

LANDMARK CARS LIMITED

IPO NOTE



OVERVIEW

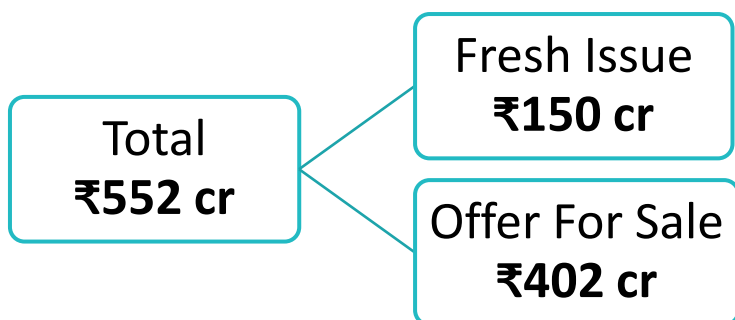
Landmark Cars started **operations and opened** first dealership for Honda in 1998. It expanded its network to 112 outlets in 8 Indian states and union territories, comprising 59 sales outlets and 53 after-sales service and spares outlets as of 30th June 2022. It is a **leading premium automotive retail business** in India with dealerships for Mercedes-Benz, Honda, Jeep, Volkswagen and Renault. (Source: CRISIL Report, September 2022). It also has a **commercial vehicle dealership** with Ashok Leyland in India. It has a presence across the automotive retail value chain, including sales of new vehicles, after-sales service and repairs (which also encompasses sales of spare parts, lubricants and accessories), pre-owned passenger vehicles and facilitation of the sales of third-party financial & insurance products.

FINANCIAL HIGHLIGHTS

Particulars	FY20	FY21	FY22
Revenue from Operations	2,219	1,956	2,977
EBITDA	83	120	187
Net Profit	(29)	11	66

₹ crore

ISSUE SIZE



ISSUE DETAILS

Issue Date	13 th Dec'22 – 15 th Dec'22
Price Band	₹481-₹506
Bid Lot	29 shares
Issue Size	₹552 cr
No. of Shares (Post Issue)	3.96 cr
Post-Issue Implied Market Cap*	₹2,003 cr
Price to Earnings Ratio (FY22)*	30.3x

* At upper price band

ABOUT THE COMPANY

New Vehicle Sales

- Company's vehicle **dealership network** is spread across various states and union territories that includes Maharashtra, Uttar Pradesh, Gujarat, Haryana, Madhya Pradesh, Punjab, West Bengal and Delhi. It has an **online presence** through its website for Group Landmark, individual dealerships and OEMs to showcase its brands including the latest model launches by its OEM partners and to facilitate lead generation. With effect from 1st October 2021, it acquired 4 workshops of Mercedes-Benz from co-dealer Shaman Wheels Private Limited in Mumbai, to enhance its service coverage of the Greater Mumbai area.
- It has executed a **letter of intent** with the automaker BYD, a leading player in the global EV market to be their dealer in Delhi and Mumbai in respect of its electric passenger vehicles.

After Sales Service And Spare Parts

- The **after-sales service** and **spare parts offerings** at each of its dealerships comprise repair and collision repair services and include warranty work, insurance claim work and customer paid services. During Q1 FY23 and FY22, it serviced 72,521, 2,68,459, **passenger vehicles**, respectively, and 3,948, 10,619 **commercial vehicles**, respectively.
- They also sell **spare parts, lubricants, accessories** and **other products** at their after-sales service and spares outlets. In Q1 FY23 and FY22 they earned an average of ₹21,559 and ₹21,030, respectively, from each vehicle serviced, and the company serviced an average of 14 vehicles for every new vehicle sold.
- This segment is a **margin accretive** business for the company (~18.2% in Q1 FY23 and FY22, respectively).

ABOUT THE COMPANY

Third Party Financial & Insurance Products

- As a value add-on to its passenger vehicle sales, it facilitates the sale of **third-party financial products** including insurance policies and vehicle finance through its dealerships. Each of the dealerships offer finance and insurance from their recommended financial service providers, banks and insurance companies with which they have commission arrangements. This segment currently contributed ~1% towards overall sales in FY22.
- It typically receives a portion of the cost of the **financing paid** or sum assured by the customer for each transaction as a fee from the finance or insurance provider. It believes that increasing the penetration of finance and insurance product sales will further drive profitability of company's overall business.

Pre-owned Passenger Vehicle Sales

- It facilitates the sale of **used vehicles** through appointed panel of agents on a commission basis; and they also take the vehicles on its books for sale after any needed refurbishment. They receive an **incentive** from OEMs for used vehicles traded in for new vehicles; this incentive or over-allowance is available to them as a new car dealer and helps them with closing these transactions.
- It implemented a digital SaaS platform developed by Sheerdrive, an auto technology start-up company in which it has 19.97% stake. Sheerdrive's technology platform enables digital evaluation & real time used car prices, thereby helping them drive transparency, accuracy and velocity of used car transactions. They hold 8.26% stake in **Pitstop**, which is a multi-brand car service & repair provider that focuses on reskilling & training technicians. It also provides access to the necessary modern equipment & OES and white labelled spare parts.

ABOUT THE COMPANY

- It entered into a dealership agreement with **Honda Cars India Limited** under which it would be an authorized dealer to sell and service passenger vehicles supplied by Honda, on a non-exclusive basis, in Gujarat and Madhya Pradesh. The agreement is valid for a term of one year and is renewable with the mutual consent of both parties. Currently, the agreement has been renewed until 31st March 2023.
- They entered into a dealership agreement with **FCA India Automobiles Limited** (FCA India) under which they are an authorized dealer to sell and service the Jeep brand passenger vehicles supplied by FCA India in Mumbai, Delhi, Noida and Punjab. The agreement is valid for a term of three years and is renewable with the mutual consent of both parties. Currently, the agreement has been renewed until 17th April 2024. In addition, the company is exploring expanding its range of vehicles to include the full Stellantis offering.
- It entered into dealership agreements with **Volkswagen Passenger Cars**, a division of SKODA Auto Volkswagen India Private Limited to sell and service passenger vehicles in Gujarat, Haryana and the NCR (Delhi) on a non-exclusive basis. Currently, the agreement has been renewed until 31st December 2023.
- The dealership agreement with **Renault** was valid for a term of one year and is renewable with the mutual consent of both parties. The agreement was valid until 30th September 2022. It is currently in renewal discussions with Renault.
- It entered into a dealership agreement with **Ashok Leyland** to sell and service vehicles manufactured by Ashok Leyland in Vadodara and Ahmedabad on a non-exclusive basis. The agreement is valid from 1st January 2020 to 31st March 2023 and is renewable if Landmark Cars gives Ashok Leyland notice at least three months before the expiry of the agreement to enter into a new agreement for a further period.

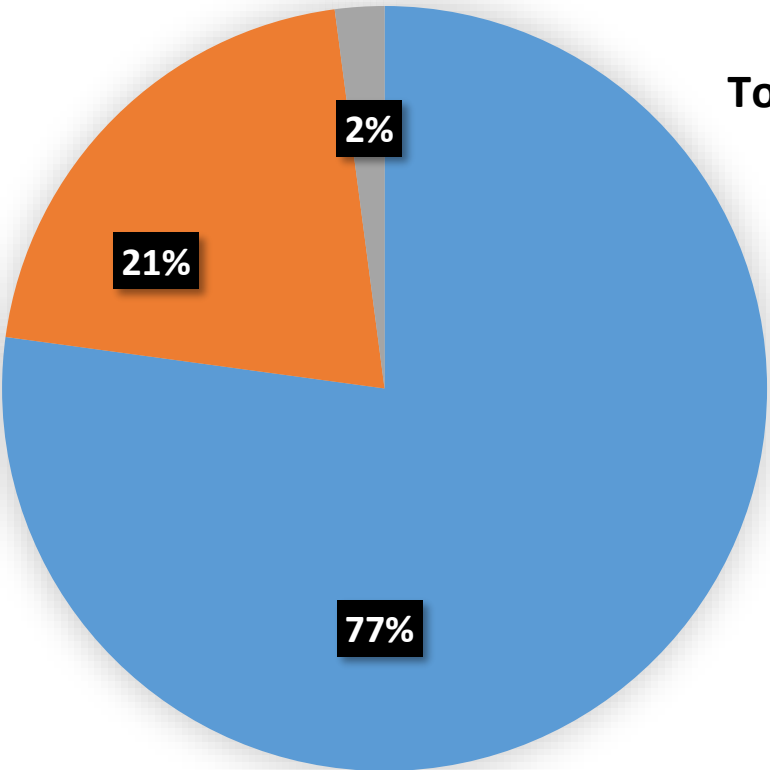
ABOUT THE COMPANY

Original Equipment Manufacturer	Vehicles Sold* Q1 FY23	Vehicles Sold* FY22	Geographic Network	First Dealership Achieved	% of India Sales for OEM sold by Landmark Cars
Mercedes-Benz	527	1,984	Gujarat, Madhya Pradesh, Maharashtra, West Bengal	2008	15.8%
Honda	1,346	5,282	Gujarat, Madhya Pradesh	1998	5.8%
Jeep	988	3,121	Punjab, Delhi, Maharashtra, Haryana, Uttar Pradesh	2017	26.8%
Volkswagen	917	2,405	Haryana, Gujarat, Delhi	2009	8.7%
Renault	1,071	4,750	Punjab, Haryana, Maharashtra	2016	5.1%
BYD	38	13	Delhi, Mumbai	2022	NA
Ashok Leyland	511	1,709	Gujarat	2012	NA

*Number of new vehicles sold in the period, includes cars sold under agency model introduced by Mercedes-Benz with effect from 1st October 2021

ABOUT THE COMPANY

Revenue Breakup (FY22)



Total: ₹2,977 cr

- Sale of Cars
- Sale of products & services
- Other operating revenue

other operating revenue includes finance commission, insurance commission, pre-owned cars commission, income from schemes and incentives, extended warranty and road side assistance income & others

Outlets By State Or Union Territory

Punjab:

	Outlets
Jeep	4
Renault	17
Total	21

Gujarat:

	Outlets
MB	8
VW	15
Honda	18
AL	4
Total	45

Maharashtra:

	Outlets
MB	7
Jeep	5
Renault	9
BYD	1
Total	22

Uttar Pradesh:

	Outlets
Jeep	2

West Bengal:

	Outlets
MB	3

Delhi:

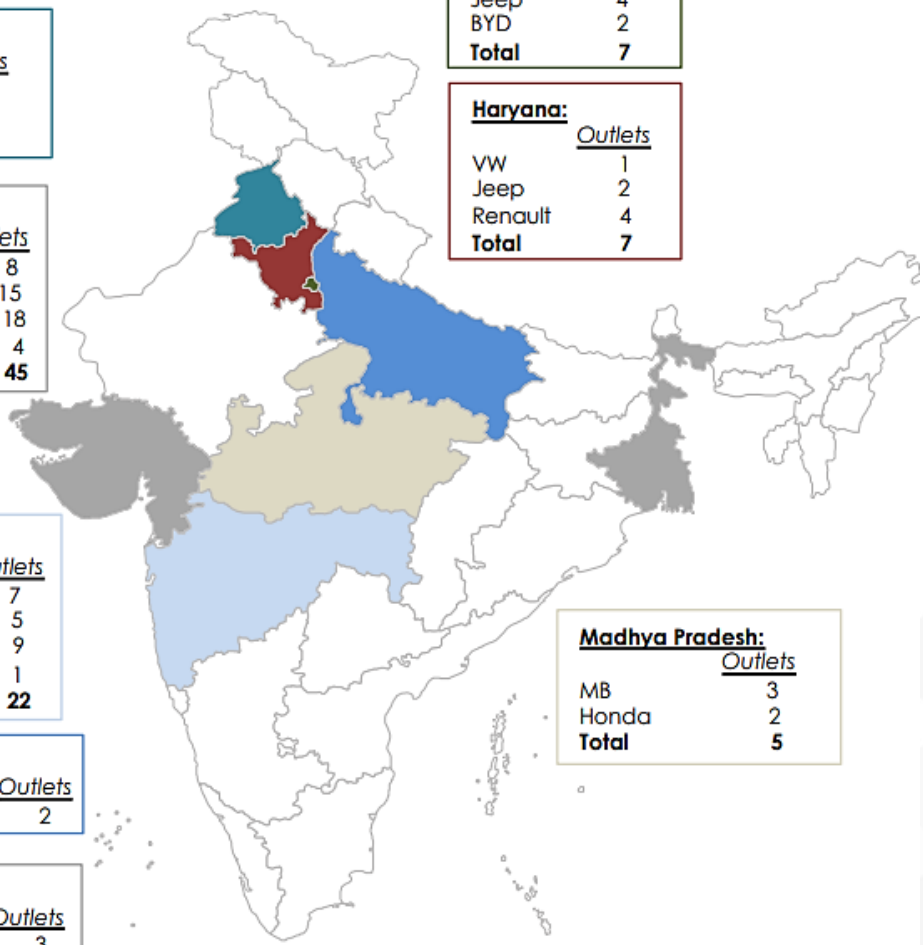
	Outlets
VW	1
Jeep	4
BYD	2
Total	7

Haryana:

	Outlets
VW	1
Jeep	2
Renault	4
Total	7

Madhya Pradesh:

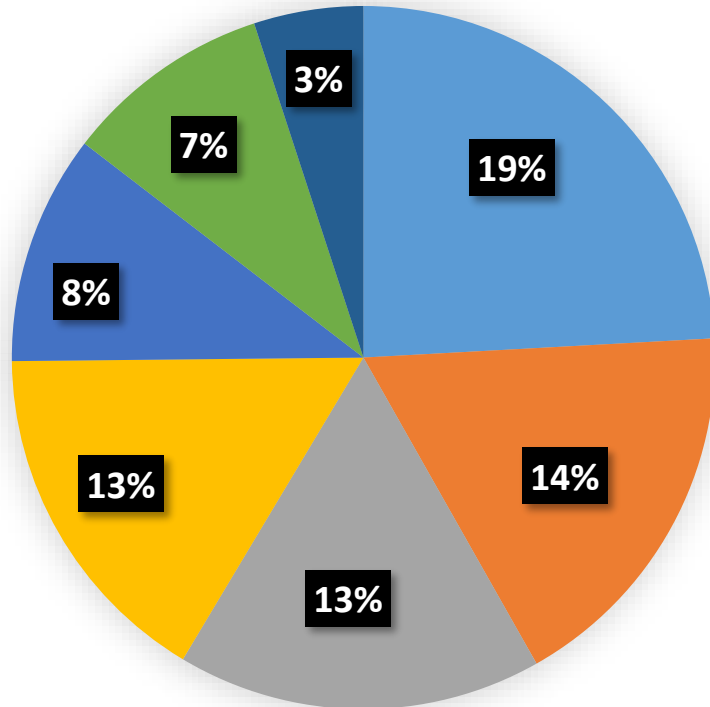
	Outlets
MB	3
Honda	2
Total	5



ABOUT THE COMPANY

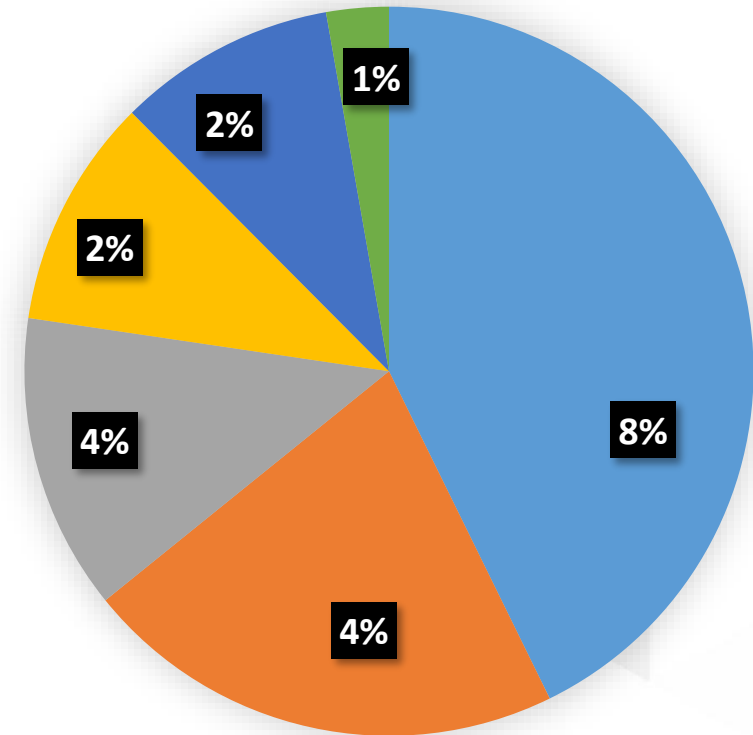
Revenue Mix for OEM (FY22)

Sale of cars for OEM



- Jeep
- Ashok Leyland
- Renault
- Mercedes-Benz (agency model)
- Mercedes-Benz (dealership model)
- Honda
- Volkswagen

Sale of Products & Services for OEM

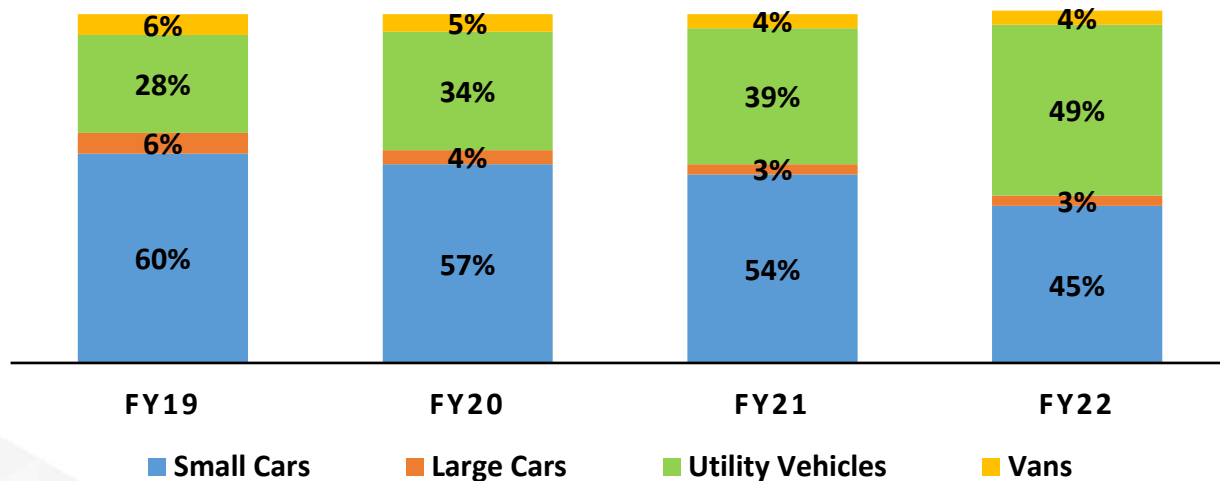


- Mercedes-Benz
- Jeep
- Renault
- Honda
- Volkswagen
- Ashok Leyland

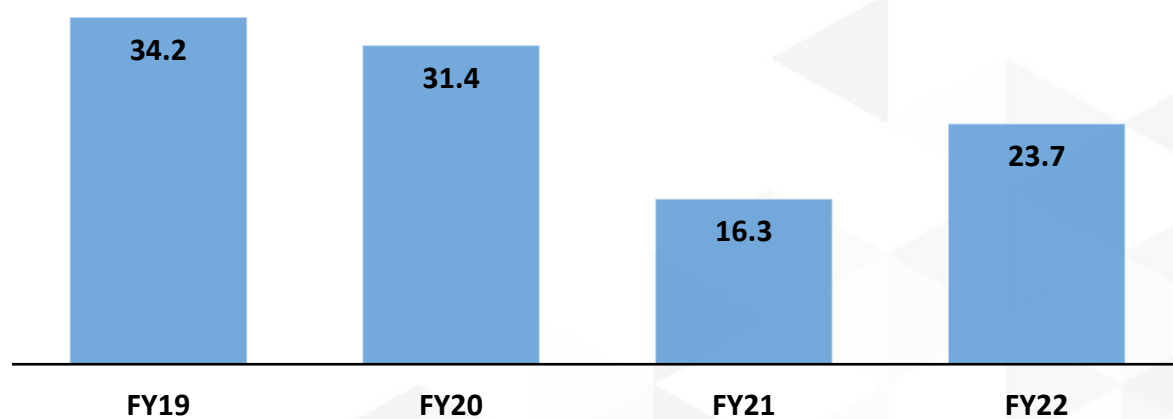
SECTOR OUTLOOK

- The **luxury vehicles segment** typically comprises ~1% of the overall PV industry in India, according to the CRISIL Report. The luxury vehicles segment consists of brands like Mercedes-Benz, Audi, BMW, Volvo and JLR. The ultra-luxury brands like Ferrari, Rolls Royce, Lamborghini form an insignificant part of the overall Indian market. According to the CRISIL Report, sales volume of the luxury segment increased significantly at a CAGR of 16% between FY17-FY19, driven by favourable economic growth, increased disposable incomes and more model launches by the luxury OEMs/brands.
- According to the CRISIL Report, the luxury vehicles segment in India is expected to **grow** at a CAGR of 14%-16% from 23,700 units in FY22 to 47,000-49,000 units by FY27. This growth is expected to be driven by estimated improvement in economic environment, increase in disposable incomes as well as intermittent launches by OEM/brands.
- In FY22, of the **overall PV industry**, premium vehicles (upper compact, super compact, executive, premium and utility vehicles) constitute 62%, mass market (micro, mini, lower compact and vans segments) 37% and 1% comprise luxury vehicles (highly premium vehicles offered by Mercedes, Audi, BMW, Jaguar Land Rover, Volvo).

PV Domestic (Mass & Premium Segments) Sales Split#



Luxury Segment Retail Sales Volume*



#volume terms

*in thousand units, Source: Industry, CRISIL research

SECTOR OUTLOOK

- **Dealerships** form an intrinsic part of the automobile sector playing the role of an intermediary between the customers and the manufacturers. The dealership plays an indispensable role in the overall vehicle supply chain providing local vehicle distribution channel based on a contract with an automaker and a key role in the aftermarket space by providing maintenance services and supplying spares/automotive parts as well as accessories.
- As of FY22, there were ~17,000 **dealerships** with ~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 ~15% share and CVs forming another 8%-10%. The remaining is formed by three-wheelers and tractor dealers.
- According to the CRISIL report, 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.

Player-wise OEM Presence

		Landmark Cars Ltd	Advaith Motors	AMPL	Deutsche Motoren	Jubilant	Kataria Automobiles	KUN Auto Company	KUN Motor Company	Navnit Motors
PV	Maruti			✓			✓			✓
	Hyundai		✓					✓		
	Mahindra			✓						
	Honda	✓								
	Renault	✓								
	VW	✓								
	Jeep	✓								
	MG					✓				
	JLR									✓
	Mercedes-Benz	✓	✓							
	BMW				✓				✓	✓
	Audi					✓				
	Ferrari									✓
	Mini				✓				✓	✓
	Porsche						✓			✓
	Rolls Royce								✓	
	BYD	✓								
CV	Tata (CV)									
	BharatBenz						✓			
	Ashok Leyland	✓		✓						
No. of Brands		7	2	3	2	2	3	1	3	6

Source: Industry, company website, CRISIL Research

SECTOR OUTLOOK

Profitability Share	Mass/Premium segment		Luxury segment		Comments
	Segment margin	Share in Total profit	Segment margin	Share in Total profit	
New vehicle sales	5-7%	23-28%	8-10%	22-27%	Per vehicles margins are relatively higher for luxury dealers. Thus, contributing slightly higher in profitability. Moreover, higher share of new vehicle sales provides additional kicker.
Pre-owned vehicle sales	5-10%	2-7%	4-6%	1-5%	In the luxury car segment, margins are relatively lower given the higher depreciation in the vehicle price and lack of organized market. However, in terms of actual quantum, the earning per vehicle of luxury car dealers is higher given the much higher ticket price of vehicles.
Service	45-55%	58-63%	50-60%	63-68%	Spares are much costlier in luxury car segment and dealers also earn higher on spares compared to mass market/premium car dealers.
Spares	20-30%	10-15%	30-35%	23-28%	
Labour	60-80%	45-50%	70-80%	30-40%	
Accessories	15-25%	2-5%	20-30%	1-3%	The few accessories which are added by luxury customers are highly priced and dealers earn relatively more on those accessories.
Finance Commission	90-100%	4-6%	90-100%	2-5%	Dealers do not have to spend anything additional for earning this commission barring basic facilities provided to the banker.
Insurance Commission	90-100%	4-6%	90-100%	2-5%	

Source: Industry, company website, CRISIL Research

OBJECTS OF THE OFFER

The company proposes to utilize the Net Proceeds towards funding the following objects:

- Pre-payment (in full/part) of borrowings availed by its **subsidiaries** namely Landmark Automobiles Private Limited (₹3 cr), Benchmark Motors Private Limited (₹22.5 cr), Landmark Commercial Vehicles Private Limited (₹32.5 cr), Landmark Lifestyle Cars Private Limited (₹112.6 cr), Watermark Cars Private Limited and Automark Motors Private Limited.
- General corporate purposes.

In addition to the aforementioned objects, the company expects that the listing of the equity shares will enhance its visibility and its brand image among the existing and potential customers.

PROPOSED UTILISATION OF NET PROCEEDS

Particulars	Amount (₹ crore)
Repayment of borrowings	120
General corporate purposes	●

PROMOTER BACKGROUND AND SHAREHOLDING

The **promoter and promoter group** hold 60.24% which is further distributed as:

- Sanjay Karsandas Thakker (jointly with Ami Sanjay Thakker) holds 41.38%
- Ami Sanjay Thakker (jointly with Sanjay Karsandas Thakker) holds 15.25%
- Aryaman Sanjay Thakker (jointly with Sanjay Karsandas Thakker) holds 1.54%
- Sanjay Karsandas Thakker HUF holds 2.07%

Shareholding	Pre IPO	Post IPO
Promoter	60.24%	55.23%
Public	39.76%	44.77%
Total	100%	100%

Allocation of Offer	Share in Issue (₹ crore)	% of Issue
QIB	201	50
NII	60	15
Retail	141	35
Total	402	100

Selling Shareholders	Shareholding % Pre Issue	Shareholding % Post Issue	% of OFS Issue
TPG GROWTH II SF Pvt Ltd	29.7%	11.26%	80.85%
Aastha Limited	3.99%	0.60%	15.42%
Sanjay Karsandas Thakker HUF	2.07%	1.41%	2.49%
Garima Misra	2.76%	2.31%	1.24%

RISK FACTORS

- The company is subject to significant influence of, and restrictions imposed by **OEMs** pursuant to the terms of its dealership or agency agreements that may adversely impact its business, results of operations, financial condition and prospects, including its ability to expand into new territories and acquire additional dealerships.
- They are required to obtain certain **statutory & regulatory permits, licenses & approvals** including approvals from the pollution control board and any delay in receiving approvals might impact its business operations. It currently closed one of its service centres pursuant to a direction received from the Commission of Air Quality Management in NCR and adjoining areas. They have not applied for a factory license and fire license for two of the service centres, one in Vapi (Volkswagen) and the other in Goregaon, Mumbai (Mercedes Benz), as there are certain irregularities which is in the process of resolving with the relevant local authorities.
- They may not be able to complete, or achieve the expected benefits from, current or **future dealership acquisitions** which could adversely affect its business, results of operations and financial condition.
- In the premium and luxury segments of the automobile market, its **direct competing brands** include BMW, Audi, Lexus, Porsche, Land Rover, Jaguar and Tesla. Some of its competitors may also have greater financial and technological resources and may also have larger sales and marketing teams.
- Pursuant to the **dealership agreements** entered into with the OEMs, it is authorized as a dealer of such OEMs, generally on a non-exclusive and non-transferable basis, in identified geographies. These dealership agreements is entered into for fixed period of time ranging between 12 months to over three years and any renewal is subject to the mutual consent of both parties. Further, in accordance with the terms of such dealership agreements, the respective OEMs are entitled to unilaterally terminate such dealership agreements without cause by providing written notice within 90 days and in certain instances, forthwith, without notice, upon breach of terms of the agreement or upon the occurrence of certain events.

STATEMENT OF PROFIT AND LOSS

Particulars	Data for the period (₹ crore)			
	2020	2021	2022	As on 30 th Jun'22
Revenue From Operations	2,219	1,956	2,976	800
Other Income	10	10	13	2
Total Income (I)	2,229	1,966	2,989	802
Purchase of cars, spares and others	1,781	1,710	2,553	714
Changes in Inventories	114	(63)	(41)	(53)
Employee Benefit Expenses	137	108	153	45
Finance Costs	45	38	35	12
Depreciation & Amortization Expense	63	63	70	21
Other Expenses	114	91	137	42
Total Expenses (II)	2,254	1,947	2,907	782
Profit/(Loss) Before Tax (I-II+III+IV)	(25)	20	82	20
Total Tax Expense (V)	4	9	16	2
Net Profit/(Loss) for the Period (I-II+III+IV-V)	(29)	11	66	18

STATEMENT OF ASSETS AND LIABILITIES

Particulars	Data as on 31 st March (₹ crore)			
	2020	2021	2022	30 th June'22
Property, Plant And Equipment	211	190	214	214
Other Financial Assets (Non-Current and Current)	44	40	43	49
Investments (Non-Current and Current)	10	13	17	21
Other Non-Current Assets	202	148	295	301
Inventories	226	289	330	386
Trade Receivables	24	56	64	84
Cash and Cash Equivalents	33	23	30	46
Other Current Assets	82	129	92	108
Total Assets	832	888	1,085	1,209
Total Equity	170	182	248	270
Borrowings (Non-Current and Current)	180	209	246	397
Other Non-Current Liabilities	129	111	196	198
Trade Payables	56	101	145	104
Other Current Liabilities	297	285	250	240
Total Liabilities and Equity	832	888	1,085	1,209

STATEMENT OF CASH FLOW

Particulars	Data as on 31 st March (₹ crore)			Data as on
	2020	2021	2022	30 th June'22
Net cash generated from / (used in) operating activities (A)	210	43	77	(65)
Net cash generated from / (used in) investing activities (B)	(66)	(22)	(34)	(43)
Net cash generated from / (used in) financing activities (C)	(149)	(34)	(38)	121
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(5)	(13)	5	13

KEY METRICS

Particulars	Data as on 31 st March			Data as on
	2020	2021	2022	30 th June'22*
Gross Margin (%)	13.8	14.9	14.7	16.3
EBITDA Margin (%)	3.7	6.1	6.3	6.6
Return on Equity (%)	(17.0)	6.1	26.7	6.7
Return on Capital Employed (%)	1.1	8.6	18.9	3.7
Net Worth (₹ crore)	169.1	181.8	246.9	268.3
Return on Net Worth (%)	(17.0)	6.2	26.5	6.6
Average Turnover/Revenue Per Service Center (₹ crore)	-	-	11.3	3.1

*Amount for the three months ended 30th June 2022 are not annualised.

KEY TAKEAWAYS

- With effect from 1st October 2021, its **dealership agreement** with Mercedes-Benz materially changed and converted to an **agency model** whereby all car sales are now made directly to customers by Mercedes-Benz. Under this agency model (**would be valid for three years**), customers would now place orders through Landmark Cars directly to Mercedes-Benz; and the company earns a commission on each sale of Mercedes-Benz made through itself. This change to an agency model significantly reduced working capital requirements since they no longer purchase cars from Mercedes-Benz and do not carry an inventory of Mercedes-Benz cars, except for demo cars. In the statement of profit and loss, this change will lead to a reduction in purchases of cars & changes in inventories of stock-in-trade, and in interest expenses due to decreased working capital financing requirements & other sales-related expenses. It would be adding commission income, as commissions earned on each Mercedes-Benz vehicle sale in the profit and loss statement. In the statement of assets and liabilities, this change would reduce its inventory levels, trade receivables, vehicle floor plan, GST credit receivable & payable and advances from customers.
- Its **commission income** (earned on Mercedes-Benz cars sold through showrooms under the agency model) as on 30th June 2022 and for FY22 stood at ₹19.4 crore (2.4% of sales) and ₹31.1 crore (1% of sales), respectively.
- It incurred a **capital expenditure** of ₹11.2 crore in Q1 FY23 and ₹113 crore in FY22. The significant portion of the same was utilized towards opening new sales outlets and service centers.
- For Q1 FY23 and FY22, the total amount of its **insurance coverage** was ₹1,606.7 crore and ₹1,519 crore, respectively. Its insurance policies cover sales outlets, service centers and other properties from losses in the case of fire, special perils, burglary and theft, etc.
- As per Crisil Report, the **UV segment** volumes are expected to grow at a CAGR of 12%-14% from FY22-FY27. All five of its OEM partners in passenger vehicles are focused on the UV market, particularly SUVs, with additional models planned for release in India.

SWOT ANALYSIS

Strengths

Longstanding relationship with major OEMs
Growing presence in after sales spare parts & services

Opportunities

Growth in premium & luxury passenger cars

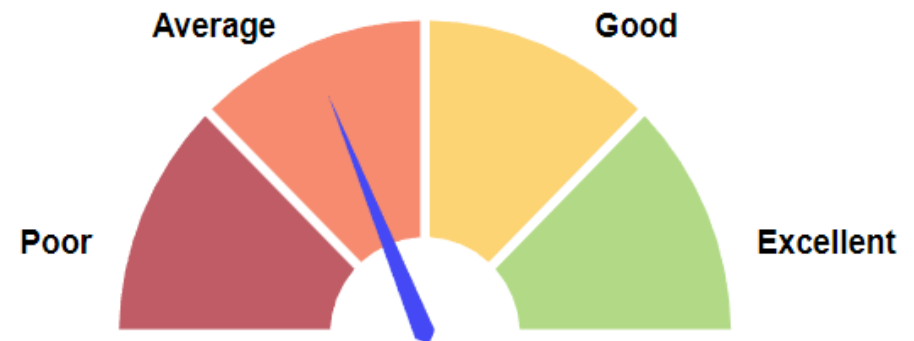
Threats

Intense competition

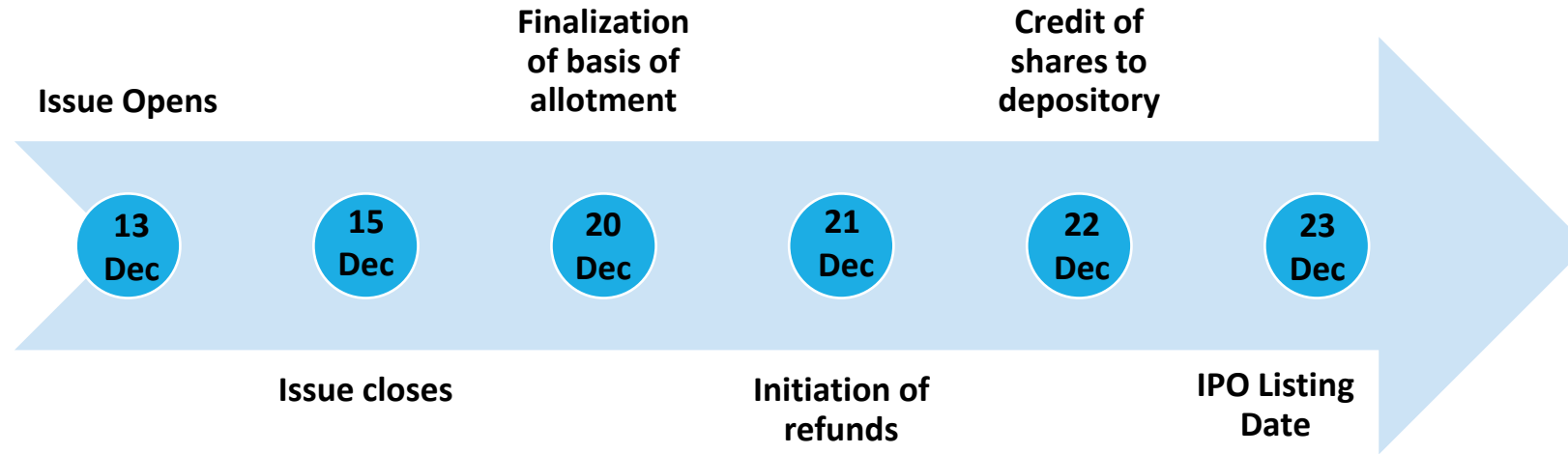
Weakness

Concentration in Gujarat & Maharashtra

- It is a **leading automotive dealer** for major OEMs. Its business caters to the entire customer value-chain in the automotive industry. It is the number one dealer in India for **Mercedes-Benz** in terms of retail sales for FY22, number one dealer in India for **Honda** and **Jeep** in terms of wholesale sales.
- The revenue growth of the company is **dependent** on the success of the OEMs it caters to. Additionally, due to industry headwinds the profit margins have remained under pressure.



TIMELINES



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