

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

POPULAR VEHICLES AND SERVICES LIMITED

March 12, 2024



Popular Vehicles
& Services



March 12, 2024

Details of the Issue	
Price Band	₹ 280 to ₹ 295
Issue Size	₹ 601.55 Cr
Face Value	₹ 2
Bid Lot	50
Listing on	BSE, NSE
Post Issue Mcap	₹ 2,100.28Cr
Investment Range	₹ 14,000 - ₹ 14,750

Important Indicative Dates (2024)	
Opening	12 - Mar
Closing	14 - Mar
Basis of Allotment	15 - Mar
Refund Initiation	18 - Mar
Credit to Demat	18 - Mar
Listing Date	19 - Mar

Lead Manager	
ICICI Securities Ltd	
Nuvama Wealth Management Ltd	
Centrum Capital Ltd	

Offer Details	
Offer Size	₹ 601.55 Cr
Fresh Issue	₹ 250 Cr
OFS	₹ 351.55 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	10.74	10.19	10.74	50
NIB	3.22	3.06	3.22	15
Retail	7.52	7.14	7.52	35
Em- ploy.	-	-	-	-
Total	601.5	20.39	21.48	100

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Company Profile

Established in 1983, Popular Vehicles and Services Limited is a prominent player in the Indian automobile dealership sector. The company offers a comprehensive range of services spanning the entire vehicle ownership lifecycle, including new and preowned vehicle sales, servicing, spare parts distribution, driving schools, and sales of third-party financial and insurance products. Popular Vehicles operates in three key segments: passenger vehicles (including luxury cars), commercial vehicles, and electric two-wheeler and three-wheeler vehicles. With a robust presence, the company boasts a network of 59 showrooms, 126 sales outlets, and booking offices, along with 31 pre-owned vehicle showrooms and outlets. Additionally, they have 134 authorized service centers, 40 retail outlets, and 24 warehouses spread across 14 districts in Kerala, 8 in Karnataka, 12 in Tamil Nadu, and 7 in Maharashtra.

In the fiscal year 2023, Popular Vehicles serviced a substantial 791,360 vehicles, comprising 5,212 luxury vehicles, 163,013 commercial vehicles, 1,918 electric two-wheelers, and 857 electric three-wheelers through their 130 authorized service centers. As of July 31, 2023, Popular Vehicles and Services Limited boasts a dedicated workforce of 10,275 employees, contributing to its success and expansive operations in the competitive Indian automotive market.

Business Highlights & Services

Company is a diversified automobile dealership in India in terms of revenue as of FY23, having a fully integrated business model. It cater to the complete life cycle of vehicle ownership, right from the sale of new vehicles, servicing and repairing vehicles, distributing spare parts and accessories, to facilitating sale and exchange of pre-owned vehicles, operating driving schools and facilitating the sale of third-party financial and insurance products. It categorise their automobile dealership business into three key segments, namely, (a) passenger vehicles including luxury vehicles, (b) commercial vehicles and (c) electric two-wheeler and three-wheeler vehicles.

It operate (a) passenger vehicle dealerships covering economy, premium and luxury vehicles across the dealerships for the following OEMs: (i) Maruti Suzuki India Limited (“Maruti Suzuki”) for both Arena and Nexa, through the Company, (ii) Honda Cars India Limited (“Honda”) through their Subsidiary, VMPL, and (iii) Jaguar Land Rover India Limited (“JLR”) through their Subsidiary, PAWL; (b) commercial vehicle dealerships of (i) Tata Motors Limited Tata Motors Commercial, through their Subsidiary, PMMIL and (ii) Daimler India Commercial Vehicles Private Limited BharatBenz, through their Subsidiary, PMPL; and (c) electric three-wheeler vehicle dealership of Piaggio Vehicles Private Limited, including commercial and cargo vehicles piaggio through their Subsidiary, KGPL and electric two-wheeler vehicle dealership of Ather Energy Private Limited (“Ather”), through their Subsidiary, KCPL.

It has presence across vehicle categories, including passenger vehicles, commercial vehicles, and electric two-wheeler and three-wheeler vehicles, further diversifies their revenue streams. The revenue generated by each of their key segments as a percentage of the revenue from operations in the six months period ended September 30, 2023 and Fiscals 2023, 2022 and 2021, is as follows:

Key segments	Six months period ended September 30, 2023	(in percentages)		
		Fiscal 2023	Fiscal 2022	Fiscal 2021
Passenger vehicles including luxury vehicles	59.68	61.83	67.52	71.56
Commercial vehicles	33.92	32.21	27.67	23.87
Electric two-wheeler and three-wheeler vehicles	1.59	1.15	0.15	N.A.



As of Dec 31, 2023, it operated through their network of 61 showrooms, 133 sales outlets and booking offices, 32 pre-owned vehicle showrooms and outlets, 139 authorised service centres, 43 retail outlets, and 24 warehouses located across location.

It acquired 11 service centres and 2 showrooms from a dealer of Maruti Suzuki in Kerala in 2021. Further, it acquired 8 showrooms, 17 service centres and 3 sales outlets and booking offices of BharatBenz in Tamil Nadu and Maharashtra. Company have also expanded their post-sale services and repair verticals in the last three Fiscals. It revenue from servicing of passenger vehicles and commercial vehicles has seen a significant increase, from ₹3,651.64 million and ₹675.06 million in Fiscal 2021 to ₹5,716.13 million and ₹1,418.65 million in Fiscal 2023, respectively. In Fiscal 2023, it ranked 'All India Highest in the Bodyshop Load' for Maruti Suzuki. Further, the number of electric two-wheeler and three-wheeler vehicles sold by them has also increased from 252 in FY22 to 3,381 in FY23.

Business verticals

- **Pre-Owned Vehicles:** In 6m of FY23, the company facilitated the exchange, acquisition, and sale of 5,611 pre-owned vehicles across 32 dedicated showrooms and sales outlets, along with booking offices. These transactions occurred in Kerala, Tamil Nadu, and Karnataka, complementing the operations of 30 new passenger vehicle showrooms.
- **Spare Parts and Accessories Distribution:** Since 2005, the company has been engaged in spare parts and accessories distribution through its subsidiary, PADL. As of Dec 31, 2023, this business operates through 69 touch points, including 2 multi-brand pre-owned vehicle retail out('Kartrenz'), 43 retail outlets, and 24 warehouses spanning Kerala and Karnataka. Over the past 18 years, they have served 3,200 customers, including active sellers, independent workshops, authorized service centers, and vehicle dealers.
- **Facilitating the Sale of Third-party Financial and Insurance Products:** In their offerings, it assist in selling third-party finance and insurance products for vehicles, along with extended warranty, maintenance contracts, and replacement services. For the 6m FY23, it facilitated the sale of 21,131 and renewal of 119,803 third-party insurance policies, generating a gross premium of ₹1,394.16 million. Additionally, it provided financial assistance totalling ₹10,790.47 mn to customers through empanelled lenders.
- **Driving Schools:** It set up their first driving school in Ernakulum in the year 2006. Over the years, it expanded their network of driving schools by setting up a total of 7 driving schools across Kerala.

Particular	6M FY23		FY23		FY22		FY21	
	Amount (INR in Cr)	% of total income	Amount (INR in Cr)	% of total income	Amount (INR in Cr)	% of total income	Amount (INR in Cr)	% of total income
Sales								
Sales of new vehicle	1,941	68.15%	3,331	68.07%	2,322.3	66.65%	1,939.5	66.44%
Sales of Accessories	43.9	1.54%	77.1	1.58%	43.4	1.24%	33.7	1.15%
Insurance Commission & Finance Commission	23.7	0.83%	39.5	0.81%	28.6	0.82%	27.0	0.93%
Income from Schemes and incentives	7.0	2.46%	104.9	2.15%	95.6	2.74%	80.4	2.75%
Others	19.3	0.68%	34.1	0.70%	19.4	0.56%	13.8	0.47%
Services								
Labour Income	160.5	5.64%	287.2	5.87%	236.8	6.80%	181.9	6.23%
Sale of Spare Parts	240.7	8.45%	387.9	7.93%	257.7	7.40%	215.0	7.35%
Insurance Commission	11.0	0.39%	19.3	0.39%	16.8	0.48%	17.2	0.59%
Income from Schemes and Incentives	6.1	0.21%	11.4	0.23%	9.1	0.26%	7.3	0.25%
others	4.2	0.15%	8.4	0.17%	12.2	0.35%	11.8	0.40%

Utilization of IPO Proceeds

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

- Repayment and/or pre-payment, in full or part, of certain borrowings, availed by the Company and certain of their Subsidiaries, namely, PAWL, PMMIL, KGPL, KCPL and PMPL of INR 192 Cr.
- General corporate purposes.

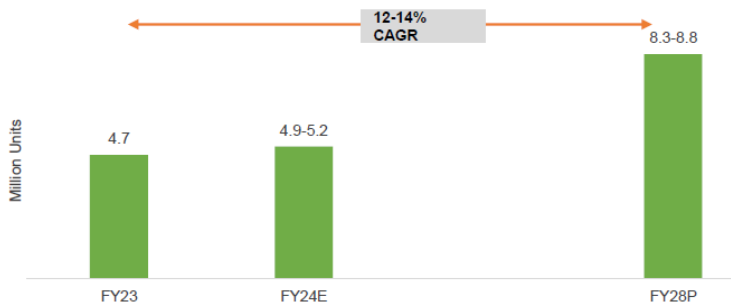


Dealership Contract

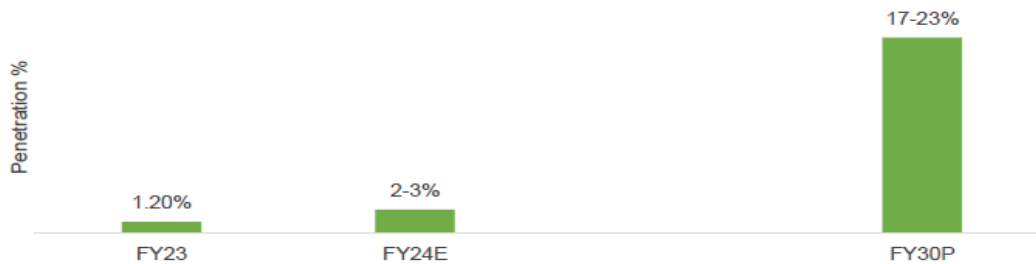
Name of OEM	Name of brand under which the dealership is operated	Entity under which the dealership is operated	Exclusive/non-exclusive agreement	Restriction in area of operations	Date of agreement	Tenure of agreement/termination date	Notice period for termination of agreement
Maruti Suzuki	'Popular' brand	Company	Non-exclusive	Yes	August 5, 2021 for Nexa agreement January 1, 2022 for Arena agreement	3 years from April 1, 2021 for the Nexa agreement 3 years from January 1, 2022 for the Arena agreement	90 days
Honda	'Vision' brand	VMPL	Non-exclusive	Yes	July 19, 2023	9 months from July 1, 2023	30 days
JLR	'Marqland' brand	PAWL	Non-exclusive	Yes	November 30, 2017	Valid until terminated	12 months
Tata Motors (Commercial)	'Popular Mega Motors' brand	PMMIL	Non-exclusive	Yes	April 20, 2021	5 years from April 1, 2021	90 days
BharatBenz	'Prabal Trucking' brand	PMPL	Non-exclusive	Yes	November 1, 2018	Valid until terminated	12 months
Piaggio	'Ecomarq' brand	KGPL	Non-exclusive	Yes	July 9, 2021	2 years from August 1, 2023	30 days
Ather	'Ecomarq' brand	KCPL	Non-exclusive	Yes	April 27, 2022	Valid until terminated	60 days

Industry Outlook

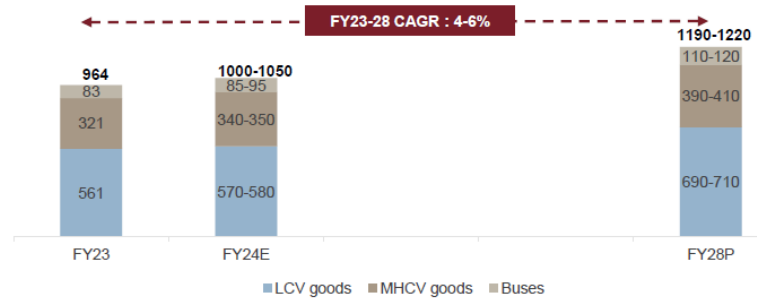
Outlook for pre-owned PV industry



EV penetration long term outlook



CV domestic sales outlook



Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Popular Vehicles and services Ltd	2	4,875	10.22	54.69	NA	18.68%
Peers Group						
Landmark Cars Ltd	5	3,382	21.74	118	34.84	18.04%



Companies Competitive Strength :

- Long standing presence in the automobile industry and well-established relationships with leading OEMs.
- Penetration in markets in which they operate complemented by innovative marketing strategies.
- Fully integrated business model leading to business stability and higher margin.
- Proven ability to identify and capture inorganic as well as organic growth opportunities.
- Consistent track record of profitable financial performance and increasing growth.
- Experienced promoters and management team.

Key Strategies Implemented by Company

- Sustained growth of the higher margin services and repair business, sale of pre-owned passenger vehicles and facilitation of sale of third-party financial products.
- Continue to increase sales at their existing dealerships.
- Expansion of network and diversification of the product portfolio.
- Grow through strategic acquisitions.
- Invest in technology and increase their digital presence

Particulars (INR Cr)	6MFY24	FY23	FY22	FY21
Equity Share Capital	12.54	12.54	12.54	12.54
Reserves	371.7	330.5	267.3	233.5
Net Worth as Stated	384.2	343.0	279.9	246.0
Revenue From Operations	2,835.0	4,875.0	3,465.9	2,893.5
Revenue Growth%		41%	20%	
EBITDA	132.1	214.1	163.8	160.1
EBITDA Margins%	5%	4%	5%	6%
Net Profit/Loss for the Period	40.0	64.1	33.7	32.5
Net Profit/Loss %	1%	1%	1%	1%
EPS (Rs)	1.78	7.03	4.33	0.69
ROCE%	15%	54%	46%	14%
ROE%	10%	19%	12%	13%

Valuations and Recommendation:

- Based on annualized FY24 earnings to post-IPO paid-up equity capital of the company, The issue is priced at a P/E of 26.22x times earnings. Thus the issue appears fairly priced compared to peers.
- The company operates on a fully integrated business model and has shown robust financial performance with a 33.22% CAGR in revenue from FY21 to FY23. With strong partnerships with major OEMs like Maruti Suzuki, Tata Motors, and Honda, it enjoys diverse revenue streams across vehicle categories, including PV, CV, and electric 2W and 3W. The growth in premium PVs for key OEMs has fueled the company's expansion, and the rising demand for electric vehicles in India further contributes to its positive outlook. Expanding its presence, the company added 22 showrooms, 23 sales outlets, and booking offices, along with 47 service stations between Fiscal 2021 and Fiscal 2023. By focusing on the service and repair segment, the company strategically taps into higher-margin revenue streams, solidifying its growth trajectory. Overall, the company is well-positioned in the market to capitalize on further growth opportunities. Hence, We recommend “Subscribe” rating to the issue.



Notes

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