

25 May 2024

India | Equity Research | Q4FY24 results review

Landmark Cars

Automotives

Disappointing operationally; all eyes on meaningful contribution from new franchises

Landmark Car's (LMC) EBITDAM, at 6.2%, was down 60bps QoQ (I-Sec: 7.3%), with overhead expenses rising much ahead of expectations. Operating expense inflation was related to new store addition, largely corresponding to Morris Garages (MG) and M&M, alongside Renault's relatively lower fixed-cost touch points closing down. LMC's outlet count is likely to increase by ~21% in FY25E with the addition of 24 showrooms and workshops; although, we believe it would take much longer, beyond FY25, for this to reflect in its numbers fully. We are factoring in revenue CAGR of 18% and EBITDA margin of ~7% over FY24–26E, resulting in EBITDA CAGR of 23%. Maintain **ADD** with a revised DCF-based target price of INR 757 (earlier INR 813), implying ~22x FY26E EPS. Change in TP is due to 6% lower FY26E EPS.

Takeaways from Q4FY24 conference call, and our views

- LMC registered ~4.9k new car sales in Q4FY24, flat YoY, with slower-than-anticipated growth in a few of its partner OEMs like Jeep/AL/VW. ASP of new-car sales was up 8% YoY at INR 2.2mn. EBITDA for its new-car sales business decreased ~25% YoY to INR 175mn due to lower scale and higher operating expenses of the new franchise outlets in areas such as Indore/Goa/Hyderabad etc. Operating expenses were higher with front-loading of costs related to outlet expansion of the new facilities for M&M and MG. For the slower performing Renault/Jeep operations, LMC expects margins to improve with rightsizing by the sharing of infrastructure to reduce cost of operations. With the bulk of incremental staff costs already getting up-fronted, rise in revenue from new outlets would help improve margins ahead. LMC is aiming to reduce other expenses and manpower costs by 200bps to 4% each. It also seeks to focus on operationalising ongoing projects, rather than expansion, to improve margins.
- LMC's outlet count is likely to increase by ~21% in FY25E with the addition of 24 showrooms and workshops. This shall contribute ~20% to revenue from Q4FY25E and help diversify with high-growth brands such as M&M, Kia, MG and BYD. Mercedes Benz is also likely to see strong growth of more than 15% in FY25. After-sales revenue increased 14% YoY to INR 2.2bn with 11% higher volume at ~84k units. Average revenue per vehicle for its after-sales business was up 2% YoY at ~INR 26k and M&M/Kia/MG service business mix increasing ahead, at the cost of Renault, would push this up. Pre-owned car revenue for FY24 stood at INR 1.2bn.

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Market Data

Market Cap (INR)	32bn
Market Cap (USD)	380mn
Bloomberg Code	LANDMARK IN
Reuters Code	LAMN.BO
52-week Range (INR)	905 /658
Free Float (%)	48.0
ADTV-3M (mn) (USD)	1.2

Price Performance (%)	3m	6m	12m
Absolute	4.5	1.5	10.4
Relative to Sensex	1.4	(12.8)	(11.3)

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	2,697	3,271
EBITDA %	7.0	6.6	7.1	7.1
Net Profit	927	601	970	1,409
EPS (INR)	23.4	15.2	24.5	35.6
EPS % Chg YoY	47.3	(35.1)	61.4	45.2
P/E (x)	32.7	50.4	31.2	21.5
EV/EBITDA (x)	14.4	16.7	12.7	10.4
RoCE (%)	14.7	8.6	12.3	14.4
RoE (%)	25.9	11.9	16.5	19.9

Earnings Revisions (%)	FY25E	FY26E
Revenue	(6.3)	(5.4)
EBITDA	(6.6)	(5.0)
EPS	(11.9)	(5.7)

Previous Reports

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

10-11-2023: [Q2FY24 results review](#)

Exhibit 1: Q4FY24 result review (consolidated)

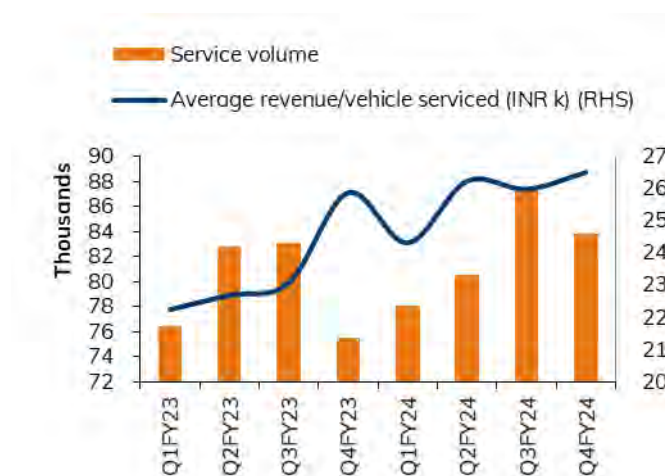
INR mn	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ
Revenue	8,640	8,538	1.2%	9,592	-9.9%
Input material/vehicle cost	6,960	6,955	0.1%	7,851	-11.4%
Gross profit	1,680	1,583	6.1%	1,741	-3.5%
Gross margin	19.4%	18.5%	90 bps	18.2%	129 bps
Staff cost	569	490	16.0%	560	1.6%
Staff cost/sales	6.6%	5.7%	84 bps	5.8%	75 bps
Other expenses	576	485	18.8%	529	8.9%
Other expenses/sales	6.7%	5.7%	99 bps	5.5%	115 bps
Total expenses	8,105	7,930	2.2%	8,940	-9.3%
EBITDA	535	608	-12.0%	652	-18.0%
EBITDA margin	6.2%	7.1%	-93 bps	6.8%	-61 bps
Depreciation	271	227	19.4%	262	3.4%
EBIT	264	381	-30.7%	390	-32.3%
EBIT margin	3.1%	4.5%	-141 bps	4.1%	-101 bps
Other income	27	30	-11.1%	19	45.8%
Interest	137	102	34.2%	148	-7.8%
PBT	154	309	-50.1%	261	-40.8%
Tax	45	49	-8.4%	70	-36.2%
Exceptionals	-	-18	N.M.	-6	N.M.
PAT	110	243	-54.8%	185	-40.6%
Adj. PAT	110	261	-57.9%	191	-42.4%

Source: I-Sec research, Company data

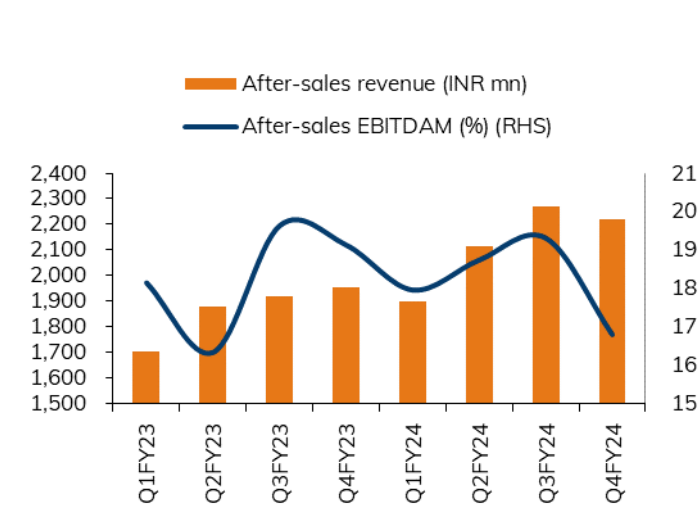
Exhibit 2: Estimates revision

	FY25E			FY26E		
	Previous	Revised	% Change	Previous	Revised	% Change
Revenue (INR mn)	40,639	38,085	-6.3%	48,643	46,040	-5.4%
EBITDA (INR mn)	2,886	2,697	-6.6%	3,442	3,271	-5.0%
EBITDA Margin (%)	7.1%	7.1%	-2 bps	7.1%	7.1%	3 bps
PAT (INR mn)	1,101	970	-11.9%	1,495	1,409	-5.7%
EPS (INR)	28	24	-11.9%	38	36	-5.7%

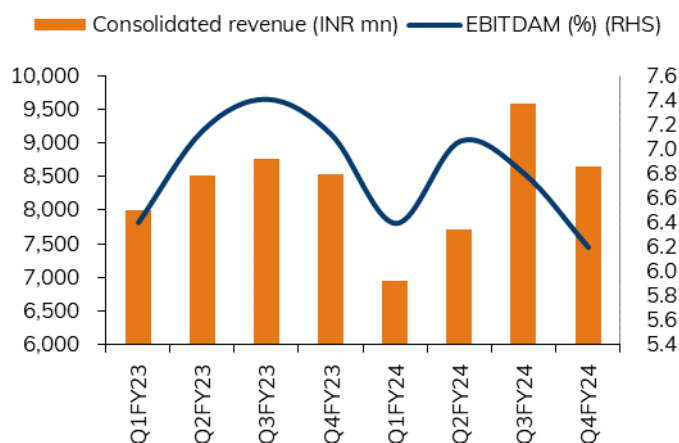
Source: I-Sec research, Company data

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

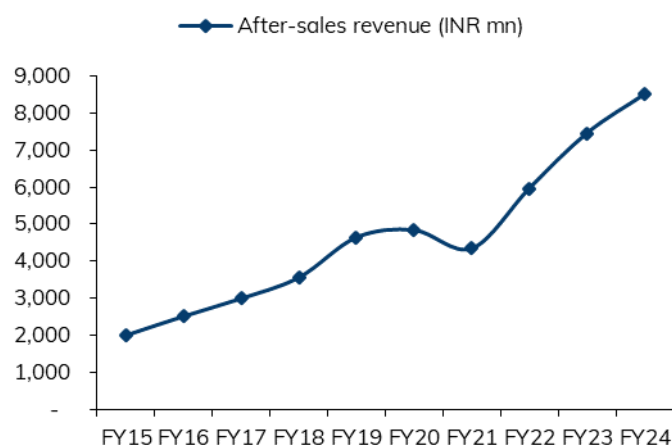
Source: I-Sec research, Company data

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-Mercedes, in times of weak car demand.

Exhibit 7: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	52.9	51.8	51.8
Institutional investors	24.3	23.6	23.6
MFs and others	8.5	7.9	7.9
FIs/Banks	3.9	4.5	4.5
FIIIs	11.9	11.2	11.2
Others	22.8	24.6	24.6

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
Operating Expenses	31,444	30,703	35,388	42,769
EBITDA	2,380	2,176	2,697	3,271
EBITDA Margin (%)	7.0	6.6	7.1	7.1
Depreciation & Amortization	873	1,013	1,130	1,270
EBIT	1,507	1,163	1,567	2,001
Interest expenditure	511	535	490	400
Other Non-operating Income	121	96	106	117
Recurring PBT	1,117	724	1,183	1,718
Profit / Loss from Associates	-	-	-	-
Less: Taxes	190	123	213	309
PAT	927	601	970	1,409
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	852	572	970	1,409
Net Income (Adjusted)	927	601	970	1,409

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	10,941	13,207
of which cash & cash eqv.	400	319	2,472	3,198
Total Current Liabilities & Provisions	3,590	3,797	4,382	4,979
Net Current Assets	3,575	5,423	6,560	8,228
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
Total Assets	9,017	11,717	12,924	14,622
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	6,153	7,562
Total Net Worth	4,697	5,389	6,359	7,768
Minority Interest	20	31	31	31
Total Liabilities	9,017	11,717	12,924	14,622

Source Company data, I-Sec research

Exhibit 11: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	6,940	7,707	9,592	8,640
% growth (YoY)	-13%	-10%	10%	1%
EBITDA	444	545	652	535
Margin	6.4%	7.1%	6.8%	6.2%
Other Income	24	27	19	27
Extraordinaries	-23	0	-6	-
Adjusted Net Profit	96	205	191	110

Source Company data, I-Sec research

Exhibit 12: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	249	(343)	3,116	1,736
Working Capital Changes	(1,476)	(1,928)	1,016	(943)
Capital Commitments	(719)	(1,152)	(1,200)	(1,300)
Free Cashflow	(470)	(1,495)	1,916	436
Other investing cashflow	(3)	-	-	-
Cashflow from Investing Activities	(722)	(1,152)	(1,200)	(1,300)
Issue of Share Capital	1,404	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(855)	1,824	263	290
Dividend paid	-	-	-	-
Others	(157)	(439)	213	-
Cash flow from Financing Activities	573	1,146	476	290
Chg. in Cash & Bank balance	100	(349)	2,392	726
Closing cash & balance	400	51	2,712	3,198

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	23.4	15.2	24.5	35.6
Adjusted EPS (Diluted)	23.4	15.2	24.5	35.6
Cash EPS	45.4	40.8	53.0	67.6
Dividend per share (DPS)	2.3	1.5	2.0	3.0
Book Value per share (BV)	118.6	136.1	160.6	196.2
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	13.9	(2.8)	15.8	20.9
EBITDA	38.9	(8.6)	24.0	21.3
EPS (INR)	47.3	(35.1)	61.4	45.2
Valuation Ratios (x)				
P/E	32.7	50.4	31.2	21.5
P/CEPS	16.8	18.8	14.4	11.3
P/BV	6.4	5.6	4.8	3.9
EV / EBITDA	14.4	16.7	12.7	10.4
EV / Sales	1.0	1.1	0.9	0.7
Profitability Ratios				
Gross Profit Margins (%)	17.8	19.5	19.6	19.4
EBITDA Margins (%)	7.0	6.6	7.1	7.1
EBIT Margins (%)	4.5	3.5	4.1	4.3
Net Profit Margins (%)	2.7	1.8	2.5	3.1
RoCE (%)	14.7	8.6	12.3	14.4
RoE (%)	25.9	11.9	16.5	19.9
Dividend Yield (%)	0.3	0.2	0.3	0.4
Operating Ratios				
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	0.6	0.5
Net Debt / EBITDA (x)	1.6	2.7	1.5	1.1

Source Company data, I-Sec research

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