

PO Details:

Popular Vehicles & Services Ltd is coming out with an IPO of about Rs. 601.55 cr consisting of 2,03,91,651 shares of face value of Rs. 2 each in a price band of Rs. 280 – Rs. 295. The IPO comprises of Fresh Issue of Rs. 250.00 cr and Offer for Sale of Rs. 351.55 cr by the non-promoter shareholder. The IPO opens on 12th March' 2024 and closes on 14th March' 2024.

Company Details:

- **Diversified automobile dealership company** in India, catering to the complete life cycle of vehicle ownership, right from 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 3rd party financial and insurance products.
- **Present across vehicle categories** including Passenger Vehicles (PV), Commercial Vehicles (CV), Electric Three Wheelers (E-3W) and Electric Two Wheelers (E-2W).
- **Caters to marquee OEMs** viz. Maruti Suzuki, Honda, Jaguar Land Rover, Tata Motors, Daimler, Piaggio and Ather.
- **Dealership network** is spread across 4 states viz. Kerala, Karnataka, Tamil Nadu and Maharashtra.

Strength:

- Company has wide network which comprises 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.
- **Kerala, Tamil Nadu and Maharashtra** where company has presence features in the **top 10 states** in terms of auto sales, and they collectively accounted for **23%** of national sales.
- Long term association with OEMs and Company's strong business capabilities have resulted in it becoming a valued partner of OEMs.
- **Maruti Suzuki** which accounts for **91.89%** of Company's total PV sales enjoys **market share of over 40%** in India. Company is the **7th largest PV dealer** for Maruti Suzuki in terms of sales volume in India.
- **Able to deeply penetrate in semi-urban and rural areas** through **hub and spoke model** wherein its showrooms serve as "hub" to its sales outlets and booking offices located in small town and rural areas under the showroom.



➤ **Growth Drivers:**

- India is one of the largest auto markets in the world with annual domestic sales of about 22.1 million units in FY23.
- Indian Passenger Vehicle (PV) market is **one of the fastest growing markets** in the world continues to remains **highly under-penetrated** with per capita car ownership at **25 per 1,000 people**.
- Domestic PV sales is expected to increase from about **3.9 mn** units in FY23 to **5.4 mn – 5.6 mn** by FY28, translating into CAGR of **6% - 8%**.
- Pre-Owned PV industry is expected to grow at a **CAGR of 12% - 14%**, from **4.7 mn** units in FY23 to **8.3 mn – 8.8 mn** units by FY28 while **CV** industry is expected to grow at **CAGR of 4% - 6%** between FY23 – FY28.
- **Premiumization** on the back of increasing disposable income, expanding share of young buyers, driving experience, safety features, brand and aesthetics, will lead to sales of high value cars.
- Higher sale of new cars will also aid in growth in **services business** in subsequent years, which is a **high margin** business.

Objectives of Fund Raise – Fresh Issue of Rs. 250.00 cr:

- Rs. 192.00 cr will be utilized towards repayment and or pre-payment in full or part of certain borrowings availed by the Company and certain of its subsidiaries.
- Balance funds will be utilized towards general corporate purposes.

Key Financial Highlights:

Popular Vehicles & Services Ltd (Rs. Cr)

Year	Revenue	Ebitda	Ebitda Margins (%)	PAT	EPS	RoCE (%)	RoE (%)
FY21	2,893.53	149.13	5.2%	32.46	5.17	17.1%	13.2%
FY22	3,465.88	160.34	4.6%	33.67	5.37	16.8%	12.0%
FY23	4,875.00	217.22	4.5%	64.07	10.22	18.3%	18.7%
H1 FY24	2,835.00	131.09	4.6%	40.04	6.38	8.8%	10.4%



- Operating Revenue has grown at a CAGR of 29.8% between FY21 – FY23 to reach Rs. 4,875.00 cr in FY23.
- Ebitda has grown at a CAGR of 20.7% between FY21 – FY23 to touch Rs. 217.22 cr in FY23. Ebitda margins have declined from 5.2% in FY21 to 4.5% in FY23.
- Ebitda margins adjusted for lease payments have declined from 3.5% in FY21 to 3.1% in FY23.
- Profits after Tax has grown from Rs. 32.46 cr in FY21 to Rs. 64.07 cr in FY23.
- Capital Efficiency in the business has been good with RoCEs steady at about 18.0% while RoEs have inched up from 13.2% in FY21 to 18.7% in FY23 on the back of reduction in tax rate from 31.3% in FY21 to 24.5% in FY23.

Valuations:

- At Upper end of the IPO price band of Rs. 295, Popular Vehicles & Services Ltd will be valued at about Rs. 2,100.28 cr.
- On EV/Adj. Ebitda basis, Company will be valued at 18.96x its FY23 Ebitda of Rs. 151.11 cr while on PE basis it will be available at 28.86x its FY23 EPS of Rs. 10.22.
- **Investments can be avoided in Popular Vehicles and Services Ltd despite huge runway of growth for the Passenger Vehicle sales in India on the back of high under-penetration, expected growth in Commercial Vehicle sales (albeit with its share of cyclicity) on the back of positive economic outlook and requirement of last mile connectivity, growing services and spares parts business which is a high margin business, steady capital efficiency, as valuations looks expensive and also because of cyclical nature of the industry with last couple of years already seeing good traction post lifting of Covid-19 related restrictions.**



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*Long Term Investments could range from 3-5 years.