



27th December, 2023

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
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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 14th December, 2023

This is further to our letter dated 14th December, 2023, wherein we had given advance intimation of the earnings conference call scheduled to be held on Tuesday, 19th December, 2023, with several Analysts/Institutional Investors/Funds.

In compliance with the SEBI LODR Regulations, please find attached the transcript of the earnings conference call held on Tuesday, 19th December, 2023.

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 same on the records.

For Landmark Cars Limited

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

Place: Mumbai

Encl: Transcript



“Landmark Cars Limited Management Interaction Session”

December 19, 2023

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on December 19th, 2023, 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 – CFO, LANDMARK CARS LIMITED**

Moderator: Thank you once again for coming in today and spending time with us. Now we will begin the Management Interaction Session.

We have with us Mr. Sanjay Thakker - Promoter, Chairman and Executive Director, Mr. Aryaman Thakker – Executive Director and Mr. Surendra Agarwal – CFO.

Over to Sanjay sir.

Sanjay Thakker: Thanks for being around late in the day. From a single Honda dealership over 25 years ago to today 117 showrooms and workshops nationwide across nine brands, our journey has been extraordinary. "You Drive Us" is not just a tagline. It's a commitment for growth and our zeal to provide excellent customer service.

What you witnessed today is a fruition of seeds planted in the past. Our choice to become multi-brand, multi-locational auto retailer, the strategic separation of management and ownership, and the empowerment of dynamic team of young professionals, all contribute to Landmark's significance in Indian auto dealership landscape.

Our portfolio spans the entire ownership life cycle, encompassing new vehicle sales, third-party financing and insurance products, after sales service and spare parts, and pre-owned vehicle sales. While our core offering in new vehicle sales, third-party financing and after-sales services are well established, pre-owned vehicle sales is relatively recent and strategic in nature. It is poised to become a meaningful contributor to our revenue and profitability in the years to come.

The current season is marked by what we call the 3Ms – Mercedes-Benz, MG Motors and Mahindra & Mahindra. It has been Landmark's philosophy to choose partners carefully and then go deep with them.

Landmark is embarking on an exhilarating new development as we expand our reach into the 10th Indian state with the sophisticated brand-new workshop of Mercedes-Benz in Hyderabad, but that's not all. We are also solidifying our presence in our headquarters Ahmedabad with a new MG dealership. Both these geographies present themselves as a high growth market with tremendous opportunities, which we are ready to seize. These developments are testament to Landmark's progress in building and reinforcing partnerships.

Further, I am excited to share that Goa MG facility commenced operation last week. Our upcoming dealership of Mahindra & Mahindra in Howrah in the outskirts of Kolkata is progressing well and set to commence operation in the next quarter. We believe this expansion will further strengthen our presence in the key market and contribute to our overall growth.

Having said that, Honda is our all-time favorite and enjoys a very deep customer affinity and has received a good response since the launch of the new Elevate in the month of September.

Overall, we are witnessing promising traction across our brands and regions and its testament of growing demand of premium and automotive experiences.

I throw the floor open now for question and answer and thank you once again for part of the journey. Let's make the most of this event. Thank you.

Moderator: Please take your name and organization name when you ask a question.

Lokesh Manik: My name is Lokesh Manik from Vallum Capital. Just a couple of questions from my end. First one was, what are the variables or the parameters you look at when you choose an OEM to partner with? And second was on the location. Whether the decision to choose a location depends upon you or the OEM. If it's you, then, again, what are the factors that you look at for the choice of location?

Sanjay Thakker: Sure. The first thing, the first filter that one needs to kind of clear is how strong the OE is globally, if it is a global OE. Now that's not the only filter that you need to clear., How much is the focus on India? Now after the Ukraine war and COVID, that has become not so relevant because everybody is focusing on India. The question is on timelines as to how much time will it take for them to ramp up and make meaningful introduction of products that they will be selling.

The other factor and which is an important fact that you need to understand, and all investors need to understand, is the fact, we are right now talking about the numerator, how many cars or what is the ASP and what will be the turnover? The other important factor is that what is the denominator? What is the distribution? How many dealers do they want to appoint? So, what is in it for us?

It becomes difficult if there are multi-dealers in a certain geography with discounting and what not. You understand that. So, the philosophy of an OE is important to understand as to whether they want more dealers or they are comfortable with large, organized retail dealership chain and they are willing to give you a long rope and a free hand.

Also, you spoke about geography, choosing of the geographies. Now the data on which cities and states which are expanding is kind of well available. We know where the automobiles are selling. The good part about India today is that while India is shining, Bharat, as what Santosh said, is also kind of getting, I mean, awakening. So, with the 2.2% car ownership that we have, really there is a huge runway that you have. Law and order in a state also sometimes matters. What is the competition, the availability of trained manpower, all of that happens, but again, horses for courses, there is no one size fits all. What terms you get.

Parag Thakkar: This is Parag Thakkar from Anvil Wealth. Thanks a lot for the excellent presentation. I would just like to ask you about the after sales business that what kind of stickiness? So, basically, I asked how many cars which are bought from you come back to you for servicing, percentage of cars, and what kind of revenues or ROC and margins we make in that business, and whether

we can assume that that business can only grow? Of course, the COVID kind of situations are one-off cases, but generally speaking, if the world is working, this business particularly can only grow, keep growing, right, as we sell more cars.

Sanjay Thakker: Yes. Parag, what would CKS mean? I didn't exactly understand.

Parag Thakkar: No, I am saying after sales.

Sanjay Thakker: After sales, yes.

Parag Thakkar: Last year revenue was 750 crores. That business I am talking about.

Sanjay Thakker: So, the answer to this is that the premium and luxury cars, the propensity for the car owners to go to the authorized dealership is very strong. The cars also come with what is known as a warranty, which is from the manufacturer, and we as a company also sell extended warranties.

Now, generally, the terms of these warranties are that you need to necessarily regularly service these vehicles in the authorized dealerships. And during our after sales presentation over there, we mentioned that 7 years, up to 7 years we have approximately two-thirds of the cars that we have sold or the dealerships that we have acquired. Those vehicles come to our workshop regularly. These are the statistics. And I have been saying this for some time and I hold it, that there are very few businesses in India which you can draw on an Excel sheet and they will come true.

Now, really, what more do you want? I mean, we know how to draw Excel sheets up and this is what it is. What you see is what you get.

Parag Thakkar: So, it is growing at 20% if you exclude one COVID years.

Sanjay Thakker: Yes, so it has been historically that is the number we realized was coming. Now this is a combination of dealerships that we have acquired. It is a combination of dealerships we have also shut in the process in the last year where our growth in the first 6 months top line was not 20%. So, one of the reasons was that we shut some Renault outlets which we did not think were overall profitable or was not meaningful. So, over a period of time, our confidence is there that we will be able to maintain it. Our business also just to kind of say is a little difficult to look on a quarter-to-quarter basis. It is best to look at our business on an annual basis or if you have an appetite for a slightly longer period, and that is something that you will all see good results.

Parag Thakkar: And when Mercedes has a capacity to manufacture say 40 or 50,000 cars and last year we sold, sorry, this year we are going to sell, say, 17,000 cars, and the only I think the constraint was supply of some imported parts and something. So, we are going to see some easing of that supply and hence because demand is there, right?

Sanjay Thakker: Demand is there. So, till the company comes out with their official kind of statement on what volumes they are likely to be doing, it will be difficult for me to kind of say, but everybody realizes that India is an important market, and it is a growing market, one of the few in the world which offers this kind of an opportunity. I will be surprised if they miss it.

Varun Goenka: Thank you, Sanjay, for organizing this day. Good to hear from you. Two simple questions. One, these global OEM brands tend to be very arrogant, tend to be very hard in negotiation, and they have already a ringside view of your P&L. So, any principles that we want to lay down, these are the things that we will not do, not get into, these are the terms that we will not surrender to, just in case, and in terms of business expansion also, you laid down very clearly, but do we have a framework where we will not in products segments, brands, geographies, what we will not do will become very important? I am Varun Goenka from Valuequest.

Sanjay Thakker: So, let's kind of start from the end, what is it that we are unlikely to do? So, we are unlikely to do small cars. We are unlikely to do two wheelers. We are unlikely to do small commercial vehicles, three-wheeler type of business. The reason we realize that we are a kind of a premium retailer. You have seen our facilities. You have seen our people. You have seen the way we conduct ourselves. So, we are not so good with, for a lack of better word, frugal engineering. We are good with premium where the unit economics work best for us. So, that's something which I would say.

Now the auto dealers across the globe work on a 2% to 3% net profit margin business. I am giving you a ballpark after tax this is what they kind of do, whether it is in the west or in the East.

The OEs, yes, have an insight to your balance sheet, but we are not their only retailer. What they look at is an average of what the other guys are also making. Some are not as efficient as we are. Some are maybe more efficient than we are. Some have working capital issues. Some have money gaps. So, it's a combination of all that. So, the margins, sales margins in India today are amongst the lowest in the world. Understand what I am saying?

So, if your question was leading to whether there is a chance of a downward revision in margins? I do not see that at all because of these two, three facts that I just laid down to you. Sorry, did I miss anything else?

[inaudible 14.05]**Sanjay Thakker:** A lot of stuff has been written behind me. So, that's what we are. There is zero tolerance on integrity. We as an organization do the right thing and that's why that is the thing that we want to inculcate in people. We are fair to our customers. We are fair to our OEs, our employees, everybody we deal with. Money is not the driving force. It is just transient in nature.

Apurva Shah: So, just want to understand your strategy on MG and Mahindra & Mahindra. So, those are unlike other OEMs, these are the OEMs which established dealership network. Whereas in the other OEMs, we grew as the OEMs grew. So, what will be your strategy where already there is

a established network? There is competition in all the local markets. So, what can be the road map for you guys? And how can you expand your association with these two large OEMs?
Apurva Shah from PhillipCapital.

Sanjay Thakker:

So, as far as MG and Mahindra are concerned, they are not the first ones where we have gotten in kind of late in the day. Mercedes-Benz, which is what is the flavor today, we entered that brand in 2009 and the brand has been present in the country since 1998 and there have been so many dealers who have been senior to us in the number of years association. It is the way we have kind of conducted the business. It is the way we have treated our customers and run the operations professionally that we have today become the largest dealers for Mercedes-Benz.

As far as MG Motors is concerned, there is a second coming. You all have read the news about Jindal investing in the company and then significant ramp up of production is what is happening. Aryaman and me, we were in China only 8, 10 days back. We saw the new products which are likely to be introduced. We test drove them. So, this is a time to re-enter. There is a, for a lack of better word, I am saying second innings. So, first Innings is over. We were not there. Now the second inning is over and then we are entering at the right time is what we believe when the growth will happen.

So, this is a time which we believe is right for MG Motors to enter. We have already taken three meaningful markets in no time. We have been operational only for 2 months. This is only because of the reputation we carry. We have hit the ground running and our team led by Harshal and Aryaman, we have done such a fantastic job in two months in Madhya Pradesh that they are really kind of asking us to take more and more territories to have a mutually beneficial association.

Mahindra & Mahindra we all know has been growing. The two fastest growing brands in India today from April onwards have been Mahindra & Mahindra and MG Motors. So, we have partnered with both of them. What I believe is that most OEs want to deal with Landmark and want to grow with us. This is the hypothesis that we are building, and it is being played out. You also heard Santosh in the morning. So, Mahindra, unlike some other manufacturers, don't have that many dealers. So, again, the question of numerator and denominator. So, this is an important partnership, and we would like to grow with them also.

Apurva Shah:

So, sir, do you see gap in the penetration of these two companies' OEM dealership and so for you growth may come from the lower penetration and second thing could be the inorganic part? So, off late we have whatever we did for MG and M&M, that is prima facie M&A route.

Sanjay Thakker:

So, in case of MG, two of the three that we have done are M&A, acquisitions of existing dealership. The third one is something that we will be setting organically. If the market is to grow, there will be a space for a second or a third partner in that town. We have always kind of entered that way and it has been some years by the time we have been able to buy out or take out our local level competition.

Apurva Shah: And sir, finally, for that M&A, these two would be the prima facie target or we would be open for all other?

Sanjay Thakker: We are open for many. So, the point is that we have lot of brands today and if there is some profitable business venture which comes our way, we are not saying that we will not -- we will shy away from that. We will clearly examine it and go ahead with it.

Participant: So, just coming back to the philosophy of the denominator, the number of distributors, so do you have in your contract protection from the OEM that within a certain radius they will not allow another retailer to open up? And what is that radius that you look at?

Sanjay Thakker: So, in India, unfortunately, there is no Franchise Protection Act. Our association FADA has been now they have woken up to this reality and through the Parliament and some other legislative bodies trying to form a pressure group and a think tank basically to address this issue. So, today, the contracts are nothing like what you are saying what may have happened in America and other geographies. They generally are silent on these kinds of things.

Apurva Shah: So, there is no protection provided by OEM. It is just more verbal and understanding.

Sanjay Thakker: This is not only an issue with the auto dealership but lot of other franchise of every other, whether it is a clothes or phones or there is no Franchise Protection Act in India.

Pranay: This is Pranay from Burman Capital. Thank you for organizing this event, my question is with regards to Mercedes. So, you are already at about 16%, 17% wallet share. There is lot of organic growth that is coming in. How does the future with Mercedes look like from a outlet expansion point of view? So, in the morning Mr. Santosh told us that the priority will be on, first, establishing workshops where there has been enough car park setup. Could you just give us a color on how does the workshops' footprint in India look like? Like, are there white spaces in certain geographies where the car park is about to hit the tipping point and maybe Landmark has an edge in terms of setting up a workshop there as well? How does the future look like? And also on the new car side, how does it look like on that perspective?

Sanjay Thakker: So, clearly, Mercedes-Benz is our Flagship brand currently, and I believe the way the nation is trending, it will remain to be the most important aspect of what we do. That's the first statement. What Santosh said, and if I understand correctly, is that let's kind of look at the Indian market. The top eight cities today give 20, this is for not luxury.

This is for the overall passenger car market I am talking about. The top eight cities give 20% of the volume. The next 100 cities give 32% of the volume and then the balance country gives 48%. Now the luxury penetration is what he was saying that in nationwide, if you see, it's maybe a 1%. I am rounding it off. Now there are pockets which are at 2%. Some are at half. Some are at 0.2. And it is assumed that everything will go up, grow. So, where is it that you would rather go?

That's where the idea was that the top eight, what, top maybe 20 cities or 30 cities are already occupied. I don't know the exact number. It may be 27 or whatever. I will have to check, but the point is that the potential offered by the others is also there. So, over there, for example, in case of Landmark, we have a workshop in Bhopal. We don't have a showroom over there. Now, we are at Indore, Bhopal showroom workshop. Now would Bhopal need a showroom. Maybe that is with the workshop experience we can see.

Pranay: And lastly on the recent workshop that you are opening with Mercedes in Hyderabad, could you just help us with some numbers around? Because it's not available or at least I couldn't find them in public. What percentage of annual Merc sales actually happen in Telangana and then flows down to Hyderabad?

Sanjay Thakker: So, I will quote Santosh. He said this passingly in the morning, that Hyderabad is approximately 8%, 9% of their sales or the state of Telangana.

Pranay: And sir, what time till you fully start operating this workshop? And any numbers you want to give out on annual revenue potential?

Sanjay Thakker: So, we are wanting to start this workshop in the first quarter of next financial year. That's the endeavor, and that's the discussion with Mercedes-Benz. And the workshops generally are a highly profitable business. I don't want to share any workshop related numbers right now.

Dhaval: Dhaval from Girik Capital. My question is about this used car business. So, over the next five-year period, how will our balance sheet of this business look like? What sort of capital employed will be there? What sort of working capital will be required? When do we start seeing some return on capital happening in this business? So, some explanation understanding on that.

Sanjay Thakker: See, these are little early days. I don't have a five-year plan for pre-owned cars. To be honest, that's not what we have been able to do. What we are doing, and I am sure you would have seen the presentation and spend a good amount of quality time on that used car group number two that they explained. Everybody who has entered this business has fallen. Understand the backdrop. It's not an easy climb. We believe that we have a very unique model, and we will crack it. Why? Because we are taking away the cost element from this business. The gross margin nobody had any doubt. 8%, 7% whatever you may want to. Then the cost was a killer. Now if you keep the costs under control and have the sale happening, then this is a scalable model where it will be a highly profitable business.

Now what we are doing, and again, the new car dealerships in India are not generally used to selling pre-owned cars. So, there is a cultural change within Landmark which we are bringing about. There is customers which are obviously very keen to buy from us. Those are being addressed. This is a high growth area. The initial response has been pretty good. I had spoken about 100 crores of revenue, and we are well on course of doing or surpassing that. This will

continue to grow. It is a very small number. 100 crores if you ask me, personally, it's a meaningless number for us. If we are able to do it, we can do much more.

Dhaval: So, the question was, I mean, the reason I asked about balance sheet, and all was from a perspective of utilizing our core business cash flow. So, how will that cash flow be channeled for this business? Because here you are buying cars. You are going to invest in the inventory. So, a lot of big capital is going to be there and plus we are expanding on this side of the business, opening more showrooms, dealership.

Sanjay Thakker: Currently, see, the point is that we don't need to buy, if we are not able to sell. This is not that there is a buying company and there is a selling company. If the sale doesn't happen, the buying activity will stop.

Dhaval: Stop, reduce, yes.

Sanjay Thakker: You understand this. So, this is all in our control. It is not that we are working in silos.

Dhaval: Correct.

Sanjay Thakker: And it is under one CEO or a person who is doing it. It's not different people doing different things without knowing what is happening. So, currently we have allocated approximately 25 crores of capital for this business, and we will see how that goes into the future.

Surendra Agarwal: We are operating from the same location.

Surendra Agarwal: And we are operating from the same location. So, like this showroom.

Dhaval: Yes, that he explained.

Surendra Agarwal: So, we are not spending any CAPEX on this.

Dhaval: Yes, even you have not hired some significant staff also for this, right?

Surendra Agarwal: No, our existing staff is managing and the CAPEX, there is no CAPEX in this.

Digant: This is Digant from GreenEdge. So, my question is that you have more than 50 workshops where you do servicing of the cars. So, which of the workshops are your best workshops in terms of being constantly utilized and you making really good return on capital there? I don't know which exactly, but like you know, at a company level, where can we reach? Because I believe today, we are at a very nascent stage where getting people to come to your service showrooms itself you have to have those call centers, so many reminders and so on. So, just some idea on this of what you have done the best in past and what can happen in the future?

Sanjay Thakker: So, one mother was asked, who is your favorite child? Now this is that kind of a question. All workshops make money. It is on that on how mature is that workshop. Let me give you an

example of say jeep. When jeep came into India, the workshops for us for the first four or five years were not profitable. You would think that all workshops become profitable immediately. Yes, if you have a car park. So, once you have the car park, then the business is an annuity type of a recurring business. The first variable is that the car park has to be there. The second, which is an important thing is that the company should be selling adequate amount of new cars to kind of keep that load constant. The answer is that in premium and luxury cars, it is a better business to be in because the customers do not generally go to local garages. Again, local garages, there is not too much capacity. We don't stress or worry too much about that business because really nobody has been able to crack it. Just like the pre-owned cars, it sounds very good on Excel sheet, doesn't work out in real life.

Digant: So, just mostly, what is the breakeven time of, say, a very good store versus not a very good store?

Sanjay Thakker: You are talking about the showroom or the workshop?

Digant: No, no, the workshops.

Sanjay Thakker: So, workshop if you, say, for example, if we were to start a Mercedes workshop or a existing Mahindra or a MG Motor workshop, it is going to break even in the first year of operation.

Participant: So, this is a question with regards to OEM strategy in general, those OEMs which are producing in India, selling in the domestic market, but exporting as well. So, recently, I read an article, which also happened to mention Honda as one of the OEMs where some of the brands who are not able to fully capitalize on the domestic markets actually to utilize their capacities are ramping up their exports aggressively. We all must have read that Elevate is being sold as WRV in Japan and they are actually putting a lot of focus on the exports.

When you are answering, you don't have to take any OEMs in general across. Do you see a risk in some of your existing customers where you see reducing focus in the domestic market? Is there a probability of that happening and them looking at India mainly as a manufacturing hub rather than a domestic sale market?

Sanjay Thakker: So, India, the world auto sales kind of peaked out at 72 million vehicles some years back, three years back. If I am not mistaken, 72 million is where the world reached and now nobody thinks that it will again breach that mark. As the third largest auto market, 4 million vehicles, China 27 million, US is 17 million, the headroom in India is so much that OEs are not really looking at setting up manufacturing base in India to be exported out. I don't see that as a strategy. They are first looking at the local market and then looking at the exports. This is the way I am, but yes, Renault, Nissan have put up some plant in Chennai. Honda is exporting. Volkswagen is exporting. So, they do what they have to do, but local market remains, according to me, their priority.

Manasvi: This is Manasvi from ICICI Prudential. So, can you just share the typical unit economics of your showroom, just broad numbers?

Sanjay Thakker: So, all showrooms are of different sizes and shapes, and so are workshops. What you saw is not a typical workshop or a typical showroom. What we have done, for simplicity sake is that the, and we don't buy our properties. So, the capital that we kind of sink into properties does not happen. For non- Mercedes type of businesses that we run, the showroom interiors will cost approximately Rs. 3,500 square foot to make. A typical showroom size one can assume to be around 4,000 square feet. In a workshop, again workshops, we ourselves have workshops as large as 50,000 square feet and as small as 5,000 square feet. So, there is no typical size.

But the interior for making a workshop for a non- Mercedes thing is around Rs. 2,500 square feet, which includes the equipment, and for a Mercedes it will be maybe around Rs. 3,500 a square foot or maybe around Rs. 3,000 square foot. So, this is what it is and on a kind of a mature basis and which is also a little difficult to define what you call mature, the workshops generally have an ROC of upwards of 50%, 55% and the showrooms have it in the high teens.

Abhisar: This is Abhisar here from Monarch AIF. Sir, I just wanted to know that we have been quite successful in adding new OEMs on the premium segment, and this year also we added MG and now M&M. But on the luxury segment, we have been with Mercedes for quite a while. We have showcased our capability, which is there for everyone to see. So, now going ahead to reduce the risk from the Mercedes angle, how confident you are and what is the progress that we may be making to add one or two more luxury brands over time? And is that that Mercedes also doesn't want that? Is there something like that?

Sanjay Thakker: Let's kind of go to Genesis as to when and why we added M&M and MG. It was in the first quarter that we realized, and some completely different events happened, and let me kind of take you back seven, eight months to explain these events. In case of Honda, when the transition of the BS 6 OBD 2 norms came into play, they stopped manufacturing diesel. They stopped manufacturing Jazz and the WRV, and Elevate was only introduced in September. We had a gap of like five, six months where our volumes actually took a big hit.

In case of jeep, again we saw that the petrol version of the Compass was discontinued again for the exactly the same emission norms and the engines for some reason was not introduced in India and our volumes took a hit. That situation has been corrected partially now and for BYD, their consignments were not cleared in time, and we had nothing to sell for like good three, four months, and Mercedes had a supply issue where the GLC and some of the SUVs were not available.

So, when the year had started, we thought that we were adequately insulated. We thought that we have a good bouquet and really what can go wrong? One or two can go wrong, but we didn't realize that four can go wrong for completely different reasons. So, we had to add some meaningful business to our portfolio which was not going to be impacted by one or the other event, and that's where we got into two mainstream brands to get.

In our case, Abhisar, what happens is that we don't add brands frivolously. Once we do it, there is a management discussion that we will go deep. Nobody wants Landmark for one dealership in one part of the country. That's my belief. So, once they tie up, there is a plan that broadly based on obviously the performance and execution, we started with one dealership of everything. It's a first-generation business that you are talking about.

Abhisar: Yes.

Sanjay Thakker: So, because we have delivered and delivered consistently, delivered with every brand that we have become the largest for them over a period of time. So, once we have partnered with who we have enough work on our hand, our teams are right now we are ramping up our management teams to execute what we now have in hand. And as far as luxury brands are concerned, till last year, it was a two-horse race, as I was telling somebody over lunch. The others were not meaningful businesses to be looking at. Lot of dealers had already folded. The focus on India was just about coming up. So, in right time, in good time, things will all happen.

Abhisar: But sir, we are open to adding further luxury brands in the next...?

Sanjay Thakker: Absolutely. Absolutely, yes.

Abhisar: And sir, just want your comment on that point also that is Merc okay with that or there is some condition around this?

Sanjay Thakker: See, globally, let me kind of take a global thing. Aryaman worked in AutoNation for some bit and AutoNation has many luxury brands. I was in Tokyo, and I met with an Australian retailer who only dealt with luxury brands. It was a listed company and only luxury brands. All the three Germans plus some more. So, globally, this is something which is so routinely done. So, when we were the first to get private equity, people were wondering. When we separated management from ownership, it was a new thing in India. Currently, why go far? We have in north of India one dealer who is an Audi and BMW dealer both. We in our Mercedes-Benz dealership have a dealer who is also a JLR dealer in the south. So, I mean, I am just giving you examples which are so much available in our proximity.

Abhisar: And sir, my second question is on BYD. So, obviously, things are not very, very clear that how the BYD scale up can happen. We do have MG template now with us and the Indian government and other things have allowed a Indian partner to come in. So, sir, do you have any clarity on where BYD is going next three to five years in India and how this will pan out? Or would their scale up be fully dependent on again a partnership in India? Otherwise, they may struggle like the way they are right now.

Sanjay Thakker: The way the geopolitical situation is, this is basically to comment on a geopolitical situation that we, I don't think anybody in this room or outside of this room doubts the capability of that manufacturer. They are clearly Numero Uno in what they do, and the good part is that we have taken the pole position by being their largest dealer in India, in Delhi and Bombay. We have

taken those territories. Now it is beyond my comprehension and pay grade to kind of comment on how the geopolitical situation will pan out. We, yes, have a template of Jindal with MG Motors and it is possible that that is the only solve. Till the time the homologation happens, 2,500 cars, if the homologation happens, then that cap goes away but with paying full duty.

Abhisar: And sir, last question on the after sales business. What would be the capital employed approximately in the after sales business? And going ahead, would that split be changing a little bit?

Sanjay Thakker: So, what we are doing, and Surendra is working on it, we haven't yet given the bifurcation of capital employed in the after sales and sales. We had not and look, it's a little difficult task for our accounts teams, but they are going to be doing it very soon. I am also because it's a 25-year-old history that we have to kind of, we had not kept our accounts...

Abhisar: That way, yes.

Sanjay Thakker: ...as segment reporting. We are getting it done and hopefully in the next quarter, if things go right, we will be able to report that.

Varun Goenka: Just two small clarifications. Varun here again, sir. One, volume versus value, our margins would be linked to more volume or value. Or how do we benefit from changes in ASP?

Sanjay Thakker: The margin is a percentage of value.

Varun Goenka: So, if there are more premiumization happening or there is a natural inflation to the prices, it benefits us.

Sanjay Thakker: Absolutely. So, every manufacturer will increase the prices of vehicles from 1st January. So, what I am saying is that it's the best time to buy the car now. That's the first thing and yes, from next year we will make more per car.

Varun Goenka: Your stock is an appreciating asset. Car is depreciating. Second, just if you could lay down next three, five years, what kind of CAPEX capital investment and working capital, how will that pan out? Basically, how would our balance sheet in the next three, five years?

Sanjay Thakker: So, currently, last year we generated 120 crores of cash flow of cash. This year we are on course of doing in the first 6 months is pretty much the same pace as what we had done in the last year first 6 months if you were to look at. We have raised 150 crores less expenses from the IPO proceeds. Now we are sitting on that much cash and it's a cash generating business. We have never taken or, not never, seldom taken any loan to either buy property. We don't need that money because we don't buy property, and the investment in setting up a showroom and a workshop, if you were to look at it in a very simply if it is an organic thing and say a jodie of a showroom and a workshop will come under say 7, 8 crores what we just spoke about. It's not a that big an investment that we need to worry about.

If it is an acquisition, we need the money. Do we have the money? We have the money. Do we want to pay top dollar to do this acquisition? No. How do we do acquisitions? We are mindful of the ROC. We are wanting the cash payback period. We are not into any PE arbitrage because we believe that finally, this is possibly a cyclical business, and we don't want to get in at the top by paying more money. So, somebody I met said that it is a controlled aggression. Is that what you would like to call yourself? I said yes.

Mustafa Arif: Mustafa Arif, Nine Rivers Capital. So, I just wanted to ask a little bit about the buyback and sort of the financing schemes that you have. So, in that, so Merc has, you know, started its own program for financing and buybacks globally. I am not sure if it has that in India, but is there some conflict over there? Do you have to sort of operate under their ambit? Or how does this work? And what are the terms of the buyback?

Sanjay Thakker: So, let's have Aryaman in the play. He has been sitting and itching to have a go. So, let him answer this.

Aryaman Thakker: So, from the Mercedes perspective, it's done by Mercedes-Benz Financial where they have a buyback scheme, a guaranteed buyback scheme at the end of tenure where the dealer, which is us, needs to take back the car at the predetermined price.

Mustafa Arif: Correct. But also, so when you are offering in the used and often times in the used sort of when you are buying used car, you will then kind of try to sell them and upgrade, right? How does that play in into the buyback?

Aryaman Thakker: So, for a customer to be eligible, they have something called as the Agility scheme, which you need to opt for at the time of buying the vehicle. I think, currently, it's a quite a popular scheme that is growing traction, getting traction more on the customer side. So, from our buyback perspective also, we do, that's a low hanging fruit for us also to convert that customer and sell, upgrade him to another perspective, and our idea is to take some learning from there and see how we can implement it with a wider audience.

Sanjay Thakker: Currently, this is only offered in Mercedes-Benz, to add to what Aryaman is saying, and I will give you the technical answer and reason for it. It can only happen with NBFCs. Banks cannot offer this product. So, the Mercedes-Benz Financial Services is a NBFC which is offering this.

Sanjay Thakker: Yes. So, thank you for spending the whole day over here. I hope our team has been able to explain to you what really do day in and day out. Please do reach out to us or SGA for any further queries. And last of it 1st January prices go up, do buy.