

Popular Vehicles & Services

Ref: PVSL/SEC/25/2025-26

Date: 04th June, 2025

To,
BSE Limited (“BSE”),
Corporate Relationship Department,
2nd Floor, New Trading Ring,
P.J. Towers, Dalal Street,
Mumbai – 400 001.

Scrip Code: 544144
ISIN: INE772T01024

To,
National Stock Exchange of India Limited (“NSE”),
“Exchange Plaza”,
Plot No. C-1, Block G,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051.

NSE Code: PVSL
ISIN: INE772T01024

Dear Sir/Madam,

Sub: Transcript of the Investor Conference Call - Audited Financial Results for the fourth quarter and year ended March 31, 2025.

Reference- Disclosure under Regulation 30- Schedule III- Part A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In continuation to our intimation dated 23rd May, 2025, and pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Investor Call held on Friday, 30th May, 2025 on the Audited Financial Results for the fourth quarter and year ended 31st March, 2025 is enclosed herewith.

The same is available on the Company’s website at www.popularmaruti.com

We request you to kindly take the above information on record.

Thanking you,

Yours faithfully,

For Popular Vehicles and Services Limited

Varun T.V.
Company Secretary & Compliance Officer
Membership No: A22044
Place: Kochi

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“Popular Vehicles and Services Limited Q4 & FY '25 Earnings Conference Call”

May 30, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 30th May 2025 will prevail.



MANAGEMENT: MR. NAVEEN PHILIP – PROMOTER & MANAGING DIRECTOR, POPULAR VEHICLES AND SERVICES LIMITED
MR. RAJ NARAYAN – CHIEF EXECUTIVE OFFICER, POPULAR VEHICLES AND SERVICES LIMITED
MR. JOHN VERGHESE – GROUP CHIEF FINANCIAL OFFICER, POPULAR VEHICLES AND SERVICES LIMITED
MR. ABRAHAM MAMMEN – CFO DESIGNATE, POPULAR VEHICLES AND SERVICES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Popular Vehicles and Services Limited's Q4 FY '25 Earnings Conference Call.

Before we begin, a brief disclaimer:

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this call is being recorded.

I now hand the conference over to Mr. Naveen Philip – Promoter and Managing Director of Popular Vehicles and Services Limited. Thank you, and over to you, sir.

Naveen Philip: Thank you. Good morning, everyone, and a very warm welcome to our Q4 and FY '25 Earnings Call.

Joining me today on the call are Raj Narayan – our CEO of Popular Vehicles and Services, John Verghese – the Group CFO, Abraham Mammen – the CFO Designate and other Senior Team Members.

Before I speak about the past year performance, I would like to revisit a point we discussed during our last call, our intention to consider the divestment of two subsidiaries. These included our wholly-owned subsidiary, Kuttukaran Green Private Limited, which is the Piaggio business, and our wholly-owned, step-down subsidiary, Vision Motors Private Limited (Honda).

I am pleased to share that the Board of Directors has approved the divestment of both these entities for total consideration of Rs. 70 crores. We anticipate the transaction will be completed by July. This decision is part of our broader strategic effort to optimize resource allocation.

The proceeds from the divestment, along with other resources previously committed to these subsidiaries, will be redirected to accelerate the growth of our core business. This move reinforces our commitment to focusing on key growth drivers and creating long-term value. The proceeds of the divestment will primarily be utilized to expand the network with a particular focus on markets outside Kerala. We had earlier given guidance in 2024 in terms of bringing down our Kerala contribution to sub 50% and that's our overall focus area.

Despite the overall market remaining subdued during the year, we remain committed to our expansion strategy both by strengthening our presence in existing markets and entering new geographies with our current OEM partners.

To elaborate, with Ather, we have entered a new state, Maharashtra, marking a significant step forward in our EV strategy. Each upcoming facility will include an experience center, a service center, and a warehouse. Two outlets will be set up in Nagpur, with one each in Chandrapur and Chhatrapati Sambhaji Nagar, formerly Aurangabad. Operations at these locations are expected to commence in Q2 FY '26.

With Maruti, we expanded into Karnataka by launching a state-of-the-art 3S facility comprising a showroom, service center and spare parts division in Avalahalli, Bangalore. The facility features 5,000 square feet of showroom space and a 10,000 square feet service area equipped with approximately 20 bays. The total investment for this facility was approximately Rs. 9 crores.

Additionally, we have received letters of intent to establish NEXA studio outlets in Kerala, further strengthening our presence in our home state.

With JLR, the Maharashtra expansion is on target, and we will be launching a state-of-the-art 3S facility in Hingna, Nagpur. This should also be operational by H2 of this year.

Coming to the business overview:

FY '25 was a challenging year for the Indian automotive industry. Retail demand across categories remains subdued with the entry level and small car segments being particularly affected. Several external headwinds significantly impacted consumer sentiment. While the festival period did not materialize as anticipated, dealers across the industry faced elevated inventory levels too. Our performance too was impacted by these challenges, and FY '25 fell short of our expectations, especially on the volume front.

In our new vehicle business, performance during FY '25 was impacted by a combination of macroeconomic headwinds and subdued retail demand. High inflation and a weaker-than-expected festive season led to the build-up of inventory in Q2 & Q3, which in turn put pressure on our working capital and also meant higher discounts. This resulted in higher short-term borrowings and increased interest costs. While our long-term debt remains negligible, the financial impact was largely driven by our short-term working capital requirements, an area we are actively working to bring under tighter control.

In response to the rising inventory levels, we took timely and decisive measures. We deliberately curtailed further inventory offtake from OEMs and implemented a series of aggressive retail initiatives. These included targeted sales campaigns, sharper marketing interventions, and strategic discounting, compared to the previous years, to facilitate the clearance of older model stock. As a result of these focused efforts, we successfully brought down our inventory levels back to March '24 levels by the close of FY '25, and we continue to focus on that in Quarter 1 of this year.

We remain fully aware of prolonged market slowdown and are closely working with our OEMs partners to better align inventory levels moving forward. While these proactive steps have temporarily impacted our margins, we are confident that our inventory alignment strategy will enable us to recover profitably at a much faster pace in the coming quarters.

In our pre-owned vehicle segment, the overall market slowdown had a noticeable impact. Being highly price sensitive, the mass pre-owned category was particularly affected with inflation driven increases in cost of ownership further dampening consumer demand. As a result, volume growth remained subdued across several markets.

Our service business, as we had guided earlier, also faced headwinds during the first half of the year due to multiple factors. We witnessed a marginal recovery in the second half, but volume growth in terms of overall FY '25 was largely flat.

Our focus remains on building a leaner and digitally enabled organization. We believe that this transformation will support our long-term goal of delivering a superior customer experience while also improving upon our profitability.

While we took a lot of steps internally, we also got a third-party perspective by hiring Accenture to conduct a deep dive into our ongoing transformation journey. One of the key focus areas was sales manpower productivity, targeting an increase of additional car per salesperson per month. This initiative is expected to result in an incremental volume of this year of about 3,000 cars and going forward at a much larger number per se and also anticipate an increase in the finance income per car, translating to an annual gain of approximately Rs. 4 crores to Rs. 5 crores.

On the service front, average revenue per car is rising by around Rs. 300, which is expected to add approximately Rs. 4 crores this year. We have also taken a one-time manpower correction measure, which is expected to deliver an annualized benefit of around Rs. 7 crores in FY '26.

The lessons from FY '25 have made us more resilient and better prepared to navigate market uncertainties. As we step into a new year, we do so with a sharper strategic focus, stronger operational controls, and renewed energy.

To conclude, FY '25 was undoubtedly the most difficult year. It is also one for strategic introspection and realignment. A year of deep learning and strategic resets.

Looking ahead to FY '26, we believe the worst is behind us. The steps we have taken over the year, we have laid a strong foundation for sustainable growth. We are confident that with a strategic focus on luxury vehicles, electric mobility, and services, coupled with tighter operational controls, we are optimistic about delivering improved performance and creating a value for all our stakeholders going forward.

With this, I would like to hand over the call to our CFO, John Verghese, to update you on the financial performance for the quarter and the full year gone by. Thank you.

John Verghese:

Good morning, everyone.

I will take you through the company's operational & financial performance for Q4 and FY '25:

Starting with Q4 FY '25:

New vehicle business:

We sold about 10,370 new vehicles versus 11,116 in similar quarter previous year showing a Y-on-Y de-growth of 6.7%. Total income from new vehicles sold was Rs. 1,019 crores, up by 1.8% Y-o-Y from Rs. 1,001 crore in Q4 of FY '24. The average selling price increased by 9.2% from Rs. 9 lakh to Rs. 9,82,000.

Pre-owned business:

The company sold 2,659 pre-owned vehicles versus 2,434 in similar quarter previous year, showing a 9.2% Y-o-Y growth. Total income from pre-owned vehicles sold was at Rs. 86 crores, up by about 8.2% from Q4 of FY '24. The ASP decreased by about 0.9% from Rs. 3,26,000 to Rs. 3,23,000.

The company services and repair business did volumes of ~2.62 lakh vehicles versus ~2.57 lakh in Q4 of FY '24, showing a 1.9% Y-o-Y growth. Total income from vehicle services and repairs stood at about Rs. 207 crores, which is down by 8% from Rs. 225 crores in Q4 of FY '24. The ASP decreased by 9.6% from Rs 8,700 to Rs 7,900. The company's spare parts distribution business clocked total income of Rs. 63 crores, which is down by about 4.7% Y-o-Y.

Coming to the financial performance:

The total income for the quarter stood at about Rs. 1,300 (Errata: Actual number to be read as Rs 1,376.2) crores, which shows about 0.3% growth compared to Q4FY24. The EBITDA was about Rs. 30 crores versus Rs. 71 crores in Q4 of FY '24, which is a decrease of about 58%. The EBITDA margin stands at 2.2% for the quarter. There was a loss of about Rs. 13 crores this quarter versus PAT of Rs. 20 crores in Q4FY24.

Segmental performance:

The PV revenue stood at Rs. 785 crores versus Rs. 745 crores of Q4 of FY '24, which is an increase of 5.4%. The CV revenue showed a decrease of about 6%. It ended up with about nearly less than Rs. 500 crores versus Rs. 528 crores in Q4FY24. The EV revenue was increased by about 9% to Rs. 25 crores from about Rs. 23 crores of Q4FY24.

Coming to the full year FY '25's performance, the new vehicle sales clocked about 44,087 units versus 46,665 last year, which shows a degrowth of 5.5%. The total income from this segment was Rs. 4,000 (Errata: Actual number to be read as Rs 4,035) crores, which is down about 3% from Rs. 4,000 (Errata: Actual number to be read as Rs 4,152) crores in FY '24. However, the

ASP increased by about 2.9%, from Rs. 8.89 lakhs to about Rs. 9.15 lakhs, largely on account of sale of more premium and luxury vehicles.

Pre-owned vehicles:

We sold about 10,600 vehicles, in similar lines of last year, with a slight de-growth of about 0.6%. The total income from this segment is about Rs. 361 crores, which is a growth of 0.8% from Rs. 358 crores of last year. ASP increased by about 1.4% from about Rs. 3.34 lakh to Rs. 3.39 lakh.

The service and repair business did volumes of about 10,42,000 vehicles versus 10,53,000 of last year, which is a degrowth of 1.1%. The total income from this business was Rs. 894 crores, up 3.3% from Rs. 865 crores. The average selling price increased by 4.4% from Rs. 8,213 to Rs. 8,575. The company's spare parts distribution business clocked total income of Rs. 264 crores, a growth of 0.4% from Rs. 263 crores in FY '24.

As far as the financial performance is concerned:

Our total income for FY '25 stood at Rs. 5,561 crores against Rs. 5,646 in FY '24, which translates to 1.5% de-growth. EBITDA was at Rs. 175 crores against Rs. 286 crores the previous year, a decrease of 38%. The EBITDA margin stands at 3.2% for FY '25. There was a loss of about Rs. 10.5 crores versus PAT of Rs. 76 crores in FY '24.

Segmental performance:

The PV revenues stood at Rs. 3,301.1 crores versus Rs. 3,306.6 crores in FY '24, which is a slight decrease of 0.2%. Commercial vehicles, there was a decrease of nearly 3.6% from Rs 1,954 crores, it came down to Rs 1,882 crores. And EV revenue grew by about 2.4%, which is from Rs. 85 crores, it went up to Rs. 87 crores.

If you look at the balance sheet and cash flows, our working capital in terms of number of days was 46 days, which includes inventory days, which is similar in line of previous year, which is 45 days. The interest coverage ratio is 2x. Debt-to-equity ratio is 0.7x and net debt-to-equity is 0.6x. The net debt-to-EBITDA is 2.2x. The cash generated from operating activities is approximately Rs. 151 crores versus Rs. 80 crores of the previous year.

Other updates:

Credit rating: CRISIL ratings has reaffirmed the rating awarded to the company as the long-term rating of CRISIL-A / stable and short-term rating of CRISL-A1 on the outstanding loan of around Rs. 468 crores bank loan facilities of the company.

As far as awards and recognition are concerned, Popular Autoworks Private Limited, operating under the Marqland brand, has been honored with a 'Certificate of Excellence' at the prestigious

ET Business Awards 2025 for business excellence, cementing its reputation as the Most Trusted Dealer for Jaguar Land Rover in the state of Karnataka.

We also received one silver medal and two bronze medals at the National Level Annual Service Excellence Championship conducted by Maruti Suzuki. And Popular Autoworks, again the company's wholly-owned subsidiary, secured second place in the JLR's All India Q4 performance rankings.

State-wise revenue as of 31st March, 2025: Kerala contributed to 62%, Tamil Nadu 23%, Karnataka 10%, and Maharashtra 5%.

That's it from my side, and now I would like to open the floor for Q&A.

Moderator: Thank you very much. The first question is from the line of Preet from InCred AMC. Please go ahead.

Preet: Thank you for the opportunity. A couple of questions from my side. Firstly, as you have mentioned in the previous con-calls about the overall growth of 15%. Do you think this will be achievable or are there any changes in the estimation? And also if you could explain the expectation of growth rate of spare parts business and service business, as your services to sales is already at 28x. Do you see more improvement here?

John Verghese: Your voice was a bit muffled, but what I understood, the first part of what I understood is that we have given a guidance of 15% growth year-on-year. That on a long-term basis continues to be the same. As we said earlier, this year was a flip. And there is no change as far as the long-term strategy of the organization in terms of growth as well as the growth strategies continues to be the same. The second part of the question was not very clear to us. If you could repeat it, please.

Preet: The growth you expect in spare parts and service business as your service to sales volume is already 28x. Do you see more improvement there or it is the same?

John Verghese: Yes, service to sales ratio continues to be at 28 and will remain there. But however, what we are looking at is to improve the productivity of service and the labor per car that we generate. And with those initiatives we will be improving profitability. But the ratio per se, I think, would more or less remain the same, plus or minus a few points.

Preet: And one more thing, demand outlook in April and May. Are we still giving higher discount? Do we see that from the Financial Year '26, we can be able to maintain the EBITDA margin of 5%? Or is there any constraint still pending?

Raj Narayan: So, we were able to bring down the discounts by a good margin in April and May. January, February, March was a little high because we had to sell out the year back models of 2024 also. So, that's more or less taken care. We have closer to about 200 numbers, which should go out.

But overall, the discount per car in April and May is almost half of what it was in the previous full year average.

Preet: And if any update you would like to give on the acquisition, you mentioned that it will be happening in Quarter 1.

Naveen Philip: Yes, we are on lines of that. Hopefully, we will be able to do it by Quarter 1, if not, early Q2.

Preet: And one last question from my side. I can see that in the last quarter, the ASP of pre-owned vehicle as well as service business has fallen down drastically. Is there any particular reason why it has happened?

Raj Narayan: The service has not come down. In fact, service overall has, at a company level, has gone up by about 4%.

Naveen Philip: No, that is in terms of overall value of service, but ASP of service we have 4%.

John Verghese: It has grown by 4%.

Naveen Philip: For the group we have gone from about Rs 8,213 to Rs 8,575. But PVSL per se, the Popular Vehicles per se, we dropped by about 2% in terms of ASP in terms of services.

Preet: And if could mention on the CAPEX plan for FY'26 and FY'27, what amount of CAPEX are you planning?

John Verghese: CAPEX we are planning is about Rs. 30 crores for the next financial year. This excludes any acquisition that we are already in discussions with.

Preet: OK. I will join back in the que. Thank you for taking my question.

Moderator: The next question is from the line of Raghunandhan NL from Nuvama Research. Please go ahead.

Raghunandhan NL: Good morning, sir. Thank you for the opportunity. Sir, firstly, how do you see the volume outlook for JLR in FY '26, especially in light of the recent agreement with the UK? Also with reference to the new Nagpur outlet, can you talk about the CAPEX and timeline for breakeven?

Naveen Philip: So, first is on the FTA. I think there is a little bit of misconception. I think by the time the FTA actually takes into effect as what we have been told and what we have understood will take a couple of years more.

Having said that, the Range Rover, the Range Rover Sport, Discovery Sport, Range Rover Evoque, all are being manufactured in India, locally manufactured. So, not much of a change there. People were most probably speculating on the Defender. But unfortunately, right now the Defender is made in Slovakia, not in UK. So, any FTA agreement with UK actually does not

have any effect on the Defender prices per se. But we will have to watch this going forward as to how this whole thing would roll out over the next couple of years per se. This is what the guidance that we have received. So, we are not looking at any volume change because of the FTA per se.

In terms of Nagpur, we are looking at an investment of about Rs. 12.5 crores. We should be probably up and running by August end, September early. So, we are looking at October to March in terms of numbers. Probably about six to eight numbers in terms of overall numbers of sales from the per month in terms of the Nagpur and the 11, 10 districts adjoining Nagpur is what we look at. In terms of breakeven, will be in year after.

Raghunandhan NL: Thank you for that. On the new outlets of Maruti, how do you see the addition to volumes in FY '26? For Maruti, how would you see the same store growth and addition to volume from new outlets in FY '26?

Naveen Philip: From new outlets or from existing outlets? From new outlets you are saying.

Raghunandhan NL: So, I am asking both actually, same store growth as well as the new outlet contribution.

Naveen Philip: Same store growth, we are looking at a very muted thing. We are looking at about in terms of volume wise about 4% to 5%.

Raghunandhan NL: And addition from new outlets?

Naveen Philip: So, Bangalore is one outlet that we have, so from the Q2 onwards, since we have just started Bangalore in May, from Q2 onwards, we are hoping that we will be looking at about 125 to 140 vehicles on an average, which will translate to about 1,200 vehicles for the year which is the number that we would have from the Karnataka operations.

Raghunandhan NL: Thanks so much for this. And on the CV segment, given that there is some slowdown, but the general expectation is that some improvement is likely in FY '26. How do you see that?

Naveen Philip: So, CV is slightly complicated. We have to break it down into segments. So, we continue to see a very strong growth in the passenger segment per se. In construct segment, there is some green shoots happening in across the country. So, we are hoping some development in terms of the construct segment. Cargo continues to hold steady.

The small commercial segment has seen a drop per se in terms of numbers. So, that we are not too sure going forward given both in terms of finances for first-time users, etc. being still a little subdued. SCV, we don't see growth at all. We probably see a negative number on a SCV even this year. But the other parts of the CV segments, we are seeing growth.

John Verghese: But having said that, for our company, for our group, as far as Bharat Benz is concerned, we are seeing a growth both in Tamil Nadu and Maharashtra. And we have open service centers in

Maharashtra. Hence, those would bring more traction is what we expect from our Maharashtra operations.

Raghunandhan NL: On the margin side, considering the cost-saving efforts which you highlighted, plus the additional income from finance income, service, and lower discounts which Raj sir highlighted, how do you see the range for the margins for FY '26?

John Verghese: We would want to get back to the EBITDA margins of 5.1% which we have clocked in FY '24. That is our aim irrespective of the cost of JLR, Nagpur new setup that is coming up or any other, the Karnataka setup which we have started in Arena. We nevertheless would like to get back to the 5.1% of FY '24.

Raghunandhan NL: And it will be more back-ended, because by Q2 onwards, Karnataka will start operation. H2, even the Nagpur outlet will be up and running. So, H2 should see a better margin.

John Verghese: Absolutely.

Naveen Philip: Absolutely. Q1 will still be a tough one, but Q2 onwards we are seeing much better.

Raghunandhan NL: And cost savings you indicated roughly about Rs. 15 crore. I mean, cost savings plus incremental income. Would that be right? Finance income, service income plus manpower correction.

Naveen Philip: Absolutely. So, in terms of manpower cost we have given a guidance of about Rs. 7 crores and about Rs. 4 crores additional in terms of service income. That would be about Rs. 11 crores and finance income about Rs. 3 crores to Rs. 4 crores.

Moderator: The next question is from the line of Gautham Madhavan from FedEx Securities. Please go ahead.

Gautham Madhavan: Thank you guys for this. Very helpful. Just a couple of questions from my side. You know, one, if we can just talk through the overall demand environment and then touch upon maybe NEXA and ARENA and how did it look for last year and what's the outlook for this year. And the second one is just on guidance around inventory days. And again, if you can just touch upon the different brands and within Maruti also if we can get some guidance on NEXA and ARENA.

Raj Narayan: For last year, ARENA was a de-growth for us, closer to about 10% or so. In terms of NEXA, it grew handsomely, but overall, NEXA's contribution also, which was around 35% in the previous year, came up to about 40%.

So, for the last year between ARENA and NEXA, NEXA had a growth of about 15%-16% for us and on the ARENA front it was a de-growth. In terms of the demand, in this year, April showed promise in terms of the enquiry growing at double digits. May started well in the first 3-4 days, but in the second half onwards, a slight decline is there possibly because of the monsoons and all happening here. In terms of, you also wanted to understand model specific or is it just...

Naveen Philip: Brand specific, ARENA and NEXA.

Raj Narayan: ARENA, NEXA. So, that is on the ARENA. And this year also the same trend is continuing. ARENA has recovered slightly but not to the extent at which it should be. NEXA is still going good.

Gautham Madhavan: Sorry, you got cut off when you were mentioning the contribution of NEXA has increased to what percentage?

Raj Narayan: Contribution of NEXA has gone up to 40% as of now compared to say 35%-36% in the last year. So, in Kerala, NEXA has been growing at a much higher pace than the national average.

Gautham Madhavan: And the next one was just on inventory also, if we can just go through between NEXA, ARENA and then the other brands, inventory days.

Raj Narayan: So, overall, while as an organization, we were at about 40-odd days, in ARENA, the stock level as of March is about 43 days. NEXA has been a little higher. And we have taken some steps to control it. ARENA still even in April, May ARENA continues to be in that range. NEXA, we have engaged them in terms of bringing it down by the end of Q1. As we speak in the beginning of the month, if you talk about the current month, the current month if you talk about it, ARENA is around 37-38 days. And NEXA is about 40, 47, 48 days.

Gautham Madhavan: And what's the guidance for the year in terms of inventory days? Where will we look to end up?

Naveen Philip: So, ARENA we are looking at closer to about 35 days through the year in terms of inventory. And NEXA, say, by June, we should be bringing it down to about 41-42 days, and a lower number over the next three quarters.

Gautham Madhavan: Just one last question. In terms of market share, where would we be in terms of service market share, sales market share for the year?

Raj Narayan: So, sales should be approximately...

Naveen Philip: You will have to give Kerala and Chennai approximately.

Raj Narayan: Yes. So, in terms of Arena market share, we should be ending the year closer to about 24%. And then NEXA, it should be somewhere between 21% to 22% in Kerala. In Tamil Nadu, in ARENA, we should be closer to between 11.5% to 12% and NEXA should be about 21%. Service, we have a market share in Kerala around 31%-32% in terms of the service market share. But in terms of body shop, we are at about 35%-36%.

Gautham Madhavan: Perfect. That's all from me.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Sir, I wanted to understand how would our margin profile look going forward considering the EV share that we are increasing as well as some improvements going forward. So, this 5.1% margin that we have guided, sir, can this increase even further as the EV share increases, or how should we look at it? For like 2 to 3 years, not for FY '26 but over a long, medium term?

John Verghese: 5.1% is a blended margin. As you know, we are spread across commercial, passenger car, EV space and also again spread between sales, service, where our focus is on the service pie of our PV business. So, that we continue to focus on our service business range. We say that going forward in the next 3-4 years, we would like to increase this further by 0.1% further up. EV, I didn't quite understand the question on EV, but this basically is our strategy of improving our EBITDA margins.

Madhur Rathi: Sir, what would be the margin for EV and the JLR segment? What would be the EBITDA margin that we would be drawing currently?

John Verghese: The EBITDA margins of JLR would be to the extent of, just a minute. Yes. JLR would be about...

Naveen Philip: JLR in terms of sales division is about 6% and in terms of service would be about 18% in terms of EBITDA margin.

John Verghese: Totally about 7% to 8%, 9% is what we are getting.

Madhur Rathi: Sir, what would be those margins, like 6% and 18% for JLR, what would be those margins for the EV segment?

Naveen Philip: So, EV we have with Ather right now, the two-wheeler, it's approximately about 4%-4.5% in terms of sales. Or 4% approximately, which has actually gone up. Yes, it has actually gone up from the previous year, which was about 3%.

John Verghese: So, as we are growing, as you know that we are growing with Ather, as you mentioned, as we have already declared, we have got LOIs in Kerala and Maharashtra. So, the more we grow our top range, the EBITDA margins of Ather will be improving.

Madhur Rathi: So, sir, from this current 4%-4.5%, where can we see these margins growing?

Moderator: Sir, sorry to interrupt. Can you please rejoin for a follow-up?

Madhur Rathi: I am just getting clarification. Then I will rejoin.

Moderator: Sir, can you please rejoin for a follow-up?

Madhur Rathi: I will do that.

John Verghese: Just to answer, I understood your question that 4.5% will definitely go beyond 5% is what we expect in the near future.

Moderator: The next question is from the line of Nilesh Doshi from Prospero Tree Asset Management LLP. Please go ahead.

Nilesh Doshi: Naveen sir, my question to you is that we have just divested the Honda dealership and so we remain with the Maruti and JLR in PV segment. Would the company like to add another OEM in the PV segment or are happy with the Maruti and JLR?

Naveen Philip: We have given this guidance earlier also. We have said that we would like to grow in the sub Rs. 25 lakh segment or sub Rs. 30 lakh segment but (Inaudible) it is actually higher with Maruti. And we have a large presence and that's how we have expanded to Karnataka also. And in the luxury segment we have set our growth primarily with JLR, but we are also looking at one more brand if possible in terms of adding to that luxury segment.

Nilesh Doshi: So, for luxury segment you are open to add another OEM, but for the lower premium or lower end car Maruti is sufficient.

Naveen Philip: Yes, because in terms of the strong market that Maruti has closer to about 41% across India and in the market that we operate like Kerala, for example, they have a 55%. But more importantly as we have stated even during the IPO and post that is that we build our volumes on service and profitability on service in terms of EBITDA margins everything, Maruti is one of the few manufacturers that has a very large car park across the country.

Nilesh Doshi: So, we stick to the Maruti but we will do the geographical expansion for the Maruti also?

Naveen Philip: Yes, that's how we are now. We are already in three states. We started with Kerala. We added Tamil Nadu about 15-20 years ago. We have now moved into Karnataka. So, we will continue to focus on geographical growth with Maruti.

Nilesh Doshi: And just to understand the industry dynamics, last year the FY '25 was not good year for any dealer, any car dealer. So, is it the problem of lower demand or higher supply due to the large capacity or more number of OEMs?

Naveen Philip: So, I think every once in 7-8 years this cycle happens where we expect demand to be at a certain level and demand falls off the cliff for various reasons. One in terms of, I think, the prices of the cars over the last 3-4 years, especially in the smaller segment, have gone up by 55%-60%. Salary levels wouldn't have kept pace with that. Even if you look at a 5%-6% salary increase every year, you are talking about 15%-20% in terms of salary increase. So, there is a gap there, which will take some time to bridge. Getting production in line with this demand takes some time.

So, there is an inventory build-up and then it's actually a vicious cycle because inventory build-up, interest costs increasing, discount levels going up, all seem to have hit in the same year per se, which is a once in seven, eight years, a once in nine-year cycle. I think last we had it in around 2016-17 or 2017-2018 period or 2016-2017 I think.

So this was, I mean, probably once in a eight year, nine year cycle in terms of both inventory levels going up, discounts and interest costs. And interest costs didn't help us because interest rates itself were higher. And so consumer demand was also low.

Nilesh Doshi: So, but this year, once again, we maintained the inventory of FY '24 level. But whether that inventory, Rs. 580 crore inventory is at the optimum level or still it is on a higher side?

Naveen Philip: So if you look at our, in terms of each individual brand wise, some of the brands we have a slightly higher inventory at the end of March. But if you look at through the year, a couple of places both in terms of Honda and in terms of Maruti and in terms of Bharat Benz, we held a higher inventory through the year, especially probably from July onwards hoping that the festival season would do well etc., which didn't materialize.

So, you have to look at inventory in two ways. One, march end inventory is a static figure, which is a balance sheet figure that you look from FY '25 March 31st to FY '24 March 31st, which is a static. But if you look at through the year, we have been at even as high levels as around 70-75 days in terms of some of the brands we have associated with, which has got corrected to a large extent. And I think Gautam had earlier asked in the call us to what is our guidance for the year, which is why we said by Q1, by June end we should be under, in terms of Maruti, in terms of ARENA, we would be around 35-37 days and NEXA about 40-41 days, which was one of our higher stock.

Bharat Benz, which was higher through the year, we have already brought it down to about 30 days stock by March 31st. And that will continue to hold in that way. Honda was a higher inventory for Q2, Q3, which has also been bought down, but anyway that doesn't have an effect going forward since we are divesting it. And Piaggio was a higher inventory. Ather, JLR and Tata Motors, we had controlled inventory through most of the quarters. And we will go forward with the same guidance.

Nilesh Doshi: Sir, my last question or only thing that you have taken a much more corrective step to improve the result. I think FY 26 will be definitely the better year than the FY '25. Is that understanding correct, sir?

Naveen Philip: Absolutely.

Moderator: The next question is from the line of Preet from InCred AMC. Please go ahead.

Preet: Thank you for giving me opportunity once again. If you could quantify the discount amount which you give for the full year of FY '25 and Quarter 4 of FY '25, what would be the exact amount of the discount?

Raj Narayan: So, FY '24 full year average in ARENA was about closer to 9.5K and NEXA was slightly higher at about closer to 12K. Q4 per se if you take it, it should be approximately ARENA should have been from a yearly average of 9K, have gone up to about 13K-14 K and NEXA from a yearly average of 12K had gone up to about 17K-18K.

However, when you look at April and May, April for ARENA was about 5.5K and May was about, okay, May is still not completed. April was 5.5K for Arena and NEXA was around 7.5K, which is what I mentioned earlier also that we have been able to bring it down by 50%. And we expect to hold it through the year.

Preet: No sir, if you could quantify the total amount of discount, total discount altogether, on the basis of all the vehicles which we sold?

John Verghese: For Popular Vehicles, we shared out about, nearly about Rs. 50 crores discount in FY '25. As a group, we would have shared out around Rs. 55 crores.

Preet: And what would be that amount in Quarter 4?

John Verghese: Quarter 4 would be, I don't have the figures right now, sir. I can share with you after the call.

Preet: And one more, one last question from my end. You mentioned that the CAPEX would be around Rs. 30 crores. And by divesting your Honda and Piaggio business, it would be, you would be receiving around Rs. 70 crores odd. So, the remaining Rs 40 crores we will be paying back debt, or if you can give any guidance on debt level? Are you looking down to reduce the debt? Or what are your debt plans?

John Verghese: As our MD mentioned earlier, we are looking at acquisitions. And some of these discussions are still on. And as we mentioned earlier, some may fructify in Q1, if, than in Q2. So, definitely those funds would be used for acquisition.

Preet: So, if you could bring some light on the acquisition, how much maximum debt you would be taking or what would be your peak debt level that you will be going to?

John Verghese: Internally we have a target that normally would like to keep our debt equity as 1 as to 1. As we speak in March, we ended up with, I think, 0.67 debt. So, we have enough leverage of around Rs. 200 crores, if at all, to make it to 1 as to 1.

Moderator: The next question is from the line of Aman Thadani from Solidarity Investment Managers. Please go ahead.

Aman Thadani: Sir, I have a few questions on the services business. Sir, from what I understand is the service volume growth sort of depends on the car park in the city, which is like built over the last 5-8 years. Now with our key OEMs, that is Maruti and Tata, sort of losing market share, I think that after some point the car park in the city would get impacted. I am not sure about the timelines, but if I take a longer-term view, sir, in that case, how should we think about the organic service volume growth from existing service centers given the key players are losing market share?

Naveen Philip: So, I will give you a guidance on that. See, while we say that there has been a little bit of market share drop, actually, Maruti has gained some market share, similar to Tata Motors in heavy commercial vehicles, etc. But even if you look at, even if you assume that there would be a future

market share drop for both these manufacturers, the volumes of cars being added continuously increases. Plus, if you are looking at the growth of the Indian car market, so last year, probably we ended up flat around 4 million cars per se, but by 2030, we expect to be an 8 million car market.

So, even the growth of the car market plus even with the lower market share, still the numbers will be far higher than what we have today. We have gone through the cycle in the past also, and even in that cycle, we have continuously increased our service numbers. So, there was a point in which I think probably late 90s when Maruti market share dropped to about 37%-38%, and then went up again to about 40%-45%. But even at that time, the service market share plus the service volumes kept growing for us, similar to Tata also.

Aman Thadani: Sir, actually, what I am not able to triangulate is, let's say, Maruti's volume, let's say, keep on growing at very low single digits, 2%-3% or 3%-4% longer term, maybe. So, in that case, when we get for that, let's say, 15% service business growth, I am assuming 5% would be from ASP. So, sort of to get that 10% volume growth, I am not able to triangulate if Maruti, let's say, grows at 3%. How would Popular get that 10% volume growth from the company? That's my basic question.

Naveen Philip: So, I will also give you an example, I mean not example, what has happened over the years. So, starting with both in terms of GST and in terms of the cars going from BS III to BS IV and now further to BS VI and beyond, the technology in the cars became far more complicated. So, if you look at a large portion, so about 10 years back, the unorganized sector in, for example, in the state of Kerala, had approximately 60% of the market share of services. And 40% was from the organized sector, which was Maruti authorized dealers per se.

Today, as it stands, about a year ago, when we looked at the market share concept, 60% was from the organized sector and 40% was from the unorganized sector. That is because in terms of training of manpower, the equipment that is required, to invest in that, all that only the organized sector can do and only in large dealers like us in terms of investments of that.

So, there has been a shift from the unorganized sector, and it was also facilitated partly by the GST aspect also. Companies and other business owners etc. wanted GST invoices too. Plus the complications, plus the training of manpower. So, all these factors put together, there is a shift from the unorganized sector to the organized sector.

Even now, so if you look at, we serviced approximately, for example in Kerala, I think we serviced approximately 600,000 cars of Maruti last year. We have a 30% market share of the organized sector, which means there is about 1.8 million cars that were serviced in the organized sector. If you take 40%, which is in the unorganized sector, that's itself a large number. And we are looking at that shifting also. So, this is happening across all states. So, that factor is also added in terms of our volume group.

John Verghese: Just to add to that point what the MD mentioned, we also do various marketing initiatives to open the service for not only our vehicle being sold, but also the competitor. And hence, if you look at it, we are ranked as the number one Maruti service dealer in the country, whereas in sales we could be number 7 or number 8. So, there are many initiatives that we take to rope in the service businesses considering that is the most profitable.

And more importantly, from the insurance angle, we try to get insurance of other dealer, co-dealers where we get the servicing. And one more aspect is that the servicing is not only the normal service that we do for vehicles. We also have something called accident repair or the body shop repair, where we get vehicles to painting, denting, all this kind of extra work that we have gets into our fold.

Aman Thadani: That is very well explained, sir. Thank you for that. Sir, my second question is, given we are disproportionately focused on services and it's a good strategy because it has a very high margin and it's a higher ROE business, and a lot of the service outlets that we have, have come by acquisitions also in the past. So, just wanted to understand that why are other players like missing out on this service business acquisition opportunity given it's such a good economic business?

John Verghese: See, what we say that our USP for our group is the service business that we have. It is not something which can be replicated by any other dealership, especially the mom-and-pop shops. This is over the 30 years or 35 years that we are in the business. We built up this USP which cannot be replicated very easily. So, it comes from various factors. It not only includes the manpower skills, it includes training, it includes many other aspects which maybe we can explain in detail to you on a one-to-one discussion on a later call.

Raj Narayan: And even the size of our employee strength from where the employer referral comes also. We got 10,000 people. A lot of dealerships do not have that kind of manpower strength.

Aman Thadani: Those are my questions. I will get back in the queue.

Moderator: The next question is from the line of Rishikesh Desai, an individual investor. Please go ahead.

Rishikesh Desai: So, most of my questions related to the service business have been answered. But I still have like, so, is there any particular target that you have in mind when it comes to the service revenue? And also, I would like to understand like what went wrong during the previous year in the service business, where it led to decline?

Naveen Philip: What is the first part question? What is the target for service revenue?

Rishikesh Desai: Yes. Do you have any target in mind when it comes to a certain percentage of overall revenue should be coming from the services revenue?

John Verghese: 14%.

Naveen Philip:

We were at 14%, but as we have given a guidance earlier also, we would like to clock our service revenue growth in the region of about 20%-25%. And going forward, we will achieve that in terms of the next couple of years. So, that guidance remains the same. Though, this year our value growth was only about 4% as against the guidance that we have given, going forward, we will have that.

In terms of what all went wrong in service, I think some of it was internal, which we have corrected, both in terms of manpower and in terms of certain workshops of us underperforming. That is part one. So, that is an error that we made. But more importantly, when the market slows down and this, as I said, what happens once in about seven or eight years, when the new car sales slows down, one of the things that gets impacted, because of what is called as an insurance coverage ratio, that is the insurance premiums collected by the insurance company.

And one of our larger factors is our body shop revenue. And that's where we have been focusing on in terms of our growth, etc. So, that got impacted by a pretty large number last year. We don't see that happening this year. And we have taken some steps in terms of correcting that also.

John Verghese:

One point that we have to keep in mind as far as service division business is concerned is that it is a highly operating leverage business. So, when there is a downfall on the top line, definitely the bottom line gets hit much more heavier. There is a flip flop side to it in the sense that when the recovery happen, definitely that kind of extra delta benefit will happen in the bottom line.

Rishikesh Desai:

That was very helpful, sir. And my next question would be, again, like you already mentioned that the organized players have increased their share in terms of service. Previously it was 60% unorganized. Now it is 60% organized. So, going forward, do you see that the services revenue would be more steadier and more resilient to the macroeconomic situation when compared to the auto sales which is more elastic in nature?

Naveen Philip:

Absolutely. That's true.

Rishikesh Desai:

All right, sir, that's it from my end.

Moderator:

The next question is from the line of Piyush from Acquaint Bee. Please go ahead.

Piyush:

Sir, wanted to understand even if we have a new vehicle slowdown this year similar to what we had last year, then we will have a much better year still because now we don't expect a cliff drop which we had in FY '25?

John Verghese:

Assuming that the inventory levels are maintained as we just saw what Raj mentioned, wherein if you go back to FY '25, the main hits were on discounts and interest costs. So assuming that, I mean, the critical is that we maintain the inventory levels to within the 30 or 40, 35 days that we mentioned. Definitely, it will be much better off in this year. And adding to that, of course, we have grown in terms of when we have gone to Karnataka, we have gone to Maharashtra with our other OEMs. So, definitely, FY '26, even if there is a very subdued growth in sales, should look better than FY '25.

Piyush: And what would be the margin in the service business right now for FY '25?

John Verghese: FY '25, of course, the gross margin is intact. It's above 50%. But EBITDA, because of the degrowth that has happened, it has come down to nearly about from a level of 16% EBITDA has come down to about 12% or 13%.

Naveen Philip: In PVSL. But rest all, I think, remained more or less the same. We had a slight drop in the Honda business also in terms of EBITDA from service. JLR remained approximately 17.5% - 18%.

Moderator: Thank you very much. As there are no further questions from the participants, I now hand the conference over to management for closing comments.

Naveen Philip: Thank you all and we appreciate your participation in our earnings call today. In summary, we are actively taking the right measures and remain fully committed to achieving our growth targets. Our long-term vision and goals continue to stay on course. We trust that we have addressed all your queries. Should you have any further questions, please feel free to reach out to Strategic Growth Advisors, our Investor Relations Advisors. Thank you and have a good day.

Moderator: Thank you very much. On behalf of Popular Vehicles and Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.