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TAMIL NADU- **GSTIN** 33AABCP3805G1ZU

Date: 21st August, 2024

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- Un-audited Financial Results for the quarter ended June 30, 2024.

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 07th August, 2024, and pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Investor Call held on Wednesday, 14th August, 2024 on the Un-audited Financial Results for the quarter ended 30th June, 2024 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 Digitally signed by VARUN T V
Date: 2024.08.21 14:08:02
+05'30'

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

"Popular Vehicles and Services Limited

Q1 FY '25 Earnings Conference Call"

August 14, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 14th August, 2024 will prevail.

MANAGEMENT: **MR. NAVEEN PHILIP – 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. BIJU THOMAS – CHIEF EXECUTIVE OFFICER – VISION MOTORS PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Popular Vehicles and Services Limited Q1 FY '25 Earnings Conference Call. 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 the 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Naveen Philip, MD of Popular Vehicles and Services Limited. Thank you and over to you Mr. Philip.

Naveen Philip: Good afternoon, everyone, and a very warm welcome to our Q1 FY '25 Earnings Call. Along with me, I have Raj Narayan, our CEO of Popular Vehicles and Services, John Verghese, the Group CFO, Biju Thomas, the CEO of Vision Motors, and other senior team members. Before I get into the final aspects of financial numbers, let me quickly give you an update on the business front.

Q1 is always our weakest quarter, and this year there has been more impact on back of both the central elections and the macro-climatic factors like heat waves and floods that have happened across the regions that we operate in. But despite a stagnant growth in volume over last year, same quarter which is very flat. The revenue growth has been approximately 7% on a Y-on-Y basis for the quarter gone by. This is particularly on the back of premiumization across all segments.

Our commercial vehicle segment fared well with a good growth of both volume and revenue front backed up by school bus sales particularly. As far as our EV segment is concerned, industry is showing definite signs of a slowdown. Growth has been slowing for the past two quarters, primarily due to lower supplies from our two-wheeler supplier Ather and this is expected to turn around with their new model launch which has happened in the beginning of July and numbers shall start showing up in the later half of August and September.

So overall, our total new vehicle sales was down approximately 2% largely by the EV segment whereas others have more or less been flattish. Coming to the service part of our business, this quarter it was weak, we didn't see many vehicles coming in for servicing due to climatic conditions. Service being a main driver of EBITDA margin, these conditions led to a depressed margin in this quarter. EBITDA reduced by approximately 3% compared to last year. However, we are seeing a revival in Q2 and the H2 would more or less be on line with our projections. A slowdown in the volume sales resulted in increased inventory levels which impacted our working capital requirements, and this has been across India, I think the overall inventory levels across dealerships and manufacturers have gone up by a considerable amount.

This is a short-term phenomenon, we expect inventory levels to be normalized as the festival season starts kicking in, in a large part where Kerala we represent, August 17th onwards is when the auspicious month starts. So we would see a reduction in inventory levels by the end of

August. Also in the last six months, we were able to improve or upgrade our credit ratings for the company and our subsidiaries, which will also have a positive impact on better loan terms and hence overall cost savings as such.

As we are half past second quarter, we have started seeing traction in terms of footfalls & enquiries ahead of the festival season which starts on August 17th and then carries on till late October-November . We are confident that Q2 will cover up the shortfall of Q1 in terms of volume sales. On a different note, our Group has won the FADA Dealer Excellence Award for 2024 in the Big Dealer category and also our subsidiary, Popular Auto Dealers, has received the two topmost Platinum Band Achievements from MSIL and also two Performances at All India level, namely the highest retailer growth and the highest retail growth in both categories of greater than 200 lakhs and less than 400 lakhs category respectively.

It's a moment of great pride to receive these prestigious awards. Our focus and commitment to provide best dealership experience has been a vital factor behind this recognition. These awards not only add to the stature of the company's brand, but also reinforces our team's commitment to deliver on the promises of best of services to our customers.

So before I conclude, I would like to state that despite the gloomy environment that prevailed in Q1, we at Popular remain committed and confident about our growth journey ahead and delivering the numbers we have committed to. With this, I would like to hand over the call to John Verghese, our Group CFO, to update you on the financial performance for the quarter gone by.

John Verghese: Good afternoon, everyone. I will take you through all the company's operational and financial performance for Q1 FY '25. Starting off with the operational performance, as you know, we have got four verticals – the New Vehicle Business, Pre-Owned Business, Service, and the Spare Parts Distribution.

Coming to the New Vehicle Business, the company sold about 9,676 new vehicles versus 9,874 in similar quarter previous year, showing a 2% Y-o-Y degrowth. Total income from new vehicles sold was INR 931 crores, up by 10.4% from INR 843 crores in Q1 FY '24. We have seen an uptrend in our average selling price, increased from INR 8,54,057 to INR 9,62,403. Coming to the Pre-Owned Business, the company sold about 2,472 pre-owned vehicles versus 2,724 in a similar quarter of the previous year, which shows a 9.3% Y-o-Y degrowth. Total income from pre-owned vehicles sold was INR 85 crores, which is down 7.2% from the INR 91 crores that we sold in Q1 FY '24.

The average selling price here also has increased from INR 3,34,761 to INR 3,42,461. The third vertical is the service part of it. The company's service and repair business did a volume of 2,54,358 vehicles versus 2,55,296 in Q1 FY '24, which is showing a 0.4% Y-o-Y degrowth. Total income from vehicle service and repair business stood at INR 217 crores, up 4.5% from INR 208 crores in Q1 FY '24. Average selling price here also has increased from INR 8,139 to INR 8,534.

The other segment is basically the spare parts distribution segment, where the business clocked total income of INR 63 crores, showing a Y-o-Y degrowth of 3% from INR 65 crores in Q1 FY

'24. Coming to the financial performance, the total income for the quarter stood at INR 1,298.4 crores versus INR 1,210.1 crores in Q1 FY '24, showing a 7.3% Y-o-Y growth. EBITDA was INR 52 crores versus INR 53.8 crores in Q1 FY '24, a decrease of 3.4% Y-o-Y. EBITDA margin stands at 4% for Q1 FY '25. Profit after tax came to INR 5.4 crores versus INR 7.8 crores in Q1 FY '24, a decrease of 29.7% Y-o-Y. PAT margin stands at 0.4%.

Segmental performance, the PV revenue .i.e., passenger vehicles revenue was INR 734 crores versus INR 696 crores in Q1 FY '24, which is an increase of about 5.4% year-on-year. Commercial vehicle was INR 479.9 crores versus INR 420.8 crores in Q1 FY '24, an increase of 14% Y-o-Y. EV revenue was INR 13.6 crores versus INR 22.4 crores in Q1 FY '24, a decrease of 39.5% Y-o-Y. As regards the other updates, there was a network expansion. We added about three sales outlets and booking offices in Kerala, and one sales outlet and booking office in Tamil Nadu for our Tata Motors division.

Credit rating updates, two of our subsidiaries, one is Popular Auto Works Private Limited, got double notch credit rating upgradation from BBB- to BBB+. Whereas the other subsidiary, Prabal Motors Private Limited, also got a double notch rating upgradation from BBB to A-. So with this, four of our group companies have actually gone to the A category, and one of the group companies' discussions are underway.

State-wise, Q1 FY '25 revenue breakup, Kerala is 60%, Tamil Nadu 26%, Karnataka 9%, and Maharashtra 5%. We are pleased to announce the appointment of our Chief Risk Officer with effect from 13th August, that is yesterday. So Jarly, who is the Head Finance of our Popular Vehicles and Services division, has been given the additional responsibility of CRO. She is a chartered accountant with having various senior positions at various corporates including E&Y. So as a CRO, she will be responsible for overseeing our risk management strategies, ensuring compliance with regulatory requirements, and identifying potential risks to safeguard our company's assets and reputation.

This appointment emphasizes our commitment to maintaining the highest standards of risk management and corporate governance. That's it from my side. Now I would like to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ashish Raut from JK Securities. Please go ahead.

Ashish Raut: So very good afternoon, sir. I have a few questions to ask. So my first question is on the part of margins. So why are margins have gone down in this quarter? As well as, are there any specific reasons for our increased employee cost?

John Verghese: Margins have gone down primarily as you mentioned. I mean, our main pie of our business is the service business. Unfortunately, in Q1, due to the various reasons that we mentioned, we were not able to grow in our service business. And hence, to that reason, the EBITDA margins had dipped. The employee cost increase is a normal increment that happens year-on-year. Compared to last quarter, there were several new service centers that we have opened. So those are the additional operating costs which have happened over the period. The revenue to that extent, as I mentioned, didn't happen because of the external environment in Q1.

Ashish Raut: Okay. And I have another question on other expenses. So, the other expenses have been on a flatter level on year-on-year basis. So, we have done any cost savings there?

John Verghese: That is a continuous process that we have in this organization. We have done various automation, centralization, and various other cost-saving initiatives. To give a few examples, for example, warehouses. We have a common warehouse for the group instead of having separate. Whether it's the other back-office requirements, we have communized with the central office. So many initiatives that we are doing to control the fixed costs.

Moderator: Thank you. Next question is from the line of Yash Mehta from Aart Ventures. Please go ahead.

Yash Mehta: Okay. So, I just wanted to ask that can you please elaborate what is the reason for the slow growth in the services and repairs business?

Naveen Philip: Yes. So, what has happened is in Q1- April, May, June, in terms of overall, in terms of the climatic conditions, both in the – so 26% of our revenues are from Tamil Nadu and about 60% from Kerala. Both these areas were affected both April and May by heat wave. And later, I don't know if you have noted that June, July has been badly hit by rains in Kerala. So, absenteeism in the workforce was also high with prevailing dengue and all that and also in terms of accessibility of some of the workshops and people living in lower areas in terms of getting their cars out, etc, was impacted. So, this was a major reason for impact on services.

Having said that, I would also like to put across that Q1 to Q1, Q1 is our weakest quarter for the year. So approximately only 18% to 20% of revenues and about 8% to 10% of EBITDA is from Q1 per se. This year, it's got impacted slightly higher than normal, which is why the drop has been there. But overall, even if you look at last year, in terms of our Q1 revenues, was approximately 20% of the overall year and EBITDA was approximately about 9% or 10% for the overall year.

Yash Mehta: Okay, then what is the kind of guidance that will, I mean, what is the target of services in repair business for this financial year, revenue target?

John Verghese: So, as I mentioned, I think last year we have built about seven new service centers. And I mean, like I said, this year too, we have another seven centers coming up. So whatever guidance we've given earlier, we would be maintaining that. I mean, the previous year, we grew as a company, not service alone. I'm saying as an organization, as a group, we grew by 15% on the top line, which continues to be our guidance for this year. And we are sure to make up from Q2 onwards.

Yash Mehta: Can you specifically give a guidance for services and repair business?

Naveen Philip: Service business, we target to grow by approximately 20% to 25%, and that will be the guidance for the year also.

Yash Mehta: Okay. Okay, thank you. I will join the queue again.

Moderator: Thank you. Next question is from the line of Ravi Shah from Opal Securities and Investment. Please go ahead.

Ravi Shah: Yes, okay. So I have two questions. First would be on the Honda aspect. So Honda has not done very well…

Moderator: Can you speak a little louder, please?

Ravi Shah: Yes, I'm just saying that Honda has not done very well. So are we doing any cost-cutting strategies here? What will we be doing here going forward in the Honda segment specifically?

Naveen Philip: Yes, so Honda in terms of overall sales numbers have been lower, one with three models and also because the Amaze is going for a complete refresh by August, per se. So we will see once the Amaze refresh happens, and Amaze in Kerala is actually a leader in the category with close to about 40%-45% market share. So we would see an uptake in those volumes because of the refresh model hitting the roads by end of August, I think, or early September.

That's happened. Having said that, we've also cut costs in our Honda division. And if you look at profitability levels, we've been able to maintain our profitability levels year-on-year.

John Verghese: In fact, compared to last year, Q1, as far as volume is concerned, Honda grew by only 2%. But as mentioned earlier, the ASP of all our group companies, including Honda, has gone up. In fact, Honda ASP has gone up by 12%. So overall the revenue of Honda actually grew up by 8% in Q1 compared to previous year. And as we said, with our service initiatives that we are taking, we are able to maintain our profitability of our Honda division. And we continue to do that.

Ravi Shah: Understood, sir. Thank you for the detailed answer. Sir, my next question is pertaining to EV. So EV seems to have de-grown, and we have made a lot of investments in terms of cost and a lot of investments done in the EV as a whole. So can you throw some light where are we in terms of break-even and how are we planning this segment going forward?

Naveen Philip: Okay. So the only EV segment that we have made some investments is not a very considerable investment. It's both in two-wheelers and three-wheelers. We don't have any EV investments in passenger cars as of now. Other than the regular investments of adding chargers to our JLR facility or adding some amount of charging facilities to Maruti because when they are rolling out of the EV.

So investments in EV, both two-wheeler and three-wheeler, are negligible compared to the total investment of the company per se. In terms of EV two-wheeler, where we have seen a significant drop in Q1, the reason being that Ather was launching a new model, the family scooter called Rizta. And that has come out only in July. We are expecting the sales, the amount of booking, the number of bookings that we have is quite considerable.

And we are expecting sales as soon as supplies happen, starting from August through the next three quarters to be very robust. So Ather, we do not see any issues in terms of the volumes coming back quarter-on-quarter. In terms of Piaggio, there is a challenge. We have made approximately just about INR 1.5 crores of investments in Piaggio across seven centres per se. In Piaggio, the volumes have dropped considerably. The competition has come up.

But overall, EV volumes in three-wheelers have gone down by about 30%-40% on the back of CNG and other alternate fuels being available. So that is the segment that we are watching. If we see further drop or if we do not see any action happening on that front, then we will take a call on Piaggio at that point of time.

John Verghese: And as it is, the EV segment for us is hardly about 1% of our revenue.

Ravi Shah: Understood, sir. Thank you for this detailed answer and all the best, sir.

Moderator: Thank you. Next question is from the line of Payal Shah from Bullion Securities. Please go ahead.

Payal Shah: Yes, I have two questions. First, in terms of inventory, what is our current inventory days and your outlook on the same?

Naveen Philip: So, inventory days, I would look at passenger vehicles, both Maruti and Honda as one. So, their inventory days are closer to two-month inventory and hence the higher interest cost that we have taken in Q1 per se. Commercial vehicles, Tata Motors, we are at approximately 30 days of inventory, 30 to 35 days of inventory, which is in line with all the years that we have been carrying inventory around 30, 35 days, split up into segments that we are bearing.

And in Bharat Benz commercial vehicles, we have approximately about 50 days of inventory. Two-wheelers and three-wheelers, not much of an inventory carrying over there. But this is the overall inventory and spare parts remains at the same level as last year.

John Verghese: But having said that, over here, as you know, in South, I mean, in Kerala especially, the festival season kicks off faster than the other parts of India. Onam, as you know, is in mid-September and the sales start actually about a month ahead.. 17th of August actually is when there is an auspicious day. In fact, we have lined up 500 vehicles from Mamangalam.

Raj Narayan: For the delivery on the 17th of August. So, the overall build-up towards Onam has already started. We are seeing that in terms of the walk-ins and also the bookings. So, the last five-six days, while, as John rightly said, 17th onwards is when it really picks up. But in the last four-five days, we are seeing that the bookings are almost double of what has been the July daily average. Last Sunday also we did a booking, which is as good as on par of a normal working day of the previous month.

And 17th is the auspicious day when mass deliveries will happen. We are aiming for a big figure. In fact, we are aspiring to do about 1,000 deliveries. While the number that we have in hand right now is about closer to 800. So, another 200 also we will have to push it to make it a big event.

John Verghese: So, definitely the inventory levels will come down drastically from a week onwards.

Payal Shah: Okay, that's quite helpful. My next question is, can you throw some light on each of your OEM portfolio?

Naveen Philip: So, in passenger cars, we have Maruti, Honda and JLR. In commercial vehicles, we have Tata and Bharat Benz. In the EV category, 2-wheelers we have Ather and 3-wheelers we have

Piaggio. And in spare parts distribution, we handle Maruti, Tata Motors, both commercial and passenger, Ashok Leyland and JCB.

Payal Shah: Okay. Actually, I wanted to understand more on the growth terms. Like, how are we doing in our OEM portfolio?

Naveen Philip: Are you talking of overall growth of our partners that we have with OEM? Or within each OEM, what is our growth?

Payal Shah: Yes, yes.

Naveen Philip: In terms of growth of each OEM per se?

Payal Shah: Each OEM, what's the growth?

Naveen Philip: So, as we said, in terms of passenger vehicles, if you look at, in terms of PVSL, in terms of Maruti per se, year on year we have grown by about 1% in terms of volume. In terms of Maruti, in Honda, it is about minus 1%. In JLR, we have a growth of about 40%. And in terms of commercial vehicles, there has been a 9% growth in Tata commercial vehicles and about 28% growth in Bharat Benz.

EV is where we have taken a hit. There has been a 72% drop in Piaggio and there is a 41% drop in Ather. Overall, if you look at passenger vehicle volume, we are at around 1%. CV, we have a growth of 12% and EV volume is at minus 46%. But EV, since it is scooters, the number seems much larger. We did about 1,100 last year and this year we are at around 600.

Payal Shah: Okay. Sir, just a follow-up to my earlier question. As Maruti is a large client, I just wanted to understand what kind of growth target do we have for this year as they will be coming up with launches?

Naveen Philip: Yes. So, as John had mentioned earlier, in terms of revenue growth, we are looking at around 15% to 17% revenue growth this year also. Last year also we had a revenue growth of 15% to 17%, which would be in overall lines. This year, in terms of revenue growth, Q1, we are around 6% in terms of the passenger vehicle segment and about 14% in commercial vehicle segment. Going forward, Q2, Q3, Q4, and the larger numbers coming from these three quarters, we would be at an overall of about 15% to 17% overall growth.

Payal Shah: That's quite helpful. That's it from my side, sir. Thank you.

Moderator: Thank you. Next follow-up question is from Yash Mehta from Aart Ventures. Please go ahead.

Yash Mehta: Yes. Sir, I wanted to know what is the level of debt as on 30th June 2023, total debt?

John Verghese: The total debt on 30th June is about INR 420 crores.

Yash Mehta: INR 420 crores. Okay, so the debt that we were supposed to repay from the IPO proceeds has been repaid, right? Around INR 192 crores?

John Verghese: Yes, that has been repaid, but yes, you are right. But as the inventory levels have gone up, that was basically deployed for our inventory funding. So technically, you can say about INR 650 crores is our funding that has gone for inventory. Inventory and debtors, sorry, working capital.

Yash Mehta: INR 650 crores?

John Verghese: Yes.

Yash Mehta: Okay, all right. And when was the debt repaid? The INR 192 crores?

John Verghese: The debt was repaid before March end, before the end of 31st March. Entire INR 192 crores was repaid before 31st March.

Yash Mehta: Okay, thank you.

Moderator: Thank you. Next question is from the line of Ruchi Gupta from Value Capital. Please go ahead.

Ruchi Gupta: Yes. Sir, I want to know that why we are not able to increase our presence with the current OEMs?

Naveen Philip: Increase our presence with the current OEMs? You're talking of in terms of geographical presence with the current OEMs?

Ruchi Gupta: Yes, yes.

Naveen Philip: Yes. So in terms of, it doesn't happen overnight, but in terms of actual conversations that we're having with the current OEMs, we're talking of various states in terms of expansion plans and such. So whenever there's a news that we have to report, we'll give an update on it. But if you look at our expansion with Maruti, Tata Motors, across the years, we've been able to expand with them across states and within the states also in terms of depth.

Ruchi Gupta: Okay, okay.

Naveen Philip: So if you look at overall three years back, our volume or revenue from Kerala was about 80%, and today we are less than 60%. And that is because of growing with the OEMs into other states.

Ruchi Gupta: Okay, okay, all right. So that's helpful. And my other question is, recently there was a news on JLR that they will be facing constraints on production due to some of their key suppliers shutdown, right? So how many days' inventory are we carrying for them and how are we coping up with the situation?

Naveen Philip: So JLR, in terms of supplies, they have not indicated to us any supply constraints on the India front per se. So as of now, whatever the order intake that we have, JLR is able to match those as such. We are currently having, if you look at, as on June 30th, we were carrying a robust inventory for the next entire July sales, and for July 30th also we had inventory for August with a promised order intake of probably approximately 35, 30 vehicles. So as of today, they have not indicated any supply issues.

Ruchi Gupta: Okay, okay, all right.

Naveen Philip: Localization of their largest selling models is Range Rover Sport and Range Rover…

Ruchi Gupta: Sorry?

Naveen Philip: They've localized, they've started manufacturing in Pune in terms of Range Rover Sport and Range Rover…

Ruchi Gupta: Okay, okay, sir. All right. That's it from my side. Thank you.

Moderator: Thank you. As there are no further questions, I'll now hand the conference over to Mr. Naveen Philip for closing comments.

Naveen Philip: Nothing further to add. We'll see a far stronger growth in terms of Q2. And to everyone, a happy Independence 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. Thank you.