpoints across India catering to customers of 2-wheelers, passenger vehicles, CVs, 3-wheelers, and tractors. 2-wheelers dominate the number of dealerships with nearly 60% share, followed by the passenger vehicles segment with approximately 15% share and CVs forming another 8-10%. The remaining is formed by 3-wheelers and tractor dealers. Presence of 3-wheelers and tractor distributorships is relatively limited. Dealers normally have 3 types of outlets: sales-service-spares (3S), only sales (1S), and only workshops. Most large dealers have multiple outlets or touch points with a few 3S outlets and many workshops / service stations across the city. Currently, there are only a handful of very large dealerships in India with more than 100 outlets and a presence across 4-5 states in India. Compared with global dealership giants such as Penske Automotive (approximately 320 outlets across the United States and United Kingdom), Autonation (more than 320 outlets across the United States), Group 1 automotive (approximately 185 outlets across the United States, United Kingdom, and Brazil) and Zhongsheng Group Holding (386 outlets across China), Indian dealerships are still in the development stages with significant room for expansion.

Outlook

Landmarks Cars Ltd is the leading automotive dealership for major OEMs with a strong focus on high growth segments. It is generating predictable growth in after sales segment. The company generated strong revenue growth in the last 3 years. However, it has incurred losses in FY20. Besides, a large portion of its business operations is concentrated in the states of Gujarat and Maharashtra. Considering both positive and negative factors, an investor with high risk appetite may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
IPO Opening Date	13-Dec-22
IPO Closing Date	15-Dec-22
Basis of Allotment	20-Dec-22
Initiation of Refunds	21-Dec-22
Credit of Shares to Demat	22-Dec-22
IPO Listing Date	23-Dec-22

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-June-22 (6 Months)	Period ended 31-Mar-22 (12 Months)	Period ended 31-Mar-21 (12 Months)
Revenue from operations	800.27	2976.52	1956.10
Total expenditure	749.07	2801.84	1846.28
Operating Profit	51.20	174.69	109.82
OPM%	6.40	5.87	5.61
Other Income	1.63	12.59	10.24
PBDIT	52.83	187.28	120.06
Depreciation	20.83	69.79	62.48
PBIT	32.00	117.49	57.59
Interest	12.33	35.22	37.81
Restated Profit before tax	19.67	82.27	19.78
Exceptional item	0.00	0.00	0.00
Profit & Loss before Share of Post-acquisition Profit of Associate	19.67	82.27	19.78
tax	1.53	16.09	8.63
PAT	18.14	66.18	11.15

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-22	As on 31-Mar-22	As on 31-Mar-21
Non-current assets			
Property, plant and equipment	213.62	214.62	190.10
Right of use assets	206.31	208.91	109.55
capital work - in progress	8.49	3.83	0.68
Goodwill	47.84	47.84	23.17
Other intangible assets	24.17	26.00	3.17
Intangible asset under development	0.91	0.91	0.90
Investment financial assets	21.06	16.51	12.97
Loans Financial assets	0.00	0.00	0.00
Other financial assets	18.50	14.98	12.55
Current tax assets (Net)	0.00	0.00	2.74
Deferred tax assets	10.22	5.98	5.67
Other non current assets	3.16	1.83	2.13
Total non-current assets	554.27	541.39	363.63
Current assets			
Inventories	385.80	329.92	288.82
Investments	0.00	0.00	0.00
Trade receivables	84.24	64.16	55.78
Cash and cash equivalents	33.47	20.01	15.03
other balances with banks	12.51	9.98	7.69
Derivative instruments	0.00	0.00	0.00
Loans	50.18	33.43	56.34
Other Financial assets	30.94	28.39	27.60
Other current assets	52.65	51.84	71.58
Current tax assets (Net)	5.33	6.25	1.42
Total current assets	655.10	543.99	524.27
Total Assets	1209.37	1085.38	887.90
Non-current liabilities			
Financial liabilities			
Borrowings	45.45	45.36	48.77
Lease liabilities	183.54	186.36	102.84
deferred tax liabilities	1.44	0.58	0.87
Other non current liabilities	13.03	9.25	7.25
Total financial liabilities	243.45	241.55	159.71
Current liabilities			
Borrowings	351.34	200.79	160.33
lease liabilities	44.90	43.24	33.13
Vehicle floor plan payable	67.58	62.34	118.35
Trade Payable - MSME	2.78	2.36	1.51
Other than micro and small enterprises	101.94	142.51	98.73
Other Financial Liabilities	21.58	34.67	4.98
Other liabilities	102.95	108.21	122.52
Current tax liabilities	2.95	1.48	6.26
Total current liabilities	696.02	595.59	545.80
Total	939.47	837.14	705.51
NET Worth	269.90	248.25	182.38
Net worth represented by:			
Share capital	18.31	18.31	18.31
Other Equity	249.95	228.63	163.46
Non Controlling Interest	1.63	1.31	0.60
Net Worth	269.90	248.25	182.38

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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