



Landmark Cars has a network of 112 outlets for passenger vehicles, comprised of 59 sales outlets and 53 after-sales service and spares outlets. Their passenger vehicle dealership network is spread across 32 cities in 8 states and union territories including Maharashtra, Uttar Pradesh, Gujarat, Haryana, Madhya Pradesh, Punjab, West Bengal and the National Capital Territory of Delhi. The company follows asset light model and has only 2 outlets as owned and remaining leased as on June 30, 2022. Out of total new vehicle sales in India, Landmark Cars' market share stood for Mercedes-Benz at 15.8%, Honda at 5.8%, Jeep at 26.8%, Volkswagen at 8.7% and Renault at 5.1% as on June 2022.

Out of total revenue the company earned 80% from sales of vehicles with EBITDA margin of 2.87% and remaining 20% from After-sales service and spare parts segment with EBITDA margin of 18.19% in FY2022. Landmark Cars' ROE and ROCE stood at 26.66% and 18.86% in FY2022. The company's debt to equity ratio stood at 1.48x as on June 2022, post-IPO it would become 1.03x. On valuation front, the company is available at 28.30x PE for FY22. The company does not have any listed peers in the similar business. We recommend to Avoid the issue.



About the Company

Incorporated in 1998, Landmark Cars Limited (Landmark) is the leading premium automotive retail business in India with dealerships for Mercedes-Benz, Honda, Jeep, Volkswagen and Renault. The company also cater 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 59 sales showrooms and outlets and 53 after-sales services and spare outlets, as of June 30, 2022. 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's business model captures 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 distribution of third-party finance and insurance products.

Issue Details

Price Band (in ₹ per share)	481-506
Issue size (in ₹ Crore)	552
Fresh Issue (in ₹ Crore)	150
Offer for Sale (in ₹ Crore)	402
Total number of shares (lakhs)	114.78-109.11
Issue open date	13-12-2022
Issue close date	15-12-2022
Tentative date of Allotment	20-12-2022
Tentative date of Listing	23-12-2022
Offer Allocation	QIB - 50 %, Retail- 35%, NII - 15%
No. of shares for QIBs (lakhs)	57.28-54.45
No. of shares for non-institutional investors (lakhs)	17.18-16.33
No. of shares for retail investors (lakhs)	40.09-38.11
No. of shares for Eligible	0.23-0.22
Employee Discount (in ₹)	48
Minimum order quantity	29
Face value (in ₹)	5
Amount for retail investors (1 lot)	13949-14674
Maximum number of shares for Retail investors at lower Band	406 (14 lots)
Maximum number of shares for Retail investors at upper band	377 (13 lots)
Maximum amount for retail investors at lower Band-upper band (in ₹)	195286-190762
Exchanges to be listed on	BSE, NSE

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**Objective of the Offer**

- Pre-payment, in full or in part, of borrowings availed by the Subsidiaries of INR 120 crore
- Offer for Sale of Equity Shares aggregating INR 402 crore (Promoter – INR 10 crore, Shareholders INR 392 crore)
- General Corporate Purpose

Brief Financials

Particulars (Rs. Cr) *	Q1FY23	FY22	FY21	FY20
Share Capital	18.31	18.31	18.31	18.31
Net Worth	268.27	246.94	181.78	169.13
Revenue from Operations	800.27	2976.52	1956.10	2218.61
EBITDA	52.83	187.28	120.06	83.20
EBITDA Margin (%)	6.60%	6.29%	6.14%	3.75%
PAT	18.14	66.18	11.15	-28.94
PAT Margin (%)	2.27%	2.22%	0.57%	-1.30%
Basic EPS(Rs)	4.86	17.88	3.09	-7.84
Net Asset Value (Rs)	73.25	67.42	69.42	46.17
P/E #	26.03^	28.30	-	-
P/B #	6.91	7.51	-	-

Source: RHP, *Restated Consolidated, FV Rs.5/-, # Calculated at the upper price, ^Annualised

Industry Review**Dealership scenario in India**

As of Fiscal 2022, there were around 17,000 dealerships with nearly 28,000 touchpoints across India catering to customers of two-wheelers, passenger vehicles, 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%. The remaining is formed by three-wheelers and tractor dealers. Presence of three-wheelers and tractor distributorships is relatively limited.

Dealers normally have three 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. They also have a large sub-dealer network that works under the umbrella dealership and caters to smaller semi-urban/ rural areas nearby. A few dealers also have ARDs (authorised representative of the dealer) that provide the minimal required services to customers in rural areas. ARDs are more prominent in the two-wheeler segment.

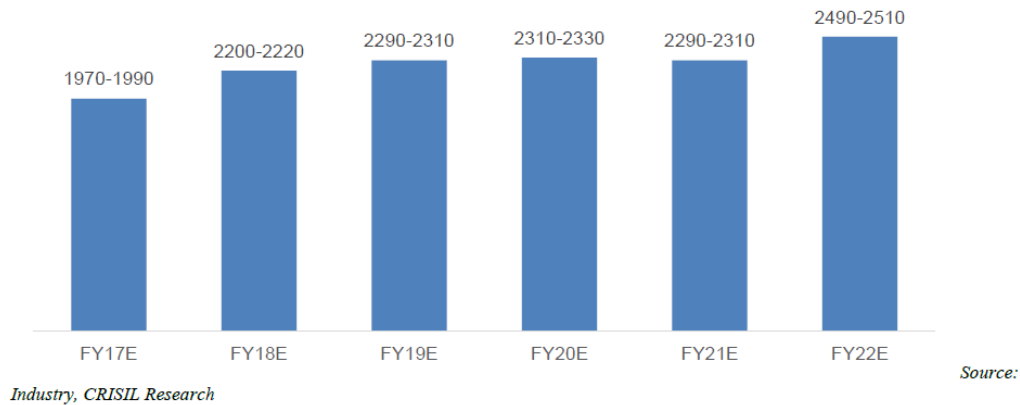
According to the CRISIL Report, currently, there are only a handful of very large dealerships in India with more than 100 outlets and a presence across four to five states in India. Compared with global dealership giants such as Penske Automotive (approximately 320 outlets across the United States and 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.

Passenger vehicles dealership landscape in India**Increase in PV dealerships in India**

PV dealerships form approximately 15% of overall dealerships in India and contribute to approximately 25% of the overall touch-points in Fiscal 2022. Primary PV dealerships are typically based out of large cities with multiple outlets throughout the city and a sub-dealer network covering nearby semi-urban and rural areas. All the multiple outlets and sub-dealers work under the umbrella dealership where the primary dealership handles overall ordering and procurement.



Industry Review

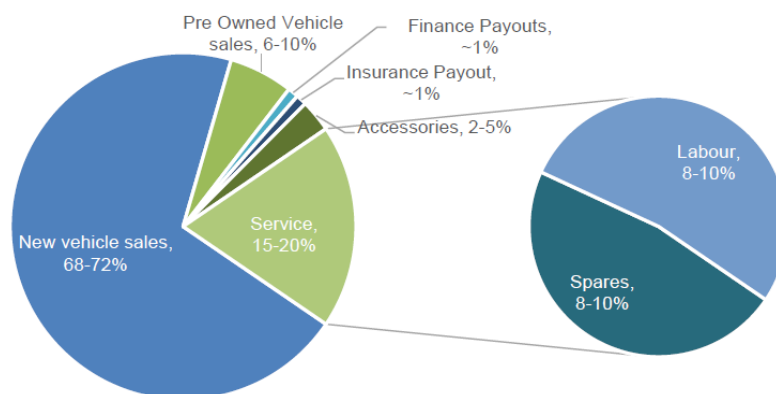


Source: RHP, CBSL

Breakdown by revenue streams

According to the CRISIL report, typically, for the passenger vehicles (mass and premium markets) segment, new vehicle sales remain the primary source of income contributing 68-72% of revenue for a dealership, followed by pre-owned vehicle sales contributing 6-10% of revenue, service (regular maintenance & repair) contributing 15-20% of the revenue, and sales of accessories and insurance / finance commission contributing to the remaining portion.

Typical revenue break-up for a PV dealer (mass and premium markets)



Source: Industry, CRISIL Research

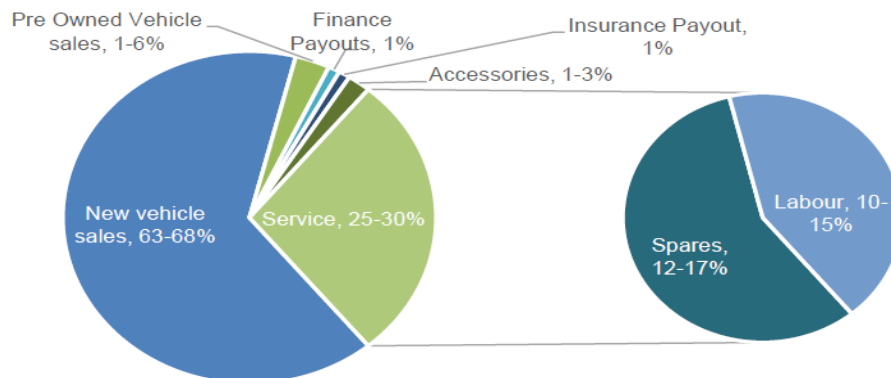
Source: RHP, CBSL



Industry Review

According to CRISIL Research, for a luxury PV dealership, new vehicle sales form approximately 63-68% share of the overall revenue, while the sale of pre-owned cars accounts for 1-6%. Share of pre-owned car sells in the overall revenue is relatively lower for luxury dealerships compared to mass market/ premium dealerships given the lack of affiliated preowned vehicle chain as well as lower share of customers opting for exchange while buying luxury vehicles.

Typical revenue break-up for a luxury PV dealer



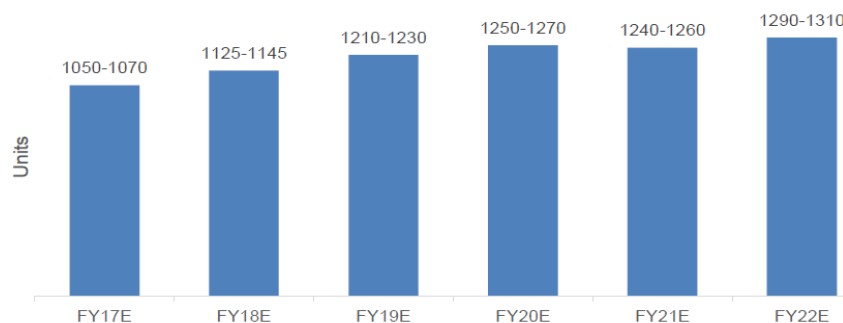
*Note: Commission earned under ROTF model of Mercedes is covered under new vehicles sales revenue.
Source: Industry, CRISIL Research*

Source: RHP, CBSL

Commercial vehicles dealership landscape in India

CV dealerships form approximately 8-10% of overall dealerships in India and contribute to approximately 15% of the overall touch-points. The expansion in the dealerships during Fiscal 2022 was primarily done in SCV/LCV segment by Tata Motors and Ashok Leyland.

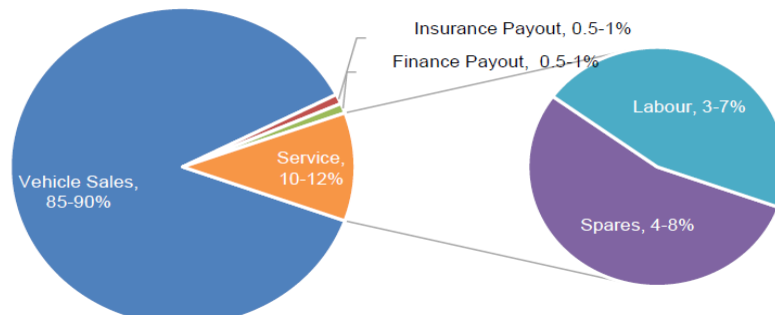
Number of CV dealerships



Source: Industry, CRISIL Research

Breakdown by revenue streams

Typical revenue break-up for a CV dealer



Source: Industry, CRISIL Research

Source: RHP, CBSL



Competitive Strengths

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

Landmark is a leading premium automotive retail business in India with dealerships for Mercedes-Benz, Honda, Jeep, Volkswagen and Renault. They were the number one dealer in India for Mercedes-Benz, Honda, and Jeep in terms of wholesale sales for Fiscal 2022 and were the top contributor to Volkswagen retail sales for calendar year 2021. They were the 3rd largest dealership in India for Renault in terms of wholesale sales contribution for calendar year 2021. In FY22, they 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.

Company's longstanding relationships with their OEM partners and their market leadership positions offers 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 leads to economies of scale and margin improvement.

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 after-sales segment leading predictable growth in revenues and superior margins

Landmark operates as authorized service centres and provides after-sales service and repairs. They also sell spare parts, lubricants, accessories, and other products. Their after-sales service and spares business provide a stable revenue stream and contributes to higher-margin revenues at each of their dealerships.

In the 3 months ended June 30, 2022, they earned an average of ₹21,559 from each vehicle serviced, and they serviced an average of 14 vehicles for every new vehicle sold in the period. In Fiscal 2022, they earned an average of ₹21,030 from each vehicle serviced, and they serviced an average of 14 vehicles for every new vehicle sold in the period. This has resulted in growth in their average revenue per vehicle serviced from Fiscal 2021 and Fiscal 2020, during which they earned an average of ₹19,098 and ₹16,515 per vehicle serviced, respectively.

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

Comprehensive business model capturing entire customer value-chain

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. They benefited from the synergies of these complementary businesses as well as increased customer retention from servicing their customer's various automotive needs.

They have an opportunity to grow the number of extended warranties sold during the next few years through the efforts of their service marketing team. Their 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. Further, their service centres act as points of renewal for insurance policies and extended warranties from end of manufacturer warranty period onwards. Further, they also use their service centres to source pre-owned passenger vehicle opportunities for which they have sales teams stationed at their larger service centres.



Risk Factors

Changes to the automotive industry and consumer views on car ownership could have adverse effect on business

The automotive industry is expected to experience rapid changes in the future, including increases in ridesharing/ hailing services, advances in electric vehicle production and driverless technology. Ride hailing and ridesharing services provide consumers with varied mobility options reducing dependence on privately owned vehicles.

The overall impact of these options on the automotive industry is uncertain and may influence levels of new vehicle sales. Further, OEMs continue to invest in research and development of all-electric vehicles, which generally require less maintenance than traditional passenger and commercial vehicles. While WCPL is taking steps to enter the electric vehicle segment by signing a letter of intent to establish dealerships for the electric car OEM, BYD, the effects of electric vehicles on the automotive industry are uncertain and may include reduced parts and service revenues. Technological advances are also facilitating the development of driverless vehicles. The eventual timing of availability of driverless vehicles is uncertain due to regulatory requirements, technological hurdles, and uncertain consumer acceptance of these technologies. The effect of driverless vehicles on the automotive industry is uncertain and could include changes in the level of new and pre-owned vehicle sales and the price of new vehicles, any of which could materially and adversely affect business, results of operations and financial condition. Further changes in emissions standards required by consumers or regulations could impact sales.

Business concentration in the states of Gujarat and Maharashtra

In the three months ended June 30, 2022 and in FY22, FY21 and FY20, 50.32%, 50.64%, 52.41% and 52.25% of Landmark's number of new vehicles sold and 49.41%, 48.77%, 50.77% and 47.87% of its total consolidated revenue from sale of cars was derived from dealership operations in Gujarat and 22.59%, 24.50%, 24.61% and 23.60% of total vehicle sales and 20.88%, 25.54%, 23.47% and 25.12% of total consolidated revenue was derived from dealership operations in Maharashtra. The concentration of all of operations in Gujarat and Maharashtra heightens exposure to adverse developments related to regulation, as well as economic, demographic and other changes in these states.

Increasing competition among automotive dealerships through online and offline marketing and competition from the unauthorized service centers may have an adverse impact on business

Automobile retailing is a highly competitive business. Most of its dealership agreements do not grant the company with exclusive right to sell vehicles manufactured by the OEMs within a given geographic area. Accordingly, its revenues or profitability could be materially adversely affected if any of the OEMs award dealerships to others in the same markets in which the company is operating.

Moreover, Landmark face competition from the unorganized sector, comprising unauthorized service centers, which may be able to provide servicing and maintenance services at lower prices. Consumers' opting for such unauthorized service centers in place of its authorized service centers could have an adverse impact on business. Further, the internet has become a significant part of the sales process in industry. Customers are using the internet to compare pricing for vehicles and related finance and insurance services, which may further reduce margins for new and pre-owned vehicles and profits for related finance and insurance services.

Landmark's competitors may align themselves with services offered on the internet or invest in the development of their own internet capabilities. Apart from the existing competitors, the company also face competition from online portal dealers and other new age disruptive models. Further, the company's OEMs may seek to directly retail their vehicles through online platforms, thus decreasing their reliance on retailer, which could materially adversely effect on business.



Peer Comparison

There are no listed companies in India that engage in a business similar to that of the company

Our Views

Landmark Cars has a network of 112 outlets for passenger vehicles, comprised of 59 sales outlets and 53 after-sales service and spares outlets. Their passenger vehicle dealership network is spread across 32 cities in 8 states and union territories including Maharashtra, Uttar Pradesh, Gujarat, Haryana, Madhya Pradesh, Punjab, West Bengal and the National Capital Territory of Delhi. The company follows asset light model and has only 2 outlets as owned and remaining leased as on June 30, 2022. Out of total new vehicle sales in India, Landmark Cars' market share stood for Mercedes-Benz at 15.8%, Honda at 5.8%, Jeep at 26.8%, Volkswagen at 8.7% and Renault at 5.1% as on June 2022.

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Sources: Company Website and red herring prospectus



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