



Company Overview

Incorporated in February 1996, ECOS Mobility and Hospitality Ltd. is a chauffeur driven car rental service provider in India. It is the largest and most profitable chauffeur driven mobility service provider in India as of March 2023. The company is primarily engaged in providing chauffeured car rentals (CCR) and employee transportation services (ETS). For more than 25 years, it has been delivering these services to corporate clients, including Fortune 500 companies in India. The two services that the company provides, work on different models. The CCR segment is a B2B2C business, where the customers are the corporate organization, and the end consumer is an employee, client, guest or visitor of the organization. In the ETS segment, the company offers customers with solutions to manage their employee home-office-home ground transportation. The company has a deep rooted and widespread footprint, which is highlighted by their comprehensive network, spread across 109 cities in India, spanning 21 states and 4 union territories. In FY24, the company made a total of 3,100,000 trips, average of 8,400+ trips per day through its CCR and ETS segments. The company also has an extensive global reach, servicing in over 30 countries. The company operates a fleet of more than 12,000 economy to luxury cars, mini vans, luxury coaches, etc. The company also provides specialty vehicles such as luggage vans, limousines, vintage cars and vehicles for accessible transportation for people with disability. The company operates its fleet on an asset light model, where the company strives to keep the number of vehicles they own in their fleet significantly lower than the vehicles which are sourced from its vendors. As of FY24, the company has successfully been able to reduce the number of vehicles they own, which is at 5.8% of all the vehicles they own, vs 10.5% in FY23. Out of the 109 cities where it operates, 97 cities are conducted through vendors. The company has integrated technology into their services by creating custom online booking tools and mobile applications for customers and chauffeurs. ECOS maintains a wide customer base, which consists of Inter-Globe Aviation, HCL Corporation, Deloitte Consulting India, Urbanclap Technologies, IndusInd Bank, HDFC Life Insurance Company, etc.

Objects of the issue

⇒ The company will not receive any proceeds as 100% of the issue is Offer for Sale (OFS).

Investment Rationale

Long-standing customer relationships and established brand presence through operational excellence

ECOS, through its two and half decades of operational experience, has been able to establish a sustaining and long-term relationship with customers across industries. The company has an average contract age of 3-4 years with its customers. The company also boasts a robust customer retention rate of 89.8%, highlighting the company's ability to meet customer requirements consistently. Their vehicles are equipped with top-tier amenities and driven by professionally trained and verified chauffeurs. The company provides dedicated account managers as a single point of contact for all corporate mobility needs, supported by 24/7 customer care. Their commitment to high safety and hygiene standards, rigorous fleet quality checks, and seamless technology integration has strengthened their brand in the chauffeur-driven mobility sector. This high-quality service has established their brand with minimal advertising expenditure. The company also maintains healthy relationships with its vendors and can be primarily attributed to its timely payments, incentives, consistent business and opportunity to work with good customer profile. Owing to the operational efficiency of the company, their customers benefit from the dual offerings of CCR and ETS, which together provide a comprehensive solution for corporate transportation needs. CCR and ETS significantly benefit from targeting two distinct segments while sharing the same systems and administrative infrastructure.

Integrated technology ecosystem enabling operational superiority

The company is dedicated to achieving seamless integrations between its front-end applications and back-end systems. Their emphasis on proprietary technology has allowed them to better manage their service offerings and enhance operational efficiencies by integrating service functions, thereby ensuring accuracy, reliability, and promptness in their operations. The outsourced technology team follows a structured approach to innovation and problem-solving, which has contributed to their ability

Issue Details

Offer Period	28th August, 2024 - 30th August, 2024
Price Band	Rs. 318 to Rs. 334
Bid Lot	44
Listing	BSE & NSE
Issue Size (no. of shares in mn)	18.0
Issue Size (Rs. in bn)	6.0
Face Value (Rs.)	2

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM Link Intime India Pvt Ltd

Registrar Equirus Capital Pvt Ltd, IIFL Securities Ltd

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	97.5%	67.8%
Public	2.5%	32.2%
Total	100.0	100.0

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

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to build a large customer base, strengthen customer relationships, and enhance brand recognition. The outsourced technology team has developed a range of applications that the company utilizes, including: 1) Online Booking Tool: This customizable tool integrates with customers' travel desks through an API connection, allowing them to manage their CCR requirements efficiently. It facilitates the smooth transition of reservation data, contactless booking management, and quick access to booking and billing information. 2) Chauffeur Mobile Application: Designed for chauffeurs, this application aids in booking management and provides trip and route information. It also allows the company to monitor chauffeur performance and ensure adherence to quality standards. 3) Customer Mobile Application: This app handles all customer needs, including managing bookings and displaying chauffeur details as soon as a booking is confirmed. 4) CabDrive Pro: A recently launched full-stack corporate car hire management system, CabDrive Pro integrates with customers' mobile applications, chauffeurs' applications, and the RentNet application, the company's central transport management system. 5) RentNet Application: As an end-to-end transport management software, the RentNet application offers features such as live tracking through GPS, customizable solutions, and adjustments based on feedback and incidents. It manages reservations across all cities in India, while in ETS, a third-party technology approved by the client is used to execute trips. The corporate mobility industry is shifting towards a more organized market, with corporates favouring transparent billing, single vendors nationwide, quality services, and better pricing. With digitization offering improved efficiency, autonomy, and data-driven decision-making, the company is well-positioned to capitalize on these trends through technological advancements and secure customer applications.

Valuation

ECOS Mobility and Hospitality is primarily engaged in the business of providing CCR and ETS, catering to corporate clients, including Fortune 500 companies in India, for over 25 years. The CCR segment operates as a B2B2C business, serving corporate companies whose end consumers are their employees, visitors, or clients. Through the ETS segment, ECOS offers solutions for managing employee ground transportation. ECOS stands as the largest and most profitable chauffeur-driven mobility provider for corporates in India. ECOS's strong client relationships and high retention rate of 89.8% underscore its reliability and market position. Their integrated technology, including the Online Booking Tool and RentNet Application, boosts service efficiency and client satisfaction. As the industry embraces digital solutions, ECOS is well-positioned to leverage its operational excellence and advanced technology for continued growth and leadership. The market growth in the CCR and ETS segment is driven by the transition from remote work to in-office work, rise in corporate travel, expansion of office spaces and development of tier-II and tier-III cities as more corporates are willing to set up their offices in these cities owing to lower building and rental cost, enhanced mobility efficiency and greater transparency with vendor. These trends are favorable for ECOS, as the company is well-prepared to capitalize on these opportunities. The company aims to strengthen its market position by expanding into tier-II and tier-III cities, enhancing penetration in existing markets, leveraging technology for operational efficiency, and expanding globally to capitalize on future growth opportunities. The company's financials show robust growth over three fiscal years, with total revenue increasing from Rs. 1,473.4 million in FY22 to Rs. 5,544.1 million in FY24, reflecting a CAGR of approximately 94.0%. EBITDA and PAT also saw significant rise during FY2022-24 period, with CAGR of approximately 123.2% and 151.7%, respectively, to reach Rs. 899.6 million and Rs. 625.3 million. Due to the asset light model, the company is able to reduce the cost and liabilities associated with the ownership of fleets. ECOS's strong customer and vendor relationships, established brand presence, robust financial performance, and advanced technological ecosystem position the company favorably to capitalize on industry tailwinds. **On the upper price band, the issue is valued at a P/E of 32.1x based on FY24 earnings which we feel is fairly valued. We, thus, recommend a SUBSCRIBE rating to the issue from a medium to long term perspective.**

ECOS Mobility and Hospitality Ltd.

Key Risks

- ⇒ The company is measured against high-quality service standards and governed by the terms and conditions of their contracts with customers. Any failure to comply with these standards or terms may lead to cancellation of existing and future bookings, adversely affecting company's reputation, business operations, financial condition, and cash flows.
- ⇒ The company's business depends on its relationships with vendors who supply vehicles and chauffeurs to them, and any adverse changes in such relationships, or its inability to enter into new relationships, could adversely affect company's business and results of operations.
- ⇒ The company incurs significant expenditure towards its vendors and vehicle operation expenses. Any increase in factors affecting the pricing of the services provided by its vendors or cost of operating its vehicles may have an adverse impact on the company's business, financial conditions and results of operations.

ECOS Mobility and Hospitality Ltd.

Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Revenue			
Revenue from operations	1,473.4	4,226.8	5,544.1
Total revenue	1,473.4	4,226.8	5,544.1
Expenses			
Cost of service	962.9	2,924.0	3,886.5
Purchase of stock-in-trade	29.8	47.2	3.1
Changes in inventories of stock-in-trade	0.0	-3.0	0.9
Employee benefits expense	211.3	423.3	572.5
Other expenses	89.0	138.0	181.5
Total operating expenses	1,292.9	3,529.5	4,644.5
EBITDA	180.5	697.3	899.6
Depreciation & amortization	80.1	119.5	187.1
EBIT	100.5	577.7	712.5
Finance costs	12.7	22.4	27.3
PBT (Ops)	87.8	555.4	685.2
Other Income	42.1	27.5	137.9
PBT	129.9	582.9	823.2
Current Tax	28.2	145.8	193.4
Tax relating to earlier years	0.0	0.1	0.0
Deferred tax charge	3.0	1.1	4.5
Total tax	31.2	147.0	197.9
Net Profit	98.7	435.9	625.3
Diluted EPS	1.7	7.3	10.4

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Cash Flow from operating activities	216.8	255.8	889.4
Cash flow from/(used in) investing activities	-75.8	-467.4	-542.5
Net cash flows (used in) / from financing activities	-130.1	178.8	-107.6
Net increase/(decrease) in cash and cash equivalents	11.0	-32.8	239.3
Cash and cash equivalents at the beginning of the period	68.5	79.4	-46.0
Cash and cash equivalents at the end of the period	79.4	46.6	193.3

Source: RHP, BP Equities Research

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Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24
Non-Current Assets			
Property, plant and equipment	126.2	316.4	381.7
Right-of-use assets	6.0	49.4	75.6
Investment properties	15.1	15.1	3.9
Intangible assets	1.4	0.1	0.0
Intangible assest under development	0.0	0.8	8.0
Financial Assets			
(i) Investments	4.8	4.5	4.5
(ii) Other financial assets	7.4	87.6	51.0
Deferred tax assets (net)	32.6	31.6	27.9
Other non-current assets	0.3	2.8	2.5
Total Noncurrent assets	193.8	508.3	555.2
Current Assets			
Inventories	0.0	3.0	2.1
Financial Assets			
(i) Trade Receivables	213.7	653.3	710.6
(ii) Cash and Cash Equivalents	79.4	45.4	23.5
(iii) Other bank balances	52.4	13.6	40.5
(iv) Investments	292.1	408.4	891.7
(v) Loans	1.8	7.8	1.6
(vi) Other Financial Assets	190.5	443.9	548.4
Current tax assets (net)	37.5	0.0	12.3
Other current assets	61.4	212.7	179.8
Assets held-for-sale	1.2	0.6	0.9
Total Current Assets	930.1	1,788.8	2,411.4
Total Assets	1,123.8	2,297.1	2,966.6
Equity and Liabilities			
Equity Share Capital	0.6	0.6	120.0
Other equity	715.0	1150.7	1,654.1
Total Equity	715.6	1,151.3	1,774.1
Liabilities			
Non-Current Liabilities			
Financial Liabilities			
(i) Borrowings	0.8	146.7	59.8
(ii) Lease Liabilities	3.7	44.6	67.8
Provisions	21.2	28.5	37.0
Total Non-Current Liabilities	25.7	219.8	164.6
Current Liabilities			
Financial Liabilities			
(i) Borrowings	32.6	182.8	157.4
(ii) Lease Liabilities	3.3	7.3	12.7
(iii) Trade Payables	213.3	451.8	588.8
(iv) Other financial liabilities	91.7	193.1	192.5
Other current liabilities	34.5	68.9	61.1
Provisions	7.0	9.3	15.4
Current tax liabilities (net)	0.0	12.9	0.0
Total Current Liabilities	382.5	926.0	1,027.8
Total Liabilities	408.2	1,145.8	1,192.5
Total Equity and Liabilities	1,123.8	2,297.1	2,966.6

Source: RHP, BP Equities Research

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

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Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001
BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591
BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392