Landmark
You drive us

30th May, 2024

To, **The Secretary,** **BSE Limited,** P. J. Towers, Dalal Street, Mumbai- 400 001 Scrip Code – **543714**	To, **The Secretary,** **National Stock Exchange of India Limited** Exchange Plaza, C-1, Block- G, Bandra Kurla Complex, Bandra(E) Mumbai – 400 051 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 21st May, 2024

This is further to our letter dated 21st May, 2024, wherein we had given advance intimation of the earnings conference call scheduled to be held on Friday, 24th May, 2024, with several Analysts/Institutional Investors/Funds with respect to discussion on the audited (consolidated and standalone) financial Results of the Company for the quarter and financial year ended on 31st March, 2024.

In compliance with the SEBI LODR Regulations, please find attached the transcript of the earnings conference call held on Friday, 24th May, 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: 2024.05.30 16:27:26 +05'30'

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

Encl: Transcript of Q4FY24 Earnings Conference Call.

"Landmark Cars Limited

Q4 FY 2024 Earnings Conference Call"

May 24, 2024

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 24,2024, 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. BASUDEB BANERJEE – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Landmark Cars Limited Q4 FY24 Earnings Conference Call hosted by ICICI Securities. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need an assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Basudeb Banerjee from ICICI Securities. Thank you and over to you, Mr. Banerjee.

Basudeb Banerjee: Thanks, Manav. Good morning, good afternoon to all the participants. Thanks to the management of Landmark Cars for giving us the opportunity to host the call. We have with us Mr. Sanjay Thakker, Promoter Chairman and Executive Director of Landmark Cars, Mr. Aryaman Thakker, Executive Director and Mr. Surendra Agarwal, Chief Financial Officer of Landmark Cars. So, without wasting any time, over to you, Mr. Sanjay bhai, for your initial comments. Thanks.

Sanjay Thakker: Good morning, Basu. Thanks for hosting us once again. On behalf of the company, I extend a very warm welcome to everyone for joining us today. On this call, we are joined by Mr. Aryaman Thakker, Executive Director and Mr. Surendra Agarwal, CFO and SGA, our Investment Relations Advisors. The results and presentations are uploaded on the stock exchanges and the company website. I hope everyone has had a chance to have a look at it.

India is going through a structural change. This is being seen in the auto sales quite evidently. The auto sales for financial year 2024 grew at nearly 10%, while the luxury car sales grew at double of that, i.e. 20%.

In the last call, I had spoken about the uncertain times that the auto industry is going through globally, as also in India as far as the technology is concerned. The EVs continue to get adopted faster in China while in some other parts of the world, the adaptation has clearly slowed down. In India also, there is a glamour for some tax concessions on hybrid vehicles as an interim measure. Several OEMs are trying to fine-tune their policies and new offerings in this dynamic changing world.

India continues to be the chosen destination of all global OEMs and we have seen several Global Heads of various OEMs visit India in the last few months. In the last few years, some brands have been showing significantly higher growth than the industry and they look to continue this journey. There have been geographies which are also growing faster than the nation.

Looking at the long-term need of the company to be a meaningful player and participate in the growth of India, we have embarked upon a significant growth journey. During the current year, we will be opening 24 new outlets with an investment of INR75 crores. You will notice that bulk of the investment is with the newer, fast-growing brands in the identified geographies where we want to achieve operating leverage. We aim to have approximately 20% of our proforma turnover of the company from these newly opened outlets once they are operationalized. You may refer to the slides in the presentation for more detail.

We are now deploying the money as we see less froth in the market with the brands and geographies of our preference. You may recall that we had held back on expansion in the early part of calendar year 2023 as the terms of trade that we were looking for were unfavourable. All the expansions have been funded by internal accruals. You would have noticed that the company has generated INR112 crores of cash profit for the last financial year which is not much different from the previous year.

Landmark will soon be present in 11 states with 10 brands, with 3 states of our presence: Goa, Telangana and Rajasthan which are new and we will be having this footprint across the growing vast states. In this industry, hardware, which is the infrastructure is easy to come by if one is well capitalized. What sets Landmark apart from others is the software, which is the people.

Landmark is blessed by far with the best team that the industry can boast off. Over the last 26 years, we have developed expertise in faster infrastructure development, operating in multiple geographies, multi-brand, system and processes while keeping customer experience at the core of our ecosystem. The focus for the current year will be on executing the task on hand.

We will want to strive to operationalize the locations faster and have cash registers ringing. Our business is a very predictable and process-oriented business. It is a thin margin, high turnover business. We are mindful that cost rationalization will help us to improve our profitability. We have studied the topic at length and worked out several measures to bring down our cost of operations, especially other expenses and manpower costs. We expect our operating leverage to come into play on manpower costs soon.

As a result, we are targeting to reduce manpower costs as well as other expenses to approximately 4% each of our pro forma turnover from the current elevated level. The current levels are higher also due to front-loading of expenses in some brands and lesser-than-expected sales in some others.

The inventory levels have gone up in this quarter due to the opening of new outlets of Mahindra & Mahindra and MG Motors. In Q3 of financial year '24, we had successfully reduced our inventory and we are once again taking measures to bring it under control. In the last year, Landmark was not able to fully participate in the premiumization growth story of India as we were not partners with the topmost volume brands. This situation has changed.

There is a certain growth that we need to have our operating leverage kick-in. We believe that with well-thought-out strategy, we have solved for the growth. The focus of the company was and will be generating high ROCE. For the immediate term, the company has achieved the objective of expansion. It is now execution.

In a nutshell, I would summarize the situation as below; Indian auto market is well-poised for growth and premiumization. Luxury cars will outpace the passenger car market. Landmark is the partner of choice for OEMs who are keen to partner with Landmark. Rapid expansion is planned at Landmark. There is a big focus on cost rationalization and optimizing operations. As stated earlier, we should look at operations annually or over an extended period as it will provide a clearer picture of the positive outcomes from our strategic actions.

With this, I hand over the mic to Aryaman to give us more granular details.

Aryaman Thakker: Thank you. As mentioned by our Chairman during the previous calls, we have focused on expanding with high growth premium brands in the relevant geographies. These brands include the 3-M's of Mercedes-Benz, MG Motors and Mahindra & Mahindra. In the last few months, we have also added Kia to that list and expanded with them in Hyderabad and Kolkata. This move will help us to de-risk and cushion our performance against any cyclicality risk faced by any particular OEM.

Along with the high demand for new cars, partnering with these brands in the given geographies offers an additional benefit of a sizable car park that can start coming to our service centres at the start of operations and thus helping us reach profitability faster. Over the last year, we have expanded our network by adding 20 new outlets which include 8 workshops and 8 Volkswagen pop-up stores. We have a strong pipeline of 24 new store additions coming this year.

Coming to the after-sales business, our performance has been stable. Going ahead, this segment will be much more promising as the new workshops will ramp up after a few months of gestation period. Our pre-owned car business in its first year has exceeded our expectations, clocking a revenue of INR117 crores and this year we are looking to build further on this momentum.

Let me now give you all an update on the performance and plans of our various partner OEMs. Mahindra & Mahindra was among the fastest growing brands in the Indian PV market with a 29% year-on-year growth in FY24. This year as well, they are expecting to grow in the high teens which will significantly outpace the overall private vehicle market. They continue to have a large booking pipeline for models such as the XUV700, the Scorpio, Thar as well as the newly launched 3XO. They have recently announced plans to launch 16 new models by 2030 which include 9 ICE SUVs and 7 all-new EV SUVs.

MG Motors has announced its partnership with the JSW Group in India and they have also announced aggressive plans to grow volumes. They are aiming to launch one new product every 3-6 months starting from October of 2024 and want to be the leaders in new energy vehicles by 2030 with an estimated sale of 1 million cars.

They have further announced plans to invest into localizing the supply chain. We have started our operations in Ahmedabad last month and in Mumbai this month. With these expansions, we will now have 11 outlets for MG Motors across four geographies and we aim to become their leading dealers in India with a market share of over 5% of their sales volume this year.

BYD has recently announced that the Ato III has received its homologation certificate. This takes away the 2,500-unit import cap allowing for market expansion. The BYD Seal which was launched in March has received a very positive response with over 1,000 bookings already pan India. The deliveries of the Seal have started this quarter and should ramp up. Our showroom in South Mumbai is already in the works and is likely to start operations in the next couple of months.

We all know the success that Kia has enjoyed so far in India. We have been waiting for some time to partner with them in chosen geographies and with favorable terms. They have big plans for our country and will be expanding their production capacity by 1 lakh units. By 2027, they are planning to launch four new models including a dedicated EV for emerging markets.

The new Carnival and the electric EV9 are likely to launch this year and they are expecting a 10% CAGR growth till 2030. Mercedes-Benz is looking at India as a key growth market. With sales of luxury goods plateauing in some parts of the world, India offers a large growth opportunity for them.

There has been a continued series of top-level visits from German HQ to India. They continue to be the luxury car brand of choice for Indian customers and sold approximately 5,400 units in Q4 of FY24 which was a 15% growth year-on-year in volume terms. The Mercedes-Benz also enjoyed a lead of 32% in volumes over its nearest competitor in the same quarter.

The prices for Mercedes have gone up on an average of 3% from April 2024 which will further help increase the ASP. In FY24, Landmark has increased its contribution to Mercedes-Benz India volumes to 16.2% which was 15.2% a year back. For this year, Mercedes-Benz has lined up nine new model launches for India which include four top-end vehicles.

There is a strong demand for their models with many of the SUV portfolio having waiting times from two months to over one year. We are confident that over the next few years, this brand will surprise us positively with its performance.

For all the brands that we represent, Landmark has achieved a market share of over 5%. We are confident that with the new additions in our portfolio, we will reach this level of market share over a period of time. Apart from the growth brands, Landmark is also focused on rationalizing costs in performing as expected by way of sharing infrastructure and also right-sizing our outlets.

We closed six outlets of Renault in Punjab during this past year as a part of our strategy to align with premium brands and focus on healthy unit economics. In Mumbai as well, being an exclusive partner for Renault, we have agreed with the OEM to provide us with financial support till the volumes increase. In the meantime, we are also going to be reducing our footprint in Mumbai for Renault.

Every OEM has a cycle and with Jeep, we are hopeful that they will soon have a turnaround. The OEM is planning to launch EVs in India this year with the introduction of its Leapmotor products. These will be premium products and targeted more towards Tier 1 towns where we are present. However, we have already started taking some corrective measures in the meantime.

The Jeep showroom that we have in South Mumbai at Worli will become a shared facility by taking out some space for our upcoming BYD outlet. We will also be sharing facilities in New Bombay between Jeep and Renault. At Landmark, we are objectively reducing our exposure with underperforming brands, increasing our footprint with profitable ones and partnering with successful brands to build for the future.

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

Surendra Agarwal: Thank you, Aryaman. Very good morning to everyone. I want to share some key performance metrics to illustrate how we performed this quarter and throughout the year. We continue to be the highest contributor in terms of volume of multiple OEMs. In the last quarter, our new car proforma sale was around INR1,077 crores across all our OEM partners and after-sale revenue was INR222 crores during the quarter.

As seen earlier, there is a steady and sustainable rise in the average selling price of new car sales. The average selling price of cars for the quarter has gone up from INR20.5 lakh in the quarter Q4 FY'23 to INR22 lakh in Q4 FY'24, showcasing a growth of 8% year-on-year. In the year gone by, we have serviced 3,30,000 cars and the average service revenue increased by 10%, rising from INR23,444 in FY'23 to INR25,768 in FY'24.

In the cars sold, we saw ASP increase by 13%, rising from INR17.71 lakh in FY'23 to INR20 lakh in FY'24. The increase in costs such as depreciation, finance costs and other expenses is on account of opening new outlets of new brands. For many of these outlets, we have incurred the expenses whereas the revenue contribution for some of the outlets started in the last week of March or early April.

Our inventory position at the end of the quarter is on higher side as we have built inventory for a couple of outlets that started operations either towards the fag end of the quarter or in the beginning of April. Coming to the financial number of Q4 FY'24, our total pro forma revenue for the quarter stands at INR1,300 crores as compared to INR1,212 crores in the same quarter of the previous year with a growth of 7% year-on-year.

The gross profit for the quarter is INR171 crores with a 19.8% margin on reported revenue as against gross profit of INR161 crores in Q4 FY'23 as 18.9%. The EBITDA stood at INR56.2 crores versus INR63.8 crores in the same quarter last year. EBITDA margin clocked in Q4 FY'24 being 6.5% on the reported revenue. Similarly, PAT stood at INR11 crores with a 1.3% margin as compared to INR24.3 crores in the same quarter last year. However, the cash profit for the quarter is INR25.1 crores as compared to INR30.4 crores in the same quarter last year.

Let's now turn our attention to the full-year performance. Our full-year proforma revenue stands at INR4,655 crores which is up by 1.3% year-on-year. In FY'24 full-year, our gross profit was INR651 crores as against INR613 crores in FY'23. EBITDA for FY'24 stood at INR227 crores compared to INR250 crores in FY'23. Profit after tax for FY'24 stood at INR57.2 crores versus INR85.1 crores.

Cash profit for the year is INR112 crores as against INR123 crores in the same period last year. One of the reasons for being lower PAT is due to depreciation and index impact by addition of new locations in universities. During the quarter, inventory increased and debt also increased primarily due to the addition of newer brands like MG, Operation in Ahmedabad and Mumbai, M&M in Kolkata with sales started from April.

Thank you. Now I hand over the quorum for questions.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask the question may press * and 1 on their touch tone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to use their handsets while asking questions. Ladies and Gentlemen we will wait for a moment while question queue assembles. We have our first question from the line of Pranay Roop Chatterjee from Burman Capital. Please go ahead.

Pranay Roop Chatterjee: Hi. Good afternoon everyone. Thanks for taking my questions. Am I audible?

Surendra Agarwal: Yes. Pranay. Go ahead please.

Pranay Roop Chatterjee: My first question is with respect to your gross margins. And when I say gross margins, it's as a percentage of your gross revenue for Q4 FY'24 versus the same quarter last year or maybe even the last quarter Q3. So, this gross margin has gone down to about 12.8% despite the fact that year-on-year your after sales is higher in the mix and also despite the fact that your ASP of new car sales has gone to like 22 lakhs odd which is double-digit growth y-o-y. So, these are all supposed to be positive contributing factors to your gross margin and up fronting of costs should not impact this. So, just wanted to understand this.

Surendra Agarwal: Okay, so our gross margin impact on the quarter and quarter is increased from Q3 it was 18.3% and now it is 19.8%. So, you are referring that?

Pranay Roop Chatterjee: Sir, no sir because that is not true representation of your business. I am only looking at all numbers as a percentage of pro forma revenue.

Surendra Agarwal: Okay, so our gross margin for the quarter on pro forma revenue is 13.1% for the quarter as against 13.3% in the same quarter of the previous year. That's what you are referring?

Pranay Roop Chatterjee: Yes, sir. I wanted to understand why this would reduce when ASP of new car has gone up and after sales in the mix has gone up.

Surendra Agarwal: So, the thing is there are the couple of brand the model there is no new model. So, when the model has some sustained the period which is a past one year then there is some discounting started in those models. So, this is because of that. So, like in the VW case the last year there was a new model this year there was no new model likewise in Jeep also there is a discounting started in those brands.

Pranay Roop Chatterjee: Got it, sir. In that case that is understandable. So, is this 13% odd number a more sustainable number to look at for next year?

Sanjay Thakker: So, Pranay what is happening is and let's look at I am going a little up in the air. The thing is that we are what are we doing right now? There have been the Indian premium and luxury market grew. Luxury let's keep it aside we are representing their well and we are actually increasing our market share. In the premium segment we were partners with brands which were not participating in this growth really and were de-growing and we had to quickly change this portfolio.

This is what we are doing. So, with Mahindra, with Kia and MG and MG the meaningful numbers will start coming from October when the new models will start getting launched. So, that portfolio change will help us to retain the margins higher and kind of give the turnover that we so desire.

Pranay Roop Chatterjee: So, I understand that but then the question remains right when you go into these newer brands basis the terms you have with these brands can 13% be a more sustainable number or can we go back to a 13.5 or higher number that we'll see?

Surendra Agarwal: Yes, Yes. So, look we have added all the three brands which we have added is the premium brand Kia, Mahindra and MG vis-a-vis the existing brand if you look at that Renault and Jeep. So, with these newer brands definitely it will go back to…

Sanjay Thakker: The after sales numbers will start clocking which will have a higher margin. Right now we are not looking at their after sales number at all their contribution. So, I understand your point but the after sales also of these brands will start clocking along with it.

Pranay Roop Chatterjee: Okay, got it sir. So, okay that is clear and if you would have the number of so there is there's this index called same store sales growth which could be quite relevant for your business. So, would you have this tabulated from an annual perspective at least like FY '24 on FY '23 for serviced cars and new cars sold what would be the life-for-like growth number?

Sanjay Thakker: So, what we will do is Pranay and every quarter you would have realized that we are improving the quality of our presentation and our disclosures whatever we are doing it we will improve on that and maybe from next quarter or even before that we will start sharing that with the people. Where what is happening is that some of our outlets are getting cut some of our outlets are getting reallocated to some other brand. So, but we will find a solve to it it's a fair question and we will try to see how we will be able to give you this information.

Pranay Roop Chatterjee: Got it sir and my last question is actually on your operating leverage guidance that you have provided in your presentation. So, in FY '25 if I think of it from a year-end to year-end perspective your total outlets are going to go up by 20% odd. So, 119 outlets and then 24 more and if I add up the annual cost base for FY '24 which is employee cost other expenses and the renters lease rentals is obviously an estimate at this point we don't know what it is but this should all add up to INR500 crores in FY '24. Now, basis of outlet expansion how much can this number grow in the next year?

Moderator: Ladies and gentlemen we have the management line disconnected please stay connected. Ladies and gentlemen thank you for patiently waiting we have the management back with us over to you sir.

Sanjay Thakker: Were we the only guys who got dropped out because Basu was also not able to join or some other investors also got dropped out what is happening here?

Moderator: Sir, we will investigate that. Mr. Basu is also connected now.

Basudeb Banerjee: It seems some technical glitch from their side so I hope it resolves. So, sorry to all the participants so let's start sir.

Sanjay Thakker: Yes, I'm taking this call from the mobile phone our audio system we are trying to connect back but let's in the interest of time of everybody let's continue with our questions.

Pranay Roop Chatterjee: Sir, should I repeat that question once?

Sanjay Thakker: Yes, I don't know what Pranay you were asking have we got dropped out?

Pranay Roop Chatterjee: Okay, no worries no worries sir I'll be quick. So, your total outlet expansion is going up total outlet number is going up by 20% over next year. So, in my estimate your total cost base employee plus other expenses and a broad estimate of what your rentals would be add up to INR500 crores for FY 24. In your estimate basis the outlet expansion plan how much will this INR500 crores go up by?

Sanjay Thakker: No, we would not like to give guidance on this number as of now Pranay please appreciate that we have tried to be as transparent as we could under the circumstances we have given the outlet count we have given the investments that are likely to go over there we are saying that of the turnover we are we kind of stuck our neck out there was some discussions internally.

I said that we will be transparent as we can and we are saying that we will have a certain percentage of our expenses which we will strive to kind of achieve and which we have given a guidance at 4% of the other expenses and the employee cost which is what we are doing rather than putting a number to it let's kind of stay there as of now.

Pranay Roop Chatterjee: So, essentially you would have built in some level of volume growth or top-line growth and because of which you got to the percentage right 4%...

Sanjay Thakker: What we are saying is -- what we are saying Yes I'm sorry I'm joining from the other thing. So, let's kind of stay with that we of course have built in some amount of growth we have put in our thoughts before investing the money we are saying that the exit turnover would be in and around 20% of what we would be doing from these outlets.

Pranay Roop Chatterjee: **Got it sir, Thanks a lot and All the best**

Sanjay Thakker: **Thanks Pranay.**

Moderator: Thank you. We have a next question from the line of Pritesh from Lucky Investments. Please go ahead.

Pritesh: Thank you for the opportunity sir. Sir, wanted to know in your total capital employed how much is the capital invested in companies like Jeep, Honda and Renault put together? That's my first question. My second question is when you are taking these incremental dealerships of let's say MG or M&M usually at what capital employed turn and ROI are on these investments considered?

Sanjay Thakker: I will answer the second question first if you don't mind Pritesh. The MG, M&M or any other acquisition that we are doing we are looking at a ROCE of upwards of 20% when we make these decisions. Also please understand that you mentioned Jeep, Honda and Renault in the same breath.

Now I am assuming that in your mind it is that these are not profitable or good brands. Let me tell you that Honda continues to be for us one of the better ROCE generating businesses even now. Let me also tell you that Jeep maybe three years back or so was amongst the within the group amongst the highest profitable brand that we have seen.

So what the last 26 years has taught me is that there is a time and place of every brand and the entire industry somehow is a little cyclical. So to solve for that cyclicality you need to be adequately diversified. What last year brought out was that we were not adequately diversified.

The brands that some of or many of them together did not perform. Now while we invest in sunrise brands like a BYD, Mercedes-Benz being our crown jewel and performing very well, we were not able to capture this growth story. We were the selection of or the bouquet of brands that we had were clearly underperforming the market.

So to have a more stronger portfolio of brands, we have gotten with Kia, Mahindra and Mahindra, and MG. And Pritesh the good part is that this is something we chose consciously. We were relentlessly for the last one year the geographies that we wanted and the terms that we wanted. And in my speech as I said in the initial part, the first six months or so we did not deploy money because the terms of trade. What do you mean terms of trade? The infrastructure requirement for some of the brands was really very high.

There was a great amount of froth in the market post COVID where everybody was on the high. Today the market situation is such that the demand and supply in most cases is even. And in many brands, in fact, the supply is more than the demand. So this is where people have got more rational. This is where you can deploy capital for the long term. And this is what we have done.

Pritesh: The first question.

Sanjay Thakker: The brand wise capital employed.

Pritesh: No the brand wise, I want to know, let's say when you initially mentioned your opening remarks, you mentioned 3M. Mercedes, Mahindra and MG. So let's say outside this 3M, what is your capital employed?

Surendra Agarwal: So roughly in MG we have capex...

Pritesh: No, I don't want brand wise. I want outside of 3M

Sanjay Thakker: How much is the capital employed? Are we reporting that separately or?

Pritesh: Sir, any ballpark estimate?

Sanjay Thakker: Can I reach out to you Pritesh separately if you don't mind?

Pritesh: And just on to my second question. You are opening about 25 dealerships, right?

Sanjay Thakker: Let's call them outlets for simplicity.

Pritesh: Okay. So what is the usual capital investment that you are undertaking? And what is the assets for that 20% ROIC that you are looking at?

Surendra Agarwal: So as far as the capex investment is in the tune of around INR6 crores per Jodi, which is the sale and service put together. So if one outlet we count is around INR2.5 crores or INR3 crores in a particular outlet, either of the sale or either of the service. That's the capex investment.

Pritesh: This includes the inventory?

Surendra Agarwal: No, inventory is separate. The turnover which we get. Yes. Hello?

Pritesh: Including inventory, if you could tell us?

Surendra Agarwal: So including inventory, inventory would be roughly around one with the current thing is around 140 days inventory we have, plus the spare inventory we counted. It will be for this upcoming store showroom, it will be around INR150 crores. All of them, all of them, not one.

Pritesh: So 25 will be INR150 crores investment?

Surendra Agarwal: This is the inventory of this 24 outlet.

Pritesh: Okay, 24 outlet, INR150 crores investment.

Surendra Agarwal: INR75 crores rupees is the capex investment, plus the INR150 crores is the inventory.

Pritesh: And then another 75 for the service station, right?

Aryaman Thakker: No, 75 includes the total investment into these 24 outlets.

Pritesh: Sorry?

Aryaman Thakker: Yes, Yes. 75.

Pritesh: Sir, you mentioned INR6 crores per Jodi. So 24 into 6 is INR144 crores per one.

Surendra Agarwal: No. Jodi means the sale and service. Hello? Okay, okay. So Jodi means the sales and showrooms, service station, service station and the showroom.

Pritesh: And when you are saying 20% ROIC, you're considering the inventory number also?

Surendra Agarwal: Yes. Okay.

Pritesh: Okay, sir, I'll come back.

Surendra Agarwal: Are you clear on that?

Pritesh: Yes, I'm clear on that. I just needed the asset turn on this.

Surendra Agarwal: Yes.

Pritesh: Or the capital employed turn. How much time turn this capital, how much time, how much turn this capital employed does? So if you invest INR225 crores, how much sales do you get?

Surendra Agarwal: How much sales we will generate?

Pritesh: Yes.

Surendra Agarwal: So the sale of, I can give the around 125 or 150, between INR100 to INR125 crores sales per month.

Pritesh: 125 into 12.

Surendra Agarwal: Yes. So around INR1,200 crores or INR1,300 crores sales we will get from these stores.

Pritesh: On INR225 crores investment. Okay.

Moderator: **Thank you,** We have our next question from the line of Himanshu Jain from Tiger Assets. Please go ahead.

Himanshu Jain: Yes. So thank you for the opportunity, sir. My question was like, when we see the financial numbers for FY24, I see that the revenue from operations is moreover flat when compared to FY23 numbers. So like, what is the growth that you're expecting in FY25? And what are the growth triggers for that?

Sanjay Thakker: Yes, so you actually are asking the root cause of what we are doing for expansion. So the brands that we represent, see, what has happened, we are a kind of a reflection, we are a kind of a bouquet and we are a proxy for the brands that we represent in India. And what are we talking about?

We are talking about Mercedes-Benz, we are talking about Volkswagen, we are talking about Honda, we are talking about Jeep, we are talking about Renault, we are talking about Ashok Leyland commercial vehicle, we are talking about BYD and so on and so forth. Now, the brands that we represent did not grow in the year that we are talking about. The, there is a single line answer which says that the brands that we represent really did not participate, whether it be Jeep, whether it is Volkswagen, whether it is Honda, whether it is Renault did not participate.

Now, we are replacing them, not replacing them in a literal sense, but kind of getting additional brands which are really fast growing. And that has been the need of the hour to look at the growth. So, in the first six months of our operation, in fact, we were de-growing.

What we have been able to do is to make that up. And our internal target was to actually go beyond last year's number. And our teams really worked very hard to get that done. So the growth with the newer brands that we have will be significant over last year. And we hope and wish to make up for what has happened in the past year.

Himanshu Jain: Okay, so you're saying that there will be no growth in sales from the existing brands like Mercedes, Mahindra.

Sanjay Thakker: Mercedes will continue to be, see Mercedes sales is getting reported as pro forma revenue. So Mercedes will grow at a significant pace. We have actually, Mercedes has grown 15% in the last quarter, which has gone by.

And we are their largest partners. So as far as Mercedes is concerned, with the ASP also going up and the sales also actually doing significantly well, we believe that more than double digit growth will happen in Mercedes-Benz. Hopefully, a high double digit growth will happen in Mercedes-Benz.

And we will have other brands so we don't expect, for example, any growth in a small brand like a Renault or a Volkswagen right now. That's what I can say. But we will see significant growth in BYD. We will see significant growth coming in from Mahindra, Kia, MG, where we have no base and all that.

Himanshu Jain: So overall, you're expecting like a growth in double digits overall?

Sanjay Thakker: Yes. More than that for sure.

Himanshu Jain: Okay, so one last one question, sir. Any exclusive like dealerships that you're about to sign in FY25 or you're in talks with certain brands?

Sanjay Thakker: I don't know. What does exclusive mean?

Himanshu Jain: Dealerships you have taken up for BYD. So are you in discussions with any of the brands?

Sanjay Thakker: So right now, I think we have taken in as much as what we can chew. If you ask me, this is the time is now for execution, focusing on cost, getting our balance sheet right. We, for what we internally believe of factors which were beyond our control, which is the OE performance and the brand acceptance.

We have, we are, that's why rebooting in a sense. So if you are asking me, are we looking at some, some major thing happening now this year anytime soon? I would say no. We have done what we had to do.

Himanshu Jain: Okay, thank you. That's it from my side. All the best for the future.

Sanjay Thakker: Thank you.

Moderator: Thank you. Ladies and Gentlemen in order to ensure that the management is able to address questions from all the participants in the conference, please limit your questions strictly to two questions per participants. Should you have follow-up questions we request you to re-join the queue. We have our next question from the line of Karan Kokane from PGIM India. Please go ahead.

Karan Kokane: Yes. Thanks for the opportunity, Am I audible?

Sanjay Thakker : yes, karan Please go ahead

Karan Kokane: So I was just going through the presentation. So if you see, you know, you talked about new facility additions in FY24 and FY25. So you've added almost 20 facilities in 24. And the cost of that is approximately INR40 crores. And now in 25, you're adding 24 more and the cost of that is INR75 crores. So almost double of that. Correct. What is leading to the sharp jump in, you know, investment cost?

Sanjay Thakker: So what has happened is that if you see our presentation, you will see a terminology known as pop-up store. In financial year 24, if you were to look at it, there is a last line, which says pop-up store Volkswagen 8.

Karan Kokane: Okay.

Sanjay Thakker: So these are really very small investment and kind of a one single shutter kind of places in Tier four kind of towns, which are easy to kind of start and shut if required. And that does not require any significant capex. They're very frugal in nature. That is the reason.

Karan Kokane: Okay. And secondly, on this, you know, operating leverage thing. So you've talked about almost 120 basis points of cost savings through manpower and other expenses. But at the same time, you're also adding 24 new facilities, which will result in upfronting of costs. So do you expect, you know, margins to kind of expand from these levels, despite, you know, these new facilities coming up?

Sanjay Thakker: So the focus current will be on that we are mindful of the fact and over the last 26 years, we have been in this business and we have really seen people go in the direction of mad growth and not keeping eye on the costs. Now, that's not what we do. In fact, in the previous calls, and all people were saying that how many new store additions will you do when India is growing?

And we were saying that we know we will not grow, we have to actually focus on the same store, kind of getting more juice out of, I don't think that that philosophy has changed at all. It is just that we have had to go with newer brands and with to newer geographies. That's why this number is going up.

We will want to have matrices which are very strictly laid down in our organization and the focus will be on achieving them. The one or two levels below our CEO, people are given these numbers to focus on and deliver them. That's where their PLBs are also linked.

Karan Kokane: Understood, sir. And just a quick follow-up on that. So, in this presentation on slide 25, you have given your after-sales EBITDA number for 3Q FY24 and 4Q FY24. Sir, so on a sequential basis, there has been a sharp drop in the EBITDA. So, while I understand it might be because of new workshop additions, etc., what would be the corresponding gross profit number for this?

Surendra Agarwal: A gross profit in the quarter, you are saying?

Karan Kokane: After-sales business, on a quarterly basis.

Surendra Agarwal: After-sales EBITDA usually is around 18%, what you are talking?

Sanjay Thakker: He is asking for a gross profit on that. Margin. Gross margin. Is that correct, Karan?

Karan Kokane: Yes. So, sir, on the slide number 25, you have talked about number of INR44 crores for 3Q FY24, which has fallen to INR37 crores in 4Q FY24. So, corresponding gross profit numbers is what I wanted, sir.

Surendra Agarwal: Corresponding. Just give me a moment. So, you required the previous quarter number, what you really mean?

Karan Kokane: Sir, 3Q FY24 gross profit and 4Q FY24 gross profit number.

Surendra Agarwal: Okay.

Surendra Agarwal: 3Q is there, INR44 crores. So, he is asking the gross profit, gross margin. It is the 41%, which is the INR93 crores in the Q3. Hello?

Karan Kokane: Yes, sir.

Surendra Agarwal: And in Q4, it is 38.5%, INR85 crores.

Karan Kokane: Okay. So, any reason for that drop in the services part? So, new vehicles, you said, you know, discounting has gone up, but on the services side, why is that?

Sanjay Thakker: I would not reach, Yes, read much into it, Karan. So, then I will also join in.

Surendra Agarwal: Karan, the thing is, the new brand, which we opened, like MG, Mahindra, the cost was set up. So, MG, Mahindra, these are the two new brands we entered, and the service station has opened. Service station has opened, but their service number is not really kicked in, in the last quarter.

Sanjay Thakker: Also, what we do over a period of time, Karan, is that we sell high margin products like extended warranties, annual maintenance contracts and all that, which generally contribute to a higher margin than just part sale and general repairs. The accident repair also is a higher margin business. So, my sense is that this will normalize once the workshops are stable. I would not read too much into it.

Karan Kokane: Okay. Those were my questions. Thanks for taking my questions. All the best.

Moderator: Thank you. We have a next question from the line of Harin Dedia from Tamohara Investments. Please go ahead.

Harin Dedia: Hi. Thank you for taking my question. I just have one question. We are acquiring some showrooms and workshops for Honda in Rajasthan at the behest of the OEM. I understand the workshop part because, Honda has a very large install base, but I just wanted to understand the rationale for also acquiring showrooms. Where are we seeing this brand going forward?

Because, Elevate was supposed to be their big revival moment and it's not panned out as per their plans. So I just wanted to get your sense on what our expectation is with the Honda brand and why we would heed this OEM request?

Sanjay Thakker: Yes. So it's not necessarily an OEM request. It was our kind of interest in acquiring it. So there are two, three reasons why you do certain things. First thing, as far as Honda business is concerned, we have always and always made money in Honda business since the time we started and we continue to do so. That's the first answer.

The second is that there is not such a strong relationship between the OE sale in number terms and the dealer making profits. So you may have certain very high volume OEs. I don't want to name them on the call, but their dealers would not make money because the number of dealers that you would have in a town will be significantly higher. Now, in case of Honda, the number of dealers have shrunk over a period of time.

So it's not only the question of numerator, but also the denominator that we have to look at. So I do not think that Honda has any ambition of going above, say, 1,50,000 units in India in the next maybe three, four years. But if they are able to do, say, 100,000 units or 90,000 units or even there, the business is very profitable. So it's a small investment and decent ROCE business.

The other answer to this is that there is in the industry, you need to be present in a certain geography to basically expand in that geography. This is a very unique industry issue. So, say it took us some time, we have been wanting to get into Hyderabad for a very long time and I was not able to crack it. But the moment we were able to get the Mercedes-Benz workshop approval in Hyderabad, then rapidly Mahindra & Mahindra and Kia piled on saying that you are already present in Hyderabad, why don't we go ahead with you in Hyderabad.

Now, that's where you need to identify a geography and we have several such examples in Indore and now in Kolkata and all that. You have to go with one and in our case, Honda is an extremely profitable business. That's why we are doing it. And acquiring showrooms, we are not buying any showrooms. But as you know, the business comes with sales and service as a combo offering, not a stand-alone.

Harin Dedia : Okay, got it, that's it from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Vidrum Mehta from ASK Investments. Please go ahead.

Vidrum Mehta: Thank you, sir, for the opportunity. Firstly, sir, if you could help us more on the environment, which you said that it has been more conducive for expansion. So what are the favorable terms of trade, which we are seeing right now, and which was not present, say, a year ago?

Sanjay Thakker: Yes, it's a very intelligent question that you are asking. And let me explain what this means. The terms of trade basically start with the investment in infrastructure. Now, I don't want to name a certain brand, where we were in talks with them, say a year back, and we were in a position to sign up with them. But the requirement came up of say, a 1 acre of land to be constructed upon, 120 feet of frontage that they would need for a showroom, say 8,000 square feet of showroom with a double height and all that where the investment was getting obnoxious. Now, we waited out. We said that we don't want to kind of get in with these terms of trade.

And we actually in a different geography, we have been able to kind of get it at a significantly lesser investment per square foot of investment. Now this is the first win that you have. Over a period of time, and this doesn't happen straight up. Over a period of time happens once you get the confidence of the OE and when you basically become a very integral part of their ecosystem, like what we have become for Mercedes-Benz or Jeep or a Volkswagen over a period of time, and even Renault, what happens is that they treat you differently.

And you get nice expansion opportunities, you also get sometimes some credit, sometimes some real estate support. Now this is exactly what is happening in Renault. Now, Renault is going through one of the worst times that they can go through.

But because they wanted Landmark not to kind of fold, what is happening is that they are practically underwriting our entire loss for the next one and a half years if we were to incur and give us such favorable terms, which I'm not in a position to disclose on this call. They've compelled us to stay. Now, these are the favorable terms that happen over a period of time. It has happened with Jeep. It has happened with many OEs.

Vidrum Mehta: Okay, thank you. Sir, the other question was with respect to other expenses. So if I look at on a half yearly basis, say for H2 of FY'24, our net store count addition is just two stores in H2, because we closed the Renault stores and we opened Volkswagen and BYD stores in H2. So if I look at H2, our other expenses have gone up significantly vis-à-vis H1 and net store count addition is just two stores. So how should we read on this?

Surendra Agarwal: So the store which is closed down is the Renault store, the sixth store which we closed down during the H2. And then the addition of the store is the MG and Mahindra -- mainly MG and BYD. So that's why the cost we were operating for the Renault location in Punjab, which was a small location and the showroom and the service station for MG, which we opened, is a larger one and the sale also in that thing. Like the number of vehicles sold on these locations is higher, therefore we kept the higher manpower and higher operating cost of the MG operation.

Vidrum Mehta: I agree to that. But if you look at H1 other expenses, if I add up, it is INR97-odd crores. H2 other expenses is around INR111 crores. And the difference is INR14-odd crores, wherein we have broadly added two stores. And you know, probably there could be -- operating leverage would also be better because in H2, our sales is relatively better. We clocked INR1,823 crores of sales as against H1, which was just INR1,464 crores. So operating leverage was better in H2 and number of store addition was just two on a net basis.

Sanjay Thakker: There is the frontloading of expenses. I'll give you an example,. I'll give you an example which will explain to you. We have a CEO that we have hired for Hyderabad. None of our operations of Hyderabad has started. Now we are paying him salary for the last maybe eight months. I'm just giving a top of the mind number. There are people who have been recruited in locations that have not been operational at all. That is the front loading of expenses that we are talking about. That is where the other expenses have gone up and they need to come down. Obviously, they will come down. So that's where we have guided that we will keep them in check.

Vidrum Mehta: Sir, actually, I was more talking on the other expense size because that would be part of employee expense. The recruitment of the CEO or the employees which have been hired for new stores would be a part of employee expense, but other expenses have also gone up significantly.

Surendra Agarwal: So that's what I'm saying. As I mentioned, the rental of the closed location and the operating cost of the closed location of Renault. So what's happening? You're comparing with the Renault and MG. So MG and a BYD operation vis-a-vis the Renault which we closed down, the sixth store which we closed down in Punjab. So the closed down location is in Punjab, whereas the new store is like in Mumbai or in Ahmedabad or in Indore and Bhopal.

So the rental is a differential rental rate. Then the operating cost is higher on these cities as compared to Punjab. We were having the showroom which we closed down is in Punjab. So don't take the net one. The Renault separate and the MG and BYD showrooms which we added is the separate.

Vidrum Mehta: Okay. Sir, I'll take this offline. No issues.

Surendra Agarwal: Yes.

Vidrum Mehta: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today due to time constraint. And I would now like to hand the conference over to Mr. Sanjay Thakkrr for closing comments.

Sanjay Thakker: Yes, we had some glitches in between. So in case if you think that we must make up for it, we are okay to kind of continue. I'll let go of that closing comments instead.

Moderator: Hello. So, sir, do you want me to take more questions?

Sanjay Thakker: I'll maybe take one more question. See, I've said what we had to say. If this is a time paucity, I would rather give it to some investor to ask a question that he wants.

Moderator: Sure sir. So we have our next question from the line of Vikas Mistry from Moonshot Ventures. Please go ahead.

Vikas Mistry: Sir, I have a couple of questions. Now we have almost 10 brands with us and we see that one brand goes out of favor, another goes out of, goes into the work. But it seems like that a portion of our business will always be in a struggling mode and we will keep repairing this business.

And as soon as we repair this business, some of the brands will go out of favor. So diversification is very good, but it looks like that we are in a, some portion of our business is in a trademark kind of business. So what is your opinion on this?

Sanjay Thakker: That is a little brutal, Vikas. That has not happened all the time. We are looking at that now and we are believing that. But that's not how we have seen the last 26 years kind of perform. And we will not be exiting. We have exited. We are as a company, we are focused on, we are getting out of these small ticket items. That is what we have done. We haven't got out of any premium or luxury brand and we don't intend to do that.

It's just that you need to caliber the business, reallocate the resources and use the infrastructure for something else. So I have a different view on this. I don't think it is a treadmill or that kind of a business.

Vikas Mistry: Okay. That's understandable. But in slide number 14, you said that new stores will come to 20% of turnover and that is 24 number of stores we are going to open. And last year we opened eight more stores. So the fair assumption can be that 30% of the revenue will come from these old facilities.

Sanjay Thakker: I'll need to kind of do the math and tell you, I don't have it on top of my mind. So if you can allow me, because we are short of time. So I'm just trying to keep this more efficient.

Vikas Mistry: Okay. My last question is that how much we lose when we close down a store?

Sanjay Thakker: So we have written off amounts in the past. Say for example, the Renault stores were shut. We wrote off around INR7 crores in the last year. So the amounts are there because we provide high depreciation. And this is why we are taking that charge. A lot of our charge is taken upfront.

So, and we are mindful of closing down location. We will not do that randomly. And we are trying to reallocate to a different brand, wherever that opportunity permits. And you will see that on ground. If you are in Mumbai, you will see these kinds of moves that are happening, or in some other geography, we can decide and discuss.

Vikas Mistry: I'm just not asking for a point of view Renault. Let's assume if a new store of BYD or KIA, if you want to close down, and we are putting expense of maybe INR5 crores, INR6 crores. For can this all be just gone with the written off?

Sanjay Thakker: So, theoretically, if we are putting in INR6 crores as a kind of a combination of a workshop and a showroom, we are depreciating that over a period of time, it is unlikely we haven't actually shut down that many stores in our life. What we are seeing today is a kind of an unusual situation. So I do not think that they are like a part of the business model that we have and something comes in, something goes out.

Before the last two years, I don't think we had exited one brand and we had taken that conscious call. But it is not something which is a routine part of the business.

Vikas Mistry: That's all from my side. And thanks. And you go on up for again, higher sales growth.

Moderator: Thank you. We have our next question from the line of Chirag Fialoke from Ratnatraya Capital.

Chirag Fialoke: Hi, thank you for the opportunity in extending the call. Grateful for the opportunity. Just two questions, sir. Is my understanding correct that the part of the business, part of our business that is most predictable is basically the services business. And that to there, we have a very clear indication of what kind of volumes of cars you will see for servicing in the next, say, 6 to 12 months. Is that broadly first, correct? Is that comment correct?

Sanjay Thakker: Chirag, in fact, it is not 6 to 12 months only. I have a clear visibility of a few years. That's what it is.

Chirag Fialoke: Prefect, Sir.. so my question is actually related to that. This year, the volume of car service have gone up by 4%, which is on the lower side, for sure, from a historic number perspective also, and from what we reasonably expect. Can you just talk a little bit about that? And for the next 12 months, given that that is something that you have clear visibility on, could you give us a guidance for that? Just the volume of service cars?

Sanjay Thakker: Yes. So again, the business, Chirag, I'm saying that because this is a business which is difficult to look at on a quarter-on-quarter basis, sometimes on an annual basis also. This financial year matrix is sometimes put us in a box. But having said that, let me explain the reason at a high base, what will happen and how we see the business.

There are brands which have sold more cars in the past than what they are selling currently. Take an example of say a Volkswagen, which sold more cars 10 years back than they sold two years back. So the cars which are coming in for service are currently less than the cars which are not coming in for service.

But this is something which is what and how we calculate the business. And that is where the new brands which are coming, the Mercedes part of the business, and we are focusing on the higher revenue for these cars which are coming in for service. So we are not only looking at the number of cars we do, but we are kind of increasing the ASP.

Now, the growth that we have seen and it's a 10-year CAGR of around 19 point some percentage that we are having. Now, it will hover around that much, it will be a little bit of bits and spurts. Now, suddenly you will see a Mahindra and a Kia and an MG, which were not there, you will see a jump once these workshops start. But this is a very predictable kind of a business, and you can be comfortable there.

Chirag Fialoke: And on a volume basis for the next year, is there a number that you can share or would like to share?

Sanjay Thakker: What volume?

Chirag Fialoke: Volume of cars serviced?

Sanjay Thakker: No, I would not to go that road as of now. But I'm saying that on the blended portfolio, we have continues to go with the margins being pretty intact.

Chirag Fialoke: Sorry, you mean continue on an ongoing basis, you think 18% to 20% growth on the overall?

Sanjay Thakker: Not like a quarter-on-quarter or a one year period basis. But this is something that we have been able to demonstrate. And I believe that we will go there. I don't want to say that within six months or within one and a half years and all that. But yes.

Chirag Fialoke: That's clear. One last question on the debt. Given that the inventory is sort of a little raised because of the new showrooms, I'm guessing some of the short term debt was for that. Is this the peak debt that we will see here in the next financial year? Or do you anticipate the debt going up still from here?

Sanjay Thakker: See, from the existing locations, and this is something which we are clearly focusing on. And we as an organization put our mind to getting the debt down in the December quarter. I had actually after September also our debt had gone up. What is the environment, Chirag, right now is that the entire auto fraternity, the retail outlet is working on a much higher inventory than they have done for the last two, three years.

Now, this is a macro issue that we are talking about. If you look at FADA and all those guys, they will tell you this. Now, we at Landmark, because we believe that we have a negotiating power with the OE, we should do better. I can't and should not say that the industry has higher inventory, so I have higher inventory. That's not how we look at things.

We have to bring this down. We have brought this down in December. For the same stores, we will again bring it down. That is the first thing. As far as the newer locations are concerned, where say a Mahindra Hyderabad location will start or a Kiaoperations will start, which is currently none of it has started, so that will increase it So, this is something, but we will be mindful of the fact that the ROC should not get impacted over a period of time and we actually keep it under control.

Chirag Fialoke: Understood Sir, Last question from my side, sir. For the year that ended, the lease, the interest on lease, which is a part of the finance cost, what was that number for FY'24?

Surendra Agarwal: Just give me a moment, I'll give you that number. So, it's a INR21 crores.

Chirag Fialoke: Perfect. Thank you so much, sir. Thank you for the time.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today and I would now like to hand the conference over to Mr. Sanjay Thakker for closing comments.

Sanjay Thakker: Yes, thank you everybody for coming on the call and participating in it. So, India is an exciting thing. We at Landmark believe that this is a lull before the election results come out and the mood again goes back to business. And hopefully, we will get into the trajectory where our country is destined to reach. And sometimes from now, the questions will on how the profitability has grown and how much more we can do. Thank you.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.