Landmark
You drive us

November 18, 2024

To,	To,
The Secretary,	**The Secretary,**
BSE Limited,	**National Stock Exchange of India Limited**
P. J. Towers,	Exchange Plaza, C-1, Block- G,
Dalal Street,	Bandra Kurla Complex, Bandra(E)
Mumbai- 400 001	Mumbai – 400 051
Scrip Code – **543714**	Symbol – **LANDMARK**

Dear Sir/Madam,

Subject: Transcript of Earnings Call with Analysts/Institutional Investors/Funds – pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations")

Ref: Intimation of earnings conference call vide letter dated 6th November, 2024

This is further to our letter dated 6th November, 2024 wherein we had given advance intimation of the earnings conference call scheduled to be held on Tuesday, 12th November, 2024 with several Analysts/Institutional Investors/Funds with respect to discussion on the un-audited standalone and consolidated financial results of the Company for the quarter and half year ended on 30th September, 2024.

In compliance with the SEBI LODR Regulations, please find attached the transcript of the earnings conference call held on Tuesday, 12th November, 2024.

We hereby further inform you that the aforesaid transcript is available on the Company's website at: https://www.grouplandmark.in/investor-relation.html

You are requested to take the above information on record.

For Landmark Cars Limited

AMOL ARVIND RAJE

Digitally signed by AMOL ARVIND RAJE
Date: 2024.11.18 17:57:03 +05'30'

Mr. Amol Arvind Raje
Company Secretary and Compliance Officer
(A19459)
Encl: Transcript of Q2FY25 Earnings Conference Call.

"Landmark Cars Limited Q2 FY25 Earnings Conference Call"

November 12, 2024

E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on November 12, 2024, will prevail

MANAGEMENT: **MR. SANJAY THAKKER – PROMOTER AND EXECUTIVE CHAIRMAN AND, LANDMARK CARS LIMITED**
MR. ARYAMAN THAKKER – EXECUTIVE DIRECTOR, LANDMARK CARS LIMITED
MR. SURENDRA AGARWAL – CHIEF FINANCIAL OFFICER, LANDMARK CARS LIMITED

MODERATOR: **MR. CHIRAG JAIN – EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, welcome to the Q2 FY '25 Results Conference Call of Landmark Cars hosted by Emkay Global Financial Services.

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 the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Chirag Jain from Emkay Global Financial Services. Thank you, and over to you, sir.

Chirag Jain: Thank you, Del. Good morning, everyone. On behalf of Emkay Global, I would like to welcome you all for the 2Q FY '25 Earnings Conference Call. Capital of Landmark Cars Limited.

Today, we have with us from the Management team, Mr. Sanjay Thakker – Promoter and Executive Chairman; Mr. Aryaman Thakker – Executive Director; Mr. Surendra Agarwal – Chief Financial Officer, and SGA, their IR partners.

We will begin the call with brief “Opening Comments” from the Management Team followed by the Q&A session. Over to you, Sanjay Bhai.

Sanjay Thakker: Thank you, Chirag, and thanks Emkay team for hosting us. The “Results” and the “Presentations” are uploaded on the stock exchanges and on the company website. I hope everyone has had a chance to look at it.

Let me start by talking about the macro environment in the last few months:

Globally, the auto industry has been going through trying times. There is a considerable amount of turmoil globally as many companies grapple with shifting consumer preferences. There are parts of the world where EVs are gaining momentum and there are regions where EV adaptation has not been as strong as expected.

I was recently in Cape Town for a global conference of dealers across the world. I can say that the only bullish noise that came was from the Indian corner. The Indian auto market hit a temporary pause button in the last quarter and de-grew year-on-year as well as quarter-on-quarter. This compounded with increased production and the ambitions of the OEMs led to significant overstocking and discounts at retail level. According to FADA, the dealer's association, stock levels of PV dealers went above 85 days in September.

I am happy to say that we at Landmark have utilized this last quarter rather well. We have completed practically all the projects that we had aimed to complete well within time. To complete 21 projects across India with different brands and to operationalize them simultaneously gives me immense confidence in our team for the future. It may be noteworthy to note that we executed these projects from internal cash flows without raising long-term debt or equity.

We embark upon several cost control measures with the objective of reaching the 4% target of manpower cost as well as other costs. We have kept our inventory in strict check. I am happy to report that our new car inventory has remained approximately 41 days similar to last quarter and half of the industry average.

The month of October has been a blockbuster month for the industry with the highest ever retail of 4,84,000 passenger cars, which is approximately 32% higher year-on-year. For us, the month has seen a 45% increase year-on-year as what we have reported in our presentation. The second half of the year, which also has more marriage dates, looks to be more promising.

The market is clearly moving in the direction of premium and luxury cars. Landmark cars has operationalized all the locations at the right time. The new model launches by the partner OEMs have also been very successful.

Aryaman will give you more details about that. Aryaman?

Aryaman Thakker: Thank you.

In Quarter 2 FY '25, our revenue performance was good, driven by our multi-brand offerings and some of the newer locations ramping up. As shared by our Chairman, Landmark has successfully been able to manage inventory levels significantly below the national average. We have proactively taken this call while choosing to forego certain margins.

In Q2 FY '25, we successfully operationalized 11 new facilities, Kia Kolkata, Honda Jaipur, the additional outlet of sales for BYD Mumbai, Mercedes-Benz Hyderabad (after sales) and MG Motors Mumbai (after sales) were operationalized.

In quarter 3 FY '25, we have already started operations of 6 new facilities. Kia Hyderabad started in October and Mahindra Hyderabad has started in November. These locations will start contributing positively to the group over the next few quarters. Across most of our partner OEMs, we have seen multiple new launches, which will positively contribute in H2.

Let me now provide a brief update on our partner OEMs and the performance. Mercedes-Benz India registered a 21% year-on-year growth in the period under consideration and are on track to have their best ever year in India yet.

The new E-Class, which has been launched recently, has received an outstanding response. The E-Class is the highest selling model for Mercedes in India and accounts for approximately 30% of their sales volumes. Landmark continues to be their largest partner with close to 16% market share.

We are in the process of further increasing our footprint with Mercedes-Benz as we have received the letter of intent for the states of Jharkhand as well as Bihar with operations expected to start towards the end of the financial year. We believe that these states will be long-term growth stories.

Based on VAHAN registrations, Mercedes-Benz grew at 30% year-on-year in October. They have regained their growth momentum and increased their market share in the luxury segment.

JSW MG Motors recently launched the all-new Windsor EV. In its first month of sales, it has already become the highest-selling electric car model in the country and we are already seeing long wait times for this product. Landmark is already at a 4.2% market share for MG as of Q2 and are taking all efforts to reach our expected target of 5% by the end of the year. The Windsor is the first of multiple new model launches planned for India with MG Motors having an aim to sell 300,000 cars by Financial Year '28, which is almost 5x the current numbers.

For Mahindra and Mahindra, the new Thar Roxx has been a blockbuster launch with long wait times from day 1. The company is also going to unveil the first of the newborn electric cars later in the month. We believe that our entry into Mahindra and Mahindra has come at the correct time as they will continue to outpace the industry growth into the future.

Our operations for Kia Hyderabad which started in October and are already ramping up. The new Carnival has been very well received and is already sold out for 6 months. The next big volume model of Kia is expected to be launched in the next few months. Kia will start contributing to our group business as expected and positively over the next few quarters.

The recent launches of BYD have also met with a great response. The homologated Atto-3 has a 2 to 3 month wait time and the new eMax7, which was launched a month back, is already sold out till the end of the financial year. We have received the LOI to open a new sales outlet in Faridabad, which will be operationalized in the ongoing quarter.

For Jeep, the new face lifted Meridian has been launched at a reduced price and is already showing promise. The new Honda Amaze is to be launched soon, and we are optimistic about its performance in the markets that we represent.

The After Sales business will ramp up as the new brands and locations stabilize and begin to contribute meaningfully over the next few quarters.

For the pre-owned car business, we have taken a proactive decision to not be aggressive in buying and selling of our own brand cars till the time the prices of new cars do not stabilize.

October has been a strong month for new car sales, driven largely by the boost of the festive season. Industry has grown at 32% while Landmark has grown at 45% year-on-year as shared earlier.

The long-term outlook for the private car industry, especially the luxury and premium car segment, remains positive with sustained growth anticipated. Landmark is well-positioned to actively contribute to and benefit from this growth trajectory aiming to capture a significant share of this expanding market.

I will now hand it over to our CFO – Surendra Agarwal, to take us through the financial highlights. Thank you.

Surendra Agarwal: Thank you, Aryaman. Allow me to share some "Key Performance Metrics" that will represent how we perform in the quarter under consideration.

We consistently lead in volume contribution across various OEMs bringing meaningful outcome to each partnership including our three new partners, M&M, MG, and Kia.

In the quarter under consideration, our new car proforma sales was around Rs. 1,039 crore across all our OEM partners and after sale revenue was Rs. 229 crores. Our total proforma revenue for the quarter stands Rs. 1,268 crore as compared to Rs. 1,120 crore in the same quarter of the previous year with a growth of 13.2% year-on-year.

The gross profit for the quarter is Rs. 167 crore with a 13.2% margin on pro forma revenue as against a gross profit of Rs. 162 crore in Q2 FY '24 with a 14.5% gross margin. The lower gross margin is due to our effort to keep inventory under control where we forgo some wholesale incentive and prevailing discount in the market.

The newly opened facilities, including the workshop, have not reached their optimum utilization, impacting the margin. However, with the improving ramp-up, we expect the margin to increase in the quarters to come.

In spite of these challenges, we are happy to report EBITDA of Rs. 54.8 crore versus Rs. 49.8 crore in the previous quarter and Rs. 57.1 crore in Q2 FY '24.

As highlighted in the presentation, we have opened 12 new facilities in Q2 FY '25. Due to addition of these facilities, there is an increase in investment in infrastructure and up-fronting of operating costs. The finance cost increased mainly as we had to hold an initial inventory for new outlet that we have started as well as CAPEX. However, the company has capped the new car inventory of existing business under control to 41 days, significantly below the 80 to 85 days industry average.

With multiple outlets that are open in the current year, the depreciation has increased, the Ind AS impact and onetime write-off of fully exiting our presence in Punjab with Renault. ESOP grant in Q1 has resulted in PAT dropping sequentially.

With this, I would like to hand over the call to moderator to open up floor for questions. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Pranay Roop Chatterjee from Burman Capital Management. Please go ahead.

Pranay Roop Chatterjee: Sir, my first question, I think I have asked this a couple of quarters back. Do you guys tabulate something called SSG or just try to separate out whatever growth you have shown during quarter, how much is it from, let's say, outlets that was there one or two quarters back versus contribution from new outlets?

Sanjay Thakker: Yes, so we as of now are not reporting that type of same stores growth, but we have made some move towards doing it by bifurcating new and old to give an idea to people.

Pranay Roop Chatterjee: Any number you can share with us?

Sanjay Thakker: In the presentation, we have in page, what page is it?

Surendra Agarwal: 18 number.

Sanjay Thakker: Page number 18, we have done that, Pranay, of our presentation. I will be happy to share it with you.

Pranay Roop Chatterjee: Next is, I was looking at your after sales. Can you disclose how much was the after sales GM during this quarter?

Sanjay Thakker: After sales? Gross margin, you are saying?

Pranay Roop Chatterjee: Yes.

Sanjay Thakker: Surendra, would you like to take this?

Surendra Agarwal: After sales, gross margin for the quarter, I will just let you know, is 41.6%.

Pranay Roop Chatterjee: Just to confirm, this last quarter, it was 38.5, right?

Surendra Agarwal: Yes, it's better in this quarter, Yes. Last quarter, it was 40.7%, Pranay, in Q1. Last year, same quarter, it was 41.8%. This year, in this quarter, is 41.6%.

Pranay Roop Chatterjee: I see, great. Sir, after sales, my last question is on after sales revenue. We have had several discussions around this, and I understand the various triggers like there is some sort of indirect relationship with new car sales, a lagged relationship sort of, and then there is a seasonal effect also. But if I take the average of the Y-o-Y growth in the last seven, eight quarters, it's around 30%-40%, right? So, what should be the trigger for your after sales business to return to a higher growth trajectory? Is it fair to say that when the new outlets start wrapping up, both on the new and service side, maybe we will see something in the 20s, that's how the business will evolve?

Sanjay Thakker: Pranay, you are right. What has happened is that in our last 25 years history, a similar kind of bits and spurs keep on coming, as and when we add new brands and new workshops. In our case, the workshops, a lot of workshops have just started or about to start and that will meaningfully contribute towards the after sales growth. So, we are as of now thinking that this growth will return to our long-term average, but it is difficult to track this on a few quarters period. Over a period of time, we have demonstrated this growth, and we believe that it will return there, mainly because of the new workshop additions where the existing car park is already there.

Pranay Roop Chatterjee: And finally, I think you have made great progress on the other expense side in terms of bringing it down. I think absolute basis, it's flat. Quarter-on-quarter, it's down, and it's I think at around almost 4% of pro forma revenue. On the employee expense side, anything left, any low-hanging fruits you have left to do? Because I think as a percent, obviously the revenue environment is not supportive as of now, but despite that, any low-hanging fruit to further reduce this employee expense? So, I think it's still at around 4.8% of revenue.

Sanjay Thakker: Yes. So, Pranay, two things I will say. One is that we have made last quarter, we said that we are making a shared service company where all our back-office employees, which were give or take around 1,400 people are getting moved right now and where we will be able to kind of, we will have the fungible pool of after sales of support people, which will then reduce the cost because we will not need so many people.

The second thing is that the turnover that we are looking at will significantly increase. There is a frontloading of cost right now as far as employees are concerned as what we have shown on page 19 of our presentation where we need to have people on board a few months before the operations actually begin. So, that is where it is.

And just to give you an anecdote, the volumes also, you mentioned the word that the volumes are a little challenging. I really don't know because I was at our BYD showroom on Saturday in Bombay, and I didn't find a single salesperson and when I checked what had happened is that they were all giving test drives to customers. So, to depend, to kind of foresee the demand is a little challenging.

As you know, September to October there has been a great spurt. So, we are doing things possible, and we are holding our guidance of 4% on manpower also by exit. That's what we had said. I am happy that our other expenses have already trended towards it. Let's hope that the environment supports it.

Moderator: Thank you. The next question is from the line of Ritvik Mohnot from Tamohara Investment Managers. Please go ahead.

Ritvik Mohnot: My first question would be, so as we saw why is the ASP of our new vehicle sales falling given that the new sales growth from our base portfolio is mainly driven by Mercedes and BYD? So, is it like the impact of 600 odd vehicles that we sold for this MG Motors?

Sanjay Thakker: Yes, Ritvik, so there has been a marginal drop in the ASP. We are still some maybe 2.25x the industry average. We want to be in the premium and luxury end of the market. But yes, the portfolio mix, once we sell a few more of MG or Mahindra, that's where it will be. Hopefully, Mercedes getting back to the high growth trajectory will again push it out. So, that's a mathematical answer I would give, Ritvik.

Ritvik Mohnot: And also my second question would be, so is it rightly to say that the margin on MG Motors is on the lower side like in line with Kia and M&M?

Sanjay Thakker: See, what has happened is in the last quarter, we didn't make any money in these three brands and that is what we have put it up in the presentation. We are hoping that from October onwards, at least MG will be sold. Since you uttered the name MG twice, I am giving you that thing with the Windsor launch where there will be no discounting. There was some amount of inventory buildup across the network in MG where discounting was happening.

With the Windsor launch in October, things have changed quite a bit drastically. So, the volume has gone up at retail and the discounts are also kind of now disappearing. So, as time goes by, MG will become quite a good thing and the after sales revenue of MG is also for us ramping up pretty decently.

Moderator: Thank you. The next question is from the line of Sabyasachi Mukherjee from Bajaj Finserv AMC. Please go ahead.

Sabyasachi Mukherjee: I have few questions. First one, so Mercedes India have seen a very strong Quarter 2, right? Almost 21% volume growth. However, my calculation suggests that we have grown somewhere around mid to probably high single digit only in terms of sales value Quarter 2. Is there any product mix issue or something to do relative to commission?

Sanjay Thakker: No, Sabyasachi, what has happened is that our market share of Mercedes sales has remained more or less constant, which is between 15.5% to 16%. The numbers that are declared by Mercedes-Benz India also includes what they call the demo cars. So, that is in stock with us, and once they get sold, that will get reflected. So, our growth has been in line with what Mercedes' growth has been. There has been no significant deviation either way.

Sabyasachi Mukherjee: Oh, so, Mercedes reports also the demo cars as well in their sales.

Sanjay Thakker: All the guys do that. All the guys do that. So, sometimes the demo numbers keep on going up and down because they are not very large in numbers. A few 40, 50, 60 numbers all India will change the percentage here there. I will be happy to run it by you at some point.

Sabyasachi Mukherjee: Yes, maybe we can take this offline because 40, 50, Yes, 40, 50 number should not change the percentage too much.

Sanjay Thakker: No, no, I will explain to you, Sabyasachi.

Sabyasachi Mukherjee: Secondly on, I think this was asked by one of the previous participants as well. So, service revenue I am seeing the growth is somewhat tapering off. I mean, I am seeing a 8% Y-o-Y growth for Quarter 2, and if I look at, I mean, last three, four quarters, it has been constantly going down. I mean, 18% and 14, then 14, and then now 8%, and it is primarily driven by number of services as well. So, the number of services are also grown by 8%. No meaningful change in the average relation per service. May I know what is happening?

Sanjay Thakker: Yes, so what happens, Sabyasachi, is that one thing that you are aware of is that the Kia, Mahindra, and MG workshops are yet to kind of contribute meaningfully, which they will from this and the next quarter. What is also, I am explaining the details to you, there are brands like Honda where the number of cars sold in the year 2015 or '16 was higher than what was sold in '21 and '22. So, the number of our target audience is, say, around 8 years, 7-to-8-year cars come to the workshop. So, for some brands the cars getting out is more than the cars coming in.

Also on a kind of a one-off thing when we were examining this, what came out was that the COVID period, which is where in '21, industry did not sell any cars. So, generally, the 3–4-year cars are at the sweet spot where they come more for service, so which is lacking. But if you ask me personally and I am answering this question as I answer to Pranay, we believe that the growth will again go back to where we have begun. I wouldn't worry too much about it at this point.

Sabyasachi Mukherjee: Thanks for that clarification. Next question is, we have mentioned that October month has been very good, right, and the dealer association has also highlighted that. But just to understand, Sanjayji, if we look at October '23, it had the Shradh period, right? So, probably October to October numbers will look very good because the base was weak. If I may know what could be the festive-to-festive growth for us? That's the first day of Navratri to the Diwali. That 32-day period, what has been our growth?

Sanjay Thakker: So, Sabyasachi, if I am recollecting correctly, October was some 3,20,000 units that had happened. Just a second. I will need to fetch this festive data. I will have to look for it because I don't have it in front of me. But the base that you are talking about, October '23 was not a very small month. It was still some 3,20,000, which is my recollection. And September…

Sabyasachi Mukherjee: So, industry number is fine, but what would be our number? You would have some ballpark idea, right?

Sanjay Thakker: Yes. So, our turnover wise, what was there? We have said that we have grown 45%. Our base was not very low. October '23 was in line with our other months.

Sabyasachi Mukherjee: And so the inventory data that we have shown in the presentation is close to 41 days. Now, I would like to know what would be this number post the festive Diwali. Has it come down or?

Sanjay Thakker: It would. See, it would for the locations that were operational, will have come down. But we also added, say, as Aryaman just mentioned, a Mahindra outlet in Hyderabad. So, we have added inventory in Mahindra. So, on a group level, on a like-to-like basis, as what you may say, the stock has further come down, but for some new locations where the sales is yet to happen, it has got added.

Sabyasachi Mukherjee: So, why I am coming from is that, where I am coming from is cash flow. If I look at the cash flow from operations, I think there has been a meaningful improvement from last H1 to this H1.

Sanjay Thakker: Yes.

Sabyasachi Mukherjee: With most of the new outlets being opened, should we expect a meaningful improvement in the cash flows by FY '25 end and FY '26 as well?

Surendra Agarwal: Yes. If you look at the cash flow, most of the things is, the out cash flow is the investing activity, which is the CAPEX of the new outlet. But our operational cash flow has improved a lot. And we see that momentum will continue.

Sanjay Thakker: In fact, Yes, so Sabyasachi, in a bad environment, that's what I said in my earlier opening speech. I am very happy with the way we have kind of steered ourselves from this kind of a small turbulence, where we cut costs, we cut inventory, we generated cash, we did not borrow, we did not raise any capital, and we did what was right for the business. And now the capacities are all put. I believe that hopefully the headwinds will become neutral, and if not neutral, if the best is to have tailwinds, so the rest will be taken care of.

Sabyasachi Mukherjee: Last question from my side. So, there was a mention of the company has foregone some margins to maintain lower inventory. Could you please explain what has happened and do we expect in the future that this thing will go on or it is done?

Sanjay Thakker: So, what happens, Sabyasachi, is that every OE comes up with what is a wholesale target for the month. Now if you achieve it, you get extra margin. Now that extra margin could be anywhere between 1% to 2.5%. I am just giving up the ballpark. Different OEs have a different thing.

Now it is a voluntary thing. Now, since our inventory levels are lean and our line limits are open to buy, the retail and wholesale in our mind should be equal. There is no reason why we need to wholesale more cars. The OE targets have also started to come down because the other dealers are all choked, and people are kind of getting suffocated. So, the OE ambitions have also got tapered down. They have also realized that there is no point putting all these high targets. And I am hoping that normal business environment is with us now.

Moderator: Thank you. The next question is from the line of Rohit from SK Securities. Please go ahead.

Rohit: Compliments for the slide on a typical plan for a new auto retail outlet. It explains well the company's thought process. My question is how do you define your workshop capacity and what is the ideal workshop capacity and how do you want to ramp it?

Sanjay Thakker: So, Rohit, as I have told many people in the past, there are some businesses that you can draw on an Excel sheet and they come true. Now the workshop business is fortunately one of them. Now, how it works is that you need to figure out what is the units in operation or what we call the car park in that region. And then the workshop is divided into working bays. And each working bay has a turnaround time attached to it. For example, we are able to churn approximately 6 Honda vehicles per day, per bay, per shift. Now this is different for a Volkswagen. It is different for a Mercedes-Benz. I am just giving an example.

So, there is a science behind this. Our workshop capacity just, we are still working on like a 10-hour working for most of our workshops. We have capacity to do two shifts if need be. But as such many of our workshops are still hungry for more cars. We don't need more capacity.

Moderator: Thank you. The next question is from the line of Trusha from NM Securities. Please go ahead.

Trusha: I just want to know with our new brand, how are your agreement for margins and other terms? I just want to understand while our new OEM association is giving turnover, are they dragging our margins down?

Sanjay Thakker: The new brands are driving the margins down currently because our volumes have not picked up and the costs have been front loaded. The industry, Trusha, is working on a similar kind of new car margins and the spare parts margins are also more or less similar across the brands except for luxury brands. All the premium brands, they kind of benchmark their margins with each other. So, there is not that much difference in margin between one or the other brand.

Moderator: Thank you. The next question is from the line of Chirag from Emkay Global Financial Services. Please go ahead.

Chirag Jain: Sanjay, just a couple of things I wanted to ask you. So, you did mention that the current environment is obviously quite tough for the dealership community. I mean the entire auto industry is going through some challenges, and I think globally things are even worse. So, do we see some support coming from OEMs to the dealership community by way of, let's say, some additional margins or something of that sort? So, because globally if I see the ratings from Mercedes, JLR, I mean some of the OEMs, global OEMs, they do are indicating about additional support to the dealership community to survive the current challenges. So, anything that you are picking up from your OEM partners and even, let's say, the other brands probably if you can throw some light over there?

Sanjay Thakker: So, Chirag, I had interaction with the Global CEO of Mercedes-Benz Ola Källenius in Cape Town. I mentioned about this Cape Town. And the thing, the environment, yes, globally is very challenging. The support for India is not required for Mercedes-Benz because people are making money, the volumes are increasing. So, really, we are one of the shining beacons in the world where growth will come back and as Ola also in his speech keeps on referring to that the 21st century belongs to India.

Now as far as the other OEs are concerned, wherever the OEs are struggling, there is a kind of a support that and we have worked out. I will not be able to kind of quantify this on this call. But this is something that we routinely do where we ask for higher margins or fixed support in case of the business going south. This is a regular feature and my belief is that because lot of OEs want landmark more than they want the other dealers, the terms that we get are slightly more favorable than the other guys get.

Chirag Jain: And any trends that you can share, let's say, post festival or, let's say, November so far in terms of enquiries and how, let's say, December looks like? December would be a peak of month again in terms of retails because of year-end discounts.

Sanjay Thakker: So, Chirag, November historically has been one of the weakest months in auto industry, but it looks quite okay as of now in the markets which have opened up. For us Gujarat had a prolonged holiday, but I have been sitting in the Bombay showroom coming for work and I see a huge amount of traffic over here at least in Bombay that we are seeing. So, Bombay, Calcutta, Madhya Pradesh we are seeing a good amount of traction, Delhi. So, it doesn't look like that it has fallen off the cliff or anything. It looks like a decent month so far. So, it gives me encouragement. Early days. Only some week or maybe 5-6 days after we have kind of opened all the holiday, but it looks okay. It looks fine as of now.

Moderator: Thank you. The next question is from the line of Amar Kant Gaur from Axis Capital. Please go ahead.

Amar Kant Gaur: I had two or three questions. One, starting with the inventory, so you indicated that inventory at the end of the quarter was 41 days for us, right?

Sanjay Thakker: End of the quarter, Amar. Yes, for new cars.

Amar Kant Gaur: And what would it be currently after the end of festive season?

Sanjay Thakker: So, Amar, that's what I mentioned to somebody else. For those brands that were operational at the end of the quarter, it has fallen by another five, six days for us. But if you look at on a group level, it has gone back to where it is more or less because we started one or two new locations of Kia and Mahendra. So, that's why mathematical calculation keeps it same. But for like-to-like, it has fallen by another, say, 15% or so.

Amar Kant Gaur: So, it would be largely in line with what you typically have at the end of the festive season, or would it be slightly more or slightly lower?

Sanjay Thakker: No, I think we are comfortable with the inventory for existing brands. It is come back to normal levels. If you ask me, we are not, give or take. I mean, I would not like 35, I would like 30, but say when I accept that, we are good.

Amar Kant Gaur: And also could you indicate on the kind of discounts that are prevalent currently? Obviously, you indicated that you did not participate in a lot of the discounting and foregone some of the margins, but how are the margins trending currently, maybe sequentially, as well as compared to last couple of years, if you can indicate?

Sanjay Thakker: So, Amar, the OEs had increased their prices during COVID and when the demand was high and the supply was not that good, they kept on increasing the prices. Now there was no reason for them to continuously keep on increasing the prices. So, the OEs have opened their purse strings. One of the reasons why the industry had a bumper October was also that the OEs actually went all out to clear the inventory at dealer level by giving a huge amount of discounts. Now that worked.

Now most of the money is going out of the OE's pocket and not the dealer pocket. So, the discounts level are high. I believe they will be high for another quarter or so, not quarter, at least till January, because we have a year-end coming and December, as you know, always comes up with the best of discounts. So, I don't think anybody will remove anything in November. Let's see. Once January comes, we will know where we are.

Amar Kant Gaur: But definitely out-of-pocket discounts for the dealers would typically be lower sequentially, right?

Sanjay Thakker: No, people who are holding inventory may be desperate to kind of give it out and clear the thing. So, I can talk about, if you are asking the industry, I don't know whether the discounts would have gone away. We are not under pressure to give mad discounts. And as you know, in most of the places that we operate, we don't have a local level same brand competition. So, we hopefully will be better off here.

Amar Kant Gaur: And lastly, on your addition of Mercedes dealership in Patna, I do understand that there is another dealership nearby. The nearest dealership would be probably in Jamshedpur. So, what is the thinking there? I mean if you can throw some light on how the market is? Is it just your dealership that is present there? I am not sure if there is any other dealership in Patna. And how are the dynamics could work out, maybe near-to-medium-term for that particular business?

Sanjay Thakker: Yes, so it will be the first luxury car dealership in Patna. As you know, we are kind of a preferred partner by Mercedes-Benz because of the performance of the team. So, the area of operations that have been given to us is Jharkhand and Patna-Bihar both. I don't want to comment over here as to how things will pan out. Let's see over a period of time. Globally, the larger dealers have become larger. And there has been a lot of consolidation here.

Amar Kant Gaur: So, just a little bit on that. Are there no competing brands also present there? BMW, Audi, etc., are even not present there?

Sanjay Thakker: To the best of my knowledge, Patna, BMW may come in at some point or soon. As of now, there isn't a sales outlet, but it may be coming in soon. Ranchi has it for most brands. So, we will be operating in both brands. In fact, our advertisement for recruitment has also come in. We have finalized the property. So, as per our usual fast speed, we are moving quickly towards getting this done.

Amar Kant Gaur: And would you be having more than one touch point there, because catering to the entire two states from one location might be a little difficult?

Sanjay Thakker: Right now we are going to be putting in only in Patna and let's see how that goes, and Mercedes fortunately has now small formats which have come in which doesn't require much investment. In fact, they are one of the only OEs who are so much fixated on your breakeven point because our agreements basically, Amar, say that in case, God forbid, if we were to make a loss, that loss will be made good by Mercedes-Benz in sales operations. So, they don't want to open any outlet which doesn't make money.

Moderator: Thank you. The next question is from the line of Lokesh Manik from Vallum Capital Advisors. Please go ahead.

Manish Bhandari: Hi, this is Manish Bhandari. Sir, my question is related to this vehicle scrappage policy. I have been hearing in bits and pieces and touches. So, if you could enlighten me with your insight that how, where we are and what is more required for this vehicle scrappage policy to work on full throttle?

Sanjay Thakker: So, what has happened is that each state has come in with their own benefits. So, let me just first say that there is no compulsory vehicle scrappage policy as yet. It is a voluntary thing which is in place, which makes it a little bit of a slow starter to begin with because we Indians don't want to scrap anything.

Now there have been kind of advisories to the OEs by the Ministry asking for some incentives that the dealers should give, the OE should give if the vehicle is scrapped, which is still work in progress, nothing tangible. There are some policies which have happened but really nothing meaningful.

Each state has come in with their kind of incentive in RTO registration charges, where there is some kind of discount in registration charges if the vehicle is scrapped and that certificate is kind of produced. So, some states like Rajasthan have been proactive in that, but each state has a very different kind of environment.

Moderator: Thank you. The next question is from the line of Sahil Doshi from Thinqwise. Please go ahead.

Sahil Doshi: My question is related to one of the opening remarks made where you said we will go slow on the used car business. So, could you possibly talk about the rationale for the same and what's the environment like?

Aryaman Thakker: This is Aryaman here. I will elaborate a bit. So, what we meant is that with the new car prices also under a little bit of pressure with OEM discounts and all prevailing in the market, it will have a direct impact on the used car prices as well. So, therefore, we took a proactive decision to not buy aggressively used cars on our books and then possibly have some fluctuation in the price which may affect our margins. Therefore, till the time the market kind of rationalizes and the prices stabilize again, that is when we will once again push the pedal on our overall used car business.

Sanjay Thakker: So, it's a temporary pause. We want the prices to stabilize and the year-end to go.

Sahil Doshi: My second question is related to this new outlet which you have broken up and given that it takes three to four quarters to reach full potential. Is this same across brands or we see a different phenomenon and similarly in terms of geography when we go to say, Jharkhand, Orissa, etc., is the behavior likely to be similar as we would see in a metro?

Sanjay Thakker: I think this is a slide that our team has drawn up based on our past experience and the mix of a lot of brands and a lot of states over a period of time. I don't think anybody else has this sheet. This is a Landmark sheet that we have kind of done from our experience. So, I mean, sometimes you get lucky, and you start making money immediately, but this is a kind of a fair ballpark number to kind of go with. I mean, it can be one quarter ahead, it can happen, but sometimes, I believe, this is a fair assessment of what normally happens.

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

Sanjay Thakker: Yes, I think we covered it all in the opening comment itself, what we spoke, we kind of reiterate. Our fortune is linked with that of the Indian economy. And we believe that the number of HNI is increasing. We have seen the number of taxpayers above 1 crore which has reached 2 lakh.

We have seen very strong housing sales of high-end houses. So, it's a matter of time when the growth in luxury cars will be as strong. And we are well poised for that. We have done what it takes to build up capacity. Our team is a very sincere and smart team that we have. So, let's hope for good times in the ahead. Thank you.

Moderator: Thank you. On behalf of Emkay Global Financial Services, which concludes this conference. Thank you for joining us, and you may now disconnect your lines.