February 16, 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 February 5, 2024

This is further to our letter dated February 5, 2024, wherein we had given advance intimation of the earnings conference call scheduled to be held on Monday, February 12, 2024, with several Analysts/Institutional Investors/Funds with respect to discussion on the Un-audited Financial Results (Standalone and Consolidated) for the quarter and nine months ended on December 31, 2023.

In compliance with the SEBI LODR Regulations, please find attached the transcript of the earnings conference call held on Monday, February 12, 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: 2024.02.16 11:53:11 +05'30'

Mr. Amol Arvind Raje
Company Secretary and Compliance Officer
(A19459)

Place: Mumbai
Encl: Transcript of Q3FY24 Earnings Conference Call.

"Landmark Cars Limited Q3 FY-24 Earnings Conference Call"

February 12, 2024

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

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

MODERATOR: MS. RENUKA SIVSANKAR - PHILLIPCAPITAL (INDIA) PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and Nine Months FY24 Earnings Call for Landmark Cars Limited Conference Call hosted by PhillipCapital (India) PCG Desk.

This Conference Call may contain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations of the Company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participants line will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call. Please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Renuka from PhillipCapital. Thank you and over to you ma'am.

Renuka Sivsankar: Good morning everyone. On behalf of PhillipCapital Private Client Group. I welcome all of you to the Q3 and Nine Months FY24 Earnings Concall of Landmark Cars Limited.

From the Management today we have Mr. Sanjay Thakker - Promoter and Executive Chairman, Mr. Aryaman Thakker – Executive Director and Mr. Surendra Agarwal – CFO.

I now hand over the concall to Mr. Sanjay sir, for his "Opening Remarks" and then we will open the floor for Q&A. Over to you sir.

Sanjay Thakker: Thank you, PhillipCapital for hosting this call. On behalf of the Company, I extend a very warm welcome to everyone for joining us today. On this call, we have Aryaman Thakker and Surendra Agarwal and Strategic Growth Advisors, our Investor Relationship Advisors also.

The Results and the Presentations are uploaded on the Stock Exchanges, and the Company website. I hope everybody has had a chance to look at it.

I'm happy to say that defying many forecasts, the auto sales in India has continued to grow. Our Company has delivered some good set of numbers for the quarter with the highest ever quarterly proforma revenue. The numbers would have been higher had the supply has been there for us at Mercedes. In this quarter, the proforma revenue is backed by high festive sales, new model launches and availability of cars due to better supply chain as compared to the previous quarter.

The past couple of months have been truly eventful at Landmark. Allow me to share a few of the recent developments with you:

With our strong presence in North and Western India, we have expanded our presence now in Southern India. We have received approval from Mercedes Benz for a workshop in Telangana which will be our 10th state in India. It is important to note that we are expanding with Mercedes Benz by putting up this workshop alone without the sales outlet as of now in Hyderabad. The MG Goa dealership started operations in December 2023. In addition, we have signed LOI for with MG Motors to establish dealerships in Ahmedabad as well as Mumbai. You may be aware that our Indore and Bhopal operations are already ongoing. Our MG outlet count will now go to 10. We have established a deep relationship for collaboration with MG since our partnership in August 2023.

Our operations in Mahindra & Mahindra for Howrah, Kolkata will start in the next few weeks and I am confident that we will see growth in the Mahindra business very rapidly.

We are right sizing our Renault and Jeep operations by sharing the infrastructure and reducing our footprints, this should meaningfully reduce our cost of operations.

Further, we are happy to announce our fourth BYD showroom in South Mumbai, following the formal approval from BYD India. BYD, as you know has gone to become the largest new energy vehicle company in the world. I had the pleasure of visiting their headquarters in Shenzhen and interacting with Chairman Wang. The BYD Seal, the much-acclaimed model is being launched in India very soon. Landmark has taken a pole position in distribution of this marquee brand in India, and await normalized macro environment for it to become a sizable operation in the times to come.

OEMs like to partner Landmark Cars and the various competitive advantages we provide. In all, we are opening 10 showrooms and workshops combined in the next few months and some more will get added soon. Such additions to our count have reaffirmed our belief that professional management and a well-capitalized Company is what most OEs look for when they look at partnering retailers. Such expansion represents a significant leap forward in our strategic roadmap. For this, we had to frontload some of our costs in this quarter which has resulted in higher salary as well as depreciation. However, the approximate 10% increase in our outlets to our current count will not only increase our sales of new cars for the next year, but also strategically help us capture larger share of after sales market in the long term through increase in car park.

Coming to Industry Updates:

Some key pointers on the Indian Auto Industry are as follows:

The Indian auto in the Indian auto industry passenger vehicle sales remained in fast lane during Calendar Year ‘23. The contribution from sales of premium and luxury cars was significant. The trend of premiumization continues to ride sales, the average selling price of way passenger vehicles has been increasing. And according to industry articles, it has seen a 50% rise in the last five years. The luxury car market in India is at a takeoff stage. The total market grew by approximately 20% in calendar year 23. This is significantly higher than the passenger car market. It is expected that the luxury market will continue to outpace the passenger car market for some years to come. Mercedes is celebrating its 30th year in India. We expect strong growth in Mercedes business in calendar year 24 on back of 12 new launches. The response to the newly launched GLE, the GLS as well as the GSA is very strong. Mercedes Benz, MG Motors and Mahindra & Mahindra, which I like to collectively refer to as the “3Ms” are currently the preferred choices for us. The upward trajectory for these brands is expected to persist supported by expansion of manufacturing plant capacities and introduction of new models. I would like to add BYD also in this group. We will wait to see how fast the volume ramp up happens over here. I am positive on the growth story of Indian luxury auto industry. And we looking forward as to how various events play out in the quarters to come.

The customer sentiments in India remains robust, while the auto market globally is witnessing very uncertain times. The question whether EVs will take over or whether hybrids will rule the roost is a million dollar question. The Chinese automakers have taken a big lead in EV technology, Landmark team visited China twice in the last few months to understand the situation better. In India, the EV penetration is still quite low in passenger car and currently it is dominated only by one player. This will surely change as more and more players enter. During such times, it is important to choose the right OE partner, who to partner with. It is not only the future product pipeline that we need to study, but also the terms of trade that are being offered or over dealerization that would impact profitability in the long run.

Cyclicality in new model launches and their success impact our operations, that is why it is good to have a diversified portfolio. Also, there is a need to take corrective action and think out of the box to mitigate the tough times when such brands are going through a rough patch.

The industry has seen a higher inventory level of late, we at Landmark took a conscious decision to forego a little bit of margin to reduce our debt in the last quarter. You are seeing a better number of our debt and a dip in the margin subsequently, because of this.

Moving to our other businesses:

There was a request from investors and analyst community that we showcase our two lines of businesses that is sales and after sales in a more granular way. With respect to this, we have disclosed the ROC numbers for our after-sales service business in Slide #12 of our presentation. The after sales business, which has been growing at approximately 20% CAGR for the last nine years, is generating an ROCE of 36% or so.

Our used car business maintains its upward trajectory, reaffirming our annual revenue guidance of exceeding 100 crores. Looking ahead, our objective is to double this business within the next year. With the combination of recent model along with upcoming model across our diversified OEMs, we are looking at a bright 2025. At Landmark we are taking well considered steps when we are deploying capital and taking a long term view.

Having said that, I would like to emphasize that it may be challenging to evaluate our business on a quarter-to-quarter basis. Our operations are best assessed annually or even over a slightly longer timeframe. By taking this broader perspective, you will be able to witness a positive outcome of our strategic initiatives more clearly.

I will now hand it over to Surendra Agarwal – CFO for the Financial Highlights.Thank you.

Surendra Agarwal: Thank you, Sanjay. A very good morning to everyone and a warm welcome to one and all attending the Earning Call. I would like to start by some Operational Metrics before getting into the financial number:

We continue to be the highest contributor in terms of volume for multiple OEMs and this translates into the meaningful number for all our OEM partners. In the nine months gone by, we have 2,46,000 cars and sold 641 used car trading in pre-owned cars of our partner OEM brand. In the car sold, we saw an average selling price (ASP) increase 15% rising from Rs.16.88 lakh in nine months FY23 to 19.33 lakh in nine months FY24. Similarly, the average service revenue increased by 13% rising from Rs.22,688 in nine months FY23 to Rs.25,524 in nine months FY24.

In the last quarter, our new car proforma sale was around Rs.1,074 crores across all OEM partners. And after sale revenue was Rs.227 crores.

As communicated previously our business operates with a high degree of predictability with repeat customers. Once we achieve a certain tipping point in certain OEMs we are on the cost to see tremendous growth. The average selling price of a car for the quarter has gone up from Rs.17.48 lakh in the quarter Q3 FY23 to Rs.18.83 lakhs in Q3 FY24 showcasing a growth of 8% year-on-year. So, our average selling price of the car is continuously growing.

Coming to the Financial Numbers:

Our total proforma revenue for the quarter stands at Rs.1302 crores as compared to Rs.1203 crores in the same quarter of the previous year, with a growth of 8.2% year-on-year. Sequentially, the previous quarter proforma revenue was 1120 crores with a growth of 16% quarter-on-quarter. If we look into the nine months number, the proforma revenue stands at Rs.3356 crores as compared to Rs.3382 crores in nine months FY23.

Moving on the Profitability

The gross profit for the quarter is Rs.176 crores with 18.3% margin on reported revenue as against gross profit of Rs.159 crores in Q3 FY23 with 18.18% gross profit. The EBITDA stood at 67.1 crores versus 69.7 crores in the same quarter last year. EBITDA margin clocked in Q3 FY24 at 7% on reported revenue. Similarly, profit after tax stood Rs.18.5 crores with 1.93% margin as compared to Rs.25.8 crores in the same quarter last year.

For nine months FY24 our gross profit was Rs.480 crores as against Rs.451 crores in nine months FY23. EBITDA for nine months FY24 stood at 171 crores compared to Rs.186 crores in nine months FY23. Profit after tax for nine months stood at Rs.46.2 crores versus Rs.60.8 crores. Cash PAT for the nine months is Rs.87.1 crores as against Rs.89.9 crores in the same period last year. This is clear evidence of our streamline operation and efficient cash management.

During the quarter we are able to reduce inventory, therefore our debt reduced to the tune of approximately Rs.91 crores.

Let's now open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue you may press "*" then "2". Participants 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 is from the line of Amyn Pirani from JP Morgan. Please go ahead.

Amyn Pirani: Good morning and thanks for the opportunity. My first question was on e the BYD business. Correct me if I'm wrong, but BYD was having some issues in expanding capacity in India. And I think right now they are having only CKD unit and they were not able to expand. So, is there any clarity from the Company with regard to supplies and will they actually be able to grow volume significantly over the next few years in India?

Sanjay Thakker: Yes, sure let me answer slightly technical way. So, there is a rule what is known as you need to homologate the cars if you have to exceed the 2,500 unit cap that is right now, BYD is operating with. Now within that 2,500 they can rejig their portfolio. So, under that new Seal is coming in, the Company has applied for Homologating their Atto 3. Now, once that happens, the cap goes away. The import duty doesn't go away, but the cap on numbers goes away. Now, this is the technical answer of it. And we are awaiting better clarity once the Seal is launched. I believe the Company should make some announcement when they really launch it. I'm sure they have a game plan, let's wait to hear from them.

Amyn Pirani: Okay. And you also mentioned that there was an increase in inventory in the industry and you took proactive measures. So, given that we are already halfway through the current quarter as well, how has been the environment with respect to inventory levels and discounting overall?

Sanjay Thakker: So, talking from the industry perspective, my sense is that the industry is sitting on higher inventory than they should be sitting on. Really because people expect that the numbers in March for example, will be very high which I also hope they actually do. Now, what has happened is that, the industry people they did not expect it to grow at all or low single digit in the last year, but it grew at high single digit again this year most of the big boys Maruti, Hyundai, Tata has have kind of given a guidance for the industry passenger car, at again a low single digit growth rate at a high base. So, we will have to wait and see how that happens. Because inventory people calculate as a percentage of this month or next month sale. Now that is the way they calculate but you don't really know what that sale is going to become. So, in hindsight, it becomes high inventory or it becomes okay inventory.

Amyn Pirani: Understood, but sir the brands that you have would the situation be better than what's happening in the industry, or you think it's in line with what's happening in the industry?

Sanjay Thakker: So, in our case what we have done, we I believe that we are better off than the industry and that is where we have given this kind of a statement saying that we have cut our inventory where I don't think anybody will, too many people will be able to say this, that they have reduced their debt or inventory, we have taken that conscious call, we have forgone some of the bonuses incentives to achieve that thing. And that is the correct way to go taking this view. So, we have a kind of a lean balance sheet that way.

Moderator: Thank you very much. The next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: Good morning sir. Sir, we wanted to understand a little bit more on the new vehicle sales part of the business, in your nine month where there is a decline in revenues and the higher decline in the EBITDA. So, here if you could tell, the other thing which you mentioned the call was that the Mercedes and luxury market grew 20%, our data was showing Mercedes grew about 9%. That's a major OE for you yet our revenues are down. So, if you could give some little bit more clarity on Mercedes, and non-Mercedes Oes like Jeep and Honda, there was Honda's new vehicle which was supposed to come which was supposed to pop up the growth. So, if you can give some more granular why we didn't grow for nine months, and why is the EBITDA so lower than the revenue growth?

Sanjay Thakker: Sure. Let me, there are three, four questions within this Pritesh. So, allow me to answer one by one. Let's first look at Mercedes Benz growth, you're absolutely right that they have grown at 9% or 10% when the luxury industry has grown at 20%, which is something which has clearly happened only and only because of the supply situation. Now, the supplies it is on hindsight, it is okay to kind of comment on it. But maybe beginning of the year, the kits were not adequate possibly ordered to get this done. My sense is that the corrective actions have been taken, everybody is cognizant of the fact that the industry is growing at a much higher number and the brand that we represent continues to be the preferred brand. And since the availability was not there, people went to some other brands. So, my personal hope is that we will see much better performance in this quarter once the availability of vehicles will be there.

You also spoke about Honda. So, Honda the new Elevate has got launched, but the launch happened where in the month of September. So, the numbers if you see the wholesale numbers of Honda you will see that they are now outgrowing the industry, because of this new car launches from the month of October, November, you have seen, if you see the wholesale numbers which are there which are broadly translating to retail numbers. The growth of Honda is better than the industry. So, this is, but it has come not for nine months, it has come for maybe three months of the year.

Talking of Jeep, that the numbers have clearly not been up to our expectation and what we believed, there were two reasons which we had enumerated earlier and we will reaffirm that, that from April 2023 the petrol version of the Compass was discontinued for some reason, which we have not been able to figure out and that is where the numbers dropped, there is a 4x2 diesel version of this which was to be introduced, which has got introduced, but it has not done as well as we all thought it would do. Now what we are doing and such things happen in life. So, when things don't go your way, in spite of all your best judgment, what is it that you do according to us matter. If you haven't seven, eight, nine things in your portfolio one or two will not work at some point because we are in such kind of a business. What is it that you do when such things happen in your life. So, what we are doing is, that we are proactively reducing our cost of operations. Previously you have visited our Worli showroom which is next to your office I believe, for Jeep. The BYD showroom is coming, we are making half of our Jeep showroom and making it available for BYD. So, this is not one, there are two, three other infrastructures that we are giving up and combining with Renault, I said in my opening speech, that this is what has happened and we are reducing our cost of operations like this. So, one will have to look at these new car sales numbers with this light, but over a period of time, I believe it will all even out and we will be in a good zone.

Pritesh Chheda: How much did Mercedes grow for us in nine months, how much did Jeep decline for us in nine months and Honda performance, because these are three main OEs for us.

Sanjay Thakker: So, their contribution our market shares are given in the presentation that we have and our market share remains around the same zone as what we had started. So, you will see the numbers do not report brand wise numbers as such, it will not be difficult for anybody or us to kind of look at that to find out what really has happened. I also like to add that MG Motors for example, where we have taken these four LOIs, should add a sizable number to what we are doing immediately from where we begin. Mahindra operations is starting in the first week of March. So, which is again something that we are doing to mitigate some of the brands which are not doing so well, we need to replace them and we are replacing them proactively and very rapidly.

Pritesh Chheda: So, these 10 showrooms will start in what timeframe?

Sanjay Thakker: So, we have said that the Mahindra showroom will start in the next month. That's what we have said, the MG Ahmedabad operations also should start my sense is in the next month or two months maximum and the Mumbai soon thereafter. So, basically all of them should start operating in maybe the next three to maximum four months' time, all of them.

Pritesh Chheda: Initially, I had asked why has the EBITDA declined more than the revenue decline and this is my last one, on the new car sales.

Sanjay Thakker: So, there is a front-loading Pritesh of a lot of cost, what has happened is that we have recruited people, our operations some of them are already there MG motors for example, our Goa operations, our Indore, Bhopal are already there, we have recruited people in Mahindra & Mahindra before our work has started they are going training, they are required for orientation and all that. So, this is something which has already happened, we have to a large extent front loaded our costs. Our salary wages bill, which has gone up by around 20% is a combination of around 8% increase in the number of manpower that we have had to take and around the balance is around 8%, 9% is an increment. Now this is the combination and we are tracking it quite closely. And, I believe that we are not amongst the highest payer in the industry, but we are the most preferred partner for the employees to be joining.

Moderator: Thank you very much. The next question is from the line Pranay Roop Chatterjee from Burman Capital. Please go ahead.

Pranay Roop Chatterjee: Sir my first question is with respect to your new car business and how, what timing you exactly booked the revenue. And the reason I ask this is, I've been trying to directionally at least track the total volumes for your brands, especially basis the wallet shares that you disclosed, and not for every quarter it seems to time because the Vahan data gives the time at which it was registered in the RTO, which is actually, I think probably a month after you hand over the vehicle. So, if you could just explain at what point in the journey do you book the sale and whether Vahan RTO data is representative in any sense of your volumes. And if you could also give the volume data, new car volume across brands that is sold in Q3 of this year and last quarter?

Sanjay Thakker: Pranay, let me explain the industry a lot of countries actually only rely on the registration data which according to me is a very scientific thing. Now, Indian auto industry for time immemorial has been relying on the wholesale data, the factory dispatches to look at it, whether there is a growth or a de-growth. So, when you are tying up these numbers, what is happening is that you are starting with the factory dispatches. And now let me tell you when do we book the revenue when we generate the invoice in the name of the customer, and when we have received the money for that. Now, the registration of that may happen in the next few weeks. So, it's a rolling kind of a thing. So, if you look at Vahan and Vahan is available in most states now, except for two or three which are still not there on Vahan, like Andhra, Telangana, Madhya Pradesh, I believe are still not on Vahan. So, it is getting there, but it is not the most scientific way it is, for lack of better alternative this is a good way to kind of triangulate what is really happening. So, what market share we are giving is a wholesale market share of how much did we buy for Ex Mercedes. Now Mercedes is a simpler thing where the invoice is generated by the factory to the end customer, after they have received the money now. Now the Vahan may get into the next month, it is theoretically possible, but that's where this confusion is arising.

Pranay Roop Chatterjee: Sir, thanks for clearing that out. That makes sense, to be honest got that part. Next one is on the luxury market versus Mercedes growth. And obviously you have answered a question already on this. But, I will again try to ask it differently simply because of how important Mercedes is to your EBITDA, obviously I'm not trying to look at it on a quarter-on-quarter basis, I am trying to have a much broader timeline when I'm trying to assess your business. But still, when you look at a 8%, 9% growth versus 20%, it sort of puts into question on the planning on the side of the OEM at least, because they have over the past 12 months, and which is consistent with your commentary also that the order book has always been strong, you have always said that, demand has outstrip supply. So, it's slightly surprising that they were not able to figure out how many they would have to deliver in the festive period. So, what I'm trying to assess over here is, basis your order book as on date for Mercedes, the bookings that you have, and I'm not sure how much visibility they give you in terms of the delivery timelines, but when can we expect it to at least grow in line with the industry, because obviously we understand that the issue is not demand and it's pretty much clear from public commentaries and articles as well. But for the purpose of investors and purely because this is so important for your EBITDA in near to medium term, any sense you can give us bases the order bookings that you have and how much communication they give you, when will the supply ease up?

Sanjay Thakker: So, Pranay, I wish I could give you an absolutely black and white answer over here. My confidence right now is that Mercedes will lead the growth this year, this is what I believe will happen, everybody has understood that this is the problem what you have said is not something that is missed by anybody, everybody realized this. So, corrective measures are being taken. Not only if you look at that the growth in numbers we as a Company clearly missed but in value it is going up. Mercedes is given the guidance, Santosh Iyer in his speech and everywhere said that 25% of what we want to do is the top end vehicles. Also, the 12 new vehicles that are getting launched six are in that top end vehicle category, which also is a great thing to do. But, I'm personally confident that this year, the calendar year of 24, we will see a resurgence of what we have missed in the last year. And hopefully we will make up this lost ground.

Pranay Roop Chatterjee: Got it sir, that is clear. And lastly, you have already mentioned about the timeline for opening up of the M&M and MG as well. What I wanted to get some sense on, and I also found interesting is in your presentation you have mentioned that you are opening a new showroom for Mercedes in Mumbai. At least I don't recall a separate press release on that. But if you could throw some light on that and when is the two Mercedes outlets, the showroom in Mumbai, the workshop in Ahmedabad and the BYD Mumbai showroom when are these expected to sort of come in number one. And second part of the same question, you mentioned upfronting up of cost. So, now we all know that there are total 10 outlets in the pipeline. Can you help us understand that in the Q3 cost base, when I look at the employee cost, the other costs and the depreciation, broadly how many of these 10 outlets would have been already built in?

Sanjay Thakker: Okay. So, the Linking Road, new Mercedes outlet, we didn't give a press release because we are relocating our outlet which was in a distant suburb of Kandivali. So, though it is a new outlet, it is coming at a significantly better location than where we were earlier. So, we didn't kind of give a press release and make a big issue out of it, though we believe that this will significantly help us coming in a prime location and this is a new format,kind of a small showroom on a high street. So, this is something that they are trying out globally and we are amongst the first to kind of get that done. And you spoke about a new Mercedes Benz workshop in Ahmedabad it is not Ahmedabad, it is Hyderabad. So, that is something that should start in the first quarter or the first half of next year for sure. We'll try for the first quarter out of that. The BYD showroom, we are trying to get it done within the next say 45 to 60 days maximum. Starting today we have got all the approvals and we will start the work of that, what did I miss?

Pranay Roop Chatterjee: Operating cost line, out of the 10 how many are built?

Sanjay Thakker: We will need to kind of give you more details, if you are okay, we will kind of it's difficult to just throw a number upfront, if you are okay we will reach out to you separately and talk about it.

Moderator: Thank you very much. The next question is from the line of Basudeb Banerjee from ICICI Securities. Please go ahead.

Basudeb Banerjee: Couple of questions, one related to last question that, how much of the staff cost increase is building in those aspects which you have mentioned and how should we look at a steady state staff cost in coming quarters. And second question is, as you said that you start business in now annualized 100 crores clocking. So, similar to the first-time gross margin for new car 40%, 42% of service payout, how much is the profitability some a Rs. 100 crores basis now and with revenue doubling in that business will the margin remain where we are, or it will inch up further. So, these are the two questions.

Sanjay Thakker: Basu on the used car business, what we are also doing is that actually we are selling more used cars than what we are reporting, and I'll tell you what is really happening we are buying say from Mercedes Benz demo cars and demo cars are then sold as sparsely used or young used cars. Now that we are not reporting over here that number is a sizable number which is happening and which we will see whether we need to club it over here. But talking about kind of apple-to-apple comparison, the margins will and should improve in used cars once we put in more marketing effort. We are putting it up on our websites. And maybe I'll have Aryaman join in at this point to kind of answer it, I sometimes just monopolize the mic that's not good. Let Aryaman answer this.

Aryaman Thakker: Yes. So, from the used car marketing effort, you will see more activities starting from this month, next month onwards where on our newly redesigned website we have a used car section. Plus we are going to start branding our used cars under the Landmark Select brand name and promoting it more across our brands. So, we will have an online plus offline marketing strategy to gain traction, to build traction to market these cars. So, you will start seeing that soon.

Sanjay Thakker: And on the cost side Basu, the front loading of cost is one and also we are in the process of rationalizing our costs especially in the Jeep operations which has not done very well. So, we are relocating our resources, whether it is our manpower or our infrastructure to other brands, now there is a painful task of just shutting a showroom and moving on. So, it is basically we have to find the right business to kind of do in that premises and a good manpower we are trying to move from these brands which are not doing well to more productive and upcoming projects that we have.

Basudeb Banerjee: Sure, if I try to understand, total EBITDA how much is coming from used car and in the pie chart your dependency on new car is, so how much you are getting from service sales, how much new car sales, how much used car, so from that angle if that margin figure if you can specifically check where it is hovering and with these marketing efforts and revenue doubling, where one should see that so, that would be very helpful.

Sanjay Thakker: Basu, we take your advice seriously, maybe from next quarter we will give it more granularly just as what we have given for the after sales business, we will carve out the used car business and report this very clearly, every quarter we are trying to give more and more granular data and we will be happy to take this up from next quarter.

Basudeb Banerjee: And the manpower cost absolute terms will remain around this quarter, Rs.56 crores in coming quarter or this quarter itself it has gone up?

Sanjay Thakker: No, it has already gone up most of the people are there but let me give you the exact number. If you are okay, we can talk after the call and I will sit with Surendra and give you a more detailed thing but, most of the people for MG Motors in the locations that we have said which are operational but not fully firing, there Mahindra people are there, we will need to recruit some people but we are moving also some people from Jeep. So, it will have to be collated in one place and give you a more scientific answer.

Basudeb Banerjee: So, broadly it would be right to think that big part of the forthcoming Mahindra or MG new outlets manpower costs are coming into the P&L already and the revenue will start coming in going ahead. So, the manpower cost will not increase substantially?

Sanjay Thakker: It is to a large extent it has happened. Some people may still have to be recruited, but to a large extent this has happened and I don’t see a sizable jump in manpower cost going ahead.

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

Sabyasachi Mukerji: Hi Thanks for the opportunity. Sir, I have few questions. First on your strategy in Jeep and Renault, are we going to kind of rationalize the operations and as you said reallocating resources and all going forward will we see more of all these showrooms converting into your newer brands like M&M and MG and all?

Sanjay Thakker: Sabyasachi, no I don't think that's what we are looking at exiting any of these brands, understand this Jeep operations is an important aspect the after sales business of Jeep has started contributing very meaningfully. For us it has become like the second highest brand for after sales business after Mercedes Benz. Now, this is an important call people have, people go through cyclicality. We have seen this happen to every brand that we have represented, and we have seen it in other brands also that they go through ups and downs. Exiting them is not on cards for us. We are only kind of putting it in the space where the business is profitable for us, it is not something that drains any of our resources. So, that is the outcome that we are looking at. In case of Renault, we have exited most of our outlets in Punjab, in case of Mumbai we continue to operate, the Company is actually supporting our operations, because the new car launches are going to happen in 2025. And those models are going to be important for a market like Mumbai. So, they are financially kind of underwriting our losses here. So, we do not except joining some of the operations whereas the workshops could become common, the showrooms could become common, when I say common, doesn't with some physical partitions in and around, but we are rationalizing it, I would like to say that this is something that we are able to do at Landmark because such things are generally not seen very frequently in the Indian auto industry.

Sabyasachi Mukerji: Got it sir. And in terms of Mercedes, going ahead what is the strategy of the brand, is it going to ask us to open more workshops than the new car outlets, what is the global strategy of Mercedes?

Sanjay Thakker: So, what is happening is that just look at what we are staring at, the total car part of Mercedes Benz since last 30 years or there about has been around 150,000 vehicles are on the road. Now we are going to be adding, just as a ballpark number in the next three years, maybe 60,000 units. It could be more; it could be a little bit here or there. But I'm just putting a very basic number that is 40% of more new cars are going to hit the road it could be 50%. Now we are talking about that number. Now clearly there is a need of workshops to cater to these cars which are coming on the road, or we will lose the business. And we go to different geographies. So, this is something which is happening. The showrooms, globally they are not looking at opening many more showrooms to basically look at sales because the same store growth has to happen, the cities where which are underrepresented, that need to be catered to, but I don't think we are as a Company is looking at opening many more showrooms. And that's where I said that when we are opening at Linking Road, we are going to be shutting that one in say Kandivali it is just going to a better place.

Sabyasachi Mukerji: Just a follow up, does that mean because, I presume the workshop business in terms of margins and ROC are far better than your new car sales. Does it improve your overall profitability and ROCs also with Mercedes?

Sanjay Thakker: If we are able to get much more business over there, over a period of time it should improve.

Sabyasachi Mukerji: Got it. And last question in terms of let's say if I look at some of the new age electric cars like Tesla, they are not going through the dealership route in the US. What's your take on that in terms of having no dealerships, opening their own experience centers and how is that model going to evolve, is it something that these guys like Mercedes and all will get into?

Sanjay Thakker: Zero chance, it is absolutely not going to happen. In fact, they have put their own retail which they had in Germany up for sale. So, if we want we can bid for it, not that we are going to I'm just giving you an example. So, Mercedes or no other OE that I am in touch with is interested in getting into this business of own retail.

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

Lokesh Manik: Couple of questions. One was on the new car sales to service ratio. This has come down from 17 to 15. So, going forward, in your experience, what is the sustainable ratio according to you and what is the ratio required to break even for a new outlet or a service center that you open up that is one, second is under the new agency model of Mercedes the incremental incentive that we use to target base, are we still there or they have gone away under this model. Those are my two questions.

Sanjay Thakker: I'll answer your second question, because your first question I have not exactly understood. So, the second question is that we continue to earn monthly, quarterly incentives based on target our market share and customer satisfaction and there are several parameters. So, that has not changed. What was your first question the ratio of sales versus?

Lokesh Manik: You are selling 100 cars and you are servicing 1500, 1700 cars, that was the ratio 1:15, it was earlier 1:17 that is one new car and you were servicing 17 cars that came down from 17 to 15. So, you are selling one car and you are servicing 15 cars.

Sanjay Thakker: Lokesh, I wouldn't look at that ratio, we internally don't look at that ratio as such some people talk about it, but if you sell more car, they will come to you for service in the years to come. And the number of cars that you will service is such a predictable number that with a reasonable amount of certainty, I can tell you that in the month of February 25, how many cars I am likely to service so that is a number based on what you have sold and what number of car parc is on the road. So, if you sell more, it will come back later but it's not a very important ratio, if you ask me.

Lokesh Manik: My question is actually because you had mentioned earlier in our last meeting at the investor day, the car parc is a criteria that you look at when you are entering a new location. So, I was just trying to understand is this the that we look at when you are entering, so my question was based on that actually.

Sanjay Thakker: No, Lokesh I understand, what we are looking at is that the car parc in a location for example, if we are entering say Howrah or Calcutta, Mahindra & Mahindra already has a car parc. So, day one, I will start getting my workshops kind of filled up, I don't need to sell to wait and have that car come back to me after six months. That was the point we were trying to make. So, when we make a business case in, say MG Motors in Mumbai or Ahmedabad we already know that how many cars are there on the roads and what market share of service we need to take. That was the limited point.

Lokesh Manik: Sir, my last question is on the car care product if you give an update, how is that progressing and how are we seeing the pickup in new car versus pre-owned cars, are you offering car care products in pre-owned cars as well, that's it from me.

Sanjay Thakker: Yes, so we are doing pretty well in the car care products that we have said we will do, we will over a period of next year, we will also look to open some kind of franchise outlets to distribute these products. We haven't kind of given a more color to it at this stage once the plan is there, maybe next quarter we will lay out the plan for growing that business meaningfully.

Lokesh Manik: Okay, but you are offerings within the pre-owned cars as well for Mercedes?

Sanjay Thakker: Sorry?

Lokesh Manik: You are offering car care products for the pre-owned cars as well?

Sanjay Thakker: Absolutely everywhere, every touch point.

Moderator: Thank you very much. The next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

Deepak Lalwani: Sir just wanted to check with you on the break-even status of our new stores, which we opened in Indore, Bhopal and Goa for our MG outlet. And also, if you could just explain, going forward as you are going be opening 10 more stores so what is the break even, how many months does it take for you to break even in those stores?

Sanjay Thakker: Deepak though we don't give out brand wise data, you can say that the breaking even of MG stores in Indore and Bhopal has already happened. Goa it's like a month only so it's a smallish operation let's not go there. What we actually when we are going in with existing brands, or which are already there, it's not a completely new brand. And with not too much of after sales revenue, the focus is to make it profitable in the first three, four months of operation. We don't really need to wait for a very long time. And I'm hoping that whatever that we set up, happens at best in the first six months of operation, if not three, four.

Deepak Lalwani: Sure, got it. And sir when we have spoken about Mercedes in the past, the supply challenges still remain. So, can you throw some light as to, do you see things improving from January onwards or will it still take time for things to improve?

Sanjay Thakker: I'm hoping that it starts improving from this month or next month. Really, this is something so we are clocking a certain number. It's not that the supplies are completely not there. But we want that incremental number. That is where we are all waiting for that thing to happen. But once it gets streamlined, we will be in another zone. So, I'm reasonably optimistic that it starts clocking soon now.

Deepak Lalwani: And on the booking side, can you share your experience if you witness any cancellations or if you can share an order book in terms of number of months as to how many months of order book lag that is sitting on?

Sanjay Thakker: So, let me give you one example of the GLS which is like the top end SUV which got launched and we are today sitting on around four months of order book based on regular supplies. And this is what it is, so the order book is really strong, the prices are going up, people are still chasing that price and buying it. So, this is something which is a good development. I just need cars.

Moderator: Thank you very much. The next question is from the line of line Pranay Roop Chatterjee from Burman Capital. Please go ahead.

Pranay Roop Chatterjee: Hi, quick data related question so, if you can tell us on absolute percentage basis what was the gross margin on new car sales this quarter versus the same quarter last year?

Sanjay Thakker: Let me have Surendra into it, he has also been silent for all these time.

Surendra Agarwal: Our gross margin for the quarter is 9.3% on the revenue of sale.

Pranay Roop Chatterjee: So, this is a reported revenue or proforma revenue?

Surendra Agarwal: This is on the reported, I'll tell you on the Proform also.

Pranay Roop Chatterjee: So, this is just for the new car rate?

Surendra Agarwal: Yes, this is for the new car only. And I'll give you the reported also, just give me a moment. So, it is 6.34% on reported margin.

Pranay Roop Chatterjee: So, 6.34% new car gross margin on proforma in Q3 FY24?

Surendra Agarwal: Yes, and I'll give you the Q3 last year also. So, it is 6.8%.

Pranay Roop Chatterjee: Understood. Second data related question. So, I was trying to, as part of my first question also, not sure if you can disclose the total new car sales volume that you do. But I was also trying to calculate it using the data in the presentation. Can I simply divide the new car portion except the F&I and all portion and then divide by the ASP to get the new car number because then that gives something around 5400 for the quarter. So, I just wanted to see if I'm calculating it correct?

Surendra Agarwal: Yes, you can do that.

Pranay Roop Chatterjee: So, it would be something around 5400 for the quarter?

Surendra Agarwal: Yes, 5500 close to.

Pranay Roop Chatterjee: Got it. And lastly sir a strategic question for Mr. Thakker. When you open a dealership in a new state, a one new car showroom versus after sales, the new car showroom sort of acts like a customer acquisition channel for your after sales unit. But when you enter like for example, Mercedes in Hyderabad, with workshop the existing showrooms over there would already be tied up with the customers who are already driving Mercedes cars there. So, how do you sort of go about acquiring customers in a new geography when you don't have a showroom existing there?

Sanjay Thakker: Yes, it's a very interesting question my friend. So, this is something that we will also find out we kind of are saying that we are very good and our workshops are five star rated and all that. So, though it is in a different part of Hyderabad. So, geographical proximity also matters in such cases, and we will need to kind of, because there is a capacity constraint I understand. So, there is possibly some waiting period that customers have to face now that won't happen. So, this is a new concept that is happening. It is a high ROC business, it is a good thing we actually are all sales guys, let's see how we sell our workshop to the guys in Hyderabad, should be interesting and fun.

Moderator: Thank you very much. In the interest of time, that will be the last question. I will now like to hand the conference over to management for closing comments.

Sanjay Thakker: So, we have already overshot the time. But thank you all actually these calls are also a learning for a lot of us. I also encourage our senior management to join these calls. So, we understand what do investors look for, what do they look at, what are the things that we need improvement for and I'm sure as time goes by, we will get more and more details, more disclosures, more granular detail, and we will have the tail winds of Indian economy help us in achieving the newer heights. Thank you.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.