

ECOS (India) Mobility & Hospitality Limited

August 27, 2024



ECOS (India) Mobility & Hospitality is the largest and most profitable chauffeur-driven mobility provider to corporates in India, in terms of revenue from operations and profit after tax for FY23. The company is primarily engaged in providing chauffeured car rentals (CCR) and employee transportation services (ETS) and has been serving corporate customers, including Fortune 500 companies, for over 25 years. In FY24, it provided CCR and ETS to 42 Fortune 500 companies and 60 BSE 500 companies across 97 cities in India, operating through vendors. Its CCR segment follows a B2B2C model, where corporate companies are the clients, and the end consumers include employees, clients, guests, or visitors of these companies. Globally, the company addresses car rental needs through a network of vendors, offering CCR services in over 30 countries. It also provides self-drive cars in Delhi, Gurugram, Mumbai, and Bengaluru, as well as outside India through vendors. ECOS operates a fleet of over 12,000 vehicles, ranging from economy to luxury cars, mini-vans, luxury coaches, and specialty vehicles such as limousines, vintage cars, luggage vans, and accessible vehicles for people with disabilities. With a growing focus on premium vehicles, CCR bookings for premium vehicles increased from 60,979 bookings (28.53% of total) in FY22 to 168,261 bookings (35.46% of total) in FY24. Operating on an asset-light model, ECOS aims to keep its owned vehicle count significantly lower than those sourced from vendors.

Investment Rationale:

India's largest and most profitable chauffeur driven mobility company:

- ECOS is the largest and most profitable chauffeur-driven mobility provider to corporates in India, in terms of revenue from operations and PAT for FY24.
- ECOS is primarily engaged in the business of providing CCR and ETS and has been providing these services to corporate customers, including Fortune 500 and BSE 500 companies in India, for more than 25 years.
- Through owned vehicles and vehicles supplied by vendors, ECOS operates a fleet of more than 12,000 economy to luxury cars, minivans, and luxury coaches, covering economy vehicles, premium vehicles, and buses/vans.
- Its presence in 109 cities in India, large fleet size, and participation in both ETS and CCR position the company well to capitalize on the growth in the ETS and CCR markets.
- ECOS operates its fleet of vehicles on an asset-light model, striving to keep the number of vehicles it owns significantly lower than those sourced from vendors.

Expanding presence in Tier-II and Tier-III cities in India and increasing penetration in cities with existing operations:

- The management, through its expansion and intensification approach, intends to further expand and strengthen its footprint in key regions of India.
- By identifying emerging markets and assessing the unique needs of each location, ECOS has steadily grown its presence in the country.
- Tier-II and Tier-III cities are evolving into vibrant trade and tech hubs, driven by inclusive development initiatives, infrastructure funding, MSME growth, digital penetration, and poverty reduction schemes.

Expanding geographical footprint globally:

- ECOS also addresses the global CCR requirements of its corporate customers through a global network of vendors, enabling the company to provide services in over 30 countries.
- ECOS plans to focus on expanding its international presence by identifying key markets and industry segments that exhibit high demand, growth potential, and purchasing power, and prioritizing those markets.

Valuation and Outlook: The company has strategically positioned itself with a comprehensive geographical presence across India. Through its expansion and intensification approach, the management aims to further strengthen its footprint in key regions by identifying emerging markets and assessing the unique needs of each location. The company has expanded its presence in Tier-II and Tier-III cities, which are evolving into vibrant trade and tech hubs driven by inclusive development initiatives, infrastructure funding, MSME growth, digital penetration, and poverty reduction schemes. Going forward, the company plans to tap into this growing market by increasing revenue from existing customers and acquiring new customers, leveraging its market position, competitive pricing, quality services, and technological capabilities. The company reported revenues of INR 5544.11 million in FY24 which grew 31.17% YoY. ECOS EBITDA (ex. Other income) was reported at INR 5544.11 million in FY24 which grew 29.03% YoY with EBITDA margin of 16.23%. PAT was reported at INR 625.31 million in FY24 which grew 43.45% YoY. The company's ROE and ROCE was reported at 42.75% and 42.88% YoY in FY24. The company's asset light model and strategic growth strategies in urban cities will help the company to sustain its growth in future. We recommend to subscribe to the issue as a good long term investment given urbanisation and rising per capita income offering space for growth for such companies, strong clientele, expansion into new geographies within and outside India gaining traction, and an asset light model resulting in superior return ratios.

Issue Snapshot

Issue Open	28-August-24
Issue Close	30-August-24
Price Band	INR 318 - 334
Issue Size (Shares)	1,80,00,000
Market Cap (mIn)	INR 20040

Particulars

Fresh Issue (INR mIn)	-
OFS Issue (INR mIn)	INR 6012
QIB	50%
Non-institutionals	15%
Retail	35%

Capital Structure

Pre Issue Equity	6,00,00,000
Post Issue Equity	6,00,00,000
Bid Lot	44 shares
Minimum Bid amount @ 318	INR 13992
Maximum Bid amount @ 334	INR 14696

Share Holding

	Pre Issue	Post Issue
Promoters	97.75%	67.75%
Public	2.00%	32.25%

Particulars

Face Value	INR 2
Book Value	INR 29.57
EPS, Diluted	INR 10.42

Objects of the Issue

1. Achieve benefits of listing on the stock exchanges

Key Financial & Operating Metrics (Consolidated)

In INR mn	Revenue	YoY (%)	EBITDA	EBITDA %	PAT	EPS	ROE	ROCE
FY22	1473.44	29.55	180.63	12.26	98.71	1.65	14.80	18.83
FY23	4226.76	186.86	684.98	16.21	435.91	7.27	46.70	54.41
FY24	5544.11	31.17	900.24	16.24	625.31	10.42	42.75	49.02

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Fleet	As of March 31, 2024		As of March 31, 2023		As of March 31, 2022	
	Number of vehicles	As a percentage of our total fleet size	Number of vehicles	As a percentage of our total fleet size	Number of vehicles	As a percentage of our total fleet size
Vehicles owned	750	5.81%	823	10.53%	598	13.52%
Vehicles operated through vendors	12,166	94.19%	6,991	89.47%	3,825	86.48%

a growing focus on premium vehicles, CCR bookings for premium vehicles increased from 60,979 bookings (28.53% of total) in FY22 to 168,261 bookings (35.46% of total) in FY24. Operating on an asset-light model, ECOS aims to keep its owned vehicle count significantly lower than those sourced from vendors.

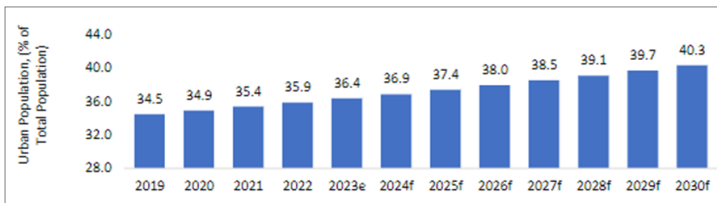
Business Divisions	Fiscal 2024		Fiscal 2023		Fiscal 2022	
	In ₹ million	As a percentage of total revenue from operations (%)	In ₹ million	As a percentage of total revenue from operations (%)	In ₹ million	As a percentage of total revenue from operations (%)
CCR	2,400.22	43.29%	2,163.71	51.19%	845.31	57.37%
ETS	3,032.96	54.71%	1,948.13	46.09%	571.05	38.76%
Total (A)	5,433.18	98.00%	4,111.80	97.28%	1,416.35	96.13%
Others (B)*	110.93	2.00%	114.92	2.72%	57.08	3.87%
Total (A+B)	5,544.11	100.00%	4,226.76	100.00%	1,473.44	100.00%

ECOS provides ETS in 10 cities in India. The number of Indian cities where the company provided CCR services has grown from 89 in FY21 to 94 in FY24. ECOS has the capability of offering services through vendors operating out of 109 cities in India. The map below highlights ECOS' presence through its offices in India, as well as the locations where it provides CCR services as of March 31, 2024.

Industry Overview:

India Urban Population

Growth in Urban Population (% of Total Population), India, CY2019-CY2030

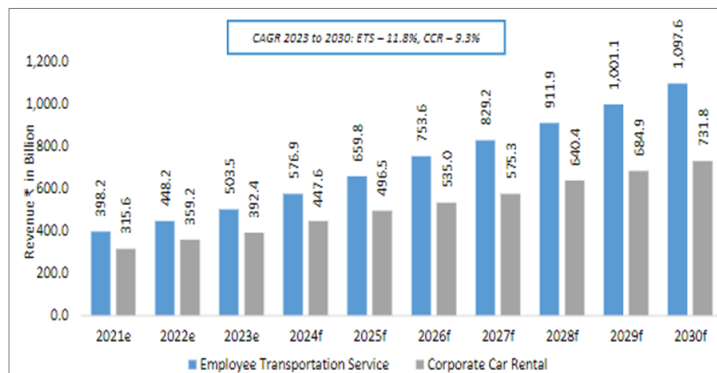


India's Union Budget 2024-2025 and its Impact on the Passenger Mobility Industry

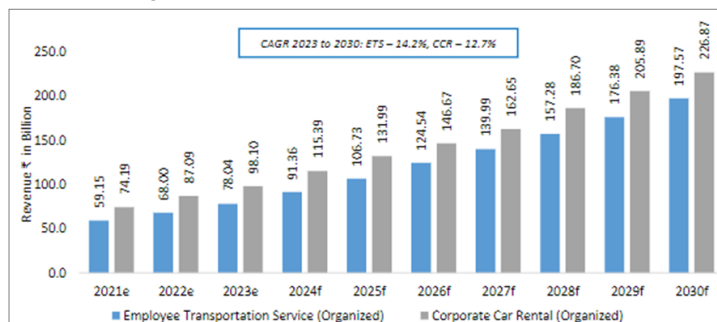
Amid rapid urbanization and the growing use of sustainable fuels, the transition towards green mobility and intelligent transport systems will gain momentum in India. This trend is reflected in the recent Union Budget 2024-2025, with the Indian government continuing its focus on infrastructural development and sustainable transport solutions. The allocation of INR 11 lakh crore towards capital expenditure in FY2024-25, along with the provision of INR 2.66 lakh crore for rural development and an outlay of INR 2 lakh crore to promote youth employment and skill development, will help bolster rural income levels. This will lead to increased demand for two-wheelers and entry-level passenger vehicles in rural and peri-rural areas over the long term. The increased emphasis on sustainability will also shape mobility trends in India in the coming years. The exemption of 25 critical minerals, such as lithium, nickel, rhenium, tungsten, cobalt, and copper, from customs duties, and the institutionalization of a Critical Mineral Mission, will lower import costs for EV manufacturers. This will have positive spillover effects, including reduced production costs and more affordable EVs, driving the mass adoption of passenger EVs across the country. Additionally, an allocation of INR 2,671.33 crore has been earmarked under the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME) scheme within the budget, which will help EV and hybrid automakers build economies of scale in the coming years.

India's Corporate Car Rental market in CY23 reveals a focus on essential business needs, with corporate travel and airport transfers dominating at \$3.6 billion, accounting for 75.3% of total revenue. Following corporate travel, three segments—event-based travel, corporate conventions, and sports & government—collectively account for \$0.98 billion, with respective shares of 9.6%, 6.2%, and 5.0% of revenue. This data highlights a business prioritizing core travel needs, while gradually returning to event-based activities and leisure travel. The corporate mobility sector is undergoing a significant transformation, with a clear shift towards a more formalized and organized structure. Traditionally fragmented with local, unorganized players, the market is moving towards becoming more organized, particularly through consolidation. The retail mobility market is categorized into three segments: retail car rental, self-drive car rental, and ride-hailing. The retail car rental business is estimated at ₹336.8 billion (\$4.1 billion) in CY23, while ride-hailing dominates the retail mobility segment. Retail car rental is expected to grow at a tremendous CAGR of 9.2% between CY23 and CY30, reaching ₹623.1 billion (\$7.5 billion) in annual revenue.

Corporate Mobility, Revenue Analysis, India, CY2021 to CY2030



Revenue of Organized Business in ETS and CCR, India, CY2021 to CY2030



Investment Rationale:

India's largest and most profitable chauffeur driven mobility company in terms of revenue from operations and PAT for FY24: ECOS is the largest and most profitable chauffeur-driven mobility provider to corporates in India, in terms of revenue from operations and PAT for FY24. ECOS is primarily engaged in the business of providing CCR and ETS and has been providing these services to corporate customers, including Fortune 500 and BSE 500 companies in India, for more than 25 years. By catering to the corporate transportation requirements of its corporate customers, its two business segments create a synergy by offering customers a seamless corporate transportation experience and by providing an opportunity to cross-sell services across segments. Through owned vehicles and vehicles supplied by vendors, ECOS operates a fleet of more than 12,000 economy to luxury cars, minivans, and luxury coaches, covering economy vehicles, premium vehicles, and buses/vans. Its presence in 109 cities in India, large fleet size, and participation in both ETS and CCR position the company well to capitalize on the growth in the ETS and CCR markets. Businesses are increasingly prioritizing employee well-being and productivity, recognizing the value of a safe and comfortable commute. Accordingly, premium cab services, offering features like spacious interiors, comfortable seating, and enhanced safety measures, cater to these needs and enhance the work experience while traveling. Additionally, rising corporate spending and evolving brand image considerations are expected to further fuel the demand for premium car services in the corporate segment, mirroring the broader market trend. While the economy car category still constitutes a substantial part of booking numbers, through the premiumization of the fleet in the CCR segment, the company intends to cater to the growing demand for premium vehicles from its customers. In FY24, FY23, and FY22, the company's revenue from operations was ₹5,544.11 million, ₹4,226.76 million, and ₹1,473.44 million, respectively. Its profit after tax for the same period was ₹625.31 million, ₹435.91 million, and ₹98.71 million, respectively. ECOS operates its fleet of vehicles on an asset-light model, striving to keep the number of vehicles it owns significantly lower than those sourced from vendors. This asset-light business model and clear business focus are key factors driving its leading returns compared to peers with broader diversified business propositions. The company enters into non-exclusive agreements with vendors on a principal-to-principal basis, with payments made monthly and no payments in the event of cancellations. The rates with vendors are approved every month, and invoices are issued by vendors based on trips or packages carried out at pre-approved rates. The corporate mobility market, which includes both ETS and CCR, has experienced significant growth in recent years in India,

Fiscal 2024		Fiscal 2023		Fiscal 2022	
Number of vehicles sourced from vendors	As a percentage of our total fleet size (%)	Number of vehicles sourced from vendors	As a percentage of our total fleet size (%)	Number of vehicles sourced from vendors	As a percentage of our total fleet size (%)
12,166	94.19%	6,991	89.47%	3,825	86.48%

Set out below are the number of vendors in the Fiscal 2024, Fiscal 2023 and Fiscal 2022:

Particulars	Fiscal 2024	Fiscal 2023	Fiscal 2022
Number of vendors	5,410	3,265	2,049

support to parent organizations.

Expanding presence in Tier-II and Tier-III cities in India and increasing penetration in cities with existing operations: ECOS has strategically positioned itself through a comprehensive geographical presence across India. The management, through its expansion and intensification approach, intends to further expand and strengthen its footprint in key regions of India. By identifying emerging markets and assessing the unique needs of each location, ECOS has steadily grown its presence in the country. Tier-II and Tier-III cities are evolving into vibrant trade and tech hubs, driven by inclusive development initiatives, infrastructure funding, MSME growth, digital penetration, and poverty reduction schemes. The sustained expansion of business ecosystems in these cities, coupled with the continuous rollout of 5G services, optimization of corporate functions to adapt to hybrid work models, and economic benefits such as affordable real estate and access to a large, low-cost talent pool, are encouraging many IT and ITES companies in India to relocate to non-metro areas. This migration is boosting demand for mobility and logistics, and the decentralization of IT is amplifying the need for innovative transportation services.

Although Tier-I cities currently contribute significantly to corporate mobility revenue, mobility providers are now looking to capitalize on these smaller cities as additional revenue sources. The growing prevalence of remote work and competitive operating costs are key factors driving this development. To meet the rising demand for travel, niche sub-segments within corporate mobility, such as ETS for home office pickups and drops, and CCR services for local and outstation visitors, are expected to see increased demand. Over the years, ECOS has significantly expanded its presence in Tier-II and Tier-III cities. With its well-established pan-India presence, technology support, and operational excellence, the company is well-positioned to seize the market opportunity in these cities. This operational presence will enable ECOS to expand into Tier-II and Tier-III cities as it sets up offices in these areas, tapping into untapped markets with potential customers seeking reliable transportation services.

In CY23, India had 546 employees per commercial vehicle for corporate mobility, compared to China, the US, and Europe, which had 372, 36, and 10 employees per car, respectively. This disparity highlights the vast growth potential in India's corporate mobility sector. Organized players in this market are well-positioned to capitalize on this under-penetration and cater to the growing demand for efficient and reliable employee transportation solutions. ECOS also plans to increase penetration in cities where it already operates. If the business from the ETS and CCR segments crosses a critical threshold in a particular city, or if customers with significant operations in a city require a local office, ECOS will consider setting up an office there. The company will also consider increasing the number of offices in cities where demand for ETS and CCR services is growing, to better meet customer needs.

Expanding the number of offices allows ECOS to deepen market penetration and reach a wider audience within these cities, serving businesses across various industries. In Tier-I cities such as Mumbai and Bengaluru, ECOS plans to increase market penetration by adding more offices, given their status as major economic hubs with a high concentration of businesses. This strategy will enhance ECOS' local presence and enable the company to better understand and respond to the unique transportation requirements of businesses in these cities.

Expanding geographical footprint globally: ECOS also addresses the global CCR requirements of its corporate customers through a global network of vendors, enabling the company to provide services in over 30 countries. ECOS plans to focus on expanding its international presence by identifying key markets and industry segments that exhibit high demand, growth potential, and purchasing power, and prioritizing those markets. The company intends to offer a diverse range of vehicles to cater to customer needs and preferences, just as it does for its customers in India. ECOS also aims to evolve its mobile applications and website to enhance user-friendliness and convenience in the booking and payment processes, while personalizing service offerings through its customer relationship management system to maintain high levels of customer satisfaction. Additionally, the company plans to establish strategic partnerships with local transportation providers overseas to expand its service coverage and set up operational hubs in key markets and cities to ensure seamless service delivery.

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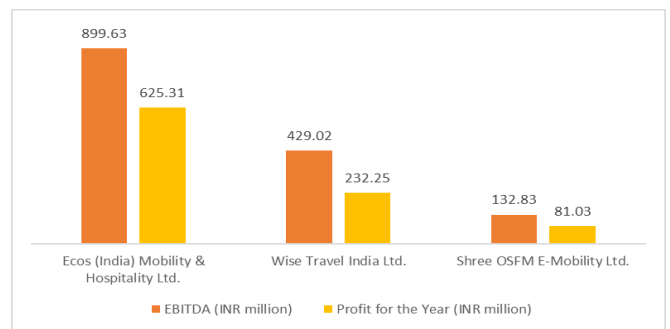
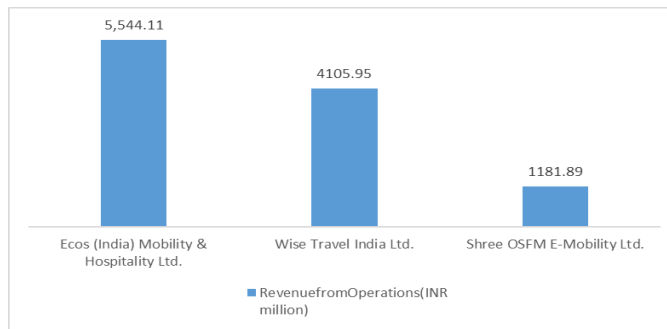
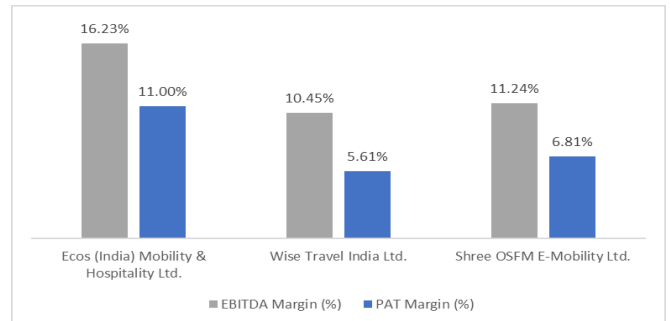
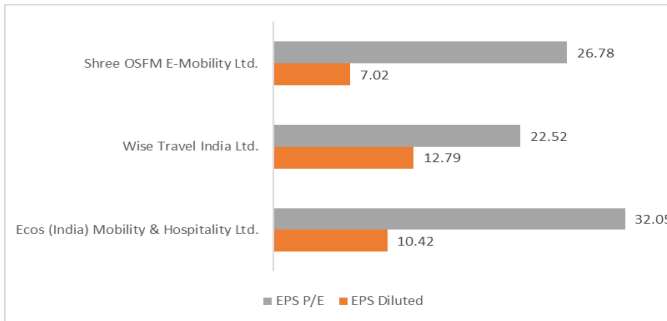
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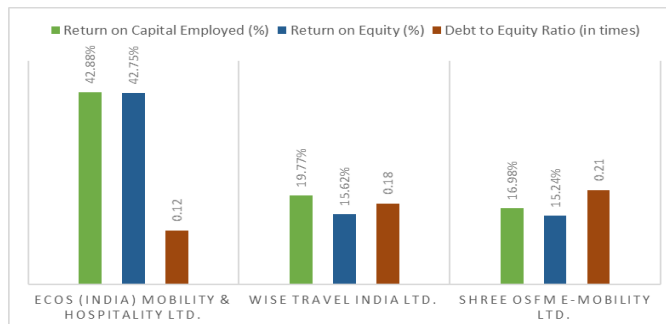
Valuation and outlook: The company has strategically positioned itself with a comprehensive geographical presence across India. Through its expansion and intensification approach, the management aims to further strengthen its footprint in key regions by identifying emerging markets and assessing the unique needs of each location. The company has expanded its presence in Tier-II and Tier-III cities, which are evolving into vibrant trade and tech hubs driven by inclusive development initiatives, infrastructure funding, MSME growth, digital penetration, and poverty reduction schemes. Going forward, the company plans to tap into this growing market by increasing revenue from existing customers and acquiring new customers, leveraging its market position, competitive pricing, quality services, and technological capabilities. The company reported revenues of INR 5544.11 million in FY24 which grew 31.17% YoY. ECOS EBITDA (ex. Other income) was reported at INR 899.63 million in FY24 which grew 29.03% YoY with EBITDA margin of 16.23%. PAT was reported at INR 232.25 million in FY24 which grew 43.45% YoY. The company's ROE and ROCE was reported at 42.75% and 42.88% YoY in FY24. The company's asset light model and strategic growth strategies in urban cities will help the company to sustain its growth in future. We recommend to subscribe to the issue as a good long term investment given urbanisation and rising per capita income offering space for growth for such companies, strong clientele, expansion into new geographies within and outside India gaining traction, and an asset light model resulting in superior return ratios.

Peer Comparison		EPS	
Fiscal 2024		Diluted	P/E
Ecos (India) Mobility & Hospitality Ltd.		10.42	32.05
Wise Travel India Ltd.		12.79	22.52
Shree OSFM E-Mobility Ltd.		7.02	26.78

Peer Comparison (FY24)			
Particulars	Ecos (India) Mobility & Hospitality Ltd.	Wise Travel India Ltd.	Shree OSFM E-Mobility Ltd.
Revenue from Operations (INR million)	5,544.11	4105.95	1181.89
EBITDA (INR million)	899.63	429.02	132.83
EBITDA Margin (%)	16.23%	10.45%	11.24%
Profit for the Year (INR million)	625.31	232.25	81.03
PAT Margin (%)	11.00%	5.61%	6.81%
Return on Capital Employed (%)	42.88%	19.77%	16.98%
Return on Equity (%)	42.75%	15.62%	15.24%
Debt to Equity Ratio (in times)	0.12	0.18	0.21



Peer Comparison



ECOS (India) Mobility & Hospitality Limited

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IPO Note

Income Statement				Balance Sheet				
Y/E (INR mn)	FY22	FY23	FY24	Y/E (INR mn)	FY22	FY23	FY24	
Revenue	1473.44	4226.76	5,544.11	Source of funds				
Expenses:				Equity Share Capital	0.60	0.60	120.00	
Cost of service	962.86	2924.01	3886.45	Reserves	715.04	1150.65	1654.12	
Employee Cost	211.29	423.28	572.50	Total Share holders funds	715.64	1151.25	1774.12	
Total Expenses	1,292.81	3,541.78	4,643.87	Total Debt	33.37	329.52	217.18	
EBITDA	180.63	684.98	900.24	Current Liabilities	382.48	1,061.71	1,221.57	
EBITDA Margin %	12.26	16.21	16.24	Trade Payables	213.27	451.76	588.82	
Interest	12.66	22.36	27.30	Total Non-Current Liabilities	-6.86	188.24	136.69	
Depreciation	80.06	119.53	187.10	Total Liabilities	1,091.26	2,401.20	3,132.38	
Other Income	42.10	41.11	137.94					
PBT	129.89	582.91	823.17	Application of funds				
PAT	98.71	435.91	625.31	Fixed Assets	133.60	365.90	457.30	
EPS	1.65	7.27	10.42	Cash and Bank	131.86	59.03	63.98	
				Current Assets	928.87	1923.91	2604.21	
				Other current assets	34.05	24.23	73.95	
				Sundry Debtors	213.71	653.27	710.58	
				Total Assets	1,091.26	2,401.20	3,132.38	

Cash Flow				Key Ratios				
Y/E (INR mn)	FY22	FY23	FY24	Y/E (INR mn)	FY22	FY23	FY24	
Profit Before Tax	129.89	582.91	823.17	Growth Ratio				
Adjustment	56.63	118.84	80.87	Net Sales Growth(%)	41.94	186.86	31.17%	
Changes In working Capital	-5.13	-445.93	-14.62	EBITDA Growth(%)	3.90	226.00	31.43%	
Cash Flow after changes in Working Capital	181.39	255.82	889.42	PAT Growth(%)	229.58	341.61	43.45%	
Tax Paid	35.39	-92.55	-218.06	Margin Ratios				
Cash From Operating Activities	216.78	163.27	671.36	Gross Profit	83.64	88.94	89.60	
Cash Flow from Investing Activities	-75.75	-467.44	-542.49	EBITDA	12.26	16.21	16.24	
Cash from Financing Activities	-130.07	178.79	-107.63	PBT	8.82	13.79	14.85	
Net Cash Inflow / Outflow	10.96	-125.38	21.24	PAT	6.7	10.31	11.28	
Opening Cash & Cash Equivalents	68.48	79.43	-45.95	Return Ratios				
Closing Cash & Cash Equivalent	79.44	-45.95	-24.71	ROA	9.25	24.96	22.60	
				ROE	14.80	46.70	42.75	
				ROCE	18.83	54.41	49.02	
				Turnover Ratios				
				Asset Turnover(x)	1.38	2.42	0.56	
				Inventory Turnover(x)	0.00	1399.59	2153.05	
				Debtors Turnover(x)	7.08	9.75	8.13	
				Fixed Asset Turnover (x)	4.36	8.37	7.17	
				Solvency Ratios				
				Total Debt/Equity(x)	0.05	0.29	0.12	
				Current Ratio(x)	2.43	1.81	2.13	
				Quick Ratio(x)	2.43	1.81	2.13	
				Interest Cover(x)	11.16	25.65	30.49	

Analyst Certification:

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Contact us:

SMIFS Limited. (<https://www.smifs.com/>)

Compliance Officer:

Sudipto Datta,

5F Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: +91 33 4011 5401 / +91 33 6634 5401

Email Id.: compliance@smifs.com

Mumbai Office:

206/207, Trade Centre, Bandra Kurla Complex (BKC), Bandra East, Mumbai – 400051, India

Contact No.: (D) +91 22 4200 5508, (B) +91 22 4200 5500

Email Id: institutional.equities@smifs.com

Kolkata Office:

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: (D) +91 33 6634 5408, (B) +91 33 4011 5400

Email Id: smifs.institutional@smifs.com
