Popular Vehicles&Ser

Operator: Ladies and gentlemen, good day and welcome to Popular Vehicles & Services Ltd. Q2 FY27 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 of the 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 listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Naveen Philip, MD and Promoter of Popular Vehicles & Services Ltd. Thank you, and over to you, Mr. Philip.

Naveen Philip – MD & Promoter: Thank you. Good morning, everyone, and thank you for joining us for the Q2 and H1 FY27 earnings conference call. Before we begin, on behalf of Popular Vehicles, I hope you and your families had a wonderful Diwali, and I wish everyone a happy and prosperous year ahead.

Let me begin with the key business developments during the quarter. The second quarter, like the first quarter, continues to be positive for us and was encouraging, supported by healthy demand during Onam, the first festival that takes place in India. Positive customer momentum continued into the subsequent festive period. We witnessed strong customer interest, healthy showroom footfalls, and improved booking trends across our network. Festive offers and improved vehicle affordability following the GST reforms continue to support demand, particularly in the entry-level passenger vehicle segment. Importantly, discounting levels were significantly lower compared with the corresponding period last year, reflecting a more favorable demand environment and improved pricing discipline.

While the strong growth also needs to be viewed against a relatively favorable base in the previous year, we remain encouraged by the underlying demand momentum and performance across our network. At the consolidated level, revenue from operations grew approximately 36% year-on-year to 2,089 crores in Q2 FY27, while H1 FY27 revenue increased approximately 40% to Rs. 3,984 crores. The growth was broad-based across passenger vehicles, commercial vehicles, luxury vehicles, and electric vehicles, alongside improving momentum in our after-sales business.

Our after-sales business on the passenger vehicle side, especially Maruti PV, saw volumes grow by 16%, and ASP grew by approximately 11%. For a more meaningful comparison of Q2 performance, we have presented growth on a comparable basis, excluding the divested business, and on an organic basis, further excluding acquisitions and network expansion, on slide 8 of our investor presentation. The underlying performance demonstrates that both our established businesses and recently acquired operations continue to contribute positively to overall growth.

Moving to our operating segments, let me start with passenger vehicles. We witnessed healthy growth across entry-level, premium, and luxury vehicles, supported by festive demand. The Arena portfolio continued to benefit from improved affordability and the recovery in entry-level vehicle demand, while the Nexa portfolio maintained healthy momentum, reflecting increasing customer preference for premium offerings. While volumes grew across categories, relatively strong growth

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in premium and luxury vehicles contributed to higher income growth and an improved sales mix.

In the luxury segment, JLR continued to perform well, while the addition of Audi further strengthened our portfolio and market presence. Together, these brands provide a strong platform to expand our luxury vehicle business and develop associated service and aftermarket opportunities over time.

Coming to commercial vehicles, the business maintained healthy growth during the quarter, supported by our existing operations and contributions from the expanded network in Punjab. Despite certain macroeconomic challenges, overall demand remained healthy. As discussed earlier, expanding our commercial vehicle business is an important part of our strategy to diversify revenues across OEMs, vehicle categories, and geographies. However, commercial vehicles typically operate at a relatively lower EBITDA margin compared with certain other businesses. Consequently, as the contribution to our revenue mix increases, consolidated EBITDA margins can be moderated even while the business contributes positively to absolute EBITDA growth. We view this as a natural outcome of our diversification strategy. Focus remains on strengthening CV service operations, improving utilization, and driving greater operating efficiencies.

Moving to electric vehicles, we continue to witness strong growth, supported by Ather's expanding product portfolio, recent launches, and growing customer acceptance. Demand in the electric vehicle two-wheeler segment remains encouraging across both our existing network and newer markets. Our wider dealership presence has also strengthened market penetration and customer reach. Importantly, the growing installed base of Ather vehicles is translating into higher service volumes and workshop visits, creating a meaningful recurring after-sales opportunity as the business continues to scale.

Coming specifically to our after-sales business, this was one of the more encouraging developments during the quarter. Service volume growth gained momentum, supported by our existing operations and acquired dealerships. On a reported basis, overall service volume increased approximately 88% year-on-year in Q2 FY27. Comparable growth also improved from the previous quarter, indicating strengthening service activity across our network.

Within passenger vehicles, service throughput improved across existing and acquired locations. While reported volume growth remains moderate, service income grew at a healthier pace, supported by better realization and a higher contribution from high-value service jobs. Our luxury service business also performed well, supported by healthy JLR workshop activity and the addition of Audi. In commercial vehicles, increasing vehicle complexity and sophistication are supporting service intensity and workshop revenues, while our expanded network across both platforms provides further opportunities to improve throughput. Similarly, EV services continue to benefit from the expanding Ather vehicle park, supporting higher workshop visits and service income.

Overall, we are pleased with the improvement in service momentum and expect this trend to continue. Service repairs, spare parts, and accessories provide recurring, higher-margin revenue opportunities as workshop utilization improves and the growing vehicle base flows into our service network. We expect after-sales to play an increasingly important role in improving overall profitability.

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Coming now to our acquisitions, we are approximately a year into our two major acquisitions—the BharatBenz dealership operations in Punjab and the Maruti Suzuki dealership operations in Telangana. I'm pleased to share that the integration of these businesses has progressed very well. Our initial focus was on stabilizing operations, integrating systems and processes, strengthening teams, and improving customer engagement. With this phase largely complete, these businesses are now delivering healthy growth as operations scale up.

New vehicle sales have scaled up relatively faster, while service operations are also showing encouraging progress, as mentioned earlier, with significant headroom for further growth. Importantly, acquisitions and network expansion continue to contribute positively to our overall performance alongside healthy growth from our existing business. Our next priority is to realize the full operating potential of these investments by improving dealership productivity, increasing workshop throughput, and translating the expanded scale into sustainable profitability.

Moving to network expansion and newer business initiatives, we continue to strengthen our presence across vehicle sales, service, and the broader aftermarket. During the quarter, we commenced operations at a new Maruti service center at Kachiguda and a Tata Motors commercial vehicle center at Kannur, both in Kerala. Our BKT tire distribution is another important initiative, allowing us to leverage our established distribution infrastructure, warehouses, and customer relationships to expand our presence in the passenger car and two-wheeler radial tire segment.

Another significant development was the commencement of full-scale commercial operations of Yannick. Yannick is our B2B e-commerce marketplace for automotive spare parts, operated through SpareX Digi Solutions Private Limited, a step-down subsidiary of the company. The platform offers more than 13,000 verified automotive spare parts to spare-parts dealers and independent garages. We see Yannick as an opportunity to extend our existing spare-parts distribution capabilities into the digital ecosystem, reach a wider customer base, and develop a more scalable aftermarket business. While these two initiatives are at an early stage, we believe they have the potential to become meaningful growth drivers over time.

Coming to inventory and working capital, given the nature of the market and the automobile dealership business, inventory levels typically remain elevated during the festive season. We strategically build up vehicle inventory—first, to ensure availability across our dealerships and meet anticipated customer demand, and also to negate the price increases that may happen during the festive period. This resulted in higher inventory levels and a sequential increase in borrowing. Nevertheless, new vehicle inventory days stood at approximately 41 days compared with 44 days in the corresponding period last year. As the festive season draws to a close, we expect inventory levels to gradually normalize over the coming months.

Coming to profitability, we are encouraged by an improvement in operating earnings during the quarter. EBITDA increased approximately 57% year-on-year to Rs. 77.7 crores in Q2, while H1 FY27 EBITDA grew approximately 70% to Rs. 149.8 crores. As highlighted earlier, the increasing contribution from commercial vehicles influences our consolidated EBITDA margin profiles. Nevertheless, we remain focused on growing absolute earnings and improving profitability across all segments. Additionally, depreciation and finance costs associated with acquired operations continue to impact profitability below EBITDA. However, with service volumes gaining momentum

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and acquired businesses moving towards optimal utilization, we see meaningful opportunities to improve operating leverage and profitability over the coming quarters.

Separately, I would like to briefly address the recent promoter family settlement. Our promoter family recently concluded an amicable family settlement, under which Mr. John Paul has stepped away from the company businesses effective October 1, 2026, to pursue independent opportunities. His shareholding will be transferred in phases to the continuing promoters by December '29. The company will continue under the leadership of Mr. Francis Paul and myself, with no change to our day-to-day operations, OEM partnerships, or growth plans, ensuring continuity in the company's strategic direction.

Looking ahead, our priorities for the remainder of FY27 remain clear. First, we will continue building on the healthy demand momentum across our existing businesses, supported by our wider OEM portfolio and expanded geographic presence. Second, we'll focus on bringing our acquired businesses to their optimal operating scale, particularly by increasing service throughput and improving workshop utilization. Third, we will continue strengthening our after-sales and spare-parts businesses while scaling newer initiatives such as Yannick and BKT distribution to diversify our revenue streams.

With our acquired operations continuing to scale up, we believe H1 FY27 marks an important turning point in our profitability trajectory. We expect earnings momentum to strengthen progressively over the coming quarters, supported by higher service volumes, better operating efficiencies, improved utilization, and a greater contribution from recurring revenues. We remain on track to achieve our earlier FY27 revenue growth guidance of 20% to 25% over FY26 and expect to end the year financially profitable.

To conclude, the first half has been encouraging, not only in terms of revenue growth but also in the progress made in integrating our acquisitions, strengthening the service business, and developing new revenue opportunities. We now have a broader geographic presence, a more diversified OEM portfolio, and an integrated platform across new vehicle sales, service, and the aftermarket. Our focus going forward will be on enhancing the productivity of these expanded platforms, improving profitability, and creating sustainable long-term value for our stakeholders.

With that, I would now like to hand over the call to Abraham, our CFO, to take you through the operational and financial performance for the quarter and the first half in greater detail. Thank you.

Abraham - CFO: Thank you, Naveen, and good morning, everyone. I also hope you and your families had a wonderful Diwali, and I wish you all a happy and prosperous year ahead. I will now take you through the operational and financial performance of the company for Q2 and H1 FY27. Before I begin, please note that Honda and Piaggio were part of our operations only until August 2025. Accordingly, the reported year-on-year performance reflects the impact of these divestments as well as acquisitions and network expansions undertaken during FY26. The comparable and organic growth figures are provided separately in our investor presentation.

Let me start with our operational performance. In passenger vehicles, including luxury, new vehicle volumes stood at 11,818 units in Q2 FY27, registering growth of 39% year-on-year, while total income increased approximately 48% to Rs. 987 crores. For H1 FY27, new vehicle volumes

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increased 57% to 22,293 units, while total income grew 59% to Rs. 1,822 crores.

Coming to passenger vehicle services, volume increased approximately 5% year-on-year to 196,652 units in Q2 FY27, while service income grew approximately 22% to Rs. 181 crores. For H1 FY27, service volumes remained broadly stable at 387,453 units, while income increased 17% to Rs. 356 crores.

Moving to commercial vehicles, new vehicle volumes stood at 3,549 units in Q2 FY27, up 27% year-on-year, while total income increased 29% to Rs. 561 crores. For H1 FY27, new vehicle volume increased approximately 34% to 7,044 units, while total income grew approximately 31% to Rs. 1,145 crores. In commercial vehicle services, Q2 volumes increased approximately 9% year-on-year to 54,906 units, while service income grew approximately 15% to Rs. 100 crores. For H1 FY27, service volumes increased 12% to 107,553 units, while income grew 29% to Rs. 207 crores.

Coming to electric vehicles, new vehicle volumes increased 115% year-on-year to 3,685 units in Q2 FY27, while total income grew 124% to Rs. 63 crores. For H1 FY27, new vehicle volumes increased 131% to 7,015 units, while total income grew 123% to Rs. 118 crores. EV service volumes also recorded strong growth, increasing approximately 59% year-on-year to 15,792 units in Q2 FY27, while service income grew approximately 64% to approximately Rs. 4 crores. For H1 FY27, service volumes increased 59% to 29,024 units, while service income grew approximately 38% to approximately Rs. 6 crores.

Overall, the operating performance reflects healthy growth across new vehicle sales alongside improving service momentum across our businesses. Moving now to the consolidated financial performance, revenue from operations for Q2 FY27 stood at Rs. 2,088 crores, registering growth of 36% year-on-year compared to Rs. 1,535.7 crores in Q2 FY26. On a sequential basis, revenue increased approximately 10%. For H1 FY27, revenue from operations increased approximately 40% to Rs. 3,983.9 crores compared to Rs. 2,851.2 crores in the corresponding period last year.

Reported EBITDA for Q2 FY27 increased approximately 57% year-on-year to Rs. 77.7 crores compared to Rs. 49.5 crores in Q2 FY26. EBITDA margins also improved to 3.7% from 3.2% in the corresponding period last year. On a sequential basis, EBITDA increased approximately 8% compared with Rs. 72.1 crores in Q1 FY27. For H1 FY27, EBITDA increased approximately 70% year-on-year to Rs. 149.8 crores compared with Rs. 87.9 crores in H1 FY26. EBITDA margin improved to 3.7% from 3.1% in the corresponding period last year.

I would also like to highlight that other income in Q1 FY27 included a one-off benefit of approximately Rs. 5.4 crores arising from a lease modification relating to our Telangana operations. Excluding this one-off, Q1 FY27 EBITDA would have been approximately Rs. 66.7 crores compared to Rs. 77.7 crores in Q2 FY27. This represents an underlying sequential EBITDA improvement of approximately 16%. Similarly, excluding this benefit, H1 FY27 EBITDA would have been approximately Rs. 144.4 crores, reflecting growth of around 64% year-on-year. This indicates a meaningful improvement in operating performance even after adjusting for the one-time income.

Profit before tax and exceptional items for Q2 FY27 improved to Rs. 4.3 crores compared with a loss of Rs. 3.6 crores in Q2 FY26. For H1 FY27, PBT before exceptional items stood at Rs. 6.1 crores compared with a loss of Rs. 14.7 crores in H1 FY26. To provide a clearer perspective on profitability

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after considering the acquisition and divestment effects, adjusted PBT before exceptional items stood at Rs. 18.6 crores in Q2 FY27 compared with reported PBT of Rs. 4.3 crores. Similarly, for H1 FY27, adjusted PBT before exceptional items stood at Rs. 29.8 crores compared with reported PBT of Rs. 6.1 crores. It's also important to note that Q2 FY26 included an exceptional gain of approximately Rs. 15.3 crores arising from the divestment of two subsidiaries, which impacts the comparison of reported profit before tax.

Coming to profit after tax, PAT for Q2 FY27 stood at Rs. 2.2 crores compared with Rs. 0.6 crores in Q2 FY26. For H1 FY27, PAT improved to Rs. 3.6 crores compared with a loss of Rs. 8.2 crores in the corresponding period last year. Coming to cash PAT, it stood at approximately Rs. 43.6 crores in Q2 FY27 compared with Rs. 28 crores in Q2 FY26, reflecting growth of approximately 56% year-on-year. For H1 FY27, cash profit after tax increased approximately 84% year-on-year to Rs. 84.5 crores compared with Rs. 46 crores in H1 FY26, reflecting the improvement in earnings performance.

Coming to the state-wise revenue contribution for Q2 FY27, Kerala accounted for approximately 50% of our revenue, followed by Tamil Nadu at 32%, Karnataka at 14%, Telangana at 7%, Maharashtra at 5%, Punjab at 2%, and Andhra Pradesh at 0.4%. Importantly, despite the strong festive demand during Onam in Kerala, its revenue contribution remained around 50%, reflecting healthy growth across our other operating markets. This is an encouraging development and demonstrates the progress we are making towards a more geographically diversified revenue base.

Coming to recent awards and recognition, our subsidiary Popular Vehicles & Services Ltd. received multiple recognitions across Kerala, Tamil Nadu, and Maharashtra for customer satisfaction, accessory performance, and operational excellence. These include MSIL's customer satisfaction awards, Q1 Platinum recognition, and the Pine Labs Best Performer Award, reflecting our continued commitment to customer service and operational excellence.

Coming to other developments, CRISIL reaffirmed the credit ratings of Popular Vehicles & Services Ltd. and its subsidiary Popular Mega Motors at CRISIL A/Stable for long-term facilities and CRISIL A1 for short-term facilities. CARE Ratings reaffirmed the CARE A-/Stable and A2+ ratings of Popular Autoworks and assigned a new CARE A-/Stable rating for additional facilities. Further, Popular Mega Motors received the Great Place to Work certification for a second consecutive year, achieving an impressive trust index score of 95%, reflecting our continued success in employee engagement and organizational culture. That is from my side. Now, I would like to open the floor for questions and answers.

Operator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Raj Mehta with Wisdom Advisors. Please go ahead.

Raj Mehta – Wisdom Advisors: Hi, good morning, and thanks for the opportunity. Sir, how are Yannick and the BKT tire distribution business performing so far, and what revenue and profit contribution do you expect from these businesses for FY27 and also over the next 2-3 years?

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Management: In FY27, we don't expect any profit contribution from Yannick; we've just started. We have onboarded approximately {? 3-4 ?} sellers on the platform and about 600-odd workshops and mechanics. This process will continue over Q3 and Q4. I expect it to contribute meaningfully to the EBITDA margins, etc., in FY28. BKT Tyres has also just started operations, so this year there wouldn't be any contribution. Next year, as BKT scales up its production, we are expecting a much higher contribution from both the two-wheeler and four-wheeler passenger vehicle tires.

Raj Mehta – Wisdom Advisors: Understood. And sir, one more question: could you share or give us a flavor of how retail sales performed during the festive period, especially from Onam through Diwali?

Management: Thank you, Raj, and thanks for the question. In terms of Onam, of course, we did mention earlier that we've had a bumper festive season. If you look at Maruti, if you look at our standalone business, we've had handsome growth of 44-odd% in the Maruti business. The electric vehicles business, of course, gathered a lot of momentum. Despite whatever supply constraints we've had, we've had growth of more than 115% on a quarter-on-quarter basis. The same goes for commercial vehicles. Our Tata Motors as well as BharatBenz businesses experienced double-digit growth. Of course, the luxury segment, as we've been mentioning earlier as well, has seen good, handsome double-digit growth.

If we specifically look at October, since last year's festive base did begin in October, we've seen double-digit growth across all segments: passenger vehicles, commercial vehicles, the luxury segment, and the electric two-wheeler segment. So, specifically for Onam and October, we've continued to see double-digit growth. I hope that answers your question, Raj.

Raj Mehta – Wisdom Advisors: Yes, certainly. Sir, one last question from my side: what is the EBITDA margin outlook for H2 FY27 and FY28, particularly given the increasing contribution from our CV businesses?

Management: So, as of now, the EBITDA margin stands at {? 3.7% ?} [inaudible] [trails off]

Naveen Philip – MD & Promoter: ...profit, 3.7%. We expect this to continuously increase because, if you look at each of our segments, we've started—if you look at Q2 FY25, we have been able to increase our EBITDA margins across most of the segments, including commercial vehicles, by about 1% across most of the segments. So, we continue to move up the EBITDA margin percentage. This year, we'll probably end up around 4%, 4.2%. Next year, we are looking at closer to 4.5%, 4.6% as the EBITDA margin.

Raj Mehta – Wisdom Advisors: Okay, thank you so much, and all the best. That's it from my side.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question. The next question comes from the line of Harsh with Helios. Please go ahead.

Harsh – Helios: Hello, sir. Good morning. When I look at the financials in FY24, we earned around 80 crores from insurance commission. Given that there is now a draft paper on insurance commission regulations, can you comment on what sort of impact is likely from this paper? Secondly, can you also comment on what the initial conversations have been like with the OEMs with respect to

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compensating for the same if there is an impact?

Naveen Philip – MD & Promoter: Both OEMs and FADA have taken this up with the insurance regulator, the IRDA, and there is a continuous conversation going on, both in terms of what the impact would be and especially given that, unlike health or other life insurance, the auto dealer actually participates in repairing the vehicle through the insurance agent and also through the auto repair facilities. So, there is a much more meaningful contribution as such. There is a conversation going on both with the IRDA as well as with each OEM as to what the impact could be and how it would be compensated in terms of vehicle margins and other revenue streams as such. It is too early to comment on how the compensation or how it will play out until the new draft rules or the new rules come out.

Harsh – Helios: Okay, got it. But is there a threat to our FY27 guidance of around 4.5% margin if there is an adverse verdict?

Naveen Philip – MD & Promoter: No. The reason is that there are more than 4,500 passenger vehicle dealers, and all the dealers have raised this issue with both the IRDA and the OEMs. Obviously, since it is a very meaningful number for EBITDA and the bottom line, both the OEMs and the IRDA have understood its impact. So, we feel that one way or the other, we will get compensated on this account.

Harsh – Helios: Okay, got it. Thank you.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question. Ladies and gentlemen, as there are no further questions, we have reached the end of the question-and-answer session. I now hand the conference over to Mr. Naveen Philip for closing remarks.

Naveen Philip – MD & Promoter: Thank you, everyone, for joining us today and for your questions. We are encouraged by our performance during the first half and remain focused on scaling our operations, strengthening the after-sales business, and improving profitability. We sincerely appreciate your continued interest and support. Once again, wishing you and your families a very happy Diwali and a prosperous year ahead. Thank you, and have a great day.

Operator: Thank you. On behalf of Popular Vehicles & Services Ltd., that concludes this conference. Thank you for joining us. You may now disconnect your lines.

Management: Thank you. Thank you.

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