

मुंबई सामचार

मुंबईची प्रसिद्ध वृत्त - स्थापना: १ जुलै १९८२ - पुस्तक: २०३ - Volume 67 - Issue 61 - विक्रम संपत २०८०

■ झाला सुट - २ ■ मुंबई ■ MUMBAI SAMACHAR ■ www.bombaysamachar.com ■ 12 March 2024, Tuesday ■ REGD.No. MCS/058/2024-26

मंगलवार, १२ मार्च २०२४, किंमत ₹ १०.००

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Popular Vehicles & Services



POPULAR VEHICLES AND SERVICES LIMITED

Our Company was originally incorporated as Popular Vehicles and Services Limited on July 5, 1983 at Kochi, Ernakulam, Kerala, India as a public limited company under the Companies Act, 1956 and received its certificate for commencement of business on July 14, 1983. Our Company was converted to a private limited company pursuant to a special resolution passed by our Shareholders at the Extraordinary General Meeting ("EGM") held on December 29, 2014 and the name of our Company was changed to Popular Vehicles and Services Private Limited. A fresh certificate of incorporation consequent upon conversion of our Company to a private limited company was issued on March 24, 2015 to the Registrar of Companies, Kerala at Ernakulam ("ROC"). Our Company was subsequently converted into a public limited company pursuant to a special resolution passed by our Shareholders at the EGM held on June 11, 2018 and the name of our Company was changed to Popular Vehicles and Services Limited. A fresh certificate of incorporation consequent upon conversion of our Company to a public limited company was issued on July 10, 2019 by the ROC. For details of change in name and Registered and Corporate Office of our Company, see "History and Certain Corporate Matters" on page 21 of the Red Herring Prospectus dated March 04, 2024 ("RHP") or "Red Herring Prospectus" filed with the ROC. Registered and Corporate Office: Kuttukaran Centre, Mangalagiri, Cochin, Ernakulam - 562 025, Kerala, India. Tel: +91 484 2341 1331. Website: www.popularindia.com. Contact Person: Varun T.V., Company Secretary and Compliance Officer. E-mail: cs@popular.com. Corporate Identity Number: U50102KL1983PL000741.



(Please scan this QR code to view the Red Herring Prospectus)

THE PROMOTERS OF OUR COMPANY ARE JOHN K. PAUL, FRANCIS K. PAUL AND NAVEEN PHILIP

INITIAL PUBLIC OFFER OF UP TO (A) EQUITY SHARES OF FACE VALUE OF ₹2 EACH ("EQUITY SHARES") OF POPULAR VEHICLES AND SERVICES LIMITED ("COMPANY") FOR CASH AT A PRICE OF ₹(A) PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹(A) PER EQUITY SHARE) ("OFFER PRICE") AGGREGATING UP TO ₹(A) MILLION COMPRISING A FRESH ISSUE OF UP TO (A) EQUITY SHARES AGGREGATING UP TO ₹2,508.00 MILLION BY OUR COMPANY ("FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO 11,917,075 EQUITY SHARES AGGREGATING UP TO ₹(A) MILLION BY BANYAN TREE GROWTH CAPITAL II, LLC (THE "SELLING SHAREHOLDER") AND SUCH EQUITY SHARES OFFERED BY THE SELLING SHAREHOLDER ("OFFER FOR SALE", AND TOGETHER WITH THE FRESH ISSUE, THE "OFFER"). THE OFFER INCLUDES A RESERVATION OF UP TO (A) EQUITY SHARES, AGGREGATING UP TO ₹(A) MILLION CONSTITUTING UP TO (A) % OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL, FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES ("EMPLOYEE RESERVATION PORTION"). THE OFFER LESS THE EMPLOYEE RESERVATION PORTION IS HEREINAFTER REFERRED TO AS THE "NET OFFER". THE OFFER AND THE NET OFFER SHALL CONSTITUTE (A) % AND (A) %, OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY, RESPECTIVELY.

DETAILS OF THE SELLING SHAREHOLDERS, OFFER FOR SALE AND WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARE			
Name of Selling Shareholder	Type	NUMBER OF EQUITY SHARES OFFERED/ AMOUNT (₹ IN MILLION)	WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARE (IN ₹)*
BanyanTree Growth Capital II, LLC	Selling Shareholder	Up to 11,917,075 Equity Shares of face value of ₹ 2 each aggregating to ₹(a) million	27.28

*As certified by R.G.N. Price & Co., Chartered Accountants, by way of their certificate dated March 04, 2024.

Our Company caters to the complete life cycle of vehicle ownership, right from the 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 the sale of third-party financial and insurance products.

The Offer is being made through the Book Building Process in accordance with Regulation 6(1) of the SEBI ICDR Regulations. QIB Portion: Not more than 50% of the Net Offer | Non-Institutional Portion: Not less than 15% of the Net Offer | Retail Portion: Not less than 35% of the Net Offer. Employee Reservation Portion: Up to (A) Equity Shares aggregating up to ₹ 10.00 Million.

PRICE BAND: ₹280 TO ₹295 PER EQUITY SHARE OF FACE VALUE OF ₹2 EACH.

THE FLOOR PRICE AND THE CAP PRICE ARE 146.00 TIMES AND 147.50 TIMES THE FACE VALUE OF THE EQUITY SHARES RESPECTIVELY. THE PRICE/EARNINGS RATIO BASED ON DILUTED EPS FOR FISCAL 2023 FOR OUR COMPANY IS AS HIGH AS 28.86 AS COMPARED TO THE AVERAGE INDUSTRY PEER GROUP PE RATIO OF 34.84. THE MARKET CAP AT OFFER PRICE TO TOTAL TURNOVER IS 0.43 TIMES AND PE RATIO AT OFFER PRICE IS (A) TIMES. WEIGHTED AVERAGE RETURN ON NET WORTH FOR FISCAL 2023, 2022 AND 2021 IS 15.55%.

BIDS CAN BE MADE FOR A MINIMUM OF 50 EQUITY SHARES AND IN MULTIPLES OF 50 EQUITY SHARES THEREAFTER.

A DISCOUNT OF ₹ 28 PER EQUITY SHARE IS BEING OFFERED TO ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION.

Potential Bidders may note the following:

This is in furtherance to the draft red herring prospectus of the Company dated September 28, 2023 ("DRHP"), filed with the Securities and Exchange Board of India, additionally with reference to the directive dated July 4, 2023, issued through an e-mail from the Securities and Exchange Board of India ("SEBI"), and such directive, the "SEBI Directive") pursuant to which, the Company is required to intimate the National Stock Exchange of India Limited ("NSE") and the BSE Limited ("BSE") and along with the NSE, the "Stock Exchanges") in the event of transaction of shares aggregating up to 1% or more of the paid-up equity share capital of the Company by the Promoters and members of our Promoter Group. Pursuant to the letters dated September 28, 2023 and February 5, 2024, our Company, BanyanTree Growth Capital II, LLC and the Promoters of our Company, namely, John K. Paul, Francis K. Paul and Naveen Philip have entered into a share purchase agreement dated February 6, 2024 read with amendment agreement dated February 14, 2024 ("SPA"). We would like to inform you that, in accordance with the SPA, BanyanTree Growth Capital II, LLC has undertaken a transfer of 2,291,211 Equity Shares to the Promoters of our Company, aggregating to 3.66% of the pre-offer Equity Share capital of our Company, in the following manner:

Sr. No.	Date of transfer	Name of the transferor	Name of the transferee	Nature of transfer	Number of Equity Shares	Percentage of pre-offer share capital of the Company (in %)	Transfer price per Equity Share (in ₹)	Total consideration (in ₹)
1	February 21, 2024	BanyanTree Growth Capital II, LLC	John K. Paul		763,737	1.22	57	43,533,009
2	February 21, 2024	BanyanTree Growth Capital II, LLC	Francis K. Paul	Pursuant to SPA	763,737	1.22	57	43,533,009
3	February 21, 2024	BanyanTree Growth Capital II, LLC	Naveen Philip		763,737	1.22	57	43,533,009

In accordance with the recommendation of Independent Directors of our Company, pursuant to their resolution dated March 4, 2024, the above provided price band is justified based on quantitative factors/ KPIs disclosed in the "Basis for Offer Price" section of the RHP vis-a-vis the weighted average cost of acquisition ("WACA") of primary and secondary transaction(s), as applicable, disclosed in "Basis for Offer Price" section on page 119 of the RHP and provided below in the advertisement.

In making an investment decision, potential investors must only rely on the information included in the RHP and the terms of the Offer, including the risks involved and not rely on any other external sources of information about the Offer available in any manner.

RISKS TO INVESTORS

- A large portion of our business revenue, approximately 77.03%, is derived from our dealership of Maruti, Tata Motors (Commercial) and Honda. Any adverse developments in the growth, demand or sales for these OEMs could have an adverse effect on our business, results of operations and financial condition.

OEM	Total consolidated revenue from vehicle sales in %			
	Six months period ended September 30, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
Maruti	48.15	51.32	53.57	58.06
Tata Motors (Commercial)	24.13	29.35	27.52	23.87
Honda	4.75	6.59	9.09	8.15
Total	77.03	87.26	90.18	90.08

- Non-renewal, termination or any adverse material modifications made by our OEMs to the dealership agreements, will have a material and adverse impact on our business prospects and results of operations.

- We have had negative cash flows from operating activities for the period ended September 30, 2023, and it is possible that we may experience negative cash flows in the future which could adversely affect our cash flow requirements, our ability to operate our business and implement our growth plans, thereby affecting our financial performance. (in ₹ million)

Particulars	Six months period ended September 30, 2023
Net cash generated from/(used in) operating activities	(1,611.02)
Net cash generated from/(used in) investing activities	(296.70)
Net cash (used in)/generated from financing activities	1,971.67
Net increase/(decrease) in cash and cash equivalents	63.95
Cash and cash equivalents at the beginning of the period/ year	238.25
Cash and cash equivalents at the end of the period/ year	302.20

- A large portion of our business operations, which is approximately 96.91% of our Company's consolidated revenue for the six months period ended September 30, 2023, are concentrated in the states of Kerala, Tamil Nadu and Karnataka. Any adverse developments (including any natural calamities) in these states could have an adverse effect on our business, results of operations and financial condition.

State	Total consolidated revenue in %			
	Six months period ended September 30, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
Kerala	70.31	71.45	73.38	73.83
Tamil Nadu	18.08	22.41	20.56	19.61
Karnataka	8.52	5.49	6.06	6.55
Total	96.91	99.35	100.00	100.00

- Increasing competition among automotive dealerships through online and offline marketing reduces our profit margins on vehicle sales and related businesses.

Particulars	Six months period ended September 30, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
PAT Margin (in %)	1.41	1.31	0.97	1.11

- Weighted average cost of acquisition of (i) all shares issued by our Company; and (ii) all shares acquired by our Promoters and Promoter Group, in the 3 years, 18 months and 1 year preceding the date of the Red Herring Prospectus is set out below:

Particulars	Weighted Average Cost of Acquisition (in ₹)	Cap Price (i.e., ₹ 295) is 'X' times the Weighted Average Cost of Acquisition*	Range of acquisition price: Lowest price - highest price* (in ₹)
Last 3 years	57	5.18	Lowest and Highest price ₹57
Last 18 months	57	5.18	Lowest and Highest price ₹57
Last 1 year	57	5.18	Lowest and Highest price ₹57

*As certified by R.G.N. Price & Co., Chartered Accountants, by way of their certificate dated March 05, 2024.

- Set out below are the details of the weighted average cost of acquisition of the transactions undertaken during the 18 months preceding the date of the Red Herring Prospectus, as compared to the Floor Price and the Cap Price:

Particulars	Weighted Average cost of Acquisition (in ₹)	Floor Price (i.e., ₹280)	Cap Price (i.e., ₹295)*
WACA of Primary Transactions	Not Applicable	-	-
WACA of Secondary Transactions	57	4.91 times	5.18 times

*As certified by R.G.N. Price & Co., Chartered Accountants, by way of their certificate dated March 05, 2024.

- Margins earned from our services and repair vertical and our spare parts and accessories distribution vertical may be impacted by pricing guidelines set by our OEMs which may adversely affect our financial condition and results of operations.

Particulars	Six months period ended September 30, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
Authorised service centres				
Total Revenue (in %)	14.83	14.60	15.29	14.82
EBIDTA (in %)	46.60	55.48	54.10	53.44
Spare parts and accessories distribution				
Total Revenue (in %)	5.10	5.19	5.06	4.87
EBIDTA (in %)	7.11	7.39	7.70	6.24
PAT margin (in %)	11.88	11.98	16.85	15.78

- We have certain unresolved customer complaints which may result in future litigation against our Company

Sr. No.	Details	FY 2023	FY 2022	FY 2021
1.	Customers complaints received	76,607	108,332	60,266
2.	Customers complaints resolved	43,925	55,138	31,827

- Our inability or failure to maintain optimum inventory levels or any theft of inventory may adversely affect our business, results of operations and financial condition.

- The Offer consists of a Fresh Issue and an Offer for Sale. The Selling Shareholder will be entitled to their respective portion of the proceeds from the Offer for Sale in proportion of the Equity Shares offered by the Selling Shareholder as part of the Offer for Sale. Our Company will not receive any proceeds from the Offer for Sale.

- We may be required to make significant capital investments to our existing showrooms, sales outlets, service centers and other premises, the cost of which we may be unable to recoup. Further, we may be required to make significant capital investment to maintain the quality of post sales service and spare parts availability.

The table below shows the amount of capital investments made by us along with the percentage contribution of such capital expenditure to our total expenses, frequency of such capital expenditures and costs incurred by us, in the six months period ended September 30, 2023 and Fiscals 2023, 2022 and 2021, respectively:

Particulars	Amount of capital expenditure (in ₹ million)	% contribution of capital expenditure towards total expenses
Six months period ended September 30, 2023	314.62	1.13
Fiscal 2023	852.90	1.77
Fiscal 2022	481.04	1.40
Fiscal 2021	294.28	1.02

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