

14 August 2024

India | Equity Research | Q1FY25 results review

## Landmark Cars

### Automotives

#### New store additions dent profitability

Landmark Cars' (LMC) EBITDAM, at 5.8%, was down 40bps QoQ (I-Sec: 6.3%), with overhead expenses pertaining to new store addition rising and some margin impact from executing lower wholesales to bring down inventory levels. LMC's revenue from new outlets in Q1 was ~8% of total, at INR 910mn (proforma), which operated at negative EBITDAM. We believe the impact on margins from new store addition would linger a few more quarters. Accordingly, we reduce our FY25/FY26 margin estimates by 60bps/30bps, but retain our revenue estimates. Maintain **ADD** with a revised DCF-based target price of INR641 (earlier INR 757), implying ~20x FY26E EPS. Change in TP is due to 19%/8% lower FY25E/FY26E EPS and valuation rollover.

#### Takeaways from Q1FY25 conference call, and our views

- New car sales revenue (proforma) was up ~27% YoY at INR 9.5bn and ASP, at INR 2.2mn, was up 13% YoY. LMC expects strong improvement in new car sales volume Q3FY25 onwards – led by upcoming launches by Mercedes Benz (MB), BYD, M&M, Kia, Honda and with attractive schemes offered by some OEMs to push volumes. For the slower-performing Renault/Jeep operations, LMC expects margins to improve with right-sizing by the sharing of infrastructure to pare cost of operations. With the bulk of incremental staff costs already being up-fronted, rise in revenue from new outlets would help improve margins ahead. LMC is aiming to reduce other expenses/manpower costs from ~6%/7% in Q1 to ~4% each in FY25. LMC is forming a separate vertical, wherein all employees including call centre, insurance, HR etc. would work in a brand agnostic manner, thereby leading to employee cost savings. It also seeks to focus on operationalising ongoing projects, rather than expansion, to improve margins.
- LMC's outlet count is likely to grow by ~21% in FY25E with the addition of 24 showrooms and workshops. This shall contribute ~20% to revenue Q4FY25E onwards and help diversify with high-growth brands such as M&M, Kia, MG and BYD. MB is also likely to see strong growth with multiple launches planned over the next couple of quarters; MB's management has guided for double-digit growth this year. After-sales revenue increased 14% YoY to INR 2.2bn with 9% higher volume at ~85k units in Q1. Average revenue per vehicle for its after-sales business was up 5% YoY, at ~INR 26k, and M&M/Kia/MG service business mix increasing ahead, at the cost of Renault, would likely push this higher. Pre-owned car sales revenue increased 67% YoY to INR 270mn.

#### Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	33,824	32,879	38,085	46,040
EBITDA	2,380	2,176	2,468	3,133
EBITDA %	7.0	6.6	6.5	6.8
Net Profit	927	601	783	1,296
EPS (INR)	23.4	15.2	19.8	32.7
EPS % Chg YoY	47.3	(35.1)	30.2	65.5
P/E (x)	25.7	39.6	30.4	18.4
EV/EBITDA (x)	11.6	13.7	11.4	8.8
RoCE (%)	14.7	8.6	10.5	13.4
RoE (%)	25.9	11.9	13.5	19.0

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#### Market Data

Market Cap (INR)	25bn
Market Cap (USD)	296mn
Bloomberg Code	LANDMARK IN
Reuters Code	LAMN.BO
52-week Range (INR)	905 /599
Free Float (%)	48.0
ADTV-3M (mn) (USD)	1.1

Price Performance (%)	3m	6m	12m
Absolute	(17.8)	(16.5)	(15.9)
Relative to Sensex	(26.2)	(26.8)	(36.8)

Earnings Revisions (%)	FY25E	FY26E
Revenue	0.0	0.0
EBITDA	(8.5)	(4.2)
EPS	(19.3)	(8.0)

#### Previous Reports

25-05-2024: [Q4FY24 results review](#)

12-02-2024: [Q3FY24 results review](#)

**Exhibit 1: Q1FY25 result review (consolidated)**

INR mn	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ
<b>Revenue</b>	<b>8,320</b>	<b>6,940</b>	<b>19.9%</b>	<b>8,640</b>	<b>-3.7%</b>
Input material/vehicle cost	6,726	5,537	21.5%	6,960	-3.4%
<b>Gross profit</b>	<b>1,594</b>	<b>1,402</b>	<b>13.6%</b>	<b>1,680</b>	<b>-5.2%</b>
<b>Gross margin</b>	<b>19.2%</b>	<b>20.2%</b>	<b>-105 bps</b>	<b>19.4%</b>	<b>-29 bps</b>
Staff cost	580	509	14.0%	569	2.0%
Staff cost/sales	7.0%	7.3%	-36 bps	6.6%	39 bps
Other expenses	528	450	17.4%	576	-8.3%
Other expenses/sales	6.3%	6.5%	-13 bps	6.7%	-32 bps
<b>Total expenses</b>	<b>7,835</b>	<b>6,496</b>	<b>20.6%</b>	<b>8,105</b>	<b>-3.3%</b>
<b>EBITDA</b>	<b>485</b>	<b>444</b>	<b>9.3%</b>	<b>535</b>	<b>-9.4%</b>
<b>EBITDA margin</b>	<b>5.8%</b>	<b>6.4%</b>	<b>-56 bps</b>	<b>6.2%</b>	<b>-36 bps</b>
<b>Depreciation</b>	<b>290</b>	<b>234</b>	<b>23.8%</b>	<b>271</b>	<b>6.8%</b>
EBIT	195	210	-6.8%	264	-26.0%
EBIT margin	2.3%	3.0%	-67 bps	3.1%	-71 bps
Other income	13	24	-45.3%	27	-51.8%
Interest	155	111	39.7%	137	13.5%
<b>PBT</b>	<b>53</b>	<b>123</b>	<b>-56.4%</b>	<b>154</b>	<b>-65.4%</b>
Tax	13	27	-51.8%	45	-71.0%
Exceptionals	-6	-23	N.M.	-	N.M.
<b>PAT</b>	<b>34</b>	<b>73</b>	<b>-52.6%</b>	<b>110</b>	<b>-68.6%</b>
<b>Adj. PAT</b>	<b>40</b>	<b>96</b>	<b>-57.7%</b>	<b>110</b>	<b>-63.1%</b>

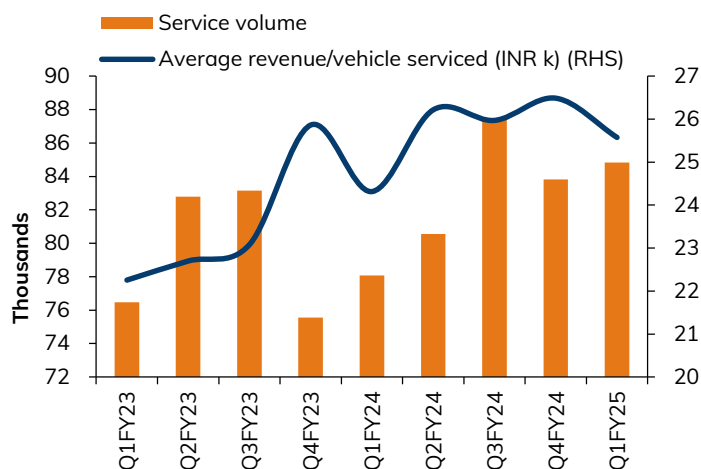
Source: I-Sec research, Company data

**Exhibit 2: Estimates revision**

	FY25E			FY26E		
	Previous	Revised	% Change	Previous	Revised	% Change
Revenue (INR mn)	38,085	38,085	0.0%	46,040	46,040	0.0%
EBITDA (INR mn)	2,697	2,468	-8.5%	3,271	3,133	-4.2%
EBITDA Margin (%)	7.1%	6.5%	-60 bps	7.1%	6.8%	-30 bps
PAT (INR mn)	970	783	-19.3%	1,409	1,296	-8.0%
EPS (INR)	24	20	-19.3%	36	33	-8.0%

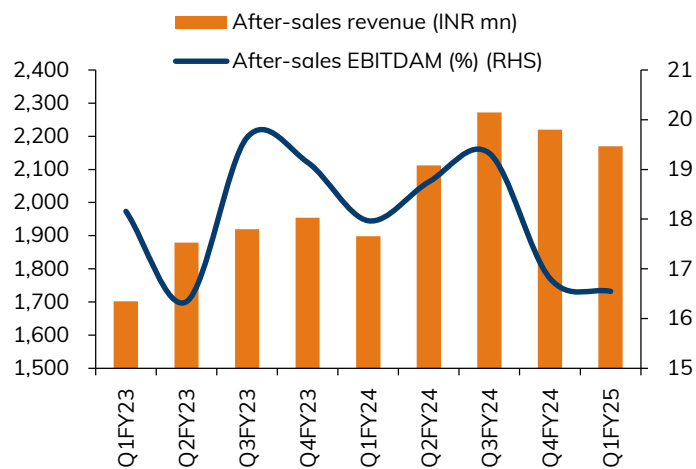
Source: I-Sec research, Company data

**Exhibit 3: Service volume vs. average revenue per vehicle serviced trend**



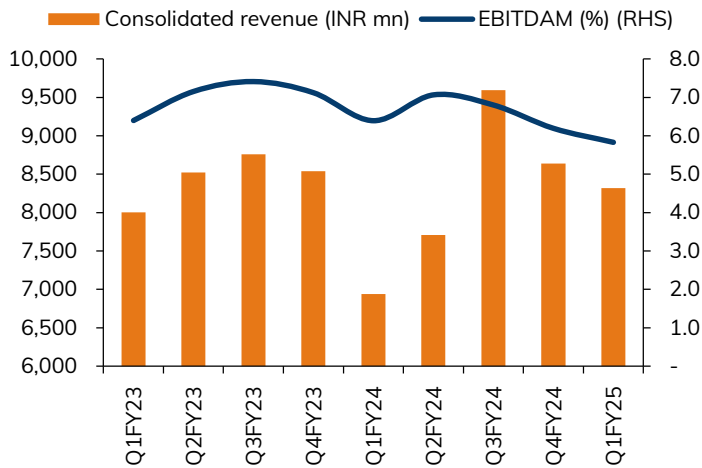
Source: I-Sec research, Company data

**Exhibit 4: After-sales revenue vs. EBITDAM**



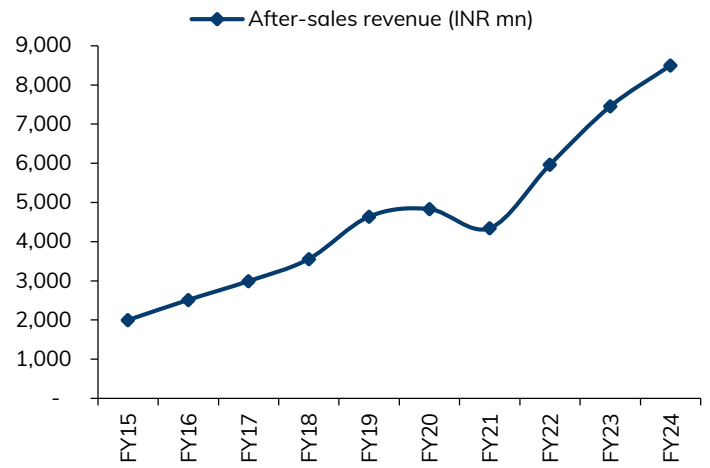
Source: I-Sec research, Company data

**Exhibit 5: Consolidated revenue vs. EBITDAM**



Source: I-Sec research, Company data

**Exhibit 6: After-sales revenue trend**



Source: I-Sec research, Company data

### Downside risks

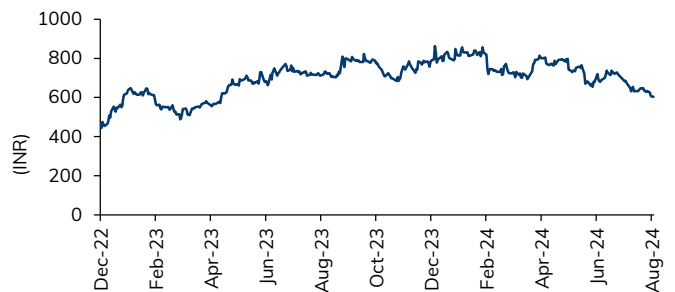
- Slowdown in domestic PV market.
- Pause in the acceptance of car premiumisation theme in India.
- Luxury car market not going beyond 50k units a year in India.
- Risk of rise in working capital and discounts for models, ex-MB, in times of weak car demand.

**Exhibit 7: Shareholding pattern**

%	Dec'23	Mar'24	Jun'24
Promoters	51.8	51.8	51.6
Institutional investors	23.6	23.6	25.6
MFs and others	7.9	7.9	7.9
FIs/Banks	4.5	4.5	4.8
FIIIs	11.2	11.2	12.9
Others	24.6	24.6	22.8

Source: Bloomberg

**Exhibit 8: Price chart**



Source: Bloomberg

## Financial Summary

### Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	33,824	32,879	38,085	46,040
<b>Operating Expenses</b>	<b>31,444</b>	<b>30,703</b>	<b>35,388</b>	<b>42,769</b>
EBITDA	2,380	2,176	2,468	3,133
<b>EBITDA Margin (%)</b>	<b>7.0</b>	<b>6.6</b>	<b>6.5</b>	<b>6.8</b>
<b>Depreciation &amp; Amortization</b>	<b>873</b>	<b>1,013</b>	<b>1,130</b>	<b>1,270</b>
EBIT	1,507	1,163	1,338	1,863
Interest expenditure	511	535	490	400
Other Non-operating Income	121	96	106	117
Recurring PBT	1,117	724	954	1,580
<b>Profit / Loss from Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: Taxes	190	123	172	284
PAT	927	601	783	1,296
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	852	572	783	1,296
Net Income (Adjusted)	927	601	783	1,296

Source Company data, I-Sec research

### Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	7,166	9,220	10,754	12,906
of which cash & cash eqv.	400	319	2,285	2,897
Total Current Liabilities & Provisions	3,590	3,797	4,382	4,979
<b>Net Current Assets</b>	<b>3,575</b>	<b>5,423</b>	<b>6,372</b>	<b>7,928</b>
Investments	163	163	163	163
Net Fixed Assets	5,109	5,936	6,024	6,054
ROU Assets	-	-	-	-
Capital Work-in-Progress	32	18	-	-
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	136	177	177	177
<b>Total Assets</b>	<b>9,017</b>	<b>11,717</b>	<b>12,736</b>	<b>14,322</b>
Liabilities				
Borrowings	2,107	3,637	3,637	3,637
Deferred Tax Liability	-	27	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	198	206	206	206
Reserves & Surplus	4,499	5,183	5,966	7,261
<b>Total Net Worth</b>	<b>4,697</b>	<b>5,389</b>	<b>6,172</b>	<b>7,468</b>
Minority Interest	20	31	31	31
<b>Total Liabilities</b>	<b>9,017</b>	<b>11,717</b>	<b>12,736</b>	<b>14,322</b>

Source Company data, I-Sec research

### Exhibit 11: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-24	Jun-24
Net Sales	7,707	9,592	8,640	8,320
% growth (YoY)	-10%	10%	1%	19.9
EBITDA	545	652	535	485
Margin	7.1%	6.8%	6.2%	5.8%
Other Income	27	19	27	13
Extraordinaries	0	(6)	-	(6)
Adjusted Net Profit	205	191	110	40

Source Company data, I-Sec research

### Exhibit 12: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Operating Cashflow</b>	<b>249</b>	<b>(343)</b>	<b>2,929</b>	<b>1,623</b>
Working Capital Changes	(1,476)	(1,928)	1,016	(943)
Capital Commitments	(719)	(1,152)	(1,200)	(1,300)
<b>Free Cashflow</b>	<b>(470)</b>	<b>(1,495)</b>	<b>1,729</b>	<b>323</b>
Other investing cashflow	(3)	-	-	-
<b>Cashflow from Investing Activities</b>	<b>(722)</b>	<b>(1,152)</b>	<b>(1,200)</b>	<b>(1,300)</b>
Issue of Share Capital	1,404	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(855)	1,824	263	290
Dividend paid	-	-	-	-
Others	(157)	(439)	213	-
<b>Cash flow from Financing Activities</b>	<b>573</b>	<b>1,146</b>	<b>476</b>	<b>290</b>
Chg. in Cash & Bank balance	100	(349)	2,205	612
Closing cash & balance	400	51	2,524	2,897

Source Company data, I-Sec research

### Exhibit 13: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Reported EPS	23.4	15.2	19.8	32.7
Adjusted EPS (Diluted)	23.4	15.2	19.8	32.7
Cash EPS	45.4	40.8	48.3	64.8
Dividend per share (DPS)	2.3	1.5	2.0	3.0
Book Value per share (BV)	118.6	136.1	155.9	188.6
Dividend Payout (%)	-	-	-	-
<b>Growth (%)</b>				
Net Sales	13.9	(2.8)	15.8	20.9
EBITDA	38.9	(8.6)	13.5	26.9
EPS (INR)	47.3	(35.1)	30.2	65.5
<b>Valuation Ratios (x)</b>				
P/E	25.7	39.6	30.4	18.4
P/CEPS	13.2	14.7	12.4	9.3
P/BV	5.1	4.4	3.9	3.2
EV / EBITDA	11.6	13.7	11.4	8.8
EV / Sales	0.8	0.9	0.7	0.6
<b>Profitability Ratios</b>				
Gross Profit Margins (%)	17.8	19.5	19.6	19.4
EBITDA Margins (%)	7.0	6.6	6.5	6.8
EBIT Margins (%)	4.5	3.5	3.5	4.0
Net Profit Margins (%)	2.7	1.8	2.1	2.8
RoCE (%)	14.7	8.6	10.5	13.4
RoE (%)	25.9	11.9	13.5	19.0
Dividend Yield (%)	0.4	0.2	0.3	0.5
<b>Operating Ratios</b>				
Fixed Asset Turnover (x)	6.6	5.5	6.3	7.6
Inventory Turnover Days	48	63	50	50
Receivables Days	11	15	11	11
Payables Days	13	13	14	14
Effective Tax Rate (%)	16.0	16.4	18.0	18.0
Net Debt / Equity (x)	0.8	1.1	0.7	0.5
Net Debt / EBITDA (x)	1.6	2.7	1.7	1.3

Source Company data, I-Sec research

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