



Popular Vehicles & Services

Sector: **Automobile dealerships (Trading)**

Issue Opens - March 12, 2024 to March 14, 2024

Price Band
₹280 to ₹295

Face Value
₹2

Lot Size
50 Shares

Issue Size
₹601.55 Cr

Issue Type
Book Built

research@ganeshstock.com

Important Events



Issue Size

20,391,651 shares/ ₹601.55 Cr

Fresh Issue

8,474,576 shares / ₹250.00 Cr

Offer for Sale

11,917,075 shares of ₹2 / ₹351.55 Cr

Basis of Allotment

Friday, March 15, 2024

Initiation of Refunds

Monday, March 18, 2024

Credit of Shares to Demat

Monday, March 18, 2024

Popular Vehicles & Services Listing

Tuesday, March 19, 2024

Promoters

- John K. Paul (Whole-time Director)
- Francis K. Paul (Whole-time Director)
- Naveen Philip (Whole-time Director and Chief Financial Officer)

Promoters collectively hold 65.79% (Pre Issue) of the Equity Share.

About The Company



Popular Vehicles & Services, a prominent Indian auto dealer, provides a comprehensive car ownership journey. Since its establishment in 1984, the company has been involved in all aspects of the automotive life cycle, including selling new passenger and commercial vehicles (including electric two-wheelers and three-wheelers), offering servicing, spare parts, pre-owned cars, driving schools, and financing. They hold dealerships for well-known brands such as Maruti Suzuki, Honda, Jaguar Land Rover, Tata Motors, and Ather Energy. With a fully integrated business model and a presence in various segments, Popular Vehicles & Services meets diverse customer needs in the Indian automobile market.

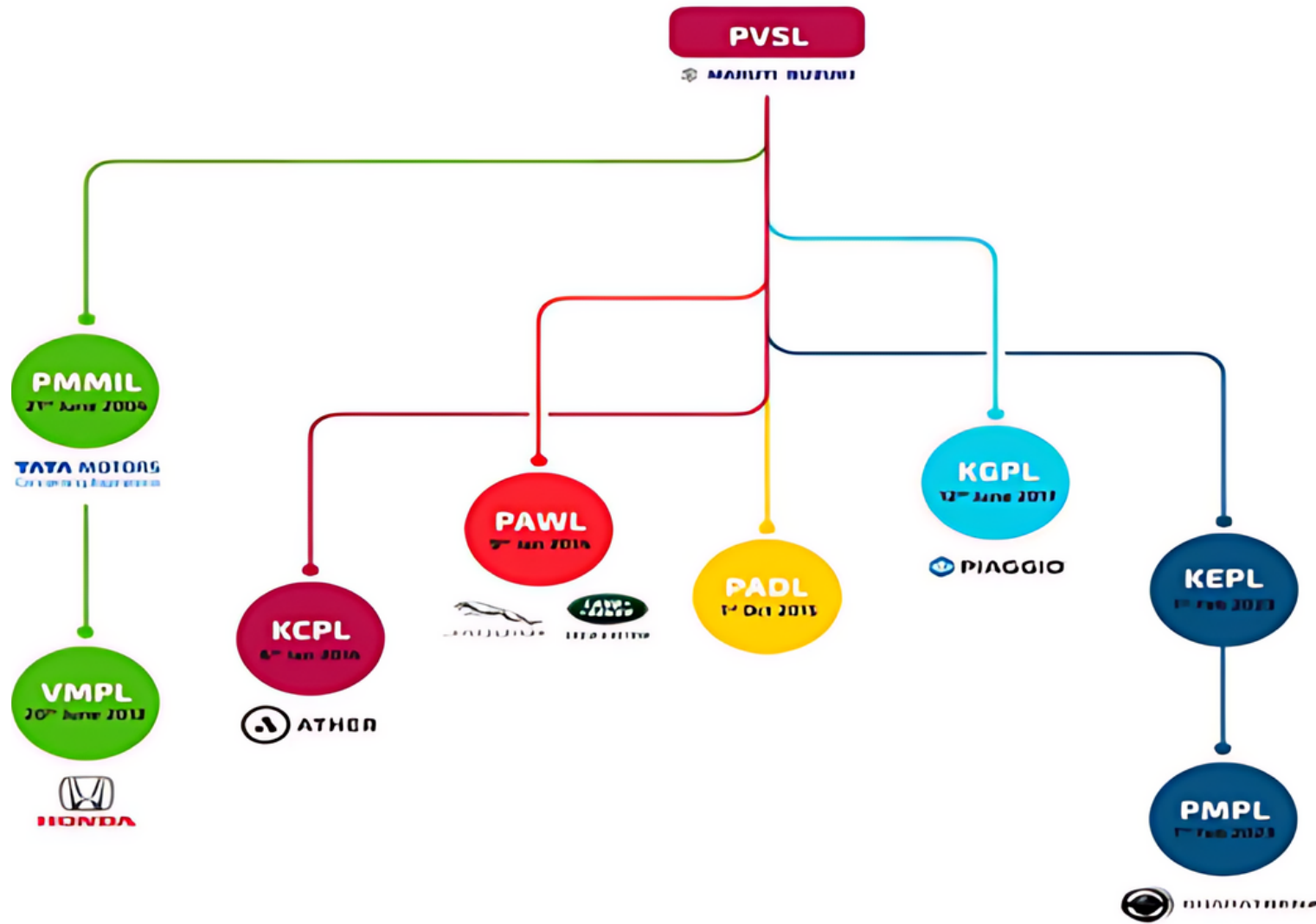
Description of Their Business

As of Fiscal 2023, they are a diversified automobile dealership in India with a fully integrated business model. They cover the entire vehicle ownership cycle, including selling new vehicles, servicing and repairing vehicles, distributing spare parts and accessories, facilitating the sale and exchange of pre-owned vehicles, operating driving schools, and offering third-party financial and insurance products. Their automobile dealership business is categorized into three main segments: passenger vehicles (including luxury vehicles), commercial vehicles, and electric two-wheeler and three-wheeler vehicles. During the six-month period ended September 30, 2023, these segments contributed to their revenue from operations, amounting to ₹16,918.51 million, ₹9,616.33 million, and ₹450.41 million, respectively.

They manage (a) dealerships for passenger vehicles, including economy, premium, and luxury cars, representing brands such as (i) Maruti Suzuki for both Arena and Nexa, (ii) Honda Cars India Limited through their subsidiary, VMPL, and (iii) Jaguar Land Rover India Limited through their subsidiary, PAWL; (b) commercial vehicle dealerships for (i) Tata Motors Limited through their subsidiary, PMMIL, and (ii) Daimler India Commercial Vehicles Private Limited (BharatBenz) through their subsidiary,



PMPL; and (c) dealerships for electric vehicles, including three-wheelers from Piaggio Vehicles Private Limited (Piaggio) and two-wheelers from Ather Energy Private Limited (Ather), operated through their subsidiaries KGPL and KCPL, respectively. The chart below displays the various dealerships managed by the company and its subsidiaries, along with the acquisition dates of the subsidiaries by the company.



Objects of The Offer

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

1. Repayment and/or pre-payment, in full or part, of certain borrowings, availed by the company and certain of the subsidiaries, namely, VMPL, PAWL, PMMIL, KGPL, KCPL and PMPL and;
2. General corporate purposes.

Track Record Of Financial Performance

Statement of Profit and Loss

(in ₹ lakhs, except percentages and ratios)

(All amounts in ₹ million except otherwise stated)

Particulars	Six months period ended September 30, 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
Income				
Revenue from operations	28,349.97	48,750.02	34,658.79	28,935.25
Other income	132.11	176.26	183.20	257.27
Total income	28,482.08	48,926.28	34,841.99	29,192.52
Expenses				
Purchases of stock-in-trade	26,412.73	41,751.51	29,671.24	24,573.83
Changes in inventories of stock-in-trade	(2,396.80)	(325.52)	(503.55)	(243.55)
Employee benefits expenses	1,858.79	3,082.06	2,420.12	2,035.07
Finance costs	476.14	705.34	608.60	551.10
Depreciation and amortisation	444.19	794.45	692.57	724.91
Impairment loss on financial assets and contract assets	1.13	30.53	9.42	24.76
Other expenses	1,163.19	2,039.24	1,458.13	1,053.88
Total expenses	27,959.37	48,077.61	34,356.53	28,720.00
Profit before tax and exceptional items	522.71	848.67	485.46	472.52
Exceptional item	16.05	-	-	-
Profit before tax	538.76	848.67	485.46	472.52
Tax expense				
Current tax	151.25	240.10	129.42	99.86
Deferred tax (credit) / charge	(12.93)	(32.17)	19.35	48.11
Total tax expense	138.32	207.93	148.77	147.97
Profit for the period/year	400.44	640.74	336.69	324.55
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Remeasurement of net defined benefit plan income / (loss)	15.10	(12.47)	2.94	9.09
Income tax charge / (credit) relating to the above	(3.87)	3.31	(0.79)	(1.34)
Other comprehensive (loss) / income for the period/ year, net of income tax	11.23	(9.16)	2.15	7.75
Total comprehensive income for the period/ year	411.67	631.58	338.84	332.30
Profit attributable to:				
Owners of the company	400.44	640.74	336.69	324.55
Non-controlling interest				
Profit for the period/ year	400.44	640.74	336.69	324.55
Other comprehensive (loss) / income attributable to:				
Owners of the company	11.23	(9.16)	2.15	7.75
Non-controlling interest				

In continuation...

Other comprehensive (loss) / income for the period/ year, net of income tax	11.23	(9.16)	2.15	7.75
Total Comprehensive Income attributable to:				
Owners of the company	411.67	631.58	338.84	332.30
Non-controlling interest				
	411.67	631.58	338.84	332.30
Earnings per share (equity share of face value of INR 2 each)				
Basic (in ₹)	6.38*	10.22	5.37	5.17
Diluted (in ₹)	6.38*	10.22	5.37	5.17

* Not annualized.

Below are the details of income generated from their sales of vehicles and services provided:

Particulars	Six Months period ended, September 30, 2023		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Amount (in ₹ million)	% contribution to total income	Amount (in ₹ million)	% contribution to total income	Amount (in ₹ million)	% contribution to total income	Amount (in ₹ million)	% contribution to total income
Sales								
Sale of new vehicle	19,411.07	68.15%	33,305.06	68.07%	23,222.61	66.65%	19,395.41	66.44%
Sale of Accessories	439.42	1.54%	771.22	1.58%	433.59	1.24%	336.69	1.15%
Insurance commission &	237.07	0.83%	395.15	0.81%	286.02	0.82%	272.04	0.93%
Finance Commission								
Income from schemes and incentives	701.34	2.46%	1,049.48	2.15%	956.26	2.74%	803.52	2.75%
Others	192.81	0.68%	340.94	0.70%	193.50	0.56%	138.20	0.47%
Services								
Labour Income	1,605.17	5.64%	2,871.91	5.87%	2,367.73	6.80%	1,818.50	6.23%
Sale of spare parts	2,406.52	8.45%	3,879.05	7.93%	2,577.39	7.40%	2,144.98	7.35%
Insurance commission	110.32	0.39%	192.52	0.39%	167.59	0.48%	172.11	0.59%
Income from schemes and incentives	60.88	0.21%	114.04	0.23%	91.46	0.26%	72.97	0.25%
Others	41.88	0.15%	84.20	0.17%	121.51	0.35%	117.87	0.40%

The total number of showrooms, sales outlets and booking offices and authorised service centres, across their three business segments is as follows:

Particulars	As of December 31, 2023		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	No. of showrooms and sales outlets and booking offices	No. of service centres	No. of showrooms and sales outlets and booking offices	No. of service centres	No. of showrooms and sales outlets and booking offices	No. of service centres	No. of showrooms and sales outlets and booking offices	No. of service centres
Passenger Vehicles								
Maruti Suzuki (New Vehicles)	101	74	97	68	96	63	84	48
Maruti Suzuki (Pre-Owned)	29	N/A	30	N/A	27	N/A	22	N/A
Honda	11	8	11	8	9	8	8	7
JLR	3	3	2	3	2	3	3	3
Commercial Vehicles								
Tata Motors	45	27	48	27	44	25	41	25
Bharat Benz	20	17	10	17	N/A	N/A	N/A	N/A
Electric Two-wheeler and Three-wheeler								
Piaggio	7	7	6	5	5	4	N/A	N/A
Ather	8	3	7	2	1	N/A	N/A	N/A
Totals	224	139	211	130	184	103	158	83

Strengths



- They possess a longstanding presence in the automobile industry and strong partnerships with top OEMs.
- Their market penetration is supported by innovative marketing strategies.
- Their fully integrated business model ensures stability and higher margins.
- They demonstrate a proven ability to identify and pursue both inorganic and organic growth opportunities.
- They maintain a consistent track record of profitable financial performance and continuous growth.
- They are backed by an experienced team of promoters and management professionals.

Threats

1. The sector is highly susceptible to sudden shifts in the national economy, potentially affecting the company's operations and finances significantly.
2. The company's relationships with OEMs, with whom dealership agreements are vital, are crucial for its commercial activities. Any issues here could disrupt revenue streams.
3. The company primarily concentrates its business efforts on India's southern region.

Valuation and Outlook

The cost of the shares is expected to be between ₹280 to ₹295 per share, If we look at the valuation, Popular Vehicles & Services has a P/E ratio of 28.86x which is calculated using a price above ₹295 and an FY23 EPS of Rs 10.22 while the industry P/E is 34.84x.

Peers Analysis.

Name of Company	Face Value (₹ per share)	Revenue from Operations (in ₹ million)	EPS (₹ per share)		NAV (₹ per share)	P/E as on March 1, 2024	Return on Net worth (%)
			Basic	Diluted			
Popular Vehicles and Services Limited	2	48,750.02	10.22	10.22	54.69*	NA	18.68%
Landmark Cars Limited	5	33,823.51	22.56	21.74	118.55	34.84	18.04%

*After taking into account stock split of the Equity Shares post March 31, 2023

In FY2023, consolidated sales increased by 48.15% to Rs 5134.62 crore compared to FY2022. The operating profit margin decreased slightly to 4.48%, resulting in a 43.32% increase in operating profit to Rs 229.79 crore. Other income increased by 5.95% to Rs 19.41 crore. Interest costs rose by 21.04% to Rs 73.67 crore, and depreciation increased by 21.8% to Rs 84.36 crore. Profit before tax surged by 87.84% to Rs 91.18 crore. Tax expense was Rs 23.72 crore, compared to Rs 14.88 crore in FY2022. Net profit increased by 100.4% to Rs 67.46 crore.

Despite having a presence in four states, the company has over 400 touchpoints, making it a leader in the segment with a partnership with Maruti. The company aims to adjust its product mix to improve profitability. Based on FY24 annualized earnings, although the stock appears fully priced, it may still be worth considering for medium to long-term rewards.

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