

Landmark Cars

Automobile | India

IPO | 12 December 2022

Landmark for Premium Cars



About the Company

Landmark Cars (Landmark) is the leading premium automotive retailer in India, with dealerships for Honda, Jeep, Volkswagen, Mercedes-Benz and Renault. It also caters to the commercial vehicle retail business of Ashok Leyland. It offers services such as sales of new vehicles, after-sales services and repairs, facilitation of the sales of third-party finance and sales of pre-owned passenger vehicles. The company is coming out with an IPO comprising Fresh Issue of 3mn shares and OFS of 7.9mn shares aggregating to Rs5.5bn.

The Largest Car Dealer in India

Landmark has 112 outlets (61 sales showrooms 51 after-sales services) in 8 states. For FY22, it is the number one dealer in India for Mercedes-Benz and Volkswagen retail sales and the number one dealer for Honda and Jeep for wholesale sales. For CY21, it was the 3rd largest dealership for Renault in terms of wholesale sales contribution. Landmark plans to focus on expanding business in high-growth segments like premium and luxury PV, including UVs and EV. It aims to leverage their relationships with the OEMs to expand geographically to achieve economies of scale. Landmark continues to explore an opportunity in OEM dealership partners, the possibility of adding service workshops and additional authorized service centers.

Favorable Industry Dynamics

The Indian passenger vehicle (PV) industry has grown 5.3% CAGR in volume terms during FY17 to FY19, primarily due to an increase in demand driven by improved economics, higher affordability and launches of new automobile modes. Sales volume of the luxury segment increased significantly at a CAGR of 16% between FY17 to FY19, driven by increased disposable incomes, favourable economic growth and more model launches by luxury OEMs/brands. For 9MCY22 Mercedes-Benz posted a 28% YoY rise in sales in India at 11,469 units. Overall domestic CV sales are expected to register a 10-12% CAGR between FY22-FY27, on the back of expected economic recovery across segments, improving transporter profitability and materialization of deferred replacement demand. As of FY22, India has ~17,000 dealerships with nearly 28,000 touchpoints across India catering to two-wheelers, PVs, CVs, three-wheelers and tractors. Two-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%.

Financials in Brief

The number of vehicles sold has increased from 16,730 and 13,282 in FY20 and FY21 respectively to 19,264 vehicles in FY22 which represents an increase in the demand of vehicles. The number of vehicles services has also increased from 221,468 to 279,078 from FY21 to FY22. During FY20-FY22, its revenue and EBITDA grew at a CAGR of 16%, 55% respectively. The company reported a PAT of Rs662mn in FY22 from PAT of Rs111mn in FY21 and net loss of Rs289mn in FY20. The company witnessed a strong increase in EBITDA margins from 3.3% in FY20 to 5.6% in FY21 and 5.9% in FY22. For 1QFY23, the company recorded a Revenue, EBITDA and PAT of Rs8bn, Rs512mn and Rs181mn respectively. RoE witnessed a steady increase from 6.1% in FY21 to 26.7% in FY22, due to change in business model by Mercedes-Benz with lean inventory at dealer end, eliminating sizable working capital requirement. The company's Net-Debt/Equity remained constant at 0.9% during FY20-FY22.

Our View

Based on FY22 earnings, the company is valued at 30.3x P/E, 12.7x EV/EBITDA and 0.7x EV/Sales. Over the next couple of years premium market segment is expected to grow at a CAGR of 10-12% while luxury vehicle segment is also expected to grow at a CAGR of 14-16%. Landmark is likely to report healthy numbers over the next couple of years led by strong growth in premium car segment. **In view of healthy financials, strong presence, leadership position, premium automotive retail business and valuation comfort, we recommend a 'SUBSCRIBE' to the issue.**

IPO Details

Price Band (Rs)	481-506
Face Value (Rs)	5
Issue Open/Closing Date	13th Dec - 15th Dec
Fresh Issues (mn)	3.0
OFS (mn)	7.9
Total Issue (mn)	10.9
Minimum Bid Qty. (Nos)	29
Issue Size (Rs bn)*	5.52
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs bn)*	20.0

**At a higher band*

Object of the Issue

- ▶ Repayment of Debt
- ▶ OFS

Key Risk

- ▶ Subject to the significant influence and restrictions imposed by OEMs
- ▶ Increasing competition among automotive dealerships through online and offline mode
- ▶ Majority of revenue is derived from Gujarat and Maharashtra states
- ▶ Competition from the unauthorized service centers
- ▶ Closure of outlets and service centers

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	60.2	55.2
Others	39.8	44.8

Key Financials

(Rs mn)	FY20	FY21	FY22
Revenue	22,186	19,561	29,765
EBITDA	729	1,098	1,747
EBITDA Margin (%)	3.3	5.6	5.9
PAT	(289)	111	662
PAT Margin (%)	(1.3)	0.6	2.2
EPS (Rs)	(7.3)	2.8	16.7
P/E (x)	(69.2)	179.7	30.3
EV/EBITDA (x)	29.5	19.9	12.7
EV/Sales (x)	1.0	1.1	0.7
Net Worth	1,699	1,824	2,482
RoE (%)	(17.0)	6.1	26.7
Gross Debt	1,800	2,091	2,461
Net Block	2,114	1,901	2,146
Net Asset Turnover (x)	10.5	10.3	13.9

Source: RHP

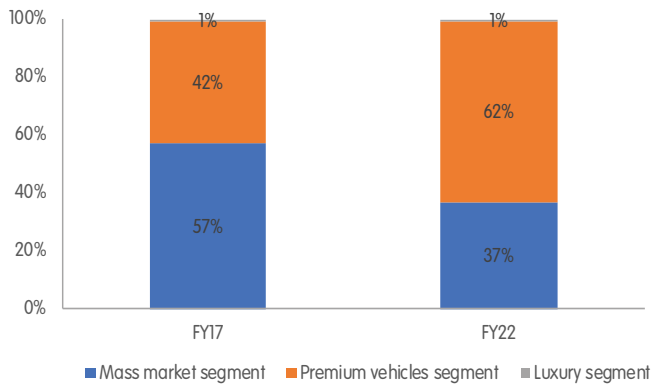
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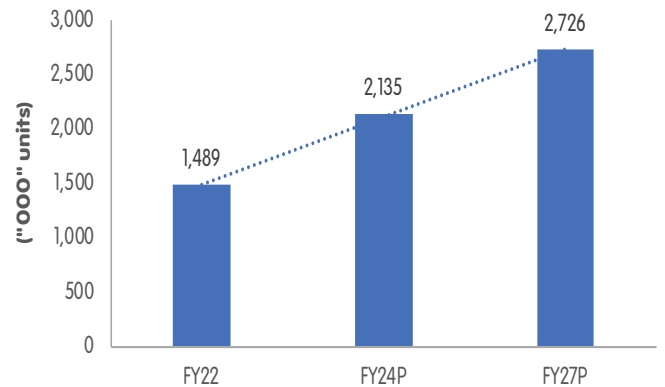
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Exhibit 1: Segment Wise Revenue Mix



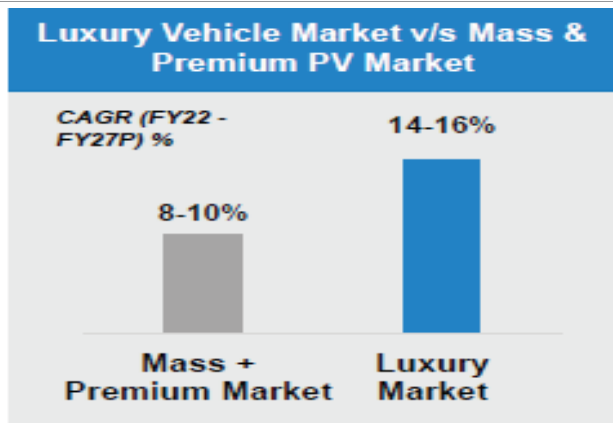
Source: RHP

Exhibit 2: Mass + Premium Car Market



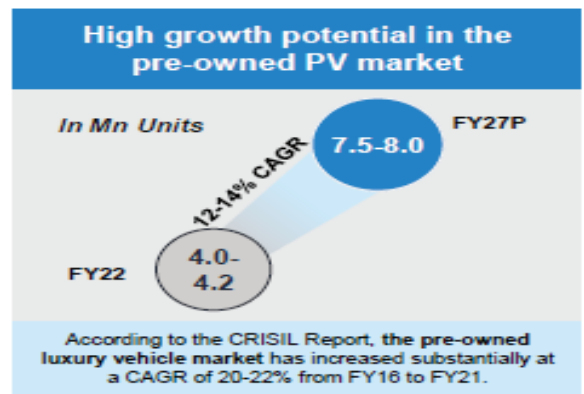
Source: RHP, CRISIL

Exhibit 3: Luxury Vehicle Market v/s Mass & Premium PV Market



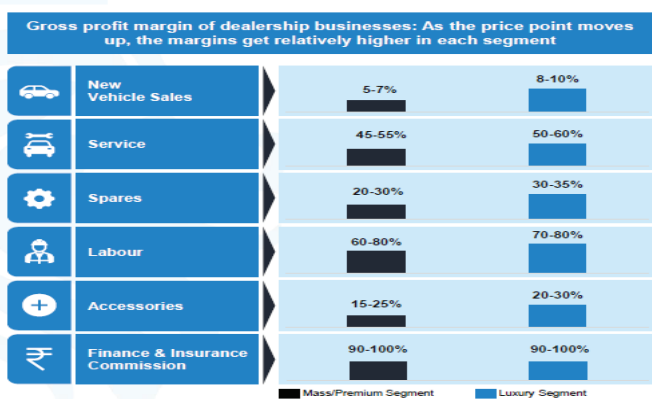
Source: RHP, CRISIL

Exhibit 4: High Growth Potential in the Pre-owned PV Market



Source: RHP, CRISIL

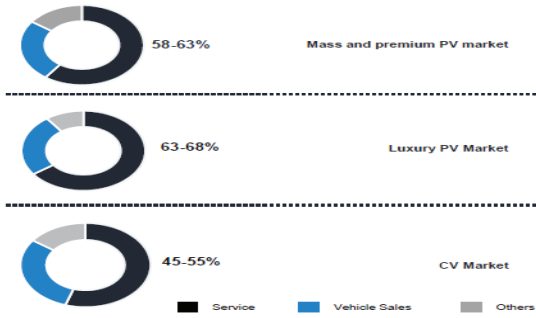
Exhibit 5: Dealership Business in India



Source: RHP, CRISIL

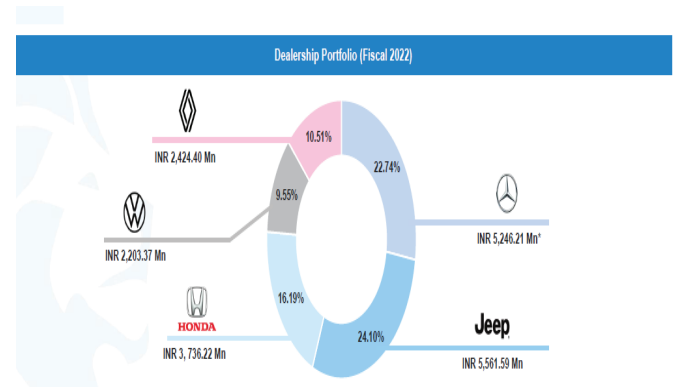
Exhibit 6: Dealership Business in India (Segment Wise)

The service segment is a high margin segment for the dealership industry and contributes a sizeable amount to the overall dealer profitability



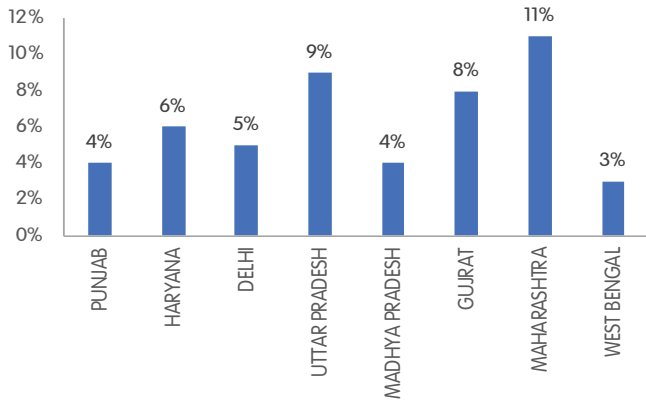
Source: RHP

Exhibit 7: Dealership Portfolio (Fiscal 2022)



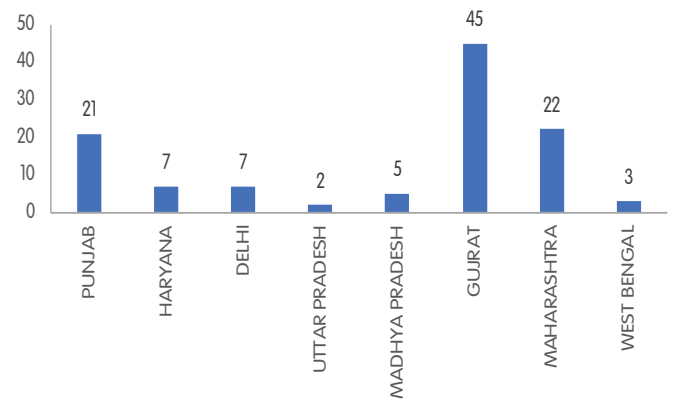
Source: RHP

Exhibit 8: State Wise PV Presence in FY22 for Landmark



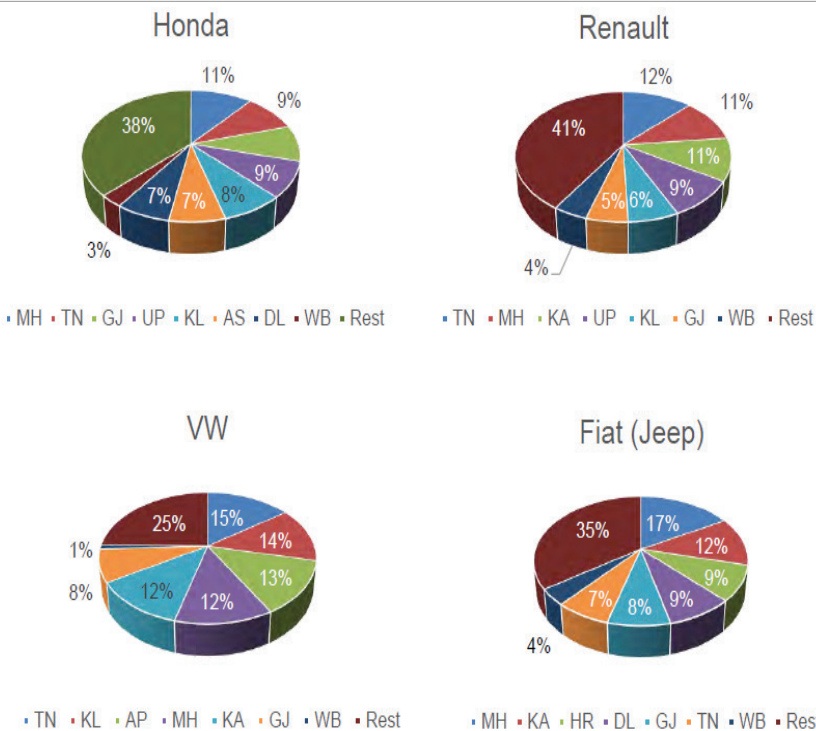
Source: RHP, CRISIL

Exhibit 9: State Wise Number of Outlets for PV in FY22 for Landmark



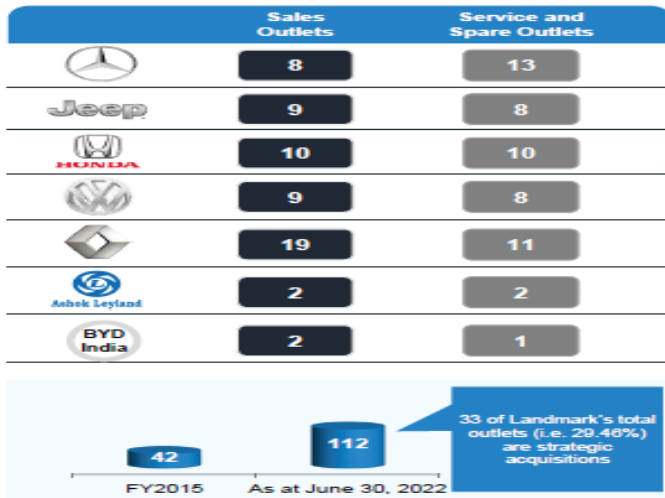
Source: RHP, CRISIL

Exhibit 10: State Wise Contribution to National OEM Sales



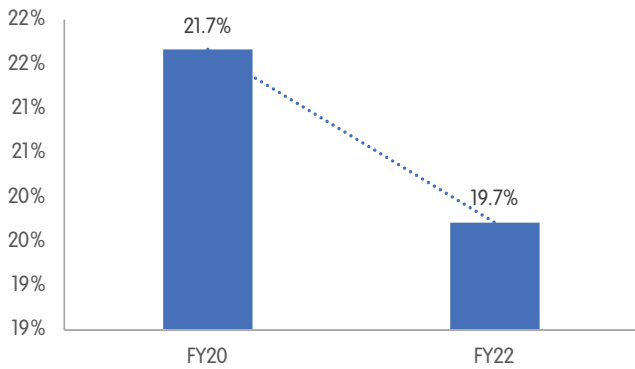
Source: SIAM, CRISIL

Exhibit 11: Sales and Service Outlets



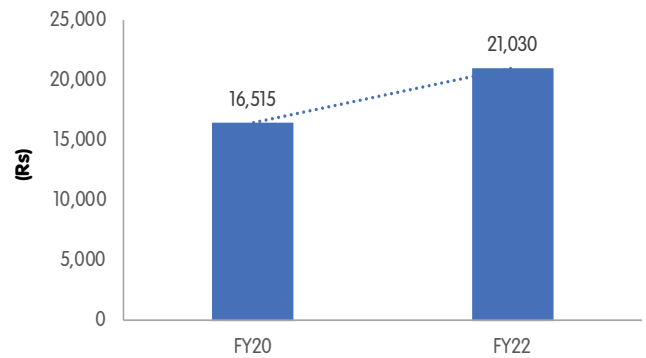
Source: RHP

Exhibit 12: After-sales Service & Spare Parts Segment Contribution to Overall Revenue



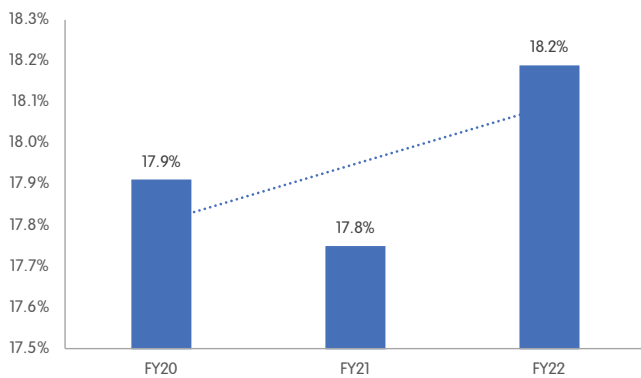
Source: RHP

Exhibit 13: Average Revenue for Each Vehicle Serviced



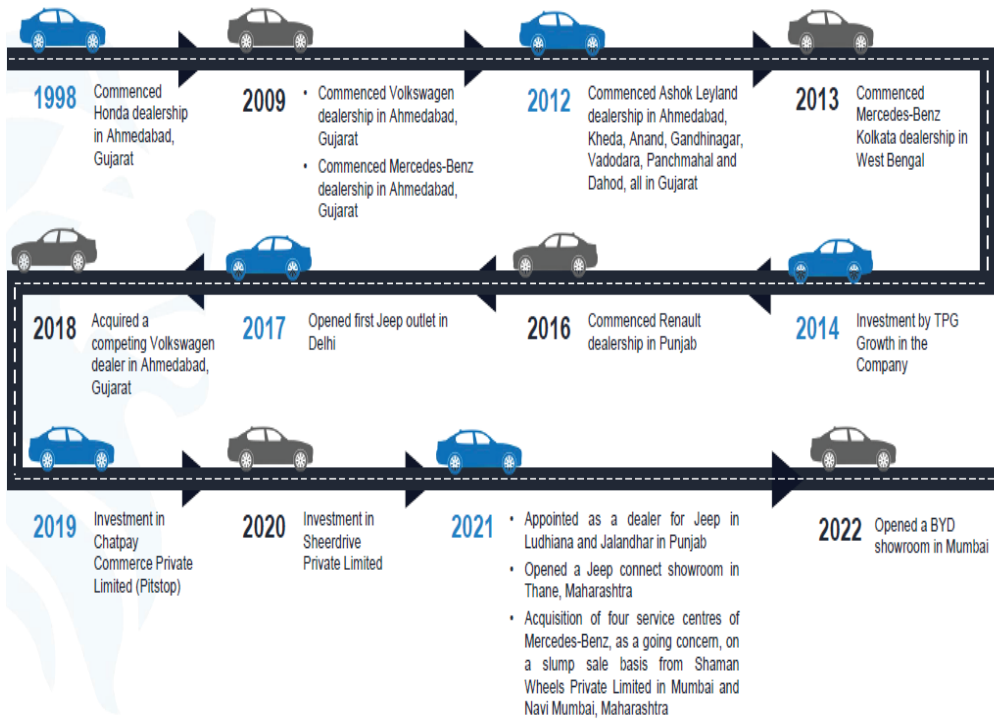
Source: RHP

Exhibit 14: After Sales Service Segment EBITDA Margin



Source: RHP

Exhibit 15: Evolution of Landmark



Source: RHP

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