



Q3 FY23 – Investor Conference Call

January 24, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY23 Earnings Conference Call of Maruti Suzuki India Limited. As a reminder, all participant lines will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pranav Ambaprasad. Thank you and over to you sir.

Pranav Ambaprasad: Thank you, Aman. Ladies and gentlemen good evening once again. I wish everyone a very Happy New Year 2023. May I introduce you to the management team from Maruti Suzuki. Today, we have with us our CFO – Mr. Ajay Seth. From Corporate, we have Executive Director, Corporate Planning and Government Affairs – Mr. Rahul Bharti; General Manager, Corporate Strategy and Investor Relations – Mr. Nikhil Vyas. From Finance, we have Executive Director – Mr. Pradeep Garg; and Vice President – Mr. Dinesh Gandhi.

The concall will begin with a brief statement on the performance and outlook of business by Mr. Seth. After which we’ll be happy to receive your questions.

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 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, the transcript will be provided with the corrected information. I would now like to invite our CFO, Mr. Seth. Over to you, sir.

Ajay Seth: Thanks Pranav, Good afternoon, Ladies and Gentlemen, I wish everyone a very happy new year 2023. Let me start with some of the recent business highlights

To strengthen our product portfolio, the Company launched 2 new SUVs, Jimny and Fronx in the Auto Expo 2023. With this the Company is aiming for leadership in SUV segment.

- The Jimny, powered by Suzuki’s ALLGRIP PRO (4WD) technology, carries the 50 year-strong heritage of Suzuki’s off-road prowess.
- The Jimny comes loaded with safety features such as 6-airbags, Brake (LSD) Limited Slip Differential, ESP with hill hold assist, hill decent control, rear-view camera, and ABS with EBD.
- The sporty compact SUV FRONX targeted at young aspirational car buyers will strengthen the Company’s product offering in Compact SUV segment.
- In addition to host of safety and Technology features, the Fronx is also offered with all-new 1.0L K-series Turbo Boosterjet Direct Injection engine.

In the auto Expo, the Concept Electric SUV eVX was showcased to reveal the Company’s plan towards electric mobility in India.

- Concept eVX is a mid-size electric SUV concept designed and developed by Suzuki Motor Corporation, Japan

- The Concept Electric SUV eVX will be powered by a 60kWh battery pack offering up to 550km of driving range.

- The Company plans to bring it to market by 2025. The Company's approach with electric vehicles is holistic with scale and localization. Earlier in March, Suzuki announced investment of INR 100 billion rupees in Gujarat towards production of BEVs and their batteries.

Coming to other product related highlights, aligned with Government's clean and green initiatives, the Company unveiled India's first mass segment Flex Fuel prototype car.

- The Flex Fuel vehicle is designed to run on any ethanol-petrol blend between 20% (E20) and 85% (E85) fuel.

- Our research shows that ethanol fuel-based Wagon R Flex Fuel prototype vehicle operating on E85 fuel will help reduce GHG emissions by 79% in comparison to a conventional gasoline-powered Wagon R car.

- The Company will introduce first Flex Fuel vehicle for the compact segment by 2025.

- Besides, the company has already announced its commitment to make its entire product range E20 fuel material compliant by March 2023.

Recently, the Company further expanded its green car portfolio to Nexa Channel by offering S-CNG powertrain technology in Grand Vitara, XL6 and Baleno. With this Maruti Suzuki now offers 14 models with factory-fitted S-CNG technology.

The Company believes in exploring a full spectrum of technologies like hybrids, CNG, bio-CNG, ethanol and electric to support Government of India's twin objective of reducing oil-import bill and Net Zero by 2070

Coming to the other recent business highlights,

- The Company inaugurated 3,500th new car sales outlet. Having presence across 2,250 cities makes Maruti Suzuki the only car company to achieve such a wide network across India.

- The Company has achieved cumulative production of over 25 million units. This makes Maruti Suzuki the only Indian company to have achieved this significant milestone in passenger vehicle production.

- The Company has commenced exports of its highly successful premium SUV, Grand Vitara. The Company aims to export Grand Vitara to more than 60 countries across Latin America, Africa, Middle East, ASEAN and neighboring regions.

- In CY 2022, Maruti Suzuki registered an export of over 2.6 lakh vehicles, its highest ever exports in a calendar year. With the addition of Grand Vitara, the Company aims to further strengthen its position as India's leading passenger vehicle exporter.

Coming to the business environment during the quarter,

The Company entered this quarter with adequate network stock in anticipation of good demand in the festive period. During the quarter, as expected the company could maximise the retail sales. As a result, the company had about 5 days of network stock at the end of the Q3 FY23.

Pending customer orders stood at about 363,000 vehicles at the end of this quarter out of which about 119,000 orders were for recently launched models.

In Q3 FY23, the supply shortage of electronic components had marginally increased in comparison with Q2 FY23. The Company could not produce about 46,000 vehicles in Q3 this year. Limited visibility on availability of electronics components is a challenge in planning our production. The electronics component shortages are still limiting our production volumes. Our Supply Chain, Engineering, production and sales teams are working towards maximizing the production volume from available semi-conductors. The supply situation of electronic components continues to remain unpredictable.

Coming to the Highlights of Q3 (July-September), FY 2022-23

The Company sold a total of 465,911 vehicles during the quarter. Sales in the domestic market were 403,929 units and exports were 61,982 units. This was against total sales of 430,668 units comprising 365,673 units in domestic and 64,995 units in export markets in the same period, previous year.

During the quarter, the Company registered Net Sales of INR 278,492 million. During the same period previous year, the Net Sales were at INR 221,876 million

The Company recorded an Operating Profit in Q3 FY2022-23 of INR 21,230 million as against INR 9,190 million in quarter 3 of previous year.

The Net Profit for the quarter rose to INR 23,513 million from INR 10,113 million in Q3 of previous year

Highlights: 9M (April-December), FY 2022-23

The Company sold a total of 1,451,237 units during the period. Sales in the domestic market stood at 1,256,623 units. Exports were at 194,614 units. During the same period previous year

(9M FY2021-22), the Company registered a total sale of 1,163,823 units including 993,901 units in domestic market and 169,922 units in the export market.

The Company registered its highest ever Net Sales of INR 816,790 million in the period April to December 2022 as against INR 582,841 million in the same period, FY2021-22.

The Company made a Net Profit of INR 54,256 million in the 9M FY2022-23 as against INR 19,274 million in 9M FY2021-22.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Firstly, I wanted to check on the gross margins. We have seen good improvement this quarter. So, if you could just call it out in terms of mix and commodity benefits, how much have you got from both separately and also going ahead do you expect significant commodity benefits to come in or most of them have been realized?

Ajay Seth: So, sequentially, there has been improvement in virtually all areas except for the fact that the sales promotion cost is higher this quarter, compared to the previous quarter. But if we look at our initiatives at the cost side and including the commodity, there has been an improvement. There has been significant improvement in the exchange rate. And also, there has been some reduction that we see in the overheads, where we've cut down on some of the expenses. So, overall, you will see a reduction on various accounts. Mix, of course, has a positive impact, because the proportion of bigger cars have gone up. So there's a favorable mix that we see in our portfolio. So, it's a combination of these factors which has resulted in improvement of profits, in spite of the fact that the sales promotion is a little elevated in this quarter. So, that's precisely the answer to your question.

Kapil Singh: Okay. And sir are we expecting more commodity benefit going ahead?

Ajay Seth: So, commodity benefit also comes with a quarter lag, now it's kind of stabilized. I don't think that moving forward, you are going to see more impact, because this has mostly been factored in now. There could be some small impact that we will see in quarter 4, not significant impact. And then we will have to watch the trend of the commodities moving forward for the next year. So, I would say that there could be a minor impact in the next quarter, not significant.

Kapil Singh: Okay. And sir second question was on demand, just if you could share the outlook that we are seeing across segments or even rural versus urban, and we've launched two new models, would it be possible to share what kind of reception and order books we have on Jimny and Fronx as of now?

Rahul Bharti: So, Kapil fortunately the demand scenario seems to be healthy as of now. And urban-rural mix is also same, rural continues to be strong at about 44%-45% and we are happy with the bookings of the Jimny and the Fronx. For next year, industry has not come out with a number, I think SIAM looking ahead conclave will be sometime next week. But what we are thinking is, that we should grow faster than industry.

Kapil Singh: Okay, great sir. Any numbers to share on Fronx and Jimny booking or is too early?

Rahul Bharti: Too early, but we've got a good response at least from the Jimny.

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

Pramod Kumar: Sir my first question is, if you can help us understand what is the average discount for the quarter given that retails were disproportionately higher than wholesale. So, what is the average discount per car?

Ajay Seth: So, the average discount in this quarter is at Rs.18,291, this is higher than quarter 2. In the previous year quarter 3 discounts were 15,200 and quarter 2 (this year) discounts were at 13,840. So, discounts have been higher this quarter, because the retails are much higher than the wholesales, so obviously therefore, this combination of discounts depends on what retails are you doing.

Pramod Kumar: Thanks sir. And given this, the average ASP normalized for discounting have shot up by 8.5% quarter-on-quarter. Clearly, there was some bit of a push in SUVs, as SUV category share went up, but if you can just help us understand what is driving this kind of very, very sharp jump in ASPs, and given that there was not much of a pricing action, you've taken prices higher only in January. So, if you can help us understand how should one look at this price or average jump in ASPs and how should we look at it as you increase your SUV proportion closer to the industry standards, closer to the industry average from the current 21%.

Ajay Seth: So, in the beginning we talked about the kind of traction that we have on the SUV segment. And the demand for the newer models and the bigger cars is significantly higher. In fact, there is not so much pull for small cars at this point in time. So, the mix is gradually changing towards bigger cars and the price difference between the two is significant. So, if you're selling one Alto versus one Brezza or Ertiga or a XL6, it's almost two and a half to three times higher. So, that mix makes a significant difference and the realisation increase that you are seeing now is basically because of that mix change. Even in the order book the bulk of the orders that we have are for the bigger cars.

Pramod Kumar: So, in a way this is a positive journey, in terms of if you start selling more and more higher bigger cars, it's good for the ASP, it's good for the percentage profitability and overall profits as well.

Ajay Seth: It's good for the ASP. Profits will keep depending on what margins you make on a particular model at any given point in time. But yes, ASP will definitely go up.

Pramod Kumar: Because there's no discounting pressure on the Utility Vehicles at this point of time.

Ajay Seth: Yes, for the time being but as the markets mature in these segments we will have to wait and watch. But what you are saying is correct for the time being.

Pramod Kumar: And as a second question on the Boosterjet engine, because that's a welcome comeback by you. And I understand, picking up interviews of management from Auto Expo that this one is a localized engine. So, if we can help or confirm that it's more or less confirm but, if you can help me understand does it mean that the cost structure for this is going to be much better than what you had earlier on the Baleno which was the imported engine. And also, how should one look at scalability of this engine to the other models because if you can have it on Brezza or Jimny you can have much lower GST rate for example, to begin with because you are paying higher GST than some of your peers in that category. So, how should one look at the scalability of this Boosterjet engine.

Rahul Bharti: So, Pramod, Boosterjet engine is one of the new additions that we have and obviously our effort always is to localize to the maximum using volumes. So, as and when we get customer response, the volumes will scale up and the localization will also improve with time. And I don't think there is any GST difference because it's in the same segment so it both come into small cars.

Pramod Kumar: No, sir I am talking about if you were to theoretically put this in the Brezza, which is 1.5-liter petrol replaced with a Turbo Booster 1 liter, your GST rate would definitely come down, right?

Rahul Bharti: So, this is one of the options that one could explore, yes you are right.

Pramod Kumar: That's a pretty good big one given that Brezza is already doing so well despite the price premium and if we can further improve the comprehensiveness of the pricing that's a welcome for both the company and the customers, right?

Rahul Bharti: Thanks for the suggestion.

Pramod Kumar: And sir CNG finally how you are seeing the uptake from CNG with elevated because last quarter if I'm not wrong, you did have higher dispatches of CNG as well, which also probably helped your mix to an extent is that right?

Rahul Bharti: So far CNG penetration is fine. But we are concerned that the prices are abnormally high and industry has represented to the Dr. Kirit Parekh Committee. I do not know how much time the government takes on accepting the recommendation from the committee. But if the recommendations are accepted, then it would provide some breather to the CNG sales. At least in commercial vehicles (CVs), sales have been impacted significantly.

Moderator: Thank you. Next question is from Raghunandhan N L from Emkay Global. Please go ahead.

Raghunandhan N L: Firstly, sir considering the large order book and low stock with dealers, how are you seeing on the ramp up of production. Q3 was impacted by lower working days and also the maintenance

shutdown and also the supply issues which you alluded to, but can Q4 be better than Q3. What I'm trying to get is that is there a gradual improvement in terms of supplies and with more working days would you be seeing a better Q4 compared to Q3?

Rahul Bharti: Thanks, you are absolutely right the number of working days in Q3 were less because of the maintenance shutdown and because of some level of semiconductor constraints, the production was lower. On production capability fortunately we have some headroom. So, the bottleneck as of now is semiconductors, the situation has improved, but I wish I could give you a better answer. Still there is uncertainty and we also get to know just a month in advance how much would be the available for the next month. So, we are also hoping and making efforts that semiconductor availability improves and we are able to service demand in the market.

Raghunandhan N L: Got it sir. On the hatchback side, do the share has been reducing there has been positive growth in the hatchback volumes and going forward towards the next year. How do you see the segment trending do you expect growth to continue, what would be the triggers which would help the hatchback demand because what I understand is the customers have been postponing the purchase of entry level vehicles. And they could come back if the situation improves, how are you looking at that particular market coming back?

Rahul Bharti: So, we would still like to put a lot of effort on hatches. Because if Indian Passenger Vehicle market has to grow from the current 3% penetration, we want more people from the 97% club to come into the 3% club and chances are that their first car would be a hatch. So, we would like to facilitate that to the maximum. Unfortunately, whatever cost increases that we have, in percentage terms, the impact is higher on smaller cars, because the cost increase is fairly constant in absolute terms, but on a lower price of the car, it translates into a higher percentage. So, we would like hatches to continue and fortunately there is positive growth as you said, but as a segment the share has come down. As of now we are hopeful that hatches should also grow.

Raghunandhan N L: Got it sir. Lastly on Grand Vitara there has been good acceptability, volumes have been trending higher, Q3 volumes are better than Q2 and though Maruti has only marketing margin that doesn't seem to have impacted our gross margin. So, just wanted to understand would it be fair to assume that at EBIT margin level even Grand Vitara would be broadly similar or near to the blended margin?

Rahul Bharti: As a policy you're aware, we don't comment on segment or product specific margins.

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

Gunjan Prithyani: Couple of questions. Firstly, just quick bookkeeping numbers, what was the royalty rate in this quarter as well as if you can share the retails done in the quarters as well?

Rahul Bharti: Royalty was about 3.9%, because the mix slightly more towards newer models and retails were about 4.8 lakh units in the quarter in the domestic market.

Gunjan Prithyani: Okay, got it. Now, just moving to the questions, first one I have is on the these two new launches, which you showcase if you can just give us some color on by when these would be available in the market at dealerships and what sort of timelines should we be looking at and, maybe I'm not as clear in terms of positioning of Fronx, if you can help us understand where, where are you looking at this, more in the CSUV segment or micro UV where is it positioned in terms of the market sizing when you are putting this in the market?

Rahul Bharti: Early next financial year, we mentioned spring, we should be out in the market. And we are collecting bookings as of now, they have got good response from customers. The Jimmy as we say is "Purity of Function", which is a true off roader with many modern features as Mr. Seth mentioned in his initial remarks. The Fronx is a compact SUV and the shape is entirely fresh and new. So, we are calling it the "Shape of New" and it will have its own fan following, own set of customers who would like it, typically we've seen that customers take liking to a particular shape and we're waiting for customer response on this.

Gunjan Prithyani: Okay, got it. The second question is on the regulation now, there are three sort of regulations which keep cropping up RDE, CAFE, airbag, which again is still a few months away, but if you can share where we stand on these regulations in terms of transition as well as how should we be thinking about incremental cost pressure because of these regulations and the second part to that will be given we did make the diesel exit a couple of years back, how does that position us versus the competition some color on that?

Rahul Bharti: Okay. So, as far as the safety regulations are concerned, six airbags, three-point seatbelt and seatbelt reminder, SIAM is in discussion with industry on the lead time for implementation. So, that is already under discussion. We are not discussing cost much but it generally cost about Rs.20,000 higher for the entire system of airbags including the electronics, the controllers the total delta in cost between a two airbag car and a six airbag car. On RDE, it is actually a subset of BS6 phase II, BS6 phase II have RDE & diagnostics. So, we are comfortably positioned to meet it, not much cost impact either, at least on gasoline, I do understand on diesel there would be a sizable impact. And this is one of the reasons why we had taken the call on diesel much earlier. And with every passing day, the feeling gets reinforced that we took the right decision. The last is CAFE. I do not know how many of us are aware Maruti has the least fleet carbon dioxide emissions in the entire Indian car industry, despite all the global players present here. It will get better with time, so this year would be better than last year. We are comfortably positioned on CAFE and we will support the government's carbon reduction efforts and also oil import reduction efforts.

Gunjan Prithyani: The government has been talking about these penalties, any idea as to are these already under implementation from FY23 onwards and companies which don't comply will be penalized do you have any color on that?

Rahul Bharti: It is still a subject under discussion, but our understanding is that it will need more detailing and a framework of rules to implement. So, we'll have to understand the details before we can conclude.

Moderator: Thank you. Next question is from Kumar Rakesh from BNP Paribas. Please go ahead.

Kumar Rakesh: My first question was around the point which you talked about that Maruti is aiming for SUV market leadership in FY24. So, now, the SUV market has become very different from how the passenger car market is where you have a very strong market leadership more than 50% market share. And it's dominated by you whereas SUVs far higher segmentation and multiple players with high market share. So, how do you see that industry moving forward now with your models coming in and your aspiration of having the market share leadership in SUV and also 50% market share overall in the country. Do you see that you will be able to push the SUV segment as well as consolidated as the passenger car market is?

Rahul Bharti: So, the hatches and the SUVs are a different story. As far as SUVs are concerned, it is good to see that the Indian customer is moving up and is becoming more aspirant and he has appetite for the latest features and technologies. And we are equally happy to provide such technologies and features in our cars. And with the latest two offerings that we have recently launched, we have four SUVs now the Brezza, the Grand Vitara, the Jimny, the Fronx and some of these are constrained by supply. So, as and when the supply situation improves, we are quite confident that we will reclaim the number one position in SUV segment also. There was some delay in the launches but now we are there.

Kumar Rakesh: Got it, thanks for that. My second question was around the impact from the semiconductor shortage. So, you talked about that in the December quarter there was production impact of about 46,000 units. This was high compared to what we had seen in the September quarter for about 35,000.

Rahul Bharti: Marginally higher. That's a lot of dynamism and uncertainty in this, it's quite random and we are takers in this market, can't do much about it. We are making lot of efforts in reducing our requirement of semiconductors to the bare minimum. Sometimes for commonisation across platforms, we use a higher specification, the highest common work. So, there we are going variant wise and reducing the semiconductor requirements so that the same number of semiconductors can service more cars. So, all those kinds of efforts, de-population, value engineering et cetera we are doing from our end, of course we are trying to get maximum from the market and our suppliers.

Kumar Rakesh: So, my reading in that case should be that the situation is not worsening, it's more of a reflection of our mix changing towards SUV and higher need for SUV chips?

Rahul Bharti: Broadly yes, but once in a while it does give you a surprise. So, I would prefer not to comment.

Moderator: Thank you. Next question is from Amyn Pirani from JP Morgan. Please go ahead.

Amyn Pirani: Most of my questions have been answered. When we look forward into next year and you partially answered this question, on the hatchback segment obviously this year we've grown but on a four to five year basis it continues to be on the lower side, where do you think the trigger

could come from, is it just because rural is also strong as per your commentary so, is it just the cost increase which has happened or the customer preferences have changed one way and this is just something that will continue or is there something which will be a trigger for the car category to actually start growing especially the segment which is five or six lakh below, because if the share of first time buyer does not rise, do you worry that the momentum for the overall car market or the passenger vehicle market could slow down over the next 12 months?

Rahul Bharti: Not over the next 12 months, because as of now the outlook seems to be healthy. But yes, it is an area of concern. Possible triggers could be, one, the income distribution, if in that segment more employment and income creation happens in the economy, it will be very good for us. And at least in terms of regulatory requirements there would be some headwinds. The cost of such requirements impacts smaller cars more. So, let's wait and watch for some more time how the economy shapes up. We do think, it's still a large chunk it's about 35% of the industry.

Amyr Pirani: Okay, is there at least in your own numbers, is there a discrepancy of finance availability and ease of financing in the smaller hatchback versus the bigger vehicles because overall I think the industry is at whatever 80%,-85% financing penetration, but is there a discrepancy and can that be a lever or that lever has been used already?

Rahul Bharti: I don't think finance is a hurdle or an impediment. So, there is very healthy finance penetration. In fact sometimes the rural penetration is more than urban. So, finance is not a factor.

Moderator: Thank you. Next question is from the line of Pramod Amthe from Incred Capital. Please go ahead.

Pramod Amthe: So, first question is with regard to strong hybrid, what's the type of waiting you have and what type of supply chain challenges you're facing and how are you trying to overcome the same?

Rahul Bharti: So, it's a new product with a new technology and because of its immense carbon reduction benefit, at some point of time, we would hope that the government also gives it a proportional support as it gives to other technologies. In Grand Vitara, in terms of pending bookings, about 23% to 25% penetration is of strong hybrid, which is positive.

Pramod Amthe: Okay. And is there a supply chain challenge to address the waiting period?

Rahul Bharti: Semiconductors.

Pramod Amthe: Okay, nothing on the battery side per se?

Rahul Bharti: No.

Pramod Amthe: And second one is with regard to the flex fuel product which you displayed, congrats on that. Wanted to know since you're talking this for 2025, what's the cost benefit economics which you will play here one. Second what type of infrastructure challenges you expect or you want to fall in place before this rolls out in 25?

Rahul Bharti: So, it has a cost impact over a normal gasoline car. Some things in the engine and fuel lines, they need to be changed and some additional sensors and some additional equipment needs to be installed such as heaters, ethanol sensor to detect the percentage ethanol in the tank, corrosion resistant pipes, et cetera. This is for the cost of the car. In terms of running cost, the ethanol has to be at least about 35% cheaper than petrol for anybody to start using ethanol because the energy content is about 30%-35% lesser. So, that is on the running economics and what we are excited about ethanol is the carbon benefits, because given the biofuel, the biogenic nature, the carbon emissions are significantly lower and India because of its agricultural context can produce huge quantities. So, we will support the government in this technology.

Pramod Amthe: And do you see any infrastructure challenges in terms of this fuel being made available and what's the government thought on the same?

Rahul Bharti: There are some challenges, dispensing, et cetera but they are the normal challenges which India has. The availability is one question mark, how much will be available, will sufficient quantities be available and what will be the pricing. So, efforts are on in all directions. On one side is the vehicle technology, the second ethanol supply chain including distribution, production also.

Pramod Amthe: Okay. And the last one since you said the carbon benefit is there any clarity that you will get a benefit on the CAFE norms with this product or that is yet to be followed?

Rahul Bharti: It is not a benefit; it is the right carbon accounting for ethanol as a biofuel.

Pramod Amthe: Right. But there was ambiguity right in the sense whether they will account it or not?

Rahul Bharti: Yes, as CO2 is significantly lower for a flex fuel car.

Moderator: Thank you. Next question is from Binay from Morgan Stanley. Please go ahead.

Binay: Just a clarification on some of the earlier points made both from gross margins. Firstly, on the FOREX side in quarter 2 we had almost a 50-basis point gain on FOREX because of Yen weakness, will that number be similar in Q3 because that ideally should reverse right in my understanding, if you have any data on that. Secondly, is it fair that Mr. Seth said that commodities headwind in Q4 if I hear him correctly?

Ajay Seth: So, I made two points, please understand that the commodities and foreign exchange impact comes to us with a quarter lag effect. So, effectively most of the rates that you see are for the previous quarter. So, therefore, there is a significant benefit that you see from quarter 2 to quarter 3. We have captured the quarter 2 rates, therefore the increase in benefit, even for quarter 4, there will be a blended quarter 3 benefit that you will see. We are completely hedged for the year as far as the Dollar-Yen is concerned. So, therefore on the Dollar-Rupee side on the direct imports, we are Dollar surplus. Although if you take indirect import, we have payables, it's not a very significant portion as it used to be earlier given the fact that royalty is now paid in Rupees. So, there will be benefit of foreign exchange in this quarter and it will remain stable next quarter. However, moving through the first quarter of next year, we will have to see, we are partially

hedged of exposure. We've taken hedges for next year as well. So, we'll have to see what rates we finally get based on the exposures that we will incur in the first quarter, but definitely the favorable rates that you see in quarter 2, 3 and 4 maybe reverse slightly in the next year.

On the commodities I mentioned that commodities have been cooling off, we have seen a reduction in steel prices which have been negotiated for the year. So, we are very clear that commodities will remain where they are. The precious metals are also stable at the moment, barring a few commodities which have shown some inching up like copper, et cetera. So, there could be status quo in fourth quarter or slight increase or slight reduction depending on how they shape up. But for the next year, it's difficult to predict now because it will depend on how commodities cycles move. We do take hedges, from time to time, on the metals that can be hedged and we have positions that we have taken for this year as well as for the next year, especially on precious metals, and a few other commodities.

Binay: Great sir, that is very helpful. Sir on the FOREX side just to remind us, Yen will be around 12% or 13% of your sales, Yen denominated direct and indirect imports, would that be a fair number?

Ajay Seth: Our total exposure on Yen is about close to 100 billion Yen (for the year), which is both direct and indirect put together. Imports are largely Yen denominated. Although we have also dollar-rupee exposure on payables. But this is the large piece of exposure that we have.

Binay: Great, that's very helpful. And lastly, just on exports any views on we've had almost 9%- 10% growth in exports this year. How do you seek exports on growth next year. Thanks.

Rahul Bharti: So, fortunately, the traction from the markets is giving good signals. I think we'll be constrained by our supply.

Binay: Okay. So, that hopefully results in better pricing. Thanks for that.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. With this we will 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. Thank you.