

One Stop Investment Avenue



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CAPITAL

IPO Note

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# LANDMARK CARS LIMITED

December 13, 2022



**Landmark**  
You drive us



**December 13, 2022**

**Details of the Issue**

Price Band	₹ 481 - ₹ 506
Issue Size	₹ 552 Cr
Face Value	₹ 5
Bid Lot	29
Listing on	BSE, NSE
Post Issue Mcap	₹ 1,912 Cr - ₹ 2,003 Cr
Investment Range	₹ 13,949 - ₹ 14,647

**Important Indicative Dates (2022)**

Opening	13 - Dec
Closing	15 - Dec
Basis of Allotment	20 - Dec
Refund Initiation	21 - Dec
Credit to Demat	22 - Dec
Listing Date	23 - Dec

**Lead Manager**

Axis Capital Ltd
ICICI Securities Ltd

**No of shares**

Fresh Issue of Shares	2.96
Offer for Sales	7.94
Total No of Shares	10.90

**Offer Details**

Offer Size	₹ 552 Cr
Fresh Issue	₹ 150 Cr
OFS	₹ 402 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	276	5.45	5.74	50
NIB	82.80	1.64	1.72	15
Retail	193.20	3.82	4.02	35
Empl.	-	-	-	-
Total	552	10.91	11.48	100

Type (In MN)	Pre-Issue		Post-Issue	
	No. Shares	% of Total	No. of Shares	% of Total
Promoter	15.15	41.38	15.21	38.28
Public	6.90	18.86	6.73	16.95
Promoter Group	14.56	39.76	17.79	44.78
Total	36.62	100	39.74	100

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**Company Profile**

Company was Incorporated in 1998, Landmark Cars Limited 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. Company 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 61 sales showrooms and outlets and 51 after-sales services and spare outlets, as of September 30, 2021.

**Business Highlights & Services**

The company's business model include the entire customer value chain including sale of new vehicles, After sale 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.

- ◆ **Expansion into pure EV Sales:** Company have executed a letter of intent with the automaker BYD, a leading player in the global EV market (according to the CRI-SIL Report, September 2022), for them to be their dealer in the National Capital Region (Delhi) and Mumbai in respect of their electric passenger vehicles.
- ◆ **After Sales services and Spare Part:** Company's after-sales service and spare parts offerings at each of their dealerships comprise repair and collision repair services and include both warranty work, insurance claim work and customer paid services. They operate as authorized service centres for Mercedes-Benz, Honda, Volkswagen, Jeep, Renault and Ashok Leyland, and provide after-sales service and repairs through 53 after-sales service and spares outlets, as of June 30, 2022. During the 3 months ended June 30, 2022, and Fiscal 2022, Fiscal 2021, and Fiscal 2021, Landmark serviced 72,521, 268,459, 213,755<sup>^</sup> and 280,952 passenger vehicles, respectively, and 3,948, 10,619, 7,713 and 10,088 commercial vehicles, respectively (<sup>^</sup> includes service count of dealership for former OEM partner). In the 3 months ended June 30, 2022, Fiscal 2022, Fiscal 2021, and Fiscal 2020, their after-sales service and spare parts revenues was ₹164.86 crore, ₹586.90 crore, ₹422.96 crore and ₹480.64 crore, respectively. In addition, as authorized dealers for Mercedes-Benz, Honda, Volkswagen, Jeep, Renault, and Ashok Leyland, they also sell spare parts, lubricants, accessories and other products at their after-sales service and spares outlets. In the 3 months ended June 30, 2022, and in Fiscal 2022, Fiscal 2021 and Fiscal 2020, Landmark earned an average of ₹21,559, ₹21,030, ₹19,098 and ₹16,515 respectively, from each vehicle serviced, and they serviced an average of 14, 14, 17 and 17 vehicles for every new vehicle sold in the respective periods.
- ◆ **Pre-owned Passenger Vehicle Sales:** LCL buy and sell pre-owned passenger vehicles at each of their dealerships. They operate on two business models: (1) They facilitate the sale of used vehicles through their appointed panel of agents on a commission basis; and (2) They also take the vehicles on their books for sale after any needed refurbishment. They also receive an incentive from their 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. They have also implemented a digital SaaS platform developed by Sheerdrive, an auto technology start-up company in which they held a 19.97% equity interest (as at June 30, 2022), in their pre-owned car business. Sheerdrive's technology platform



enables digital evaluation and real time used car prices, which they believe this will help drive transparency, accuracy and velocity of used car transactions, and will help drive their strategy of combining their physical presence with digital scale and speed

- ◆ **New Vehicle Sales:** In the three months ended June 30, 2022 and in Fiscal 2022, company has sold 5,398 and 19,264 new vehicles, respectively, including new passenger vehicles of Mercedes-Benz, Honda, Volkswagen, Jeep and Renault and new commercial vehicles of Ashok Leyland. Company's consolidated revenue from new vehicle sales were ₹5,869.07 million and ₹22,763.53 million, respectively, in the three months ended June 30, 2022 and in Fiscal 2022, and comprised 73.34% and 76.48%, respectively, of consolidated total revenue from operations in those periods. LCL vehicle dealership network is spread across 32 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. These states and union territories constituted approximately 51% of Indian vehicle demand in Fiscal 2022. In addition, they have an online presence through their website for Group Landmark, websites for their individual dealerships and the websites of their OEMs to showcase their brands including the latest model launches by their OEM partners and to facilitate lead generation. They began taking bookings online through their website for Group Landmark in June 2021 which is leading to monthly sales each month.

#### The details of New Vehicle Sales:

OEM	Vehicles Sold		Geographic Network	Year First Dealership established	Market Position in india	% of India sales for OEM sold by Landmark
	3 month ended June 30, 2022	Fiscal 2022				
Mercedes-Benz	527	1,984	Gujarat, Madhya Pradesh, Maharashtra, West Bengal	2008	No.1 (for Fiscal 2022)	15.80%
Honda	1,346	5,282	Gujarat, Madhya Pradesh	1998	No.1 (for Fiscal 2022)	5.80%
Jeep	988	3,121	Punjab, Delhi, Maharashtra, Haryana, Uttar Pradesh	2017	No.1 (for Fiscal 2022)	26.80%
Volkswagen	917	2,405	Haryana, Gujarat, Delhi	2009	No.1 (for CY 2022)	8.70%
Renault	1,071	4,750	Punjab, Haryana, Maharashtra	2016	No.3 (for CY 2022)	5.10%
BYD	38	13	Delhi, Mumbai	2022	N/A	N/A
Ashok Leyland	511	1,709	Gujarat	2012	N/A	N/A

- ◆ **Third-party financial and insurance product:** As a value add-on to their passenger vehicle sales, they facilitate the sale of third-party financial products including insurance policies and vehicle finance through their dealerships. Each of their dealerships offer finance and insurance from their recommended financial service providers, banks and insurance companies with which they have commission arrangements. They typically receive 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. They believe that increasing the penetration of finance and insurance product sales will further drive profitability of their overall business.

#### Industry Overview

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. According to the CRISIL Report, these global dealerships also have a significant revenue contribution (approximately 30% compared with 7-15% for their Indian counterparts) from their pre-owned vehicle business. In volume terms, for global dealerships, approximately 50-55% of vehicles sold are pre-owned, compared with only 20-25% for Indian dealers



### Competition

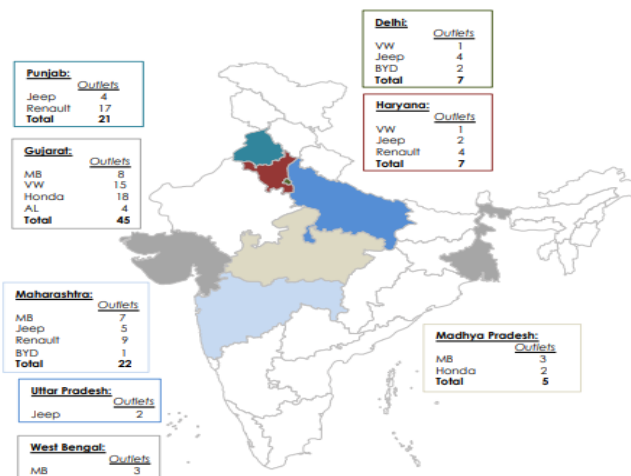
They operate in a highly competitive industry. The automotive retail business are price, location, selection and service. Each of their markets includes a number of well capitalized competitors that have extensive automotive retail managerial experience, retail locations and facilities. They face competition from (i) several companies that operate numerous automotive retail stores on a regional or national basis and online and mobile sales platforms. They compete with other dealerships that sell the same vehicle brands that they sell, as well as dealers and certain manufacturers that sell other vehicle brands that they do not represent in a particular market. Other dealerships have agreements with various OEMs and, as such, generally have access to new vehicles on the same terms as they have. They also compete with other dealers for qualified employees, particularly for general managers and sales and service personnel. Under most of their dealership agreements with the OEMs, acquisition of multiple dealerships of a given vehicle brand within a particular market or dealerships of a new vehicle brand is subject to obtaining the prior consent of the OEM.

The principal competitive factors in the parts and service business are customer service, expertise with the particular vehicle lines, location and price. They also compete with a broad range of financial institutions in their business of facilitating sale of finance and insurance products. The principal competitive factors in the finance and insurance business are product selection, convenience, price, contract terms, special offers from other institutions and the ability to finance vehicle protection and aftermarket products.

### Vehicle Dealership

As of June 30, 2022, their network included 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 following map shows the location of our sales outlets/service and spare parts outlets by state or union territory.



### Utilization of IPO Proceeds

The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

1. General Corporate Purpose.
2. Pre-payment, in full or in part, of borrowings availed by their Subsidiaries of ₹ 120 Cr .

### Company's Promoter

Sanjay Karsandas Thakker is the Promoter, Chairman and Executive Director of the company. He founded the Group Landmark in 1998. He has more than 2 decades of experience in the automobile industry.

### Board of Directors

It boards of directors include Sanjay Karsandas Thakker who is the chairman and Executive Director of the company. Aryaman Sanjay Thakker is the Executive of the company. Alok Vajpeyi, Sangeeta Pendurkar, are Non-Executive Independent director of the company. Manish Balkishan Chokhani, Gautam Yogendra Trivedi, Sucheta Nilesh Shah and Mahesh Pansukhlal Sarda are the Independent Director of the company. Paras Soman is the Executive whole time Director of the company.



### Companies Competitive Strength :

- Leading automotive dealership for major OEMs with a strong focus on high growth segments.
- Growing presence in after-sales segment leading predictable growth in revenues and superior margins.
- Comprehensive business model capturing entire customer value-chain.
- Robust business processes leveraging technological innovation and digitalization.
- Profitable and improving balance sheet.
- Experienced Promoter and professional management team with technical expertise.

### Key Strategies Implemented by Company

- Continue expansion focusing on high growth segments and brands.
- Expand their after-sales service business.
- Build their pre-owned passenger vehicle business leveraging their experience, technology and network.
- Continue to invest in technology and digitalizing sales and service channels.
- Continue strategic acquisitions to expand geographic reach in premium and luxury brands.
- Continue to make sustainability and climate change readiness the heart of their long term strategy.

Particulars (Rs Cr)	2022	2021	2020
Equity Share Capital	18.31	18.31	18.31
Reserves	228.63	163.46	150.81
Net worth as stated	246.94	181.78	169.13
Revenue from Operation	2,976.52	1,956.10	2,218.61
Revenue Growth (%)	52.17%	(11.83)%	-
EBITDA as Stated	187.28	120.06	83.20
EBITDA margin (%)	6.27%	6.11%	3.73%
Profit Before Tax	82.27	19.78	(24.64)
Net Profit for the period	66.18	11.15	(28.94)
Net Profit (%) as Stated	2.22%	0.57%	(1.30)%
EPS (₹ )	17.88	3.09	(7.84)
RoNW (%)	26.52%	6.23%	(16.99)%
Net Asset Value (₹ )	67.42	49.62	46.17
ROE(%) as stated	18.86%	8.59%	1.07%

### Valuations and Recommendation:

- Company's earnings stood at Rs 18.14 Cr in H1FY23 and Rs 36.28 Cr post annualized H1FY23. Company is expected to have post issue Market cap of Rs 2,003 Cr, and based on annualized earnings of H1FY23. its earnings multiple (P/E) arrives at 55.20.(x).
- Company is in the business of automobile dealing and has diversified revenue with multiple dealerships, it is also the first kind of listing on Indian exchanges, The Issue appears to be fully priced and hence, We recommend "Subscribe" rating to the issue for Listing gains only.



## Notes

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