Landmark
You drive us

August 20, 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 8th August, 2024

This is further to our letter dated 8th August, 2024, wherein we had given advance intimation of the earnings conference call scheduled to be held on Wednesday, 14th August, 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 ended on 30th June, 2024.

In compliance with the SEBI LODR Regulations, please find attached the transcript of the earnings conference call held on Wednesday, 14th August, 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: 2024.08.20 16:11:56 +05'30'

Mr. Amol Arvind Raje
Company Secretary and Compliance Officer
(A19459)
Encl: Transcript of Q1FY25 Earnings Conference Call.

"Landmark Cars Limited

Q1 FY '25 Results 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 exchange on August 14,2024, will prevail.

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

MODERATOR: **MR. RAHUL DANI – MONARCH NETWORTH CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Landmark Cars Q1 FY25 Earnings Conference Call, hosted by Monarch Networth Capital. As a reminder, all the participants' 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.

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.

I now hand the conference over to Mr. Rahul Dani from Monarch Networth Capital. Thank you, and over to you, sir.

Rahul Dani: Thank you. Good morning, everyone. On behalf of Monarch Networth Capital, we're delighted to host the Senior Management of Landmark Cars.

We have with us Mr. Sanjay Thakker, Promoter, Chairman, and Executive Director of Landmark Cars, Mr. Aryaman Thakker, Executive Director, Surendra Agarwal, CFO, and SGA, the IR partners. So, without wasting much time, I'll hand over the call to Mr. Sanjay Bhai for his opening remarks. Thank you, and over to you, sir.

Sanjay Thakker: Good morning, everyone. Thanks, Rahul and Monarch, for hosting us. The results and presentations are uploaded on the stock exchanges and the company website.

I hope everyone has had a chance to look at it. Let me start the call by saying that I am satisfied by where we see our company today. From a macro perspective, various factors played out that affected the overall demand for passenger car vehicles in the previous quarter, keeping the market sentiment subdued.

During the last quarter, elections and related uncertainties affected customer sentiments, delaying purchase decisions. You may recall that the overall passenger vehicle industry de-grew a little after many years in the month of May and June. I am talking about all India numbers. This led to significant increase in inventory levels across board at the dealerships.

As per FADA, the new car inventory, FADA is our apex body of Federation of Automobile Dealers Association, the new car inventory levels reached 67 days for new cars by end of June, a big jump over the last quarter. I am happy to state that our company is in a significantly better position where we have in fact reduced our inventory over last quarter with a tight level of monitoring.

Our new car inventory stands at approximately 41 days. We were able to do that at the cost of some margin and earnings but we believe that we are in a very good position as we enter into the festive period. We have been emphasizing on a fair balance between OEs and the dealers.

Our company has continuously strived to be in a good position vis-a-vis its peers by being a dominant retailer for its OEs and have been able to get favorable treatment.

Another satisfying matter has been our timely completion of several projects that we had undertaken. We have completed 11 outlets before time and within the budget at capex and made them operational. You may refer to slide number 10 in our presentation for more details. We are confident that the balance projects will also be completed well within or before time. We are well aware that for a sustained profitable operation, our cost of operations needs constant monitoring.

We have taken internal targets of reducing our personal expenditure as well as other expenses to 4% each. We have embarked upon this journey with full vigour. We are forming a separate landmark shared services vertical housed under one of our subsidiaries where all our employees of our call centre, insurance, HR, accounts, drivers etc. will be housed and would work in a brand agnostic way. We expect sizable amount of saving in our manpower cost because of this one move alone.

I am happy to report that the personal cost for existing outlets have reduced over last year same quarter. We have also formed internal task forces to reduce our other expense like electricity, housekeeping and security, fuel etc. and we are seeing good traction to achieve our goal. The results of these initiatives should be visible in the coming quarters. There was a question on the quantum of front loading of expenses in case of new outlets getting operational. We have tried to address this issue by classifying our business as new and existing. We think that the business generally takes 3-4 quarters to normalize.

So, we have kind of defined what the new outlets are to take away that subjectivity. Had it not been for the newer locations, our profits would have been higher than the same quarter last year in spite of the last quarter being the most challenging quarter in recent times. The consumer sentiment which was low till July is improving this month onwards as the festive season nears and the seasonality kicks in.

Aryaman will explain why the coming quarters are looking better. In a nutshell, I feel satisfied with what we have achieved considering the external landscape and look at the future with optimism. Our fortune is strongly interwoven with the state of the Indian economy. Thank you.

Aryaman Thakker: Thank you. Let me give you all a performance update on some of our partner OEMs. Mercedes-Benz witnessed its best ever sales in H1 of calendar year '25 (wrongly said as “calendar year '25”. This should be read as calendar year’24 – 06.25) by selling 9262 cars in India, which was a 9% year-on-year growth. However, the ASP has increased by 22% year-on-year to INR66 lakhs now. Mercedes-Benz India have guided for a double-digit growth this year and it continues to maintain its leadership position in the Indian luxury car market. The company has a number of launches planned for the rest of the year including the all-new E-Class, which is the most successful Mercedes model in India.

The top-end vehicle sales continue to remain strong with a 25% contribution and with the Maybach models showing a growth of over 100% in this period. In BYD, post the homologation of the Atto-3 a few months ago the company has launched lower-priced variants starting at INR25 lakhs, which should lead to higher volumes.

The deliveries of the recently launched BYD Seal have also started in the last quarter. The response and demand for the car is encouraging. JSW MG Motors India is planning to launch five new products in the next year starting with the new MG Windsor soon.

Once all our new locations have stabilized, we are on track to become a prominent dealer for the brand. The brand has large ambitions to be the leading new energy vehicle player in India with an aim to sell 1 million new energy vehicles by 2030. Mahindra and Mahindra is a high-growth brand and will significantly outpace the growth of the PV market this fiscal.

The Thar Roxx, the four-door version of the Thar will be launched on Independence Day and is already garnering a lot of attention. They have an exciting model pipeline and an announced capex of further INR26,000 crores over the next three years. Our operations in Kolkata are ramping up and the outlets in Hyderabad will be operational soon.

For Kia, India is a long-term story and they are focused on building on the success they have had so far. The new Carnival and EV9 are planned for launch in the second half of FY '25. Our operations of Kia in Kolkata have started recently and Hyderabad will be following soon.

In Jeep, the OEM has floated attractive consumer schemes this month which has resulted in a boost in customer enquiries and bookings. We are expecting offers to continue for the remainder of the year which will help push volumes. However, we are still focused on taking corrective action wherever necessary.

We have made the Jeep facilities in New Bombay common with Renault and the showroom at Worli will be shared with BYD. We are exiting the remaining two outlets of Renault in Punjab as a result of our focus on healthy unit economics. In Mumbai, being the only partner for Renault, we have agreed with the OEM to provide us with financial support till the time the volumes increase.

The shared facilities with Jeep will help bring further efficiencies. The pre-owned car business has been performing well with a revenue of INR27 crores in the quarter and 69% year-on-year growth. We are confident of surpassing last year's performance. The after-sales performance remains stable and continues to deliver strong and consistent results.

The EBITDA margins at 16.5% for the quarter is lower than our long-term average of 18%. As the newer outlets ramp up over the next few quarters this will normalise. The existing car parc in these locations is helping show progressive improvements in business performance. On the technology front, we have launched our new e-commerce website.

The site has new as well as pre-owned car listings and will help strengthen our omnichannel approach. In a period of less than a month, we have seen an organic increase in new users by 36% and user engagement by over 65%. We will be working on increasing the visibility and traction to make this a source of quality leads and enquiries for our brands and elevating the customer experience.

I would urge you to have a look at this new website. As India continues to premiumise, we are confident that we have partnered with the brands which will lead this transition and will be successful in the long term. Early indicators from August are quite encouraging.

The customer enquiries, test drives and footfalls are showing an upward trend. OEMs have also started introducing customer offers which will help drive this momentum. We are expecting this to continue for the remainder of the year. With the onset of the festive season, the overall retail environment looks promising. I will now hand it over to our CFO Surendra Agarwal to take us through the financial highlights.

Surendra Agarwal: Thank you. Good morning to everyone. I wanted to share some key metrics on how we have performed in this quarter. We continue to be the highest contributor in terms of volume for multiple OEMs. During the quarter, company performance fell at INR1,165 crores against INR934 crores for the corresponding quarter. Growth by 24.6%, out of which revenue from the existing outlet has grown by 15%, outpacing the passenger vehicle industry. The balance growth is coming from the new outlet. Our company focuses on premium and luxury brands.

The average selling price of new car sales for a company group level for the quarter has gone up by 13%. In the quarter after sales turnover has increased by 14.3% year on year. We are expecting the growth to improve when the new outlet starts delivering to their potential.

Due to full scale fixed costs the operating margins for the new outlet are currently not at par with the existing outlet. With the recent capex and investment towards inventory the depreciation and amortization plus finance costs for the new outlet were on the higher side. Coming to the financial number of Q1 the gross margin for the current quarter is INR161 crores as against INR143 crores in Q1 FY '24 that is growth of 12.7% in a challenging quarter. The EBITDA for the existing outlet has grown by 7.5% year on year. Our consolidated basis is 6.6% if we include the new outlet.

Profit before tax of existing business has increased by 19.4%. Due to initial losses in new outlet overall profit before tax is showing decline of 52.4%. Cash profit for the quarter is INR18.5 crores as against INR19.7 crores in the same period last year. Thank you. We can now open for the question and answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik: Yes, hi. Good morning, Sanjayji and team. My first question was on the new OEM additions in Kia and M&M. What I understand is that we had a thought process that we're going to be entering partnerships with OEMs where it makes business sense for us where competition is low. You get to enjoy the service car parc and the service revenue from these OEMs.

So if I just look at the cities that we have entered, Kia where we are entering two cities that are already seven dealers there, M&M two cities and 19 dealers there. So has there been a change in the thought process to move more towards mass market OEMs now compared to niches like Honda which had a good confluence in Gujarat or Mercedes? So has that been a – so if you can just share your thought process behind these partnerships, it would be great?

Sanjay Thakker: Yes, Lokesh, thanks for bringing this question up. Maybe this question may be in the minds of some others. So let's answer this straight up. There are a few filters that we have before we choose a partner. What had happened in the last year is that we were partners with companies where they were not adequately participating in India's growth story.

That was one reason why we had to go with people who were participating unquestioningly and not dependent on one or the other model to be then completely relying on. The second filter that we have is that we want to be and we have no change in that method is that we want to be in a premium and luxury play. Now luxury is easy to define. How do you define premium?

We are saying that our filter is around INR10 to INR11 lakh of ASP without GST. Now if the company falls within that, it works for us as far as the unit economics is concerned in sales as well as service. The cities that you mentioned and the brands that you mentioned, let me kind of address that. You mentioned that Mahindra and Mahindra has 19 dealers in Hyderabad, which is really not so. It is the 19 outlets. If I'm not mistaken, the number of partners will be 4 not 19.

Lokesh Manik: Number of outlets correct.

Sanjay Thakker: So where we need to do the math on the store wise and that is what we have kind of applied the filter of. As far as the Kia is concerned, we have taken over the operations of an existing Kia dealer who wanted to exit this business and the sales as well as service has started to kick in from this month. We have taken over the operations from this month itself and the service as well as the sales revenue is picking up. The other answer is that we want to go deep in a geography.

Now why Calcutta and Hyderabad as against say Coimbatore or Chennai is that we are already in Kolkata with Mercedes Benz and now with Kia and Mahindra coming, there will be an operating leverage which we want to achieve sharing of bandwidth of manpower and a lot of other expenses. The same answer goes for Hyderabad. So we choose a geography, we go deep with it. We choose an OEM and we go deep with it. I hope I have been able to answer your question.

Lokesh Manik: Yes, yes, in detail, sir. Thank you so much. The second question was are there any OEMs that are left that you have not had a discussion with at the premium of the luxury and you may have rejected them based on certain filters of yours, but are there any that you haven't even initiated conversations with if you can highlight that?

Sanjay Thakker: See, what I can say is that Landmark is a preferred retailer for practically everybody in the country. I mean, at the cost of sounding a little pompous, let me kind of say that. So we are in constant dialogue with people wherever it makes sense, we go, but currently we have a task cut out. There are two objectives that we are working on for this year, that is to reduce the cost of operations which we are completely focused on.

And the other is to complete these outlets that we have taken well within time. So if we are looking at adding 20% of our turnover by exiting this year, we have like one fifth of the company that we are adding this year. So we have a lot of stuff that is happening at our end. But what has happened is that we have been able to templatize this. What gives me more confidence is that now we know that we can undertake so many projects simultaneously, complete them in time and get them operationalized. Now, this is something which is giving me a lot of heart.

Lokesh Manik: Great. So you don't see any threat from these four dealers in Kolkata impacting your new ventures or taking more time to break even? You don't see that threat?

Sanjay Thakker: See, if you were to get into the growth brands, I am not talking about the luxury brands. As far as the luxury brands are concerned, so far it has been a two horse race between Mercedes Benz and BMW. If you want to kind of go to a little bit of premium, it will be difficult to have complete exclusivity in that.

We have competed with whether it is Honda or Volkswagen, we have competed with the dealers in those locations and have come on top. It is a separate issue that over a period of time we have been able to take over these competing dealers. In fact, most of our acquisitions has been of the competing dealers in the same town.

Lokesh Manik: Understood. All the best for a future. Thank you so much for this questions.

Moderator: Thank you. The next question will be from the line of Neha Jain from Vajra Securities. Please go ahead.

Neha Jain: Good morning. So I have one question. Can you give some guidance for FY25 and more importantly FY26?

Sanjay Thakker: I will repeat my last sentence of the speech which I said that and I will read. Our fortune is strongly interwoven with the state of the Indian economy. So I wish I knew exactly where we are. What I am saying is that we are feeling good about what we have achieved in this and the growth is back and hopefully the profitability will also be back soon.

Neha Jain: Okay sir. Thank you.

Moderator: Thank you. The next question is from the line of Prolin Nandu from Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu: Hi Sanjay bhai. Thank you for giving me this opportunity. So a few questions Sanjay bhai. On your opening comment you mentioned that the margins in after sales have also been affected by opening of new outlets. Can you just help me understand this because last quarter also we had discontinued certain operations because of which year-on-year growth was probably not the right way to look at it. But are some of the new outlets also impacting the margins in the after sales business?

Sanjay Thakker: Yes. So what happens is that some of the outlets like Mahindra outlet or MG outlet that we have started, they are yet to reach its full profitability level. Some of them like we are seeing gradual, not gradual, in fact quite a rapid increase like we opened our Mahindra business in like middle of March.

And every month we are seeing like a 20%, 30% jump in the after sales business, but it is still to reach its potential. That's why we then thought that it takes around three quarters for the after sales business in existing brands also to kind of stabilize for us to make a name in our local market and get the customers accustomed to visiting us. And that's why the question that you are asking is where it is coming from. But my sense is that this will -- because they are not contributing right now the way they should.

Prolin Nandu: All right. Understood, sir. So if you did a breakup of old and new outlets for your sales business, new car sales business, if we were to do a similar breakup in your existing after sales outlet, would we be earning 18% to 20% margin. Is that assumption correct?

Sanjay Thakker: What we have declared is a console thing that we have combined both sales and service over here. So it would be close to around 18% for existing brands. I can say that.

Prolin Nandu: All right, sir. That's encouraging. Thank you. And secondly, in terms of your market share for Mercedes, while this is not the number that is worth tracking on a quarter on quarter basis, but from here on in terms of you opening some new outlets as well for Mercedes where can this go in probably a few quarters time?

Sanjay Thakker: So you're right in saying that this quarter is not a great way to kind of measure it 1%, 2% here or there happens. Like, for example, in Gujarat, we had a great demand for diesel cars and who would have thought. And the company didn't have diesel cars in the first quarter because that was not what people were buying earlier. So we could not deliver some diesel cars that way.

So let me answer it this way, that Mercedes globally has been working and prefers to work with larger dealers, larger partners and the one other thing reference. There are two reference points that I can give you. One is that in Hyderabad where we will be opening our workshop as of now in the next few weeks that we are looking at getting it done maybe next month. We were chosen to expand in a completely different market by them, in spite of us being their largest partner.

Now, the global -- when I had visited some conferences, I met a large dealership group in Korea and Taiwan and all which had 40% market share. So as the country matures, the desire of most companies is to deal with large, organized, professionally run companies. So this, I'm hoping, will go up over a period of time. I wouldn't want to put a number.

Prolin Nandu: All right, sir. Thank you so much. Last question from my side now if we look at our quarterly operating profit since listing, it has been in the range of INR50 crores to INR65 crores. And if I were to look at your business from a unit economics point of view, let's say if you have just one after, I mean, one showroom and one after sales service, then it's a 20% odd ROC kind of a business, at least, right, if not more. So I'm just trying to figure out that when do we break this number in terms of our operating profit?

And is it also fair that once this expansion normalizes, the next phase of expansion whenever it happens right, in terms of store outlet would not put this much pressure on our balance sheet in terms of increasing borrowing and also in terms of our P&L? Is that a fair assumption to make?

Sanjay Thakker: It is a fair assumption to make because if you see the point we are talking about a 20% growth in the company this year alone. Now, that kind of a - when the denominator increases, when the company becomes bigger, then the percentage that we are adding will not be as high. We are doing a kind of a shock therapy to ourselves to kind of get into a growth trajectory and get us into a new orbit.

Now, this is unlikely to be all the time. We haven't done this much of expansion in the same financial year ever. Good thing is that we are executing this, but you are right about the ROC. You are right about normalized operation and it will all happen.

Prolin Nandu: Sure, sir. Just let me push one last question, right? Since you mentioned that it takes three, four quarters for the new showroom as well as after sales center to normalize, then maybe this year for the next few quarters, there would be some drag because they wouldn't they wouldn't mature yet.

So, what is what would you want us to probably evaluate your performance on? Because maybe the operating metric, operating profit for that matter might be weak for the coming couple of quarters. What should we look at to understand that we are on the right track in terms of the progress that we are making in terms of expansion and the kind of revenue that we expect from some of the newer ventures? That's it from my side Sanjay bhai. Thanks a lot.

Sanjay Thakker: Yes. So, one thing is that when we are seeing newer outlets now, newer outlets, some of the ones that we have reported are already some 9 months old. It's not that everything has happened in this quarter. Some of them have happened in December. Some of them have happened like last maybe September or October. So they will move out of this new bucket.

So that's something I can say as far as some of the Kia outlets and Honda that we have acquired. They are actually existing businesses that we are acquired and we do not see any kind of drag in them because we will be taking we are taking over existing or semi existing kind of operations. So I will need to kind of have a more detailed thought on how to guide you. But that's what I can say as of now.

Prolin Nandu: But then is that fair that probably both in terms of some of the macro headwinds that we felt in Q1 plus some of the drags of this new showroom, the worst in terms of that both these headwinds is behind us and from Q2 onwards there should be sequential improvement?

Sanjay Thakker: I would say that from Q3 for sure there will be good improvement. Even in these brands that we are talking about we will have new cars that are getting launched for which we had all been waiting and that should turn things around.

Prolin Nandu: Great Sanjay bhai. Thanks a lot and all the very best.

Sanjay Thakker: Thank you.

Moderator: Thank you. The next question will be from the line of Sabyasachi Mukerji from Bajaj Finserv AMC. Please go ahead.

Sabyasachi Mukerji: Hi. Thanks for the opportunity. First question on Mercedes volumes. If I look at this particular quarter, Mercedes volumes were flat all India basis Y-o-Y terms. But if I look at our numbers, I am getting a sense that probably we have clocked more volumes or gain market share or something like that. Can you please throw some light on it?

Sanjay Thakker: Sabyasachi, what has happened and as what Aryaman said that the ASP, the whole world somehow is tracking the number of cars sold. Now what the newspapers are not tracking is the increase in the ASP. So what we actually did was that though we sold a little, the number of cars that we sold is higher than the last quarter but the ASP has increased more.

Sabyasachi Mukerji: So just a follow up here. If I just derive the Mercedes sales from the pro forma and reported numbers, I believe the sales value has gone up by 35%. In the opening remarks, Aryaman mentioned that the ASP has gone up by 23% I think Y-o-Y 2, 66 lakhs.

Surendra Agarwal: So Sabyasachi, the thing is as compared to the previous year, same quarter, yes there is an increase in the volume as well as the ASP. What Sanjay bhai is mentioning is compared to the previous quarter, the Q4. So against the Q4, there is a lower number in the Q1 of Mercedes-Benz but as against the last year, same quarter, the quantity also increased.

Management: What is asking is Mercedes India did not…

Sabyasachi Mukerji: So my question is Mercedes India Y-o-Y, Q1 FY '24 versus Q1 FY '25, volume numbers were same.

Sanjay Thakker: We have grown a little which would include some kind of maybe demo cars also which we may have sold but I will need to check the numbers and come back to you on this. Sabyasachi, it's a fair question.

Sabyasachi Mukerji: Got it. Second thing on the M&M Mahindra outlet that are lined up launches in Q3, Hyderabad 3 outlets and 3 workshops. My question is Mahindra is coming up with this big launch tomorrow, 15th August. Why are we not gunning for launch of this outlet in this quarter itself, preponing the launch from Q3?

Sanjay Thakker: My compliments Sabyasachi for tracking this closely. I am happy that you are doing a great job. Now we are exactly doing the same. Though there is going to be a launch, the cars at the dealership are going to be available in the first week of September. So this is what we are closely in touch with the company and we are hoping to get this operationalized in the beginning of September at least one outlet where we can get this done.

The thing about Hyderabad was that we have been getting into some brown or Greenfield projects that we have been undertaking. So if you see our plan was to actually launch it in the third quarter. If you see our presentation on page 10 earlier, it was that. So understanding that this was something which we would have otherwise missed, we have preponed a lot of stuff, a lot of people are putting day night work over there and I am hoping that at least one outlet of ours will get operational in the next 3 weeks or so to capitalize on this.

Sabyasachi Mukerji: **Great to hear that.** And all these three outlets should be new outlets, right? We are not acquiring some existing ones?

Sanjay Thakker: No, sir. These are new ones.

Sabyasachi Mukerji: Got it. On Honda, we understand that there is some brand fatigue or there has been no major blockbuster launches for this brand for a long time, right? Why are we adding Honda outlets? Can you just help me?

Sanjay Thakker: Yes, surely. So there are two answers to this. One, Honda will have a big launch of Amaze in the next 3 months, 4 months or so, which actually sells a decent number of vehicles in Gujarat, Rajasthan, Madhya Pradesh area. So that launch is happening. The thing in Jaipur where we entered is that initially there were three dealers of Honda in Jaipur.

One shut down, the second one we have acquired and the third may or may not be there in some time. So in this business in which I have been saying, it is not only the numerator but also the denominator of how many dealers are there. Honda has been extremely profitable for us for the last 25 years because of the service revenue, the car parc that is there. And if you get a larger geography, it becomes a good kind of a business to be.

Also, to answer your question, there is an entry that we need to do in a certain geography where we want to overall focus. I answered initially to Lokesh as to why we went into Calcutta or Hyderabad as against others. The same answer is in Jaipur. Jaipur is a fast-growing geography. Now we need to enter there for other OEs who we want to partner with going ahead, maybe next year, some other time. They will want some geographical presence.

So when we entered the Hyderabad market, we had to first go with Mercedes-Benz who gave us the after-sales business and after that Mahindra and Mahindra as well as Kia were comfortable signing up with us. So it is like an entry to a large market with a very kind of a predictable thing that we are going in for Jaipur.

Sabyasachi Mukerji: Then a follow-up to this is, can we expect more brands, outlets coming up in Jaipur for us Landmark?

Sanjay Thakker: That is the macro thing, whether it is Indore, Hyderabad, Calcutta, Mumbai. This has been the company's strategy. Whenever a new brand opportunity happens, we would prefer to be in the geographies that we already are and go into geographies which are growing but we are not present.

Sabyasachi Mukerji: Got it, sir. One last question from my side. On this presentation Slide number 10 where we have shared the expansion plan status, anything else are we planning for this entire financial year barring whatever is there in the presentation till Q3 FY '25?

Sanjay Thakker: No, sir. This is what we have.

Sabyasachi Mukerji: Okay. Thanks. That is all from my side and all the best.

Sanjay Thakker: Thank you.

Moderator: Thank you very much. Next question will be from the line of Raj Shah from Ambit Asset Management. Please go ahead.

Raj Shah: Hi, sir. Thank you for the opportunity. I wanted to understand the gross margin decline during this quarter. So how much of it was due to the addition of newer OEMs whether Mahindra or MG are at slightly lower gross margins for us and how much of it was because of higher discounts during the quarter?

Surendra Agarwal: So, yes, there are both elements affected in this quarter. As we explained earlier, new outlet after sale business is not with their potential. So their margin is lower. Therefore, the blended margin of the company is lower after sale. Then the second was we have not done the wholesale to tighter control on the inventory. So again, 0.5 is less.

Sanjay Thakker: I can answer that. What has happened is that in the existing brands also, Raj, and I spoke about it a little bit in my speech, but let me explain more in detail. The point is that the industry works on a discount or an incentive on a certain amount of wholesale that we do from the factories. What we did consciously in some parts of May and definitely in June was to forego those incentives because we wanted to reduce our inventory.

Now we actually were able to do that quite successfully. If you ask me, one of the better things that has come out of the last quarter is that when the whole industry is about by the inventory that is aging and all that, we are pretty lean as compared to most of the other guys. But that has come at an expense of some margins. It's not only the margins that we gave in the market to sell the stock, it was more that we did not wholesale from the OEs and get that extra margin.

Raj Shah: Okay, understood. So what would be the average inventory that you would be comfortable with going forward? So what was the percent decrease in discounts if I just want to put it on a Y-on-Y basis?

Sanjay Thakker: So Raj, the inventory of new cars at the beginning was we were at around 41 days and which is still outside of our comfort zone. So we are happier with around 30, 35 days of inventory. When let the world be at 60 days, 65 days, we don't want to carry that much inventory. So we will still try to reduce it by 5, 7 days if we are able to do it.

Now we have done most of the dirty work has happened over here. This is something that we will want to kind of do with. And because we are in many of the markets, not all, I mean not everywhere, but many of the markets we are the only retailer of that OE. And the OEs are giving so much discounts right now. The good part is that the OE purse swings have opened up and that is why the demand is also back. So the need for the dealer to put more from their pocket is really reduced.

Raj Shah: Okay, understood. So just last question from my side. So on the Mercedes front, how is the supply chain right now like we are facing some supply issues? And second is when do we expect the E-class Mercedes to be launched? Whether you have any communication from the brand side? What kind of growth are you targeting for the next financial year?

Sanjay Thakker: So Santosh Iyer has guided for a double digit growth for the year. That was the last interview of his that I saw. The E-class is getting launched in the last quarter of this calendar year. So we will see some numbers kicking in for us in the next quarter for E-class. Obviously, it is something that eagerly people are awaiting and we are seeing a great amount of interest. Sorry, what was the other question over there?

Raj Shah: What is the supply chain issue currently?

Sanjay Thakker: I mean, I wish every car that the customer wanted was available. We had some issues with the diesel and all that. Now that keeps on happening in this industry, but it's okay. I mean, we still are short of some or the other car, but nothing very major.

Raj Shah: Okay, thanks a lot.

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

Amar Kant Gaur: Thank you for taking my question and thank you Sanjay bhai for such an elaborate presentation. That's really helpful. I had two questions, one flowing into the other. One was basically if I am looking at the numbers that breakup that you have provided of existing versus new, your PBT is about INR12 crores, right?

And if I look at the PBT of Mercedes standalone that you have provided, plus if I add some bit from Landmark Cars each, probably the overall PBT from existing non-Mercedes brands would be maybe INR1 or INR2 crores. So if you can shed some light on that number, which are the brands probably that are doing relatively better and where is the most of the drag coming from?

Sanjay Thakker: Yes, Amar, this is a good catch. But the good part, the answer to this is that apart from Mercedes-Benz, we have now BYD, which is decently profitable for us once the seal deliveries have started. And the Atto III will only happen from September onwards. So over the next one, one and a half years, we are pretty bullish on BYD once the supplies are, we have cars on the road and the workshops then start kicking in.

We are making decent amount of money in Ashok Leyland. We are Honda has been a little subdued, but it has always been a little profitable. So actually, from the bouquet that we have, people are more or less contributing the way they were supposed to. Some of them will have a better second half, Honda, for example, with the Amaze and all getting launched. And we have reduced the inventories in some other, we have cut some of the losses in Renault.

So some of the loss making things are getting behind us. So actually, if you ask me, we are, it's not only a Mercedes dependent company that we have, fortunately.

Amar Kant Gaur: Understood. So that leads to my second question. So now that we are in the process of opening a lot of stores, right? And also there are certain brands which are a little behind in terms of profitability and they also need to catch up. So from that perspective, breaking down into these two bits, how do you expect in terms of, not in absolute numbers or any guidance on the numbers, but in terms of absolute tracking of performances over the next maybe two, three, four quarters or beyond that, how should we look at the overall performance trending from the current levels? Earlier, some of the participants you asked talked about maybe from Q3 it should start to improve. So if you can break it down a little bit more for us to understand that.

Sanjay Thakker: So Amar, the reason why I had said Q3 was that from Q3 we will have the Windsor which will be available for MG. We will have the ATTO3 which will also be being delivered. We will also have the Mahindra vehicles that will start kicking in. We have the E-Class, the big one, that will also happen.

So that was my reason for saying that from Q3 onwards things will happen. See, after sales right now we are not so much concerned about. It is the sales that we need to push. We see our business that sales have to also be responsible for generating profit. That's the way we look at it. It comes with insurance and finance and other incomes. And the moment the sales numbers happen, everything starts looking hunky-dory. The first quarter wasn't the best for sales for any brand and we believe that it will now pick up.

So the way to look at it, Amar, would be to kind of assume, estimate the number of cars that will happen over there and we can do that math there.

Amar Kant Gaur: Understood. So where I was coming from was mostly from the brands that you are adding and there is an operational challenge. Obviously it takes time. You indicated maybe a couple of quarters, maybe three or four quarters it takes for the brand to stabilize and then start performing. And from the new brands the additional volumes are going to come and these are the brands that are doing better as well.

My question was more from the perspective of existing brands now that other brands, excluding Mercedes and even if I exclude BYD as well, then the profits are relatively lower. So how do they move in line with overall company performance?

Sanjay Thakker: Amar, they look good. Existing brands are BYD, which looks good. BYD is not in new. BYD is in existing. Jeep is in existing. So Jeep, for example, we are seeing a good amount of traction. What has happened is and this is not only for Jeep, wherever, see the customers have been there. It is just that they are now seeking deals. The good part about the industry that we have seen in the last few months was that the inquiries were pretty much there. The people were not losing.

Now that the discounts are there, they believe that the festive season is upon us, the government formed and everything is now business to normal. And the OE's have opened the purse strings. So this has happened in Jeep also. Some three days back the Compass price was corrected and we believe the same thing will happen in other models very soon. This is one kind of an experiment.

So Jeep volume will pick up. Now this is where the 2-3 big moves I see coming up. Honda and Volkswagen will be stable for next quarter. Amaze will be a big driver for us going ahead because we sell a lot of Amaze in Gujarat.

Amar Kant Gaur: Okay. Thank you, Sanjeev. I will call back in the queue. Thank you so much.

Moderator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Good morning sir and thanks for the opportunity. I just wanted to check on Mercedes-Benz. So last year Mercedes-Benz kind of underperformed the luxury car market segment because of some supply side issues and lack of model launches, right? This year they were supposed to go for some 10 model launches but in the first half they still underperformed the market. So do you see this as a structural issue to the brand as such where in the luxury car market other brands are getting more prominence?

Sanjay Thakker: No. See what has happened is that the packing order is now set within the luxury brand. Mercedes is clearly numero uno. This will be the 9th or the 10th year running where they will be the market leader. Now people who are coming from a low base, their percentage growth is better and that's why we believe with a few percentage points that the company has been underperforming. What you are saying is right.

But also look at the ASP. Now the sheer numbers what you are saying is right but the ASP increase has been much higher than any other brand is my sense. 25% of what we sell is all top end vehicles. So this is, we believe that like the E-Class comes every brand has some kind of a tailwind when new models are launched and our tailwind will come when the E-Class is getting launched in number terms.

Shashank Kanodia: For example, JLR is going for domestic manufacturing right. So even these guys are looking at good numbers. So do you see obviously we can maintain the numero uno position but the volume growth effectively being less than the competition and it impacting us as well. This is something that you fear or something of that sort?

Sanjay Thakker: The JLR number, the CKD happening is obviously they are taking away some volume from the luxury industry per say. The nascent industry size of 45,000 has to significantly grow. We are all kind of taking the pie out of that 45 and maybe this year 50,000 or whatever. This number which is 2% of China and significantly lower than any like Korea or Japan has to grow multi fold. We are at around 1.1% luxury penetration. Now you see pockets of India which are actually growing.

Let me kind of answer it this way. In a place like say Madhya Pradesh we have seen our sales kind of double this year. So this is a starting point and I won't really lose much sleep over market share gain or loss for a quarter or half year. It's a correct question to have. But we have kind of a decade of journey ahead of us.

Shashank Kanodia: Second thing, on the new vehicle car sales, your margins were good 2.5% in the past and dropped to 1.7% last year. It was further dropped to 1.4%. So we do understand that because of new outlets that you are opening it's on a declining path. But what is the sustainable rate going forward? Like you mentioned 18% for after sales. So 2%, 2.5% is kind of a sustainable range for this and when do we start attaining that?

Sanjay Thakker: See this is also in the last question to Raj I believe I answered that we have let go of some of our wholesale incentives. So whatever the normalization is happening we are hoping that from October onwards life will be okay, the demand and supply will be at an equilibrium and things will be back to business as usual.

Shashank Kanodia: So what is the sustainable margin rate that you are looking at that division?

Sanjay Thakker: On the new car sales?

Shashank Kanodia: New car sale

Sanjay Thakker: So it has to be upwards of 2%. That's what we are talking about.

Shashank Kanodia: And we are confident 2-3 onwards you should start attaining that.

Sanjay Thakker: We are hoping that that's what will happen. I only hope that the economy sustains and we don't get any shocks here.

Shashank Kanodia: As a management and promoter, we spend more time meeting investors and doing roadshows or we spend more time getting our house in order and getting the P&L right?

Sanjay Thakker: That's a good question because I spend maybe 4-5 days of a month in trying to meet the investors but that's not that much time that I really get there. Actually what is happening is that I have been working around 7 days a week. So there is no holiday generally and there is no sleep that gets more accumulated.

Shashank Kanodia: I hope you are getting the point I am trying to drive sir. We would want to wait for a better P&L performance from Landmark. It's been quite some time that we have been disappointing on the P&L front.

Sanjay Thakker: Sure.

Shashank Kanodia: Thank you so much.

Moderator: Thank you very much. The last question for today will be from the line of Chirag from RatnaTraya Capital. Please go ahead.

Chirag: Hi, good morning. Thank you for the opportunity. Just a clarification question sir. The slide 26 which talks about our ambition of getting to 4% on both personal expenses and other measures. Is that the exit number that you want to get to? I mean the slide…

Sanjay Thakker: Yes, because that's where the turnover will also kick in. and the across the measures till also…

Chirag: That’s what you mean?

Sanjay Thakker: That's what we are seeing.

Chirag: Understood. And for this quarter is it possible to share the gross margin for the services business? You can just book even question, so that's my only question.

Sanjay Thakker: Can you repeat this question? The gross margin?

Chirag: For the services business. Just the services business. The after sales business? I can take it offline otherwise. The gross margin is there.

Sanjay Thakker: We have last 5 minutes so if there is any other question.

Moderator: Thank you. Ladies and gentlemen that was a last question for today. I now had conference over to the management for closing comments.

Sanjay Thakker: Yes. I think most of the questions were answered which included the closing comments that I wanted to basically give. Really, there is nothing more that I need to add. I have full confidence in the team that I am leading and we are working harder than most people I know to get what we want to give because we are all stakeholders. I mean, not only our country's, our business is interwoven with the country, my and our employees' future is interlocked with the future of the company.

And just so that people on the call, if they are interested, know that all the senior management, the director level guys and including me did not take any PLB or increment for the last year so the pain of any other investor is shared by everybody now this needs to be understood and respected when we are doing this and sometimes the situation which is beyond your control also needs to be appreciated.

I think we, again as I am saying, I personally believe that we are, I am feeling happy with the way we have steered the company so far and this business is not to be looked at on a quarter-to-quarter basis. I am answering these questions and I am learning every time something new and taking it home but this is over a period of time that this business needs to be looked at and once, we look at it a few years from now, we will look at this as a passing memory of the calls that we are having today. Thank you.

Moderator: Thank you. On behalf of Monarch Networth Capital, that concludes this conference. Thank you for joining us and you may now disconnect your line.