Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

3R MATRIX	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

+ Positive = Neutral – Negative

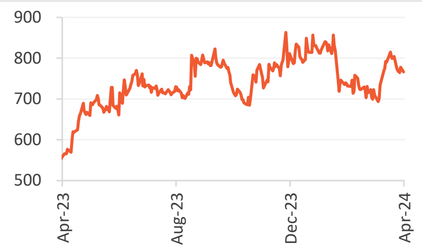
Company details

Market cap:	Rs. 3,155 cr
52-week high/low:	Rs. 902/545
NSE volume: (No of shares)	1.5 lakh
BSE code:	543714
NSE code:	LANDMARK
Free float: (No of shares)	2.0 cr

Shareholding (%)

Promoters	51.6
FII	8.7
DII	15.9
Others	23.8

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	8.5	-10.8	-1.9	33.8
Relative to Sensex	7.2	-11.7	-13.5	11.8

Sharekhan Research, Bloomberg

Landmark Cars Ltd

Offering opulence on wheels

Viewpoint

New Idea

Auto-dealer	Sharekhan code: LANDMARK	
Reco/View: Positive	CMP: Rs. 764	Upside potential: 23%

Summary

- Landmark Cars is a key proxy to play on the rise in the domestic premium car segment.
- Company has faced multiple challenges in FY24, which are receding now.
- Earnings CAGR stood at 47% over FY24-26E, coupled with improving return ratios augurs well for further re-rating. Stock trades at P/E multiple of 21.1x and an EV/EBITDA multiple of 9.3x its FY26 estimates.
- We build up a positive viewpoint on Landmark Cars and expect an upside potential of 23% on the likelihood of a rise in penetration of luxury cars in domestic market, wider addressable market and rise in aspirational population along with increase in per capita income.

Landmark (Landmark Cars) is positioned as a key player in the domestic luxury passenger vehicle market's growth, representing nine premium brands across ten states in India. The sustained trend of premiumisation in the Indian passenger vehicle market signals a significant shift in consumer behaviour, with Landmark poised to benefit from the increasing penetration of luxury vehicles. Growth is supported by demographic changes favouring younger buyers, expanding market reach into semi-urban areas, a rising number of high-income individuals, and a preference for top-tier vehicle variants alongside growing per capita income. Despite facing challenges in FY24, Landmark is expected to overcome these headwinds, leveraging its efforts to capitalize on the evolving market dynamics from FY25 onwards. Notably, the addition of three new premium brands in FY24 (MG, M&M, and Kia) enhances Landmark's potential for recurring revenue through a higher serviceable vehicle population. Further it caters to the domestic market only and follows a city-specific business model (in top cities) and caters to aspirational set of customers, its business is partially immune to geopolitical issues, subjected to smooth supply chain situation. Considering these factors, we build up a positive viewpoint on Landmark Cars.

Turning wheels: While Landmark's performance has impacted in FY24 due to three key challenges, we believe that the challenging situation has been receding and Landmark is poised to deliver its structural growth in FY25 lead by increase in brand offerings and increase in outlets. The 3 key challenges in FY24 were (1) Supply chain issues with its key brand Mercedes Benz India (Mercedes) (2) A delay in product launch by one of its key customers and (3) Front loading of employee cost ahead of set up of new outlets. Mercedes has sorted out its supply chain issue and has been sharing optimistic outlook for its Indian business. Similarly, new products from its key customers have entered the market. Further the employee cost is likely to get absorbed and turned into deliveries as its new outlets have been coming on stream as per its schedule.

Expanding bandwidth: While Landmark has been consistently opting an opportunity to enhance its penetration with Mercedes, it has been consistently adding new brands in its portfolio to expand its addressable market. OEMs like to partner Landmark Cars and the various competitive advantages we provide including customer experience and standardized customer experience along with a long standing in the domestic market. In FY24, Landmark has entered an association with Kia, M&M and MG Motors. With this it has now 10 key brands to offer in the domestic market. Similarly, the total count of outlets has expanded to 119 now compared to 84 in FY18. The rise in number of brands along with outlets offers it to increase its recurring revenue (after sales) potential on increase in population of serviceable vehicles. In FY25, the company has planned to open an operation for (1) Kia in Hyderabad, (2) MG in Mumbai, (3) BYD in South Mumbai and (4) a Mercedes-Benz service centre in Hyderabad & Mumbai (Ghatkopar).

Potential in luxury car segment: The luxury car segment is experiencing a surge attributed to lifestyle adjustments post COVID-19, particularly among young professionals opting for upscale vehicles, expected to continue due to rising disposable incomes. With current market penetration at just over 1%, there's substantial growth potential, further bolstered by the shift towards electric vehicles. Increased payouts from stock options and corporate profits, alongside an economic rebound, have expanded the pool of affluent young achievers. India's luxury car market is transitioning from rapid expansion to sustained growth focused on quality. Although near-term growth rates may moderate, long-term prospects remain favourable due to robust fundamentals and evolving preferences among young consumers willing to pay premiums. Higher premiumization is not solely driven by the wealthy; shifts within the middle class also contribute. Mercedes Benz plans to introduce 12 new products, including internal combustion engine and battery electric vehicle models, in CY24, with half targeting the top-end segment. This structural foundation, including demographic shifts, increased market penetration in semi-urban areas, rising incomes, and growing preference for top-end variants, sets the stage for robust growth in India's luxury car segment.

Our Call

Initiate viewpoint; expects a 23% upside: Landmark appears be a good proxy to play on premium car dealership segment, given Landmark retails almost ~16% of Mercedes volumes and ~23.3% of Jeep's volumes. While new car sales constitute substantial part of its topline (~74% in 9MFY24), its operating performance is dominated by after sales segment (71% of EBITDA from after sales in 9MFY24). After-sales revenue is of recurring nature and dependent on the vehicle population of its brand and its geographic presence. Hence, a rise in brands in its portfolio along with increase outlets is expected to drive its overall revenue potential for continuity. While the luxury car segment constitutes miniscule part of overall domestic PV segment currently, but luxury players have been optimistic on domestic market in expectation of rising per capita income and increase in aspirational population. Hence, we build up a positive viewpoint on Landmark Cars with an upside potential of 23% on expectation of rise in penetration of luxury cars in domestic market, expansion in its addressable market and rise in aspirational population along with increase in per capita income. Earnings CAGR of 47% over FY24-26E, coupled with improving return ratios augurs well for a further re-rating.

Key Risks

Correction in premium car segment, rationalization in dealer margin, rise in competition from organized as well as unorganised players in the after-market segment.

Valuation (Consolidated) Rs cr

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Revenues (Rs cr)	2,977	3,382	3,404	3,753	4,247
Growth (%)	-	*13.6*	*0.6*	*10.2*	*13.2*
EBIDTA (Rs cr)	175	238	232	281	357
OPM (%)	*5.9*	*7.0*	*6.8*	*7.5*	*8.4*
Adj Net Profit (Rs cr)	66	86	69	96	149
Growth (%)	-	*30.5*	*-19.8*	*38.9*	*55.2*
EPS	16.0	20.9	16.8	23.3	36.2
P/E (x)	47.7	36.5	45.5	32.8	21.1
P/BV (x)	12.8	6.7	6.0	5.1	4.2
EV/EBIDTA (x)	19.2	13.9	14.3	11.8	9.3
ROAE (%)	26.8	18.4	13.1	15.7	20.0
ROACE (%)	19.2	19.8	15.1	16.6	19.7

Source: Company; Sharekhan estimates

Company profile

Established in 1998, Landmark Cars Ltd (Landmark) is a prominent premium automotive retail firm in India. With the addition of Kia, Landmark now represents 10 brands in 10 states. It encompasses dealerships for Mercedes Benz, Honda, Jeep, Volkswagen, BYD, Renault, Mahindra & Mahindra, Kia and MG Motors in the PV space and Ashok Leyland in CV space. The company offers a comprehensive range of services across the automotive retail spectrum, including new vehicle sales, after-sales service and repairs, and pre-owned passenger vehicle sales. Additionally, it facilitates the sale of third-party finance and insurance products. Landmark transitioned from a dealership model to an agency model for Mercedes cars in October 2021, earning commissions on vehicle sales.

Landmark: Positioning with OEMs

Sr no.	OEMs	% of OEMs sales (9MFY24)	No. of outlets (April 2024)
1	Mercedes	15.9%	21
2	Honda	5.0%	21
3	Jeep	23.3%	19
4	Volkswagen	9.9%	25
5	Renault	4.4%	15
6	BYD		6
7	MG		7
8	M&M		1
9	Ashok Leyland		4
10	Kia		Recently tied up
Total			**119**

Source : Company, Sharekhan Research

Business model

Landmark 's revenue mix can be segregated into two key parts: (1) Revenue from new vehicle sales including allied services (insurance etc) and (2) After-sales services. In 9 M FY24, New vehicle sales contributed 74 % to its topline while after sales segment contributed 26% to its topline. It is worthwhile to note that the high margin after sales segment contributed 26% to the topline it constituted 71% to the EBITDA, given after sales segment registered EBITDA margin at 18.7% compared to 2.7% by the new vehicle sales segment in 9MFY24.

Segmental Revenue break-up

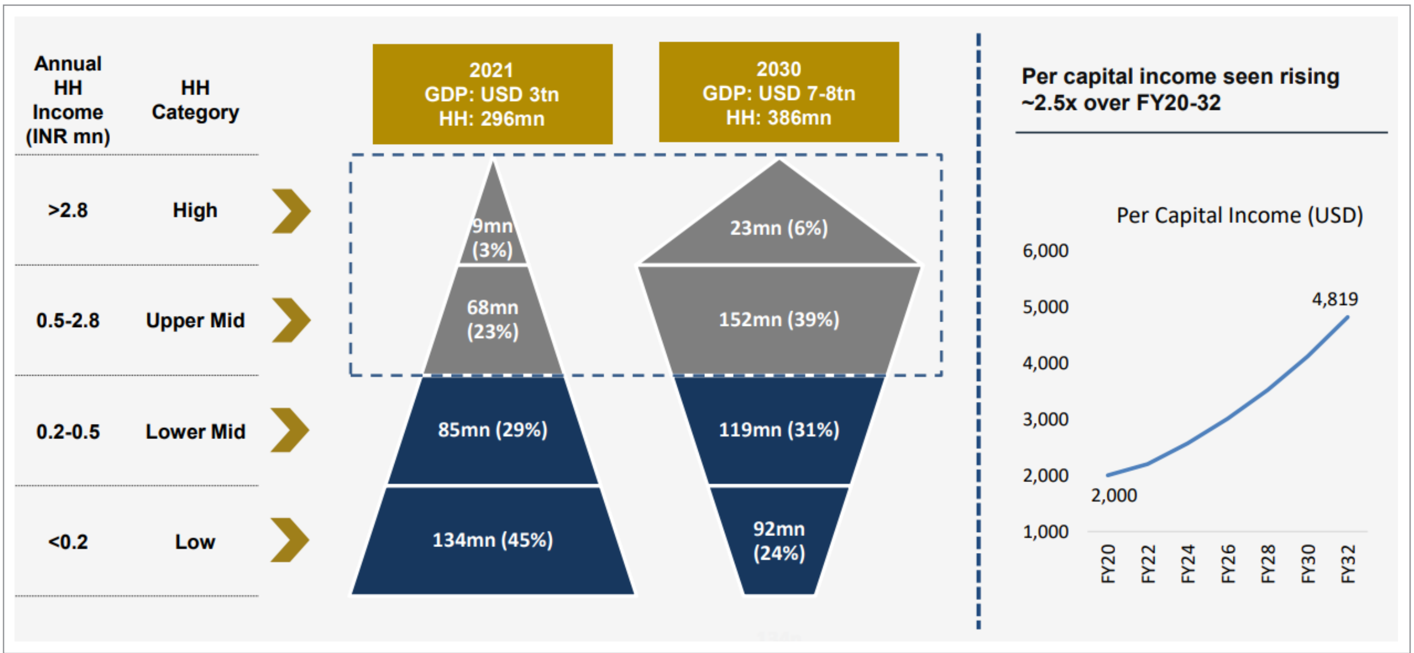
Revenue break up	9MFY23 Rs mn	9MFY24 Rs mn	growth	Mix
New vehicle sales	1979	1796	-9%	74%
After sales	550	628	14%	26%
EBITDA break up	**9MFY23 Rs mn**	**9MFY24 Rs mn**	**growth**	**Mix**
New vehicle sales	79	48	-39%	29%
After sales	99	118	18%	71%
EBITDA margin	**9MFY23**	**9MFY24**		
New vehicle sales	4.0%	2.7%		
After sales	18.1%	18.7%		
After sales	**9MFY23**	**9MFY24**	**growth**	
No. of services	2,42,400	2,46,123	2%	

Source : Company, Sharekhan Research

Consumer preference is shifting towards premiumization…

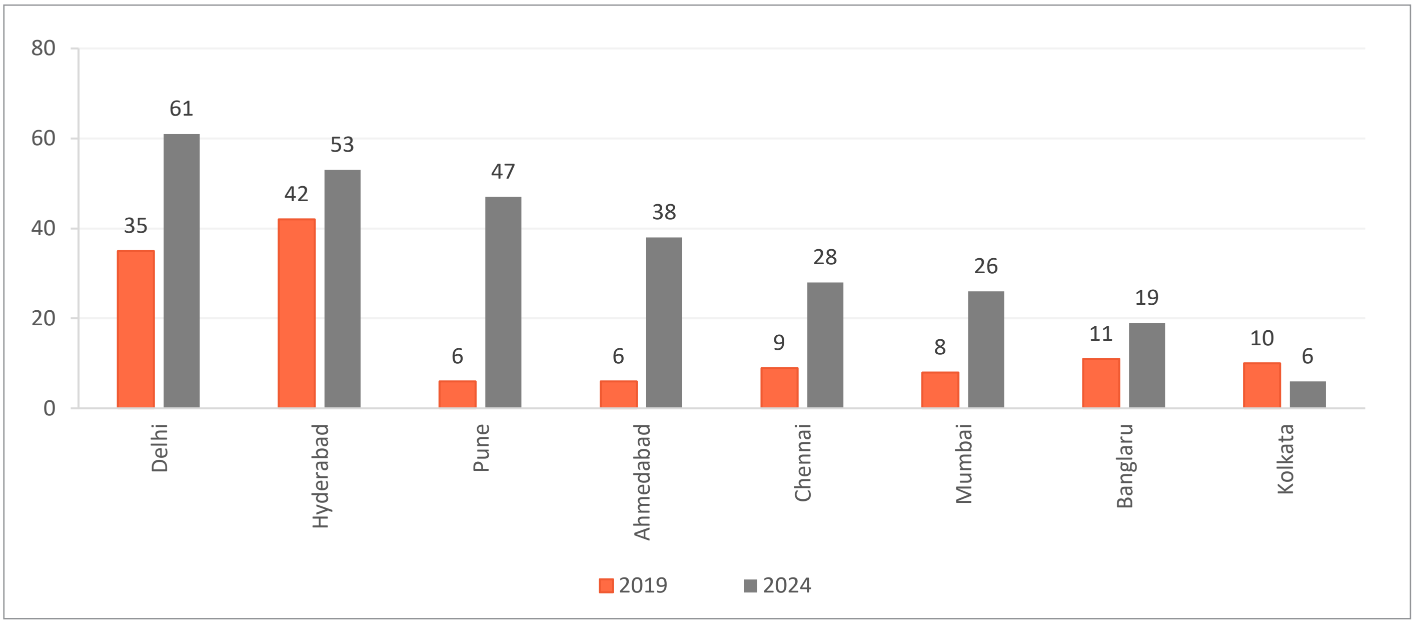
The surge in premiumisation in India is not solely driven by the wealthy buying luxury goods; rather, it's propelled by shifts within the middle class. This demographic, once financially cautious, now shows a preference for premium products across various categories, from discretionary items like apparel and personal care to essentials like groceries. According to industry reports, the middle class is expected to nearly double by 2047, reaching 61% of the total population, up from 31% in 2020–21. Similary per capita income in India is expected to rise by 2.5x over FY20 -32 boosts the expectation of rise in penetration of luxury products in the domestic market in various categories. This expanding middle class, characterized by a penchant for premium goods, suggests a significant uptick in demand for higher-quality products. Additionally, better connectivity, infrastructure, and accessibility in smaller towns have further fuelled the demand for premium items, enabling companies to adapt to evolving consumer preferences. Higher demand for premium apartments in major cities indicates a structural shift towards value rather than luxury lifestyles.

Per capita income to rise by 2.5x over FY20 - 32E



Source: Sharekhan Research; Industry Reports

Real Estate Sector: Share of high end luxury projects in total launches



Source: Sharekhan Research; Media Articles

… PV segment is also mirroring premium flavour of consumerism

Historically, Indian car buyers have prioritized cost and mileage when making purchasing decisions. However, with a rise in disposable income, global exposure, and awareness, along with a younger demographic entering the market, factors such as driving experience, safety, features, brand, and aesthetics are becoming more significant. Cars are now seen as an expression of the buyer's personality, especially among younger consumers. This shift in consumer behaviour means that people are now willing to pay more and wait longer for vehicles that meet their desired criteria. Premiumization is causing changes both within and between vehicle segments. This premiumisation is reflected in the strategies of mass market OEMs, with many recent launches focusing on the UV segment, particularly larger UVs such as Grand Vitara, Creta, and Seltos, etc.

Luxury cars segment: Renewed focus by global players

- The shift in consumer demand towards high end segment in domestic market coupled with rising per capita income is auguring well for luxury car market in India. Carmakers attributed the pickup in sales to a lifestyle change after Covid-19, making many younger professionals opt for high-end cars, and said the trend is expected to continue, citing rising disposable income levels. The growth potential of this segment is huge given the low penetration of a little more than 1%,
- German luxury car manufacturers Mercedes Benz and BMW maintain their dominance in the Indian luxury car market.
- According to media reports, Mercedes Benz India (Mercedes) led the market with approximately 17,408 units sold (a growth of around 10% y-o-y), followed by BMW with approximately 13,303 units sold (an increase of about 18% y-o-y) in CY23.
- Media sources also indicate that Mercedes Benz has plans to introduce around 12 new products, encompassing both internal combustion engine (ICE) and battery electric vehicle (BEV) models, in CY24, with half of the new launches targeted towards the top-end vehicle segment. It has already launched the updated GLS SUV, in the Indian market.
- Mercedes Benz India anticipates achieving double-digit volume growth in CY24, with investments of ₹200 crore earmarked for the Pune Plant to accommodate new product lines and capacity expansions.
- Mercedes expects that the size of luxury market (consisting of Mercedes, BMW Inida, Audi India) will reach to 1 lakh units by the end of decade (2030).
- This development bodes well for Landmark Cars, as the company is expected to offset the volume shortfall experienced in FY24 and exhibit positive growth in FY25.

Luxury car market in India

Calendar year	Market share			
	Mercedes	BMW India	Audi India	Total
2010	39%	41%	20%	100%
2011	34%	42%	25%	100%
2012	27%	37%	36%	100%
2013	34%	28%	38%	100%
2014	37%	23%	40%	100%
2015	43%	21%	36%	100%
2016	47%	26%	27%	100%
2017	47%	29%	24%	100%
2018	48%	32%	20%	100%
2019	50%	33%	17%	100%
2020	50%	39%	11%	100%
2021	49%	36%	14%	100%
2022	51%	36%	13%	100%
2023	45%	34%	21%	100%

Source : Company, Sharekhan Research

Structural growth drivers for luxury cars are in place

- India ranks as the third-largest car market globally, yet adoption of luxury vehicles within the country stands at approximately 1% of total car sales.
- In contrast, emerging economies like Brazil, Thailand, and Indonesia exhibit luxury car penetration rates ranging from 5-8%, while developed nations such as the UK and Germany boast significantly higher rates at around 15% and 25%, respectively.
- Based on media reports, only about 4% of Indian millionaires opt for luxury car purchases, contrasting sharply with the global average of approximately 60%, indicating substantial untapped potential in this sector.
- These factors collectively provide a strong structural foundation for robust double-digit growth in the domestic luxury car segment in the foreseeable future. Additional facilitating factors include a demographic shift towards younger buyers, increased market penetration in semi-urban areas, a rising number of high-income earners, and a growing preference for top-end variants.
- Landmark is strategically positioned to capitalize on this opportunity, leveraging its established partnerships with leading OEMs such as Mercedes Benz, which commands a dominant market share of over 40% in the domestic luxury car segment (constituted by Mercedes, Audi and BMW) as of CY23.

Landmark to follow Mercede's expansion trajectory

- Mercedes Benz has firmly positioned itself as the top luxury original equipment manufacturer (OEM) in India, boasting a commanding market share of over 45% in the luxury car segment constituted by Mercedes, BMW and Audi.
- This leading position is primarily attributed to Mercedes' heightened focus on the Indian market. Mercedes-Benz offers 29 car models in India, including 11 cars in SUV category, 13 in Sedan category, 1 car in Hatchback category, 2 cars in Convertible category, 2 cars in Coupe category.
- Furthermore, Mercedes has significantly expanded its presence in India, growing from 74 dealerships in 2015 to ~96 presently.
- Mercedes Benz is intensifying its attention on India, indicating the country's rising significance as a pivotal market for luxury original equipment manufacturers (OEMs). Mercedes Benz's global CEO and MD emphasized India's status as the fastest-growing market for the brand worldwide, pivotal to its global sales growth strategy.
- Landmark holds a significant position within the Mercedes Benz narrative in India, commanding a notable 16% share (in Mercedes volumes) by 9MFY24. Particularly in states where Landmark operates—Maharashtra, Gujarat, Madhya Pradesh, and West Bengal—every other Mercedes vehicle sold originates from Landmark, representing an approximate 50% market share within these regions.
- The Return on Test-Drive Fleet (ROTF) model stands to benefit dealerships by notably reducing the financial burden on their balance sheets, as it restricts inventory to demonstration and test-drive vehicles while controlling pricing through the OEM.
- This approach effectively minimizes competition among dealers, leading to enhanced sales revenue. Additionally, it liberates capital that can be redirected towards business reinvestment initiatives such as marketing and digitalisation.
- Luxury brands typically prioritise sustainability and profitability of their dealer networks, viewing them as strategic partners. Consequently, we believe that the potential for a significant decline in commission from new-vehicle sales in this model is minimal.

Diversification is key to rise

- Landmark has aligned itself with more upscale brands like Jeep, Volkswagen, and now BYD.
- The passenger vehicle market is experiencing a shift towards premium vehicles within each brand and higher-end variants within each model. Previously, the dominance of small cars posed a significant challenge for premium and global OEMs.
- However, as this trend diminishes, we anticipate that these OEMs can capture a larger portion of the domestic market, which would benefit Landmark. There has been a notable increase in the share of premium sales and service offerings.
- Higher average selling prices (ASPs) are advantageous for dealerships, as the additional margin on these higher-priced items incurs no extra costs and directly contributes to the bottom line.

Brands, Years of Association & wallet Share

OEM	Share %	Years
Mercedes Benz	15.20%	15
Honda	6.00%	25
Jeep	29.40%	6
Volkswagen	10.10%	14
Renault	4.80%	7
BYD	26.50%	1

Source : Company, Sharekhan Research

After-sales : Recurring revenue aspect

- Landmark Cars' after-sales service and spare parts division provide a consistent revenue stream, supported by the company's strong presence in the domestic car market.
- Sales in this segment have demonstrated a compound annual growth rate (CAGR) of 15.5% from FY20 to FY23, reaching ₹745 crore in FY23, accounting for approximately 22% of the company's total sales.
- Notably, due to the high-margin nature of this business, with margins at around 18.7% in 9MFY24, it contributes significantly to the overall EBITDA, representing approximately 71% in 9M FY24.
- Operating as authorized service centers for renowned OEM partners, Landmark Cars holds a competitive advantage, as warranty services are exclusively authorized through these centers.

White-labelled accessories: a way to expand bandwidth

- To enhance revenues in this segment, the company is prioritizing the branding of its white-labelled car accessories, along with offering annual maintenance contracts and extended warranties.
- Furthermore, it is seeking to broaden its accident repair services, which currently contribute ~]45% of aftermarket services.
- Through strategic partnerships with Permagard Automotive (USA) and MotorOne Car Care (Australia), Landmark Cars has obtained exclusive brand and distribution rights for these brands in the Indian market.
- This move aims to strengthen aftermarket sales, improve customer retention, and increase revenue per serviced vehicle.

Pre-owned car segment : Adjacent to existing business flows

- The pre-owned car market presents a promising opportunity for Landmark Cars, particularly considering that the used car to new car ratio is approximately 1.4 times domestically, compared to 2.7 times in the USA and 4.5 times in the UK. By FY27, the used car market is projected to reach around 1.9 times the size of new car sales, driven by factors such as increased demand for personal mobility, rising disposable incomes, shorter replacement cycles, and expanding financial accessibility.
- According to industry forecasts, the share of organized players in the used car market is anticipated to rise to approximately 45% by 2027 from around 20% in 2022. This presents a favorable outlook for Landmark Cars, which aims to expand its footprint in this segment by leveraging its existing infrastructure and technological capabilities.

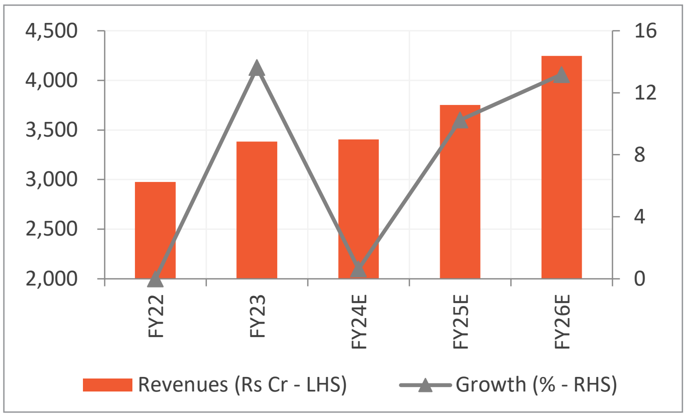
- Initially, the company plans to exclusively sell its own brand of cars that have previously been sold by them and serviced at their workshops. This approach enables Landmark to optimize refurbishment costs and manage the disposition of these vehicles through its new car showrooms.
- Offering a unique proposition, Landmark provides lower equated monthly instalments (EMIs) inclusive of warranty, service costs, insurance, and future buy-back guarantees, thereby strengthening its position in the pre-owned car market.

Expansion is a right strategy

- To capitalise on additional opportunities in the premium passenger vehicle (PV) sector, Landmark is expanding its portfolio of OEM partners.
- While maintaining successful and enduring relationships with its current OEM partners, the company is diversifying its offerings by entering the Luxury Electric Vehicle (EV) Market through a partnership with BYD, and the SUV segment through collaborations with M&M and MG Motors.
- Landmark has already commenced operations for its new partners, with plans for additional outlets in the pipeline, including a forthcoming showroom in South Mumbai following a Letter of Intent (LoI) from BYD. Moreover, the company has secured an LoI with MG Motors to establish dealerships in Ahmedabad and Mumbai.
- The inauguration of M&M's showroom in Kolkata is anticipated in the near term. These new partnerships are expected to drive further growth for Landmark in the future. Along with that Landmark has also signed a Letter of Intent (LOI) with Mahindra & Mahindra for opening three showrooms and four workshops in Hyderabad.
- With addition of KIA in its portfolio the total number Landmark Cars will now represent 10 brands in 10 Indian states.

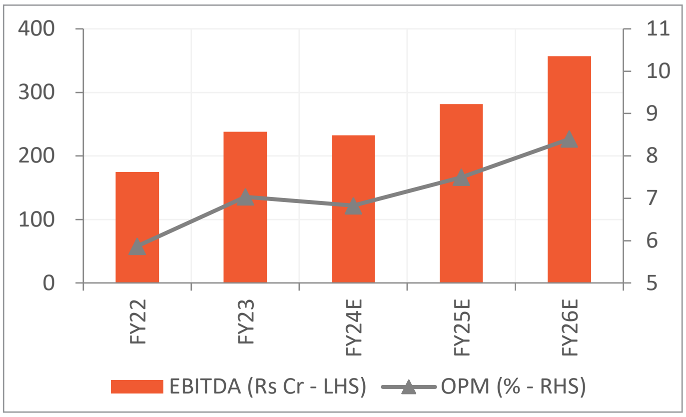
Financials in charts

Revenue and Growth Trend



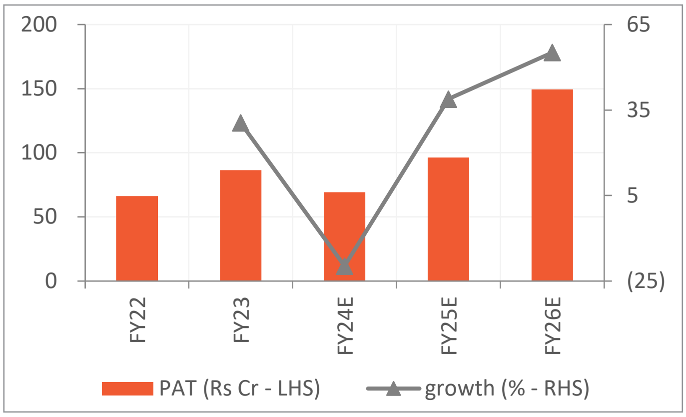
Source: Company, Sharekhan Research

EBITDA and OPM Trend



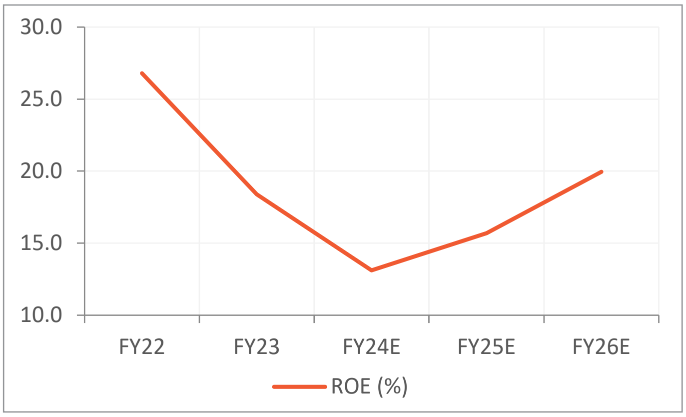
Source: Company, Sharekhan Research

PAT and growth Trend



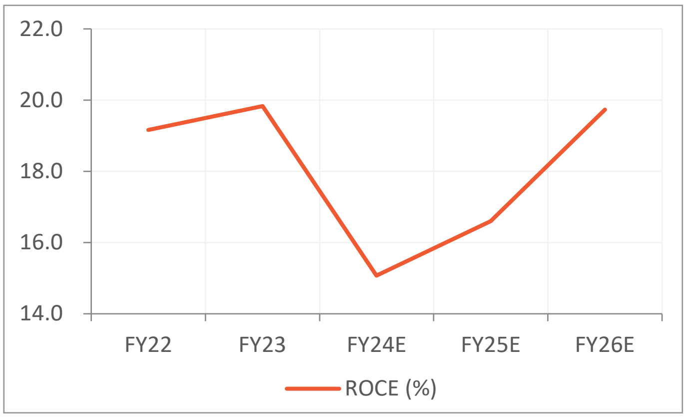
Source: Company, Sharekhan Research

ROE trend



Source: Company, Sharekhan Research

ROCE Trend



Source: Company, Sharekhan Research

KEY FINANCIALS (Consolidated)

Profit & Loss Account Rs crore

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	3382	3404	3753	4247
Total RM cost	2782	2750	3032	3431
Employee cost	187	217	225	242
Other expenses	175	205	214	217
EBIDTA	238	232	281	357
EBIDTA margin	7	7	8	8
Depreciation	87	101	106	112
Other income	12	9	9	9
PBIT	163	140	184	254
Interest	51	55	58	58
PBT core	112	85	127	197
Extraordinary item	-75	0	0	0
PBT	104	85	127	197
RPAT	85	69	96	149
APAT	86	69	96	149

Source: Company, Sharekhan Research

Balance sheet Rs crore

Particulars	FY23	FY24E	FY25E	FY26E
Networth	472	531	615	750
Noncurrent liabilities				
Other long-term liabilities	212	212	212	212
Long term borrowings	26	26	26	26
Long Term Provisions				
Total non-current liabilities	238	238	238	238
Current liabilities				
Short term borrowing	185	205	205	205
Trade payables	117	112	134	151
Other current liabilities	250	159	185	198
Short term provisions				
Total current liabilities	551	475	523	554
Total liabilities	**1261**	**1244**	**1376**	**1542**
Net assets	461	260	264	273
Goodwill	48	48	48	48
Capital work in progress	6	6	6	6
Non current investments	16	16	16	16
Other Non-Current Assets	33	33	33	33
Total non current assets	563	363	367	375
Current assets				
Inventories	448	560	617	698
Trade receivables	104	149	175	209
Cash and bank balances	40	41	54	62
Other current assets	106	131	164	198
Total current assets	698	881	1010	1167
Total assets	**1261**	**1244**	**1376**	**1542**

Source: Company, Sharekhan Research

Cash Flow

Rs crore

Particulars	FY23	FY24E	FY25E	FY26E
Operating cash flow	71	-37	192	200
Investments cash flow	-72	-70	-110	-120
Financing cash flow	1	109	-69	-72
Total cash at the end of year	-1	2	12	8
Cash at the begiinning of the year	30	40	41	54
Others	11	-	-	-
Total cash at the end of year	40	41	54	62

Source: Company, Sharekhan Research

Ratios (%)

Particulars	FY23	FY24E	FY25E	FY26E
ROE %	18.4	13.1	15.7	20.0
ROCE %	19.8	15.1	16.6	19.7

Source: Company, Sharekhan Research

Per share data (Rs)

Particulars	FY23	FY24E	FY25E	FY26E
AEPS	20.9	16.8	23.3	36.2
BPS	113.8	128.0	148.5	181.3
Cash EPS	41.8	41.3	49.0	63.2

Source: Company, Sharekhan Research

Valuation (x)

Particulars	FY23	FY24E	FY25E	FY26E
P/E (AEPS)	36.5	45.5	32.8	21.1
EV/EBIDTA	13.9	14.3	11.8	9.3
P/sales	0.9	0.9	0.8	0.7
P/ BV	6.7	6.0	5.1	4.2

Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector view - PV demand is on structurally upward trajectory

The PV segment is expected to continue remain strong in medium terms led by structural recovery and demand pull across the segments on preference for personal transport, reflected in strong order book. The continued rise in urbanization and traction in high end products including luxury product would add on the growth prospects in PV segment. While the growth rate may moderate in FY25 due to high base and lacklustre performance in entry level segment, the high-end segment is expected to sustain its growth trajectory.

■ Company outlook - Set up long term growth structure

Landmark poised to expand in premium car segment with an eye on profitability via increasing its penetration with existing brands and selectively expand its premium brand offerings. Its strong presence in the key markets along with long experience in dealerships allows it to maximize its growth potential in long term. While the revenue from new vehicle sales is dependent on the performance of individual brand and products the recurring revenue (after market sales) expands on increase in number of outlets and rise in population of the vehicles from the brand which it caters. Over the period Landmark has built up a portfolio of 10 key brands in the domestic market. With expectation of increase in penetration of premium and luxury products in the domestic market, the growth trajectory for Landmark appears to be healthy.

■ Valuation - Initiate viewpoint expects 23% upside potential

Landmark appears be a good proxy to play on premium car dealership segment, given Landmark retails almost ~16% of Mercedes volumes and ~23.3% of Jeep's volumes. While new car sales constitute substantial part of its topline (~74% in 9MFY24), its operating performance is dominated by after sales segment (71% of EBITDA from after sales in 9MFY24). After-sales revenue is of recurring nature and dependent on the vehicle population of its brand and its geographic presence. Hence, a rise in brands in its portfolio along with increase outlets is expected to drive its overall revenue potential for continuity. While the luxury car segment constitutes miniscule part of overall domestic PV segment currently, but luxury players have been optimistic on domestic market in expectation of rising per capita income and increase in aspirational population. Hence, we build up a positive viewpoint on Landmark Cars with an upside potential of 23% on expectation of rise in penetration of luxury cars in domestic market, expansion in its addressable market and rise in aspirational population along with increase in per capita income. Earnings CAGR of 47% over FY24-26E, coupled with improving return ratios augurs well for a further re-rating.

About company

Established in 1998, Landmark Cars Ltd (Landmark) is a prominent premium automotive retail firm in India. With Kia, Landmark represents 10 brands in 10 states. It encompasses dealerships for Mercedes Benz, Honda, Jeep, Volkswagen, BYD, Renault, Mahindra & Mahindra, Kia and MG Motors in PV space and Ashok Leyland in CV space. The company offers a comprehensive range of services across the automotive retail spectrum, including new vehicle sales, after-sales service and repairs, and pre-owned passenger vehicle sales. Additionally, it facilitates the sale of third-party finance and insurance products. landmark transitioned from a dealership model to an agency model for Mercedes cars in October 2021, earning commissions on vehicle sales.

Investment theme

Landmark Cars is strategically positioned as a key player in the growth of luxury passenger vehicles within India, representing nine prestigious brands across ten states. The sustained trend towards premiumization in the Indian passenger vehicle market reflects a notable shift in consumer behaviour, which Landmark stands to capitalize on as luxury vehicle penetration continues to rise. This growth trajectory is supported by various factors, including demographic shifts favoring younger buyers, expanding market reach into semi-urban areas, a growing number of high-income individuals, and a preference for top-tier. While new car sales contribute substantially to its revenue, the after-sales segment dominates its operating performance, driven by recurring revenue dependent on brand presence and geographic reach. The addition of new brands to its portfolio and expansion of outlets are expected to further enhance its revenue potential. Although the luxury car segment currently represents a small portion of the overall domestic passenger vehicle segment, luxury players remain optimistic about the Indian market's potential due to rising per capita income and an increase in the aspirational population. Therefore, we maintain a positive outlook on Landmark Cars, anticipating increased penetration of luxury cars, expansion of its addressable market, and growth in the aspirational population alongside rising per capita income.

Key Risks

Correction in premium car segment, rationalization in dealer margin, rise in competition from organized as well as unorganized player in after market segment.

Additional Data

Key management personnel

Mr. Sanjay Thakker	Chairperson
Mr Surendra Agarwal	CFO
Mr Aryaman Thakker	ED

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Thakker Sanjay Karsandas	36.36
2	Thakker Ami Sanjay	12.91
3	ICICI Prudential Life Insurance Co	4.99
4	GOLDMAN SACHS FUNDS	3.94
5	Goldman Sachs Group Inc/The	3.83
6	Nippon Life India Asset Management	3.65
7	Mehta Hina Sachin	2.44
8	Misra Garima	1.94
9	Bengal Finance & Investment Pvt Lt	1.77
10	Thakker Aryaman Sanjay	1.73

Source: Bloomberg

Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/ information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

---

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. (CIN): - U99999MH1995PLC087498.

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-67502000.

Correspondence Office: Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400 708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE / MSEI (CASH / F&O / CD) / MCX - Commodity: INZ000171337; DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669. BSE – 748, NSE – 10733, MCX – 56125, MSEI – 1043.

Compliance Officer: Ms. Binkle R. Oza; Tel: 022-62263303; email id: complianceofficer@sharekhan.com

For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022-41523200/022 - 33054600