

Popular Vehicles & Services Ltd



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Founded in 1983, Popular Vehicles and Services Limited is a prominent player in the Indian automobile dealership sector, offering comprehensive services across the entire vehicle ownership lifecycle. The company's diverse offerings include the sale of new and preowned vehicles, servicing, spare parts distribution, driving schools, and the sale of third-party financial and insurance products. With a rich history spanning several decades, Popular Vehicles has established itself as a trusted name in the industry, catering to a wide range of customer needs.

Popular Vehicles operates across three main segments: passenger vehicles (including luxury vehicles), commercial vehicles, and electric two-wheeler and three-wheeler vehicles. Leveraging a vast network comprising 59 showrooms, 126 sales outlets and booking offices, 31 pre-owned vehicle showrooms and outlets, 134 authorized service centers, 40 retail outlets, and 24 warehouses spread across key regions in India, the company ensures extensive coverage and accessibility to its customers.

In the fiscal year 2023, Popular Vehicles serviced a total of 791,360 vehicles, encompassing various categories such as luxury, commercial, electric two-wheelers, and electric three-wheelers, through its network of 130 authorized service centers.

The company's robust performance is reflected in its financial metrics, with its profit after tax (PAT) witnessing a notable increase from ₹324.55 million in Fiscal 2021 to ₹640.74 million in Fiscal 2023. Furthermore, its total income exhibited a steady growth trajectory, reaching ₹48,926.28 million in Fiscal 2023. With a workforce comprising 10,275 employees as of July 31, 2023, Popular Vehicles continues to strive for excellence in serving its customers and contributing to the automotive industry landscape in India.

At the IPO price of INR 295 (upper price band), Popular Vehicles & Services Ltd is valued at PE multiple of 5.78 times.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	EPS (₹)	BVPS (₹)	ROE (%)	ROCE (%)	P/E (X)	EV/Sales (X)	EV/EBITDA (X)
FY21	2894	152	32	5.2	1.1	1.6	12.1	13.2	9.1	185.3	2.2	41.6
FY22	3466	163	34	4.7	1.0	1.7	13.7	12.0	10.0	178.7	1.8	39.0
FY23	4875	221	64	4.5	1.3	3.1	16.8	18.7	12.6	93.9	1.3	29.4

Industry	Automobiles
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Issue Details

Listing	BSE & NSE
Open Date	12 th Mar 2024
Close Date	14 th Mar 2024
Price Band	INR 280-295
Face Value	INR 2
Market Lot	50 shares
Minimum Lot	1 Lot

Issue Structure

Fresh Issue(%)	41.55
Offer for Sale(%)	58.44
Issue Size (INR cr)	INR 601.55
Issue Size (Shares)	2,03,91,651
QIB Share (%)	≥ 50%
Non-Inst Share (%)	≤ 15%
Retail Share (%)	≤ 35%
Pre issue sh (nos)	6,27,21,445
Post issue sh (nos)	7,11,96,021
Post issue MCap (INR cr)	2100.28

Shareholding (%)	Pre (%)	Post (%)
Promoter	69.45	61.18
Public	30.55	38.82
TOTAL	100	100

Key Growth Strategies

Long standing presence in the automobile industry and well-established relationships with leading OEMs

With a history dating back to 1953, the Kuttukaran Group boasts a longstanding presence in the automobile industry, marked by a legacy of excellence and innovation. Originating as a venture in automobile spare parts and accessories, the group gradually expanded its horizons by venturing into the automobile dealership business through strategic partnerships with leading Original Equipment Manufacturers (OEMs). Notable among these partnerships are with Maruti Suzuki and Honda, which collectively commanded a significant portion of the passenger vehicles market share in India, accounting for approximately 41.00% and 2.00% respectively in Fiscal 2023.

Penetration in markets in which the company operate complemented by innovative marketing strategies

As of December 31, 2023, the network of the organization consisted of 30 showrooms and 84 sales outlets and booking offices dedicated to the sale of new passenger vehicles. Additionally, there were 21 showrooms and 44 sales outlets and booking offices catering to the sale of commercial vehicles. To ensure efficient servicing and repair operations, the company maintained 85 authorized service centers for passenger vehicles and 44 authorized service centers for commercial vehicles.

Fully integrated business model leading to business stability and higher margin

The company asserts that its diversified automobile dealerships and fully integrated business model play a pivotal role in solidifying its position as a leading player in the automobile dealership sector. Leveraging the inherent synergies within its business verticals, the company benefits from diversified income streams, thereby contributing to enhanced profitability margins across its dealerships. Notably, the company witnessed a significant increase in its profit after tax (PAT) from ₹324.55 million in Fiscal 2021 to ₹640.74 million in Fiscal 2023.

Key Risks & Concerns

- Numerous unpredictable factors influence the sales of both new and pre-owned vehicles in India, posing challenges in accurately forecasting overall demand. Consequently, fluctuations in demand could potentially have adverse effects on the business operations. Moreover, the increasing popularity and demand for electric vehicles, alongside the growth of the electric vehicle segment, have the potential to negatively impact the demand for other passenger and commercial vehicles offered by the company.
- The company is significantly influenced by its Original Equipment Manufacturers (OEMs), particularly its top two OEMs, namely Maruti Suzuki and Tata Motors (commercial). These OEMs collectively contribute to more than 80% of the company's consolidated revenue in the six-month period ended September 30, 2023, as well as in each of Fiscal 2023, 2022, and 2021. The substantial influence exerted by these OEMs, along with the restrictions imposed by them under the dealership agreements, has the potential to adversely impact the company's business operations, financial performance, and future prospects.
- The automobile selling sector presents a fiercely competitive landscape, with the company facing competition from both private and public entities. Some competitors may enjoy larger scale advantages and have access to greater financial and marketing resources compared to the company. These competitors offer similar makes of new and pre-owned vehicles at competitive prices within the same markets. Additionally, operating within the automobile dealership industry, historically characterized by low profit after tax (PAT) margins, further intensifies competitive pressures for the company.

Issue Structure and Offer Details

The proposed issue of Popular Vehicles & Services Ltd is a combination of fresh issue of 84,74,576 shares (aggregating to Rs 250.0 crores) and an offer for sale of 1,19,17,075 shares (aggregating to Rs 351.55 crores). The price band for the issue is in the range of INR 280-295 and the bid lot is 50 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not less than 50.00% of the Net Issue
NIB	Not more than 15.00% of the Net Issue
Retail	Not more than 35.00% of the Net Issue

Number of shares based on a higher price band of INR 295

Source: Company Reports

Details of the selling shareholders		
Promoter Selling shares	Amount offered	No of shares
Banyan Tree	Promoter Selling Shareholder	1,19,17,075

The amount is based on a higher price band of INR 295

Source: Company Reports

Financial summary

Fig in INR Cr (unless specified)	FY20	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY20	FY21	FY22	FY23
Income Statement					Per share data & Yields				
Revenue	3,171.6	2,893.5	3,465.9	4,875.0	Adjusted EPS (INR)	0.6	1.6	1.7	3.1
<i>YoY Growth (%)</i>	<i>(18.8)</i>	<i>(8.8)</i>	<i>19.8</i>	<i>40.7</i>	Adjusted Cash EPS (INR)	3.6	5.1	5.0	7.0
Raw Material Cost	2,681.4	2,433.0	2,916.8	4,142.6	Adjusted BVPS (INR)	10.4	12.1	13.7	16.8
<i>RM Cost to Sales (%)</i>	<i>84.5</i>	<i>84.1</i>	<i>84.2</i>	<i>85.0</i>	Adjusted CFO per share (INR)	16.6	4.7	3.4	5.3
Employee Cost	238.6	203.5	242.0	308.2	CFO Yield (%)	5.6	1.6	1.2	1.8
<i>Employee Cost to Sales (%)</i>	<i>7.5</i>	<i>7.0</i>	<i>7.0</i>	<i>6.3</i>	Adjusted FCF per share (INR)	21.3	5.8	3.4	5.5
Other Expenses	143.9	105.2	143.8	203.6	FCF Yield (%)	7.2	2.0	1.2	1.9
<i>Other Exp to Sales (%)</i>	<i>4.5</i>	<i>3.6</i>	<i>4.1</i>	<i>4.2</i>	Solvency Ratio (X)				
EBITDA	107.7	151.8	163.3	220.6	Total Debt to Equity	1.6	1.4	1.3	1.5
<i>Margin (%)</i>	<i>3.4</i>	<i>5.2</i>	<i>4.7</i>	<i>4.5</i>	Net Debt to Equity	1.4	1.2	1.3	1.4
<i>YoY Growth (%)</i>	<i>11.5</i>	<i>40.9</i>	<i>7.6</i>	<i>35.1</i>	Net Debt to EBITDA	2.8	1.9	2.1	2.2
Depreciation & Amortization	61.1	72.5	69.3	79.4	Return Ratios (%)				
EBIT	46.6	79.3	94.0	141.1	Return on Equity	5.9	13.2	12.0	18.7
<i>Margin (%)</i>	<i>1.5</i>	<i>2.7</i>	<i>2.7</i>	<i>2.9</i>	Return on Capital Employed	13.0	9.1	10.0	12.6
<i>YoY Growth (%)</i>	<i>(34.8)</i>	<i>70.1</i>	<i>18.6</i>	<i>50.1</i>	Return on Invested Capital	9.1	14.7	14.9	17.2
Other Income	8.8	25.7	18.3	17.6	Working Capital Ratios				
Bill discounting & other charges	73.6	57.7	63.8	73.9	Payable Days (Nos)	15	8	9	7
Fin Charges Coverage (X)	0.6	1.4	1.5	1.9	Inventory Days (Nos)	33	39	38	33
Exceptional Item	26.1	0.0	0.0	0.0	Receivable Days (Nos)	13	20	19	17
PBT	8.0	47.3	48.5	84.9	Net Working Capital Days (Nos)	30	51	48	43
<i>Margin (%)</i>	<i>0.3</i>	<i>1.6</i>	<i>1.4</i>	<i>1.7</i>	Net Working Capital to Sales (%)	8.3	14.0	13.0	11.7
<i>YoY Growth (%)</i>	<i>(80.1)</i>	<i>490.9</i>	<i>2.7</i>	<i>74.8</i>	Valuation (X)				
Tax Expense	(4.5)	14.8	14.9	20.8	P/E	481.6	185.3	178.7	93.9
<i>Tax Rate (%)</i>	<i>(56.2)</i>	<i>31.3</i>	<i>30.6</i>	<i>24.5</i>	P/BV	28.3	24.5	21.5	17.5
PAT	12.5	32.5	33.7	64.1	EV/EBITDA	58.6	41.6	39.0	29.4
<i>Margin (%)</i>	<i>0.4</i>	<i>1.1</i>	<i>1.0</i>	<i>1.3</i>	EV/Sales	2.0	2.2	1.8	1.3
<i>YoY Growth (%)</i>	<i>(53.9)</i>	<i>159.8</i>	<i>3.7</i>	<i>90.3</i>	Cash Flow Statement				
Min Int/Sh of Assoc	0.0	0.0	0.0	0.0	PBT	8.0	47.3	48.5	84.9
Net Profit	12.5	32.5	33.7	64.1	Adjustments	40.4	206.7	81.8	161.0
<i>Margin (%)</i>	<i>0.4</i>	<i>1.1</i>	<i>1.0</i>	<i>1.3</i>	Change in Working Capital	286.4	(144.0)	(45.7)	(116.1)
<i>YoY Growth (%)</i>	<i>(53.9)</i>	<i>159.8</i>	<i>3.7</i>	<i>90.3</i>	Less: Tax Paid	4.5	(14.8)	(14.9)	(20.8)
Balance Sheet					Cash Flow from Operations	339.3	95.2	69.7	108.9
Share Capital	12.5	12.5	12.5	12.5	Net Capital Expenditure	(19.9)	(16.4)	(44.2)	(53.0)
Total Reserves	200.2	233.5	267.3	330.5	Change in Investments	(7.7)	9.8	2.8	(26.6)
Shareholders Fund	212.8	246.0	279.9	343.0	Cash Flow from Investing	(27.6)	(6.7)	(41.4)	(79.6)
Long Term Borrowings	47.3	89.3	88.1	91.1	Change in Borrowings	(225.4)	(12.9)	(1.5)	50.1
Deferred Tax Assets / Liabilities	(22.7)	(17.8)	(15.8)	(16.1)	Less: Finance Cost	(73.6)	(57.7)	(63.8)	(73.9)
Other Long Term Liabilities	281.3	287.0	366.7	399.8	Proceeds from Equity	0.0	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0
Long Term Provisions	5.7	5.0	6.4	6.2	Dividend Paid	0.0	0.0	0.0	0.0
Total Liabilities	524.4	609.5	725.3	824.0	Cash flow from Financing	(299.0)	(70.7)	(65.3)	(23.8)
Net Block	471.6	463.5	564.5	671.3	Net Cash Flow	12.7	17.8	(36.9)	5.4
Capital Work in Progress	29.4	17.3	12.3	7.7	Forex Effect	0.0	0.0	0.0	0.0
Intangible assets under developm	0.0	0.0	0.0	0.2	Opening Balance of Cash	24.8	37.5	55.3	18.4
Non Current Investments	2.2	4.9	4.4	5.8	Closing Balance of Cash	37.5	55.3	18.4	23.8
Long Term Loans & Advances	59.8	39.8	45.0	53.1					
Other Non Current Assets	6.6	9.0	14.2	13.9					
Net Current Assets	(45.2)	74.9	84.9	72.0					
Total Assets	524.4	609.5	725.3	824.0					

Source: Ventura Research

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