Q4 FY24 – Investor Conference Call

April 26, 2024

Moderator: Ladies and gentlemen, good day, and welcome to Q4 FY '24 Earnings Conference Call of Maruti Suzuki India Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pranav Ambaprasad. Thank you, and over to you, sir.

Pranav Ambaprasad: Thank you, Ria. Ladies and gentlemen, good afternoon once again. Welcome you all to the Q4 FY '24 earnings call. May I introduce you to the management team from Maruti Suzuki. Today, we have with us our Chief Investor Relations Officer, Mr. Rahul Bharti; and CFO, Mr. Arnab Roy.

Before we begin, may I remind you of the safe harbor. We may be making some forward-looking statements that have to be understood in conjunction with the uncertainty and the risks that the company faces. I would also like to inform you that the call is being recorded and the audio recording and the transcript will be available at our website. May please note that in case of any inadvertent error during this live audio call, a transcript will be provided with the corrected information.

The con call will begin with a brief statement on the performance and outlook of our business by Chief Investor Relations Officer, Mr. Rahul Bharti. After which, we'll be happy to receive your questions.

I would now like to invite our CIRO, Mr. Rahul Bharti. Over to you, sir.

Rahul Bharti: Thanks Pranav, Good afternoon, ladies and gentlemen and thank you for joining us.

Today, I will share overview of the industry sales performance followed by the business performance of the Company.

The PV industry, for the first time, crossed the 4 million sales milestone in FY 2023-24. Consequently, India maintained its position as the 3rd largest PV market in the world.

The PV market grew by 8.4% y-o-y in FY2023-24 on the back of new SUV launches, and improved semi-conductor availability.

However, this year the growth was lower than that of last year of 26.7%, owing to tapering of pent-up demand.

Since the last 3-4 years, there has been a steep shift in the consumer preference towards Sports Utility Vehicles (SUV). This trend continued in FY 2023-24 as well, with SUVs contributing to over 50% of the market. Much of the growth in PV market was contributed by the SUVs. The demand for multi-purpose utility vehicles also continued to remain good. However, the share of hatchback segment continued to shrink. In FY 2023-24, the share has reduced to 27% from a high of 46% in FY18-19. This is also reflected in terms of declining share of first-time buyers in FY 2023-24

In terms of powertrain mix, the better availability of CNG vehicles coupled with increase in CNG infrastructure helped improve the demand for CNG vehicles. The share of CNG vehicles in the industry further expanded to about 15% in FY2023-24 compared to 10.4% in FY2022-23.

Hybrid vehicles have seen a good traction and now the share of Hybrid vehicles has increased to about 2%. EV penetration was also at about 2%

Let me share some of the business highlights for the Company.

In FY2023-24, the Company could achieve several significant milestones.

The Company crossed cumulative production milestone of 30 million units since its inception.

The Company's overall sales volume surpassed 2 million units in a year. The Company is the first among the PV manufacturers in India to achieve this feat.

During FY 2023-24, the Company recorded its highest-ever annual sales of 2,135,323 vehicles, which includes highest-ever export of 283,067 vehicles.

The Company continued to be the Top exporter of passenger vehicles in India for the 3rd consecutive year. Interestingly, while the exports from rest of the industry declined by nearly 4% over the previous year, the Company could increase its exports by about 10%.

In FY2023-24, aided by new SUV launches, the Company could grow faster than the industry. FRONX SUV has set a new benchmark in the passenger vehicle category by becoming the only new model launch to clock 1 lakh sales in 10 months. Besides, Grand Vitara became the fastest Mid-SUV to clock the 1 lakh sales milestone.

The sales of CNG vehicles increased to over 4.8 lakhs in FY 2023-24, clocking a growth of about 50% over FY2022-23. The Intelligent Electric Hybrid technology offered in flagship products such as Grand Vitara and Invicto received phenomenal response from consumers.

Overall, the customer preference towards green vehicles increased significantly during the year. The share of sales from green vehicles comprising of CNG vehicles, Smart Hybrids and Strong Hybrids increased to 42% from 37% the previous year.

Coming to the update on ongoing sustainability initiatives,

The Company has increased its captive solar power generation capacity from 26.3 MWp in FY2022-23 to 43.2 MWp in FY2023-24 and is on course to achieve its target of 48.15 MWp by FY2024-25.

In the year 2023-24, the Company achieved a milestone of highest ever dispatches of 447,750 vehicles. With this, the penetration of dispatches through rail mode in overall dispatches has increased to 21.5% from 17.6% in FY 2022-23. Also, the Company commissioned India's first automobile in-plant railway siding at its Gujarat plant.

The Company in its growth strategy Maruti Suzuki 3.0, aims to produce 4 million vehicles a year by FY2030-31, almost double from current levels. On the other hand, given the carbon neutrality requirements, several powertrain technologies like EVs, Hybrids, CNG, Ethanol etc. will co-exist for a reasonably long period of time. Managing this scale and complexity of production with multiple powertrains, under different managements, would pose several challenges.

Greenfield project in Kharkhoda, Haryana is also a part of the Company's ambitious growth plan. Construction is already in progress at Kharkhoda and first plant with annual production capacity of 250,000 units is on course to be operational in 2025. The Company has space to set up 4 such plants with total capacity of 1 million units in Kharkhoda.

Recently, in Vibrant Gujarat Summit 2024, the company signed a MoU with the Government of Gujarat to set-up a new automobile manufacturing facility. This is subject to availability of suitable land and other parameters. The annual production capacity is expected to become one million units with total investment amount of Rs 35,000 crores. After finalisation of land and due approval from MSIL's board, the exact location of plant will be shared in due course.

Coming to the financial results in Quarter 4 (January-March), FY2023-24,

The Company recorded its highest ever quarterly performance in all the 5 parameters i.e. overall sales, domestic sales, exports, net sales and net profit.

The Company sold a total of 584,031 vehicles during the Quarter, higher by 13.4% compared to the same period previous year.

In the quarter, the sales volume in the domestic market stood at 505,291 units, up by 12.2% over that in Q4FY2022-23. The sales volume in the export market was at 78,740 units, a growth of 21.7% over exports of 64,719 units in Q4FY2022-23.

During the quarter, the Company registered net sales of INR 366,975 million against INR 308,218 million in the same period of the previous year.

Net profit for the quarter was at INR 38,778 million, an increase of 47.8% over INR 26,236 million in Q4FY2022-23. This was on account of higher sales volume, favourable commodity prices, cost reduction efforts and higher non-operating income.

Since investors look for a sequential comparison, I will share.

The overall sales volume grew by 16.5% q-o-q, the net sales grew slightly lower by 15.2% q-o-q owing to mix and reduced CNG volume volumes due to supply shortage of a component. The share of CNG in domestic sales reduced to 26.9% in Q4 from 30.8% in Q3. Now the supply of CNG component is getting normalized and we don't see such a constraint going forward.

The increase in q-o-q sales volumes resulted in operating leverage benefits of approximately 140 bps.

The sales promotion has come down considerably from 23,300 per vehicle in Q3 to 14,500 per vehicle in Q4. The impact of Commodities and forex was largely neutral. Overall, the operating margin expanded from 9.9% to 10.8% sequentially in Q4.

Coming to highlights of the financial year results for Full Year, FY2023-24

The Company sold a total of 2,135,323 vehicles during the year, a growth of 8.6% over that in FY2022-23. Sales volume in the domestic market stood at 1,852,256 units and exports at 283,067 units.

The Company registered net sales of INR 1,349,378 million in FY2023-24, a growth of 19.9% over the net sales of INR 1,125,008 million in FY2022-23. The Company achieved a net profit of INR 132,094 million in FY2023-24, 64% higher than the net profit of INR 80,492 million in FY2022-23. The Company was able to better its net profit on account of higher sales volume, favourable commodity prices, cost reduction efforts and higher non-operating income.

In full financial year also, the company recorded its highest ever annual performance in all the 5 parameters i.e. overall sales, domestic sales, exports, net sales and net profit.

The Board of Directors recommended highest-ever dividend of INR 125 per share (face value of INR 5 per share) compared to INR 90 per share in FY 2022-23.

Before I close, there is a happy news for our investors. In terms of our Investor Relations, Maruti Suzuki has been awarded the number 1 position globally among all car manufacturers for its annual integrated report by the League of American Communications Professionals. And of course, we will always like to strive more and take your feedback along the way. Thank you.

We are now ready to take your questions, feedback and any other observations that you may have. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Yogesh Aggarwal from HSBC. Please go ahead.

Yogesh Aggarwal: So just firstly, Rahul san, based in your remarks, so there is a 140 basis point one-off in material cost.

Rahul Bharti: Yogesh, could you speak louder, please?

Yogesh Aggarwal: So in your opening remarks, you said 140 basis points of one-off impact in material cost. Is that correct? And what was it regarding?

Rahul Bharti: See, we had many small one-offs that add up to about 60 basis points, spread all over on the expenses side. So some are in material costs, which we took upfront. CSR had some lumpiness, etcetera. So they add up to about 60 basis points on the expenses side.

Yogesh Aggarwal: Okay. 60 basis points is the one-off?

Rahul Bharti: About 60 basis points.

Yogesh Aggarwal: And anything related to plant inventory accretion, decretion? Anything related to that?

Rahul Bharti: The plant inventory is normal.

Yogesh Aggarwal: Okay. The second thing was exports. Any outlook there? What can it be in FY 25-26? And what is the profitability in exports? And thirdly, on safety, NCAP ratings, etcetera, any views on how are Maruti Suzuki cars now doing versus competition because that has been one of the concerns, which keeps coming every now and then?

Rahul Bharti: Okay. Is your first question on exports?

Yogesh Aggarwal: I was asking exports. Anything they've done so well? But anything on the outlook for this year? And what is the profitability like on exports?

Rahul Bharti: On exports?

Yogesh Aggarwal: Yes.

Rahul Bharti: Okay. I'm not sure I heard you right. But on exports, we did about 283,000 this year. Despite the fact that we've increased substantially over the usual 100,000 per year that we used to do just about 4 years ago. We wish to take it further in the future years. And next year, we should be doing about 300,000 units fairly diversified across markets, across products. And in terms of profitability, it changes with many parameters, mostly forex rates, etcetera. So it's never stable. At the moment, it is perfectly fine.

And your other question was on safety. I think one good thing that has happened in India is the Bharat NCAP. The reason it is good is because the government itself is trying to get into the process. So there is no private conflict of interest, and they are testing for safety standards above the minimum compliance levels. And let me mention to you the minimum compliance level is also very close to European standards.

So Indian cars are at a good safety level. We have offered about three cars right in the first go to Bharat NCAP for testing, and we are waiting for the Star rating results. It may come out any time now. And of course, we are extremely cautious. We have many safety features in our cars, which many a times go beyond compliance what we think is important for the customer.

Moderator: Next question is from the line of Pramod Kumar from UBS. Please go ahead.

Pramod Kumar: Just a clarification, Rahul san. You said that all the one-offs across all the expense line item, add up to 60 basis points, right?

Rahul Bharti: Approximately. Yes.

Pramod Kumar: Yes. And you expect the one-off should ideally roll back to normalized levels? If everything remains same, 60% should be the addition to the margins. Is that understanding right?

Rahul Bharti: So these one-offs will not exist. But different margin drivers may exist in the future quarters.

Pramod Kumar: Yes, that I absolutely understand. And coming to the margin drivers, looks like CNG is a pretty significant margin driver because we have seen a fair bit of reversal in the ASP trends quarter-on-quarter and even the gross margin trends have changed, correct me if I'm wrong, there was no big adverse movement in the commodity basket quarter-on-quarter. Were they compared to third quarter?

Rahul Bharti: No. Let me explain. The fact that we did less CNG in quarter 4 affected the ASP and the top line. We don't comment on segment-wise or product-wise margins. But we did have these one-offs, which should not happen next year. Of course, the other regular margin drivers like commodity, forex, operating leverage, all those will have their bearing on whatever next year financials come.

Pramod Kumar: And Rahul san, now that the CNG, you said the component supply chain disruption has been resolved where should we look at the penetration in 1Q? Because the retail penetration continues to keep going higher and higher. So I'm just trying to understand, should the CNG penetration pick up meaningfully for you at the wholesale level from 1Q? And where that number could be?

And where would you see from an FY '25 perspective? Because you were at 27% for the full year, right, on the domestic dispatches. Where should one put that number for FY '25 given the improved supply chain. And also related to that, has the 100,000 capacity on SUVs for Ertiga and Brezza has gone live? And if yes, does that also improve your CNG penetration going forward?

Rahul Bharti: Okay. And let me try to combine all the parameters. So CNG, this year, we did about 450,000 in PVs. We are hoping to do something like 600,000 vehicles in FY 24-25. And you're right, Ertiga is one major car that has a lot of CNG traction in the market. So the 100,000 capacity at Manesar largely addresses the Ertiga supply bottleneck. And you're right, a good part of the waitlist is on the Ertiga, about 30%.

Pramod Kumar: And Rahul san, like you commented in the third quarter for the fourth quarter profitability given what all is playing out in terms of CNG ramp-up and clearly the numbers this quarter show that CNG has a big bearing on the profitability as well and the ASP, as you highlighted.

So how should one look at profitability going forward, sir, for FY '25? Because the volume growth will be muted to an extent of the industry level because of the base, and you will have hopefully, better growth. But how should one look at margins evolving from here on?

Rahul Bharti: So margins are always a consequence of so many parameters and we are all aware. We have commodity. So steel as of now we really don't know. There are news that it will marginally go up in the next financial year, but the two commodities that we are slightly concerned about are copper and aluminium. Copper is about 1% of our net sales.

Aluminium is about 3% of our net sales. Platinum, palladium, rhodium may slightly be more benign. So we don't know how it emerges and commodities you can also watch in the market. Steel exposure is about 10% to 11% of net sales. Platinum, palladium, rhodium is about 2.5% of net sales.

And forex this quarter has been neutral, but in next year, forex is anybody's guess. So next year we have about 3% direct exposure for imports, of which 2.5% in yen, about 0.5% in dollar. And we have indirect forex exposure which happens with a lag of a quarter, about 4% on the yen and about 4.6% on the dollar, about 1.2% on euro.

And you can watch the indices and decide for yourself. Operating leverage is one of the factors. We have to keep in mind that we've just increased capacity in Manesar by 100,000 and depending upon how the volume grows next year it may have an impact on the margins.

Pramod Kumar: Yes. So Rahul san, thanks a lot for the minute details what you shared. Just some clarification on export profitability, sir. Given that a lot of these supplies are through this Toyota Suzuki network. How does the pricing work? Is there a cost-plus formula which works or you decide the pricing at your end? How does the pricing and the margin mechanism hence work, sir.

Rahul Bharti: So finally, it's a market. So we have to be competitive in that market and we have to be better than our competition. We have to increase our volume. Sometimes when the forex rates become benign, you get a windfall profit sometimes even much more than domestic. It keeps on varying. The best strategy in exports is to diversify. So, the good part is that Maruti Suzuki exports to about 100 countries of the world across several products. And it's quite common that one of the very high performing markets suddenly becomes zero the next year. Algeria, for example, at one point of time it was one of our top 5 markets suddenly it became zero because of some government norm. Sri Lanka was a good market, suddenly it become zero. So these keep on changing. It's a long-term derisking strategy and overall the profits are also healthy.

Pramod Kumar: But it's sort of fixed cost plus formula and that's what I'm trying to understand is like there could be variability for various factors, but it's not like you just get a contract manufacturing margin on the exports?

Rahul Bharti: So finally, it's distributor, it's the contract with a distributor and based on that we negotiate.

Pramod Kumar: Fair enough. Thanks a lot sir and wish you all the best.

Rahul Bharti: Thank you.

Moderator: Thank you. Next question is from the line of Raghunandhan Nl from Nuvama Institutional Equities. Please go ahead.

Raghunandhan NL: Thank you sir for the opportunity and congrats on the recognition that Investor Relations award. Sir, firstly, on CAFE norms, what would be the current position of Maruti Suzuki and on future CAFE norm changes can you provide some color as well?

Rahul Bharti: Okay. So you're right. CAFE is one of the central regulations that determines our whole product strategy, our powertrain strategy and our overall approach towards decarbonization. Fortunately, in the first year of CAFE II which started in FY 22-23, Maruti Suzuki, in absolute terms I think we are the best from whatever information is publicly available,

We have the lowest CO2 emission and we would like to maintain it this way. CAFE III discussion will also start with the government sometime. It will kick in from the year '2027 as the current CAFE phase is for 5 years. It will be in discussion with the government and there are multiple parameters that are being discussed. We'll keep sharing with you as we get more information.

Raghunandhan NL: Thank you, sir. For full year FY '24, can you share some colour on the mix regarding first time, replacement, additional buyer. You alluded to the reduction in share in first time and how do you see that going forward?

Rahul Bharti: The first-time buyer is between 40% to 43%. There are so many ways of collecting data, so there's a sense of approximation. The additional buyer is about 38% and the replacement buyer is about 20%- 22%.

Raghunandhan NL: And first time, how much was it last year and given the expectation that rural will do well in FY '25, would you say that first time should see some recovery?

Rahul Bharti: So as of now we are not able to see any recovery in the first-time buyer unfortunately and if you are talking about small cars, for example, at least this year and maybe next year it will be difficult.

Raghunandhan NL: Understood, sir. And rural share continues to improve. So what would be the share here for FY '24?

Rahul Bharti: So now the definitions are also kind of blurring. So rural, in FY2023-24 grew at a better rate than urban. But now the definitions are blurring. For example, we have now Nexa rural outlets. So rural in FY 2023-24, grew slightly higher than urban.

Raghunandhan NL: Got it, sir. Just a last question. I mean Transport Ministry has been making positive statements on GST cut for hybrids. Would GST cut allow the company to become more aggressive on the hybrid strategy? Especially for below 4-meter vehicle, assuming GST cut, can hatchbacks be considered for hybrids? Or would you focus on hybrids irrespective of GST cut?

Rahul Bharti: See, the hybrids are a very potent and consumer-friendly, environment-friendly technology for India, particularly when charging infrastructure is still very low. And we are thankful to the government that they are thinking on these lines. We do not know the outcome because there are several ministries involved. We want to pursue this technology over the medium term.

Of course, if the government does something for the consumer, we'll be very thankful and we'll welcome it. We have to stay committed to this technology anyway. And as a first priority, it lends itself slightly to bigger cars, which have more space under the bonnet to accommodate both the powertrains. But if volumes grow, innovation and R&D can happen, and it can come to compacter cars also.

Raghunandhan NL: Got it, sir. Wishing you all the best. Thank you so much.

Rahul Bharti: Thank you.

Moderator: Thank you. Next question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Just one question on the raw material sales. This quarter, we saw almost 140 basis points of drop in discounts. And we also raised prices by 50 basis points or thereabouts. And I think forex would also be favourable or it is not negative. So in that context, if you could help us understand why the raw material to sales has actually increased slightly on a quarter-to-quarter basis?

Arnab Roy: I think if you look at from a quarter-to-quarter basis, it's a marginal increase almost about from 74% to 74.2%, so it's only 20 bps. It's not very significant. And as Rahul said, there are a couple of one-offs, which are already there in that. So I think it's not very significant. Overall, the commodity remained flat.

Kapil Singh: I understand that sir, but your discount drop is quite significant, right? It's almost 140 basis points, and you took up price increase also by 50 basis points. I mean there was a tailwind of nearly 200 basis points.

Rahul Bharti: So, Kapil, there was one phenomenon of mix also that happened that affected ASP. Oh you're talking about raw material to sales percentage not ASP. So of course, there have been some one-offs, as we have mentioned. And commodity, also, we have to see how it affects us.

Kapil Singh: Okay. So, was there an increase in commodities as well? Or this is mostly driven by mix?

Rahul Bharti: Some commodities that we expected did not exactly come in line with that.

Kapil Singh: Okay. Sure. And one question was on how do you see the evolution of the market in terms of SUVs and other segments? Because if I look at SIAM definition of UV, it's almost sitting at 60%, right? So in the medium term, do you think this mix keeps on rising. And when you look at long-term target of 50% market share, is it contingent on recovery in small cars or do you think you can keep raising market share in SUVs also, which will help you get there?

Rahul Bharti: See, okay, two questions. So I'll break it into two parts. First question is, do you see more increase in SUVs? Yes. Currently, the trend shows that SUVs share may keep on increasing, at least for some more percentage points. How much? We don't know. But honestly, anybody's guess.

The second is within this, I think SUVs, since they have very large wheels, they are larger, heavier vehicles. So they come at a cost of CO2. And what view does the government take on large SUVs is also to be seen, because it comes at a huge cost of CO2. I missed your second question.

Kapil Singh: I was just asking in terms of your own ambition to achieve 50% market share, is it contingent on recovery in small car segment? Or even if SUV mix keeps on rising, your plans should be achievable?

Rahul Bharti: See, we have to adapt ourselves to the new realities of the market. If more than 50% of the cars in the market are SUVs, it has to find a similar share in our new model launches also. So, we have to keep increasing the models in that segment.

And it takes four years to develop a model. So there would be some lumpiness around it. So we have to give it that kind of time. We have to keep in mind that, currently, our market share in SUVs is just about 21%. So the incremental gains can be good if we launch more SUVs.

Kapil Singh: Sure. Sir, could you also talk about the growth in bookings and inquiry levels? And where is the current inventory? That's all from my side.

Rahul Bharti: So, at present, high single digit is roughly the flavour, whether we talk about enquiries or bookings. And I missed your other question.

Kapil Singh: Inventory levels?

Rahul Bharti: Inventory is broadly fine. We are about one month. It's about 136,000 units as of the end of the financial year. It's less than what it should be. So for the customer, if we have less inventory and some particular colour, some variant will not be available in the showroom, which is not a healthy situation.

So, in December, obviously the inventories get drained out and it becomes very, very lean. We would like to maintain at least a one month inventory in the dealerships.

Arnab Roy: I think what you need to remember is now with our higher volume, 1 month is approximately in the range of 150,000 to 160,000 units. So that should be the new normal for you to calibrate this.

Kapil Singh: Understood sir. Thank you so much. Have a good day.

Moderator: Thank you. Next question is from the line of Gunjan Prithvani from Bank of America. Please go ahead.

Gunjan Prithyani: Hi, thanks for taking my question. Sir I had a couple of follow-ups. Firstly, on this backlog on CNG, can you share what is the pending bookings on the CNG yet to be serviced?

Rahul Bharti: So, about 111,000 units are the pending bookings as of the end of the quarter. And a good part is in the Ertiga.

Gunjan Prithyani: Okay. And it's fair to assume that rest of the portfolio, there won't be much backlog now?

Rahul Bharti: So, our total pending bookings are about 200,000 units, out of which 111,000 units are on CNG.

Gunjan Prithyani: Okay. Got it. And Rahul sir, can you share the royalty number also if there is any meaningful change?

Rahul Bharti: 3.5%.

Gunjan Prithvani: Okay. My second question is on the EV launch. If you can share the progress on that? And if there's any change to the timeline, especially in the backdrop that globally, there is certainly a change in the narrative where hybrids are being spoken a lot more favorably versus EV.

So is there any change to our timelines? And even an extension to that, you did mention in your opening remarks that hybrid has seen good acceptance in your Grand Vitara portfolio as well. So what is holding us back from launching more hybrid to some of the other models also in the portfolio?

Rahul Bharti: Okay. See, first, let me share that a model development lead time is about 4 years. So month-on-month, the responses to market change may not happen. Secondly, the work has started on the EV much, much earlier. So even if globally, there is a kind of a downward trend, that won't change our launch timing. So that continues as earlier.

And on hybrids, yes, we would like to increase it in further models. Of course, it's a complex equation where we calculate the CO2, the customer acceptance, the sales, the volume, the viability. And within all these variables, we try to maximize the new technology absorption. So of course, yes, we are quite positive about hybrids.

Gunjan Prithyani: Okay. Got it. And lastly, maybe this has been asked multiple times, I'm like still struggling to reconcile the margin because if I look at operating leverage, roughly would give you about 140, 150 basis points sequentially. There will be about 140 basis points that you've seen from discounts. There is a drag that you mentioned of 60-basis-point one-off. But still, is materially the mix being a drag in this quarter? Or is there something else to call out which would have been an offsetting factor?

Rahul Bharti: So sequentially, our operating EBIT, which is the right parameter to look at, considering that we buy from SMG and TKM also, we've improved from 9.9% to 10.8%. That's a 90-basis-point jump. Now operating leverage gave us a benefit of 140 basis points, Sales promotion gave us 80 basis points. There were other factors of about 140 basis points negative. So net, we had 80 basis points positive. and of course, we have to keep in mind the one-offs that I spoke about across various heads, some in CSR, some in material costs, etc. So those miscellaneous add up to about 60 basis points.

Arnab Roy: I would like to complement here on one point. If you look at it from a commodity perspective, although there are pluses and minuses, but as Rahul explained earlier, the weightage of steel is quite significant. And steel has gone up actually sequentially in the quarter by about 2%. So there is an impact of that in the numbers as well, which you need to factor over and above what we have said.

Gunjan Prithyani: Ok got it. That's helpful. All right, thank you so much.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. And with this, we conclude today's conference call. On behalf of Maruti Suzuki India Limited, we thank you for joining us, and you may now disconnect your lines.

Rahul Bharti: Thank you.