



# Landmark Cars Ltd

A proxy play for premium automobile



Kyon ki bhaiya, sabse bada rupaiya.

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## A proxy play for premium automobile

Incorporated in 1998, Landmark Cars Ltd (LCL) is the leading premium automotive retail business in India with dealerships for Mercedes-Benz (since 2009), Honda (since 1998), Jeep (since 2017), Volkswagen (since 2008), Renault (since 2016) and BYD (since 2021, a leading player in the global EV market). The company also caters to the CV retail business of Ashok Leyland in India since 2012. Since Oct 1, 2021, Mercedes-Benz decided to operate on an agency model, where LCL will get a commission on sales volumes. The dealership for other brands continues to operate on a traditional purchase and sale model.

The management aims to leverage its relationships with these marquee OEMs to expand the network of showrooms and service centers geographically to achieve economies of scale. LCL earns 3.0%+ EBITDA margins on new vehicle sales and 18.5%+ EBITDA margins on vehicle servicing, spares & lubricants. The company services 15-17 vehicles at its centers for every new vehicle sold from its showroom. The higher the number of new vehicle volumes, the more will be the vehicle volumes on service centers and the better would be the EBITDA margins.

LCL also offers other services such as after-sales service & repairs (including sales of spare parts, lubricants & accessories) and facilitation of the sales of 3<sup>rd</sup>-party finance and insurance products. LCL also sells pre-owned vehicles and uses Sheerdrive systems to evaluate the price of used vehicles to ensure speed and accuracy. The use of technology in pre-owned vehicle acquisition and sales processes has improved business efficiency. This enables the company to buy the vehicles in its books and sell them through its own sales outlets without incurring any additional cost on infrastructure and manpower.

LCL has 112 showrooms and vehicle servicing centers in 32 cities in 8 Indian states (Maharashtra, UP, Gujarat, Haryana, MP, Punjab, West Bengal and NCR). It comprises of 59 sales showrooms and outlets and 53 after-sales services & spare outlets (as on Jun 30, 2022). In addition, the company has an online presence through its website – Group Landmark, which started in Jun 2021.

### Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Net Profit	EBITDA (%)	Net (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY21	1,956.1	109.8	11.3	5.6	0.6	2.9	46.1	6.2	12.9	176.8	11.0	19.9
FY22	2,976.5	174.7	66.2	5.9	2.2	16.7	62.7	26.8	22.7	30.3	8.1	12.7
FY23E	3,472.5	231.8	82.4	6.7	2.4	20.8	119.3	17.5	21.5	24.3	4.2	9.5
FY24E	4,235.0	288.5	108.9	6.8	2.6	27.5	143.4	19.2	22.7	18.4	3.5	7.8
FY25E	5,132.4	356.3	140.2	6.9	2.7	35.4	173.5	20.4	23.9	14.3	2.9	6.4

Industry	Auto
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### Issue Details

Listing	BSE & NSE
Open Date	13 <sup>th</sup> Dec 2022
Close Date	15 <sup>th</sup> Dec 2022
Price Band	INR 481-506
Face Value	INR 5
Market Lot	29 shares
Minimum Lot	1 Lot

### Issue Structure

Offer for Sale	73%
Fresh Issue	27%
Issue Size (Amt)	INR 552 cr
Issue Size (Shares)	10,911,159
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	36,625,620
Post issue sh (nos)	39,592,118
Post issue M Cap	INR 2,003 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	41.4	38.3
Promoter Group	18.9	16.9
Public	39.7	43.8
<b>TOTAL</b>	<b>100</b>	<b>100</b>

## FY19-22 performance: Pandemic affected the sale of premium cars in India

During FY19-22, LCL's revenue grew at a CAGR of 1.7% to INR 2,977 cr, which was primarily driven by

- 0.4% CAGR growth in the revenues from new vehicles sales to INR 2,306 cr due to 4.5% CAGR decline in car & CV sales to 19,264 units in FY22, due to
  - 15.3% CAGR decline in Honda volumes to 5,282 units,
  - 5.9% CAGR decline in Jeep volumes to 3,121 units and
  - 4.3% CAGR decline in Mercedes volumes to 1,984 units.
  - COVID pandemic affected the sales of premium cars in India.

LCL managed to sell 2,405 units and 4,750 units of Volkswagen and Renault in FY22 and recorded a CAGR growth of 4.4% and 9.7%, respectively, over FY19. A former OEM partner discontinued its agreement with LCL in FY21, while the company added BYD as a new partner in Sept 2021. Net loss in car volumes due to the discontinuation of its former partner and addition of BYD was 508 units during FY19-22.

In the CV segment, LCL sold 1,709 units of Ashok Leyland vehicles in FY22, compared to 1,190 vehicles in FY19, and registered a CAGR growth of 12.8%.

- 8.4% CAGR growth in the revenues from servicing, spares & lubricants to INR 587 cr due to
  - 0.9% CAGR growth in volumes at service centers to 2,79,078 vehicles
  - 13.2% CAGR growth in the revenues from vehicle servicing to INR 189 cr. Per vehicle service revenue grew at a CAGR of 12.2% to INR 6,768.
  - 6.5% CAGR growth in the revenues from spares & lubricants to INR 398 cr. Per vehicle spares & lubricants revenue grew at a CAGR of 5.5% to INR 14,262.
- 5.6% CAGR growth in the revenues from pre-owned car sales to INR 23 cr.

However, commission from financing and insurance declined at a CAGR of 3.1% to INR 24 cr in FY22, while other operating revenue from vehicle sales/servicing too declined at a CAGR of 4.1% to INR 37 cr.

Despite pressure on top-line, EBITDA grew at a CAGR of 29.5% to INR 175 cr, while EBITDA margins improved by 302bps to 5.9% in FY22 due to

- 8.4% CAGR growth in the revenues from servicing, spares & lubricants, where the margins are 18.5%+, compared to 3.0+% in new car sales.
- Use of digital media for marketing through website and social media platforms, which reduced the advertising & marketing cost from INR 25 cr in FY19 to INR 15 cr in FY22.

Similarly, PAT reported a profit of INR 66 cr in FY19, compared to the loss of INR 25 cr in FY19 due to strong growth in EBITDA and decline in finance cost from INR 53 cr in FY19 to INR 35 cr in FY22 on account of decline in interest rates on borrowings due the rate cut by RBI.

## **FY22-25 performance: Strong recovery expected in the car sales and services revenue**

During FY22-25, LCL's total revenue is expected to grow at a CAGR of 19.9% to INR 5,132 cr due to

- **18.5% CAGR growth in the revenues from new vehicles sales to INR 3,839 cr due to an expected increase in showroom count from the current 59 to 86 by FY25, which will result in a 16.2% CAGR growth in car & CV sales volumes to 30,238 units by FY25.**
- **23.5% CAGR growth in the revenues from servicing, spares & lubricants to INR 1,104 cr due to**
  - **17.6% CAGR growth in volumes at service centers to 4,53,570 vehicles**
  - **23.5% CAGR growth in the revenues from vehicle servicing to INR 355 cr. Per vehicle service revenue is expected to grow at a CAGR of 5.0% to INR 7,835.**
  - **23.5% CAGR growth in the revenues from spares & lubricants to INR 749 cr. Per vehicle spares & lubricants revenue is expected to grow at a CAGR of 5.0% to INR 16,510.**
- **44.3% CAGR growth in the revenues from pre-owned car sales to INR 69 cr due to increasing demand for pre-owned luxury cars in India.**
- **23.3% CAGR growth in the revenues from financing and insurance due to the expansion in the showrooms and easy financing options.**

EBITDA and PAT are expected to grow at a CAGR of 26.8% to INR 356 cr and 28.4% to INR 140 cr due to an expected increase in the share of servicing, stores & lubricant revenues from 19.7% in FY22 to 21.5% in FY25. As a result, EBITDA and PAT margins are expected to improve by 107bps to 6.9% and 51bps to 2.7%, respectively, by FY25.

## Our Bull and Bear Case Scenarios

We have prepared likely Bull and Bear case scenarios for FY25 price, based on revenue growth, net margins and P/E multiples.

### LCL bull, bear and base case scenario

FY25 assumptions	Bull case	Base case	Bear case
Revenue (INR cr)	5,500.0	5,132.4	5,000.0
<b>Net margin (%)</b>	<b>3.0</b>	<b>2.7</b>	<b>2.5</b>
Net Profit (INR cr)	165.0	140.2	125.0
EPS (INR)	41.7	35.4	31.6
Target P/E (X)	27	25	22
Target Price (INR)	1,125	885	695
<b>Upside from IPO price (%)</b>	<b>122.4%</b>	<b>74.9%</b>	<b>37.3%</b>



**Bull Case Price**  
INR 1,125 per share

**Target Price**  
INR 885 per share

**Bear Case Price**  
INR 695 per share

**Current Price**  
INR 506 per share

Source: Ventura Research

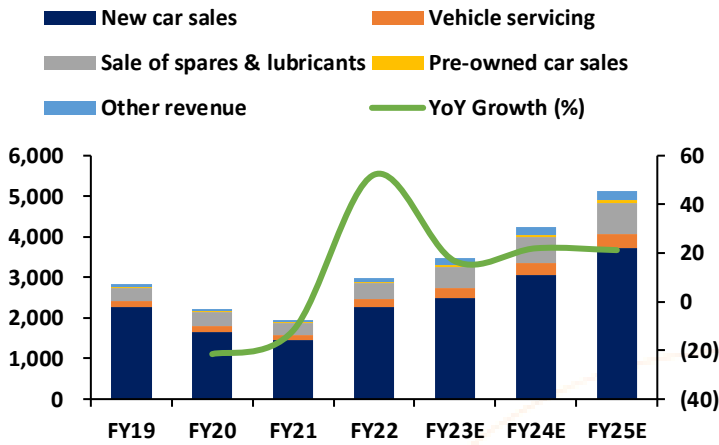


## LCL Financial Summary

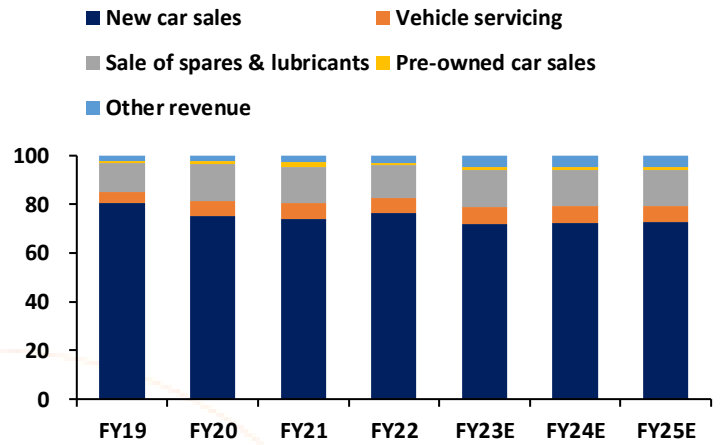
Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
Revenue from new car sales & commission	2,278.8	1,663.7	1,445.0	2,306.0	2,581.3	3,162.4	3,839.0	4,614.8	5,489.7	6,459.5	7,513.6	8,635.9	9,804.8	10,992.2
YoY Growth (%)		-27.0	-13.1	59.6	11.9	22.5	21.4	20.2	19.0	17.7	16.3	14.9	13.5	12.1
New car & CV sales volume (nos)	22,118	16,730	13,282	19,264	23,260	26,625	30,238	34,053	38,008	42,027	46,018	49,880	53,508	56,797
Revenue from new car & CV sales	2,278.8	1,663.7	1,445.0	2,274.9	2,496.5	3,062.6	3,722.4	4,479.4	5,333.5	6,280.3	7,309.5	8,404.9	9,545.0	10,702.0
YoY Growth (%)		-27.0	-13.1	57.4	9.7	22.7	21.5	20.3	19.1	17.8	16.4	15.0	13.6	12.1
Per vehicle average realization (INR lacs)	10.3	9.9	10.9	11.8	10.7	11.5	12.3	13.2	14.0	14.9	15.9	16.9	17.8	18.8
Share in total revenue (%)	80.6	75.0	73.9	76.4	71.9	72.3	72.5	72.7	72.8	73.0	73.1	73.2	73.3	73.4
Agency based Mercedes sales volume (nos)	0	0	0	1,984	2,300	2,576	2,867	3,171	3,485	3,806	4,130	4,452	4,768	5,073
Commission from Mercedes	0.0	0.0	0.0	31.1	84.8	99.7	116.6	135.4	156.2	179.1	204.1	231.0	259.8	290.2
YoY Growth (%)					173.1	17.6	16.9	16.1	15.4	14.7	13.9	13.2	12.5	11.7
Commission per vehicle (INR lacs)				1.6	3.7	3.9	4.1	4.3	4.5	4.7	4.9	5.2	5.4	5.7
Share in total revenue (%)	0.0	0.0	0.0	1.0	2.4	2.4	2.3	2.2	2.1	2.1	2.0	2.0	2.0	2.0
Revenue & commission from pre-owned car sales	19.4	25.5	35.9	22.9	39.4	47.3	68.6	96.1	129.7	168.6	210.8	252.9	290.9	319.9
YoY Growth (%)		31.1	41.1	-36.4	72.5	20.0	45.0	40.0	35.0	30.0	25.0	20.0	15.0	10.0
Share in total revenue (%)	0.7	1.1	1.8	0.8	1.1	1.1	1.3	1.6	1.8	2.0	2.1	2.2	2.2	2.2
Revenue from servicing, spares & lubricants	460.2	480.6	423.0	586.9	770.4	926.0	1,104.2	1,305.7	1,530.2	1,776.6	2,042.6	2,324.7	2,618.5	2,918.4
YoY Growth (%)		4.4	-12.0	38.8	31.3	20.2	19.2	18.2	17.2	16.1	15.0	13.8	12.6	11.5
Vehicle service volume (nos)	2,71,906	2,91,040	2,21,468	2,79,078	3,48,900	3,99,375	4,53,570	5,10,795	5,70,120	6,30,405	6,90,270	7,48,200	8,02,620	8,51,955
Vehicle servicing revenue	130.4	144.6	132.3	188.9	247.9	298.0	355.4	420.2	492.4	571.7	657.3	748.1	842.7	939.2
YoY Growth (%)		10.9	-8.5	42.8	31.3	20.2	19.2	18.2	17.2	16.1	15.0	13.8	12.6	11.5
Share in total revenue (%)	4.6	6.5	6.8	6.3	7.1	7.0	6.9	6.8	6.7	6.6	6.6	6.5	6.5	6.4
Per vehicle service revenue (INR)	4,794	4,967	5,973	6,768	7,106	7,462	7,835	8,226	8,638	9,070	9,523	9,999	10,499	11,024
Spares & lubricants revenue	329.9	336.1	290.7	398.0	522.5	628.0	748.9	885.5	1,037.8	1,204.9	1,385.3	1,576.6	1,775.8	1,979.2
YoY Growth (%)		1.9	-13.5	36.9	31.3	20.2	19.2	18.2	17.2	16.1	15.0	13.8	12.6	11.5
Share in total revenue (%)	11.7	15.1	14.9	13.4	15.0	14.8	14.6	14.4	14.2	14.0	13.8	13.7	13.6	13.6
Per vehicle spares & lubricants revenue (INR)	12,131	11,548	13,125	14,262	14,975	15,724	16,510	17,336	18,203	19,113	20,068	21,072	22,125	23,232
Financing & insurance revenue	26.2	20.8	13.9	23.8	30.0	36.8	44.7	53.8	64.0	75.4	87.7	100.9	114.5	128.4
YoY Growth (%)		-20.7	-32.9	70.9	25.7	22.7	21.5	20.3	19.1	17.8	16.4	15.0	13.6	12.1
Share in total revenue (%)	0.9	0.9	0.7	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Other operating revenue	41.8	28.0	38.3	36.9	51.3	62.6	75.8	91.1	108.2	127.2	147.8	169.7	192.4	215.4
YoY Growth (%)		-33.1	36.9	-3.5	38.9	22.0	21.2	20.0	18.8	17.6	16.2	14.8	13.4	11.9
Share in total revenue (%)	1.5	1.3	2.0	1.2	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Revenue from operations	2,826.5	2,218.6	1,956.1	2,976.5	3,472.5	4,235.0	5,132.4	6,161.4	7,321.9	8,607.3	10,002.5	11,484.2	13,021.1	14,574.4
YoY Growth (%)		-21.5	-11.8	52.2	16.7	22.0	21.2	20.0	18.8	17.6	16.2	14.8	13.4	11.9
Raw Material Cost	2,462.5	1,894.9	1,647.4	2,511.7	2,882.1	3,515.1	4,259.9	5,113.9	6,077.2	7,144.0	8,302.0	9,531.8	10,807.5	12,096.8
RM Cost to Sales (%)	87.1	85.4	84.2	84.4	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0
Employee Cost	152.3	136.7	107.7	153.2	191.0	232.9	282.3	338.9	402.7	473.4	550.1	631.6	716.2	801.6
Employee Cost to Sales (%)	5.4	6.2	5.5	5.1	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Other Expenses	131.2	114.1	91.2	136.9	167.6	198.5	233.9	272.7	314.1	357.4	401.0	443.3	482.3	515.9
Other Expenses to Sales (%)	4.6	5.1	4.7	4.6	4.8	4.7	4.6	4.4	4.3	4.2	4.0	3.9	3.7	3.5
EBITDA	80.5	72.9	109.8	174.7	231.8	288.5	356.3	435.9	527.9	632.5	749.3	877.4	1,015.2	1,160.2
EBITDA Margin (%)	2.8	3.3	5.6	5.9	6.7	6.8	6.9	7.1	7.2	7.3	7.5	7.6	7.8	8.0
Net Profit	-25.3	-28.7	11.3	66.2	82.4	108.9	140.2	175.1	220.2	271.8	328.1	390.9	462.1	537.3
Net Margin (%)	-0.9	-1.3	0.6	2.2	2.4	2.6	2.7	2.8	3.0	3.2	3.3	3.4	3.5	3.7
Adjusted EPS	-6.4	-7.3	2.9	16.7	20.8	27.5	35.4	44.2	55.6	68.7	82.9	98.7	116.7	135.7
P/E (X)	-79.3	-69.7	176.8	30.3	24.3	18.4	14.3	11.4	9.1	7.4	6.1	5.1	4.3	3.7
Adjusted BVPS	47.5	42.7	45.9	62.4	119.0	143.1	173.2	209.6	254.1	307.3	369.5	441.1	522.8	614.4
P/BV (X)	10.7	11.8	11.0	8.1	4.3	3.5	2.9	2.4	2.0	1.6	1.4	1.1	1.0	0.8
Enterprise Value	2,217.6	2,147.8	2,189.7	2,219.5	2,209.5	2,243.6	2,269.3	2,285.0	2,283.9	2,261.5	2,213.1	2,131.8	2,007.2	1,831.3
EV/EBITDA (X)	27.5	29.5	19.9	12.7	9.5	7.8	6.4	5.2	4.3	3.6	3.0	2.4	2.0	1.6
Net Worth	188.0	169.1	181.8	246.9	471.1	566.4	685.6	830.0	1,006.2	1,216.8	1,462.9	1,746.3	2,069.8	2,432.4
Return on Equity (%)	-13.4	-17.0	6.2	26.8	17.5	19.2	20.4	21.1	21.9	22.3	22.4	22.4	22.3	22.1
Capital Employed	438.7	349.1	390.9	493.1	725.2	867.5	1,001.9	1,209.8	1,367.2	1,535.2	1,771.2	2,029.5	2,230.3	2,432.4
Return on Capital Employed (%)	8.6	3.3	6.8	17.1	15.0	15.8	17.0	17.3	18.6	19.8	20.4	20.7	21.7	22.5
Invested Capital	402.2	313.6	368.1	463.1	677.3	806.6	951.5	1,111.6	1,286.7	1,474.9	1,672.7	1,874.7	2,073.6	2,260.3
Return on Invested Capital (%)	6.7	3.2	12.9	22.7	21.5	22.7	23.9	25.2	26.4	27.6	28.8	30.0	31.1	32.4
Cash Flow from Operations	54.9	209.7	42.8	76.4	3.0	138.1	176.7	223.6	282.8	347.5	423.4	513.8	614.5	720.4
Cash Flow from Investing	-37.9	-65.9	-22.0	-33.9	-97.7	-119.1	-138.4	-161.0	-187.0	-215.8	-246.9	-279.6	-312.9	-345.5
Cash Flow from Financing	-27.6	-148.3	-33.4	-37.5	111.0	-8.6	-51.7	-18.3	-117.4	-156.3	-142.9	-182.9	-304.9	-364.7
Net Cash Flow	-10.6	-4.5	-12.7	5.0	16.3	10.4	-13.4	44.3	-21.6	-24.6	33.6	51.3	-3.3	10.2
Free Cash Flow		191.4	29.9	20.2	-83.8	32.2	48.4	69.6	99.7	132.3	173.3	226.7	288.9	356.0
FCF to Revenue (%)		8.6	1.5	0.7	-2.4	0.8	0.9	1.1	1.4	1.5	1.7	2.0	2.2	2.4
CFO to EBITDA (%)	68.2	287.7	38.9	43.8	1.3	47.9	49.6	51.3	53.6	54.9	56.5	58.6	60.5	62.1
FCF to Net Profit (%)		-666.1	264.1	30.6	-101.7	29.6	34.5	39.8	45.3	48.7	52.8	58.0	62.5	66.3
FCF to Net Worth (%)		113.2	16.5	8.2	-17.8	5.7	7.1	8.4	9.9	10.9	11.8	13.0	14.0	14.6
Total Debt	250.8	180.0	209.1	246.1	254.1	301.1	316.4	379.8	361.1	318.4	308.3	283.2	160.5	0.0
Net Debt	214.2	144.4	186.4	216.2	206.1	240.2	265.9	281.6	280.6	258.1	209.8	128.4	3.9	-172.1
Net Debt to Equity (X)	1.1	0.9	1.0	0.9	0.4	0.4	0.4	0.3	0.3	0.2	0.1	0.1	0.0	-0.1
Net Debt to EBITDA (X)	2.7	2.0	1.7	1.2	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.1	0.0	-0.1
Interest Coverage Ratio (X)	0.5	0.2	1.3	3.0	3.8	4.4	4.9	5.5	6.2	7.8	9.5	11.2	14.8	24.8

Source: Company Reports and Ventura Research

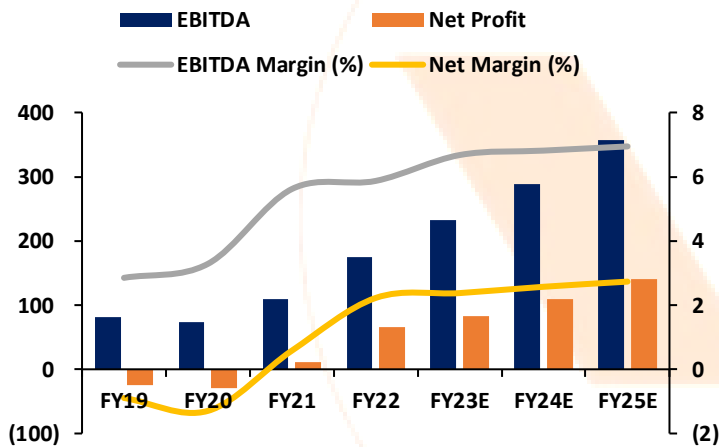
**Post-pandemic strong recovery expected in revenue performance**



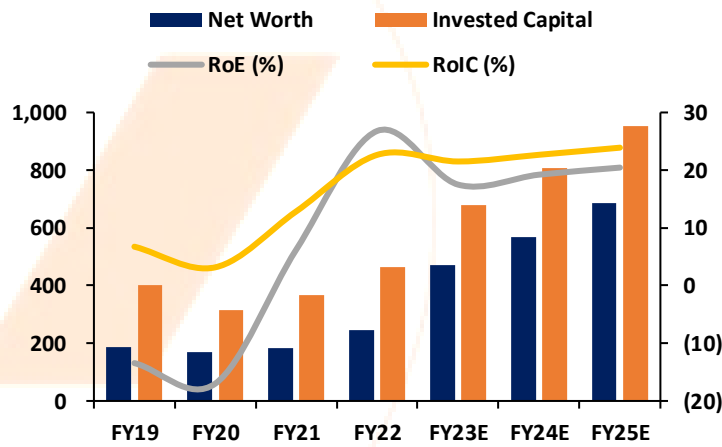
**Revenue share (%): Vehicle servicing and pre-owned cars revenue to improve their share**



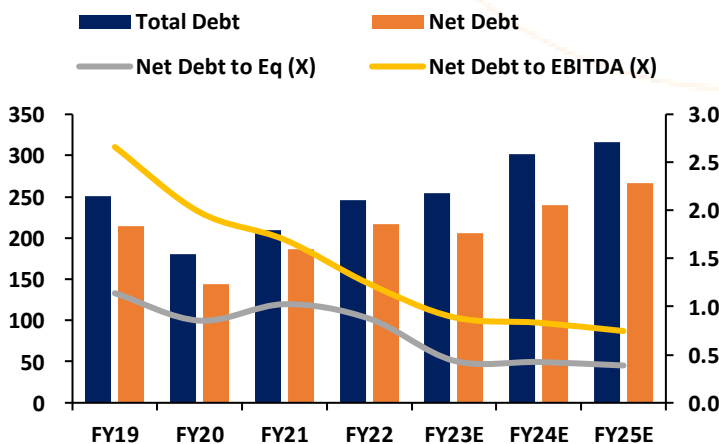
**An expected increase in the share of vehicles servicing to improve profitability**



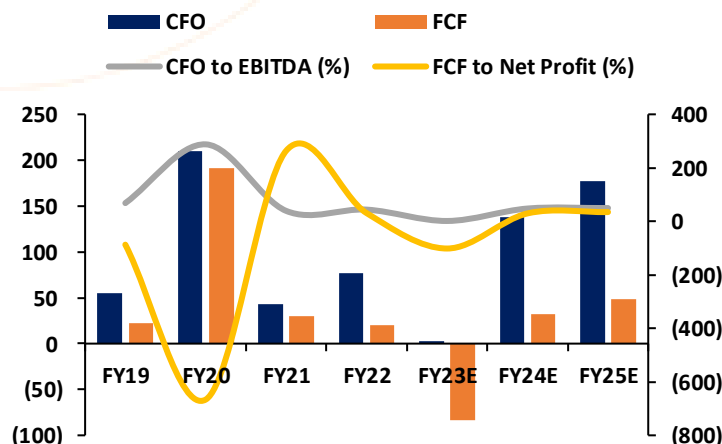
**Return ratios to follow profitability in the coming years**



**Balance sheet health to remain strong due to rise in operating profits**



**Operating cash flows to remain positive in the coming years**



Source: Company Reports and Ventura Research

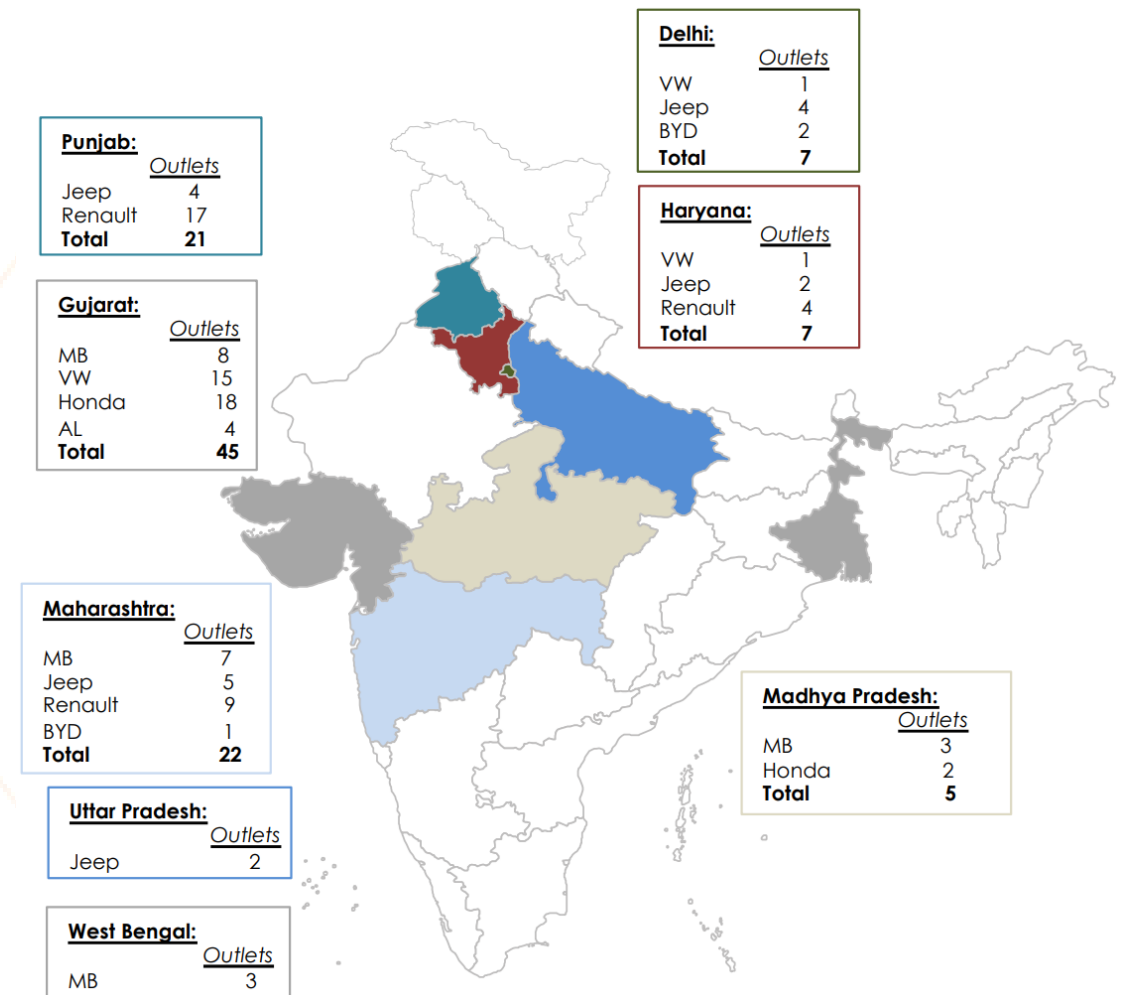


## LCL's competitive strengths

### Leading automotive dealership for major OEMs with a strong focus on high growth segments

LCL is a leading premium automotive retail business in India with dealerships for Mercedes-Benz, Honda, Jeep, Volkswagen and Renault.

#### Location of our sales outlets/service and spare parts outlets



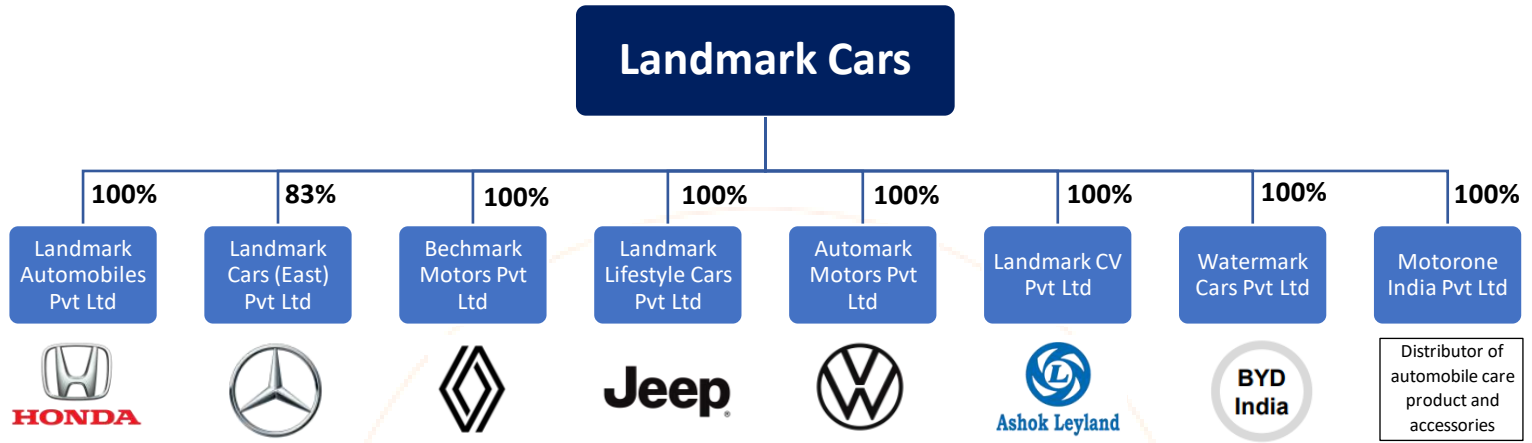
Source: Company reports

The company's longstanding relationships with its OEM partners and its market leadership positions offer them several competitive advantages including:

- Opportunities from the OEMs allowing them to expand the business into new cities and geographies,
- Sharing infrastructure and manpower across brands to increase margins,
- Attracting suitable inorganic dealership acquisition targets,
- Opportunities to expand across their business verticals,
- Attracting talented sales and technical personnel,

- Executing large scale marketing and advertising campaigns,
- Centralising certain backend and support functions, which lead to economies of scale and margin improvement.

**LCL's Corporate Structure**



Source: Company Reports

Furthermore, the UV segment volumes are expected to grow at a CAGR of 12% to 14% from Fiscal 2022 to Fiscal 2027. All 5 of their OEM partners in passenger vehicles are focused on the UV market, particularly SUVs, with additional models planned for release in India.

**Growing presence in the after-sales segment leading predictable growth in revenues and superior margins**

LCL operates as authorized service centres and provides after-sales service and repairs. The company also sells spare parts, lubricants, accessories, and other products. The after-sales service and spares business provide a stable revenue stream and contributes to higher-margin revenues at each of the dealerships.

OEMs offer manufacturers' warranties and maintenance programs packaged for LCL with vehicle' sales and, generally, only permit warranty work had to be performed at the authorized service centres. This created a significant barrier to entry for new competitors.

**Comprehensive business model capturing entire customer value-chain**

LCL'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 PVs and the distribution of 3<sup>rd</sup> party financial and insurance products. They benefited from the synergies of these complementary businesses as well as increased customer retention from servicing their customer's various automotive needs.

The company has an opportunity to grow the number of extended warranties sold during the next few years through the efforts of its service marketing team. The service centres are also

points of sale for spare parts, lubricants, and other products such as accessories as well as value added services such as interior cleaning, polishing and sales of extended warranties. The service centres also act as points of renewal for insurance policies and extended warranties from end of manufacturer warranty period onwards.

### **Robust business processes leveraging technological innovation and digitalization**

LCL has established robust business processes, which assist them 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 target campaigns to existing customers by email, online campaigns and social media for upgrades, after-sales service offers and loyalty benefits. In addition to its websites, LCL has launched a chatbot on a leading instant messaging application to resolve customer queries and to book after-sales service appointments.

LCL has made forays into technology and platforms through their investments in Chatpay Commerce Pvt Ltd (8.26% stake) and Sheerdrive Pvt Ltd (19.97% stake). Chatpay Commerce aims to be a multi-brand car service and repair provider that focuses on reskilling and training technicians and providing access to the necessary modern equipment and OES and white-labelled spare parts. Sheerdrive is an auto technology start-up and focused on used car transactions at new car dealerships by leveraging its digital SaaS platform that enables digital evaluation and real-time used car prices.

### **LCL's future growth strategies**

#### **Continue to focus on the expansion of high growth segments and brands**

The overall PV sales are expected to grow at a CAGR of 8-10% from FY22 to FY27 and reach ~4.6-4.8 mn units by FY27. LCL intends to focus on expanding its business in high growth segments like premium and luxury PVs. The company aims to leverage its relationships with the OEMs to expand geographically through new showrooms to achieve economies of scale.

#### **Expand the after-sales service business**

LCL's strategy is to expand its after-sales service offerings 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 centres in the markets in which the company operates. LCL will continue to invest in sophisticated equipment and specially trained technicians to service increasingly complex vehicles.

Further, LCL has entered into a spare parts dealership agreement with Mercedes-Benz, and it will be engaged in the business of sale of genuine parts in aftermarket in India. LCL intends to cater to retailers, independent workshops, authorized service centres and vehicle dealers.

## **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. India has a lot of growth potential in the pre-owned PV market, particularly as the segment gets more organised over time due to

- increased need for personal mobility,
- rising aspirations of customers,
- growing disposable income,
- lowering replacement cycles and
- increasing financial penetration

The ratio of pre-owned PV sales to new PV sales in India is expected to reach 1.5-1.8 by FY27. LCL has implemented a digital SaaS platform developed by Sheerdrive, which enables digital evaluation and real-time used car pricing. The use of technology in its pre-owned vehicle acquisition and sales processes is expected to improve LCL's efficiencies and allow it to replicate its success across brands and geographies.

## **Continue to invest in technology and digitalizing sales and service channels**

LCL has its own in-house technology team, which consisted of 16 employees focused on applications and 19 employees focused on IT infrastructure (as of Jun 30, 2022). The company intends to continue to invest in its IT systems to enhance process efficiencies and to support its sales, inventory control, after-sales service, financial control and customer interaction. Further, the company has a central purchase management system (PMS) to control its inventory of cars, accessories and spare parts. LCL also has its own in-house CRM solutions, which are used for its presales and service customer interactions.

LCL aims to be a leading omni-channel premium automotive retail business through the use of technology, which will help it scale more quickly and efficiently. The company enabled its chatbot in Oct 2021 to allow the customers to book after-sales service appointments. The company intends to continue to invest in companies focused on innovative technology or platforms in the automotive retail and after-sales service segments. The recent investments in Pitstop and Sheerdrive are examples of the investments in start-up companies that LCL intends to continue to explore.

## **Continue strategic acquisitions to expand geographic reach in premium brands**

LCL 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 them 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. The company will continue to seek to acquire dealerships to expand their geographic reach in premium and luxury automotive brands which may or may not be part of their existing portfolio.

## Management Team

Key Person	Designation	Details
Mr Sanjay Karsandas Thakker	Chairman & Executive Director	He has a bachelor's degree in commerce from Sydenham College of Commerce and Economics, University of Bombay. He founded the Group Landmark in 1998. He has more than two decades of experience in the automobile industry
Mr Aryaman Sanjay Thakker	Executive Director	He has a BBA degree from the Bharati Vidyapeeth Deemed University, Pune and has a master's degree of science in marketing and strategy from the University of Warwick. He joined Group Landmark in 2017 as a General Manager of LAPL. Prior to joining the Landmark Group, Aryaman was associated with AutoNation Corp in Fort Lauderdale, Florida, US.
Mr Paras Somani	Executive Director	He has a BCom degree from the Saurashtra University and has also participated in the ISBCEO Leadership Programme by the Indian School of Business, Hyderabad from Jul 2017 to Aug 2018. He joined Group Landmark in 2006 as the Vice President- Sales in LAPL and currently leads the Mercedes-Benz and Volkswagen business in Group Landmark. He has over two decades of experience in sales and banking. He was previously associated with Kotak Mahindra Primus Ltd.
Mrs Garima Misra	MD of AMPL (Volkswagen business), Jeep North and Group Marketing	She holds a BCom (honours) from the Delhi University and a MBA from Fore School of Management. She has 23 years of experience in automobile retail industry and was a part of the founding team at Group Landmark. Prior to joining Group Landmark, she was associated with Blue Skies Travels & Tours Pvt Ltd.
Mrs Urvi Ashwin Mody	Director - Infrastructure	She holds a diploma in architecture from the Board of Technical Examinations, Maharashtra and a diploma in business management from S. P Mandali's WE School, Prin. L.N. Welingkar IMDR, Mumbai, Maharashtra. She is also registered with the Council of Architecture. She has 22 years of experience in setting up retail and factory infrastructure
Mr Surendra Kumar Agarwal	CFO	He holds a BCom from Rajasthan University and is also an associate of the ICAI. He has over two decades of experience in finance and accounting roles. Prior to this, he was associated with Trent Hypermarket Pvt Ltd, Videocon Appliances Ltd and Century Rayon.
Mr Devang Satyadev Dave	Director - After Sales	He holds an advanced diploma in management from the ICAI University, Dehradun. He has 19 years of experience in the automobile industry.
Mr Harshal Manojkumar Desai	Director – Sales for Honda, Jeep (Mumbai, Maharashtra) and used cars	He holds a BSc from Maharaja Sayajirao University of Baroda. He has over 23 years of experience in the automobile industry. He oversees sales for Honda PVs in LAPL and holds directorship on the boards of LLCPL and WCPL. He is also in-charge the pre-owned car business for the Group Landmark. Prior to joining our Company, he was associated with Kamdhenu Motors Pvt Ltd for ten years.

Source: Company Reports

## Key Risks & Concerns

- LCL's performance depends on the value, perception, marketing and overall competitiveness of its OEM partners and any damage to these brands or their failure to compete effectively in India could materially adversely affect the business performance
- A large portion of LCL's business operations is concentrated in the states of Gujarat and Maharashtra, and any adverse developments in these states could have an adverse effect on the company's business.
- The decision by any of LCL's OEM partner not to renew, to terminate or to require adverse material modifications to any of dealership or agency agreements entered into with them could have a material and adverse effect on business





## Issue Structure and Offer Details

The proposed IPO size of LCL is INR 552 cr (INR 150 cr fresh issue and INR 302 cr OFS) and the price band for the issue is in the range of INR 481-506 and the bid lot is 29 shares and multiples thereof.

Issue Structure		
Investor Category	Allocation	No of shares offered
QIB	Not more than 50%	54,44,662
NIB	Not less than 15%	16,33,399
Retail	Not less than 35%	38,11,264
Employees		21,834
<b>Total</b>		<b>1,09,11,159</b>

Number of share based on higher price band of INR 357

Source: Company Reports

Details of selling shareholders		
Name of selling shareholders	Amount offered	No of shares offered
<b>Promoter selling shares</b>		
Sanjay Karsandas Thakker HUF	Not more than INR 10 cr	1,97,628
<b>Institutions selling shares</b>		
TPG Growth II SF Pte. Ltd.	Not more than INR 325 cr	64,22,924
Aastha Ltd	Not more than INR 62 cr	12,25,295
<b>Individual selling shares</b>		
Garima Misra	Not more than INR 5 cr	98,813

Number of share based on higher price band of INR 506

Source: Company Reports

### LCL financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23E	FY24E	FY25E	Fig in INR Cr (unless specified)	FY21	FY22	FY23E	FY24E	FY25E
<b>Income Statement</b>						<b>Per share data &amp; Yields</b>					
Revenue	1,956.1	2,976.5	3,472.5	4,235.0	5,132.4	Adjusted EPS (INR)	2.9	16.7	20.8	27.5	35.4
<b>YoY Growth (%)</b>	<b>-11.8</b>	<b>52.2</b>	<b>16.7</b>	<b>22.0</b>	<b>21.2</b>	Adjusted Cash EPS (INR)	18.6	34.3	42.6	54.2	68.0
Raw Material Cost	1,647.4	2,511.7	2,882.1	3,515.1	4,259.9	Adjusted BVPS (INR)	46.1	62.7	119.3	143.4	173.5
<b>RM Cost to Sales (%)</b>	<b>84.2</b>	<b>84.4</b>	<b>83.0</b>	<b>83.0</b>	<b>83.0</b>	Adjusted CFO per share (INR)	10.8	19.3	0.8	34.9	44.6
Employee Cost	107.7	153.2	191.0	232.9	282.3	CFO Yield (%)	2.1	3.8	0.1	6.9	8.8
<b>Employee Cost to Sales (%)</b>	<b>5.5</b>	<b>5.1</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>	Adjusted FCF per share (INR)	7.6	5.1	-21.2	8.1	12.2
Other Expenses	91.2	136.9	167.6	198.5	233.9	FCF Yield (%)	1.5	1.0	-4.2	1.6	2.4
<b>Other Exp to Sales (%)</b>	<b>4.7</b>	<b>4.6</b>	<b>4.8</b>	<b>4.7</b>	<b>4.6</b>	<b>Solvency Ratio (X)</b>					
EBITDA	109.8	174.7	231.8	288.5	356.3	Total Debt to Equity	1.1	1.0	0.5	0.5	0.5
<b>Margin (%)</b>	<b>5.6</b>	<b>5.9</b>	<b>6.7</b>	<b>6.8</b>	<b>6.9</b>	Net Debt to Equity	1.0	0.9	0.4	0.4	0.4
<b>YoY Growth (%)</b>	<b>50.7</b>	<b>59.1</b>	<b>32.7</b>	<b>24.5</b>	<b>23.5</b>	Net Debt to EBITDA	1.7	1.2	0.9	0.8	0.7
Depreciation & Amortization	62.5	69.8	86.1	105.7	128.9	<b>Return Ratios (%)</b>					
EBIT	47.3	104.9	145.7	182.8	227.4	Return on Equity	6.2	26.8	17.5	19.2	20.4
<b>Margin (%)</b>	<b>2.4</b>	<b>3.5</b>	<b>4.2</b>	<b>4.3</b>	<b>4.4</b>	Return on Capital Employed	6.8	17.1	15.0	15.8	17.0
<b>YoY Growth (%)</b>	<b>377.1</b>	<b>121.5</b>	<b>38.9</b>	<b>25.5</b>	<b>24.4</b>	Return on Invested Capital	12.9	22.7	21.5	22.7	23.9
Other Income	10.2	12.6	3.3	4.7	5.9	<b>Working Capital Ratios</b>					
Finance Cost	37.8	35.2	38.7	42.0	46.0	Payable Days (Nos)	19	18	10	10	10
Interest Coverage (X)	1.3	3.0	3.8	4.4	4.9	Inventory Days (Nos)	54	40	45	45	45
Exceptional Item	0.0	0.0	0.0	0.0	0.0	Receivable Days (Nos)	10	8	10	10	10
PBT	19.8	82.3	110.2	145.5	187.3	Net Working Capital Days (Nos)	46	31	45	45	45
<b>Margin (%)</b>	<b>1.0</b>	<b>2.8</b>	<b>3.2</b>	<b>3.4</b>	<b>3.6</b>	Net Working Capital to Sales (%)	12.5	8.4	12.3	12.3	12.3
<b>YoY Growth (%)</b>	<b>-180.3</b>	<b>315.9</b>	<b>34.0</b>	<b>32.0</b>	<b>28.7</b>	<b>Valuation (X)</b>					
Tax Expense	8.6	16.1	27.8	36.6	47.1	P/E	176.8	30.3	24.3	18.4	14.3
<b>Tax Rate (%)</b>	<b>43.6</b>	<b>19.6</b>	<b>25.2</b>	<b>25.2</b>	<b>25.2</b>	P/BV	11.0	8.1	4.2	3.5	2.9
PAT	11.1	66.2	82.4	108.9	140.2	EV/EBITDA	19.9	12.7	9.5	7.8	6.4
<b>Margin (%)</b>	<b>0.6</b>	<b>2.2</b>	<b>2.4</b>	<b>2.6</b>	<b>2.7</b>	EV/Sales	1.1	0.7	0.6	0.5	0.4
<b>YoY Growth (%)</b>	<b>-138.5</b>	<b>493.7</b>	<b>24.6</b>	<b>32.1</b>	<b>28.7</b>	<b>Cash Flow Statement</b>					
Min Int/Sh of Assoc	0.2	0.0	0.0	0.0	0.0	PBT	19.8	82.3	110.2	145.5	187.3
Net Profit	11.3	66.2	82.4	108.9	140.2	Adjustments	82.2	15.1	99.5	123.3	147.2
<b>Margin (%)</b>	<b>0.6</b>	<b>2.2</b>	<b>2.4</b>	<b>2.6</b>	<b>2.7</b>	Change in Working Capital	-50.6	-4.8	-178.9	-94.0	-110.6
<b>YoY Growth (%)</b>	<b>-139.4</b>	<b>484.1</b>	<b>24.6</b>	<b>32.1</b>	<b>28.7</b>	Less: Tax Paid	-8.6	-16.1	-27.8	-36.6	-47.1
<b>Balance Sheet</b>						Cash Flow from Operations	42.8	76.4	3.0	138.1	176.7
Share Capital	18.3	18.3	19.8	19.8	19.8	Net Capital Expenditure	-12.8	-56.2	-86.8	-105.9	-128.3
Total Reserves	164.1	229.9	452.6	547.9	667.1	Change in Investments	-9.2	22.3	-10.9	-13.3	-10.1
Shareholders Fund	182.4	248.2	472.4	567.7	686.9	Cash Flow from Investing	-22.0	-33.9	-97.7	-119.1	-138.4
Long Term Borrowings	48.8	45.4	40.0	40.0	0.0	Change in Borrowings	4.4	3.0	7.9	47.0	15.3
Deferred Tax Assets / Liabilities	-4.8	-5.4	-5.4	-5.4	-5.4	Less: Finance Cost	-37.8	-35.2	-38.7	-42.0	-46.0
Other Long Term Liabilities	7.2	9.2	10.8	13.2	15.9	Proceeds from Equity	0.0	0.0	150.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	0.0	0.0	0.0	0.0	0.0	Dividend Paid	0.0	-5.3	-8.2	-13.6	-21.0
Total Liabilities	233.6	297.5	517.8	615.5	697.4	Cash flow from Financing	-33.4	-37.5	111.0	-8.6	-51.7
Net Block	190.1	214.6	254.0	298.9	350.0	Net Cash Flow	-12.7	5.0	16.3	10.4	-13.4
Capital Work in Progress	0.7	3.8	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.0	0.0	0.0
Intangible assets under development	0.9	0.9	0.0	0.0	0.0	Opening Balance of Cash	27.7	15.0	20.0	36.3	46.6
Non Current Investments	13.0	16.5	19.3	23.5	28.5	Closing Balance of Cash	15.0	20.0	36.3	46.6	33.3
Long Term Loans & Advances	17.4	16.8	19.6	23.9	29.0						
Other Non Current Assets	0.0	0.0	0.0	0.0	0.0						
Net Current Assets	11.5	44.8	225.0	269.1	289.9						
Total Assets	233.6	297.5	517.8	615.5	697.4						

Source: Ventura Research

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