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Q1 FY24 – Investor Conference Call

July 31, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY24 Earnings Conference Call of Maruti Suzuki India Limited.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' and 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, Dorwin. Ladies and gentlemen, good afternoon once again. 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, and 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 of the performance and outlook of our business by Mr. Seth, after which we'll be happy to receive your questions.

May I remind you of Safe Harbor. We may be making some forward-looking statements that have to be understood in conjunction with 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. You 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.

Welcome, ladies and gentlemen.

I'm pleased to report that Maruti Suzuki has demonstrated resilience and maintained a steady course in the first quarter of the fiscal year 23-24.

Let me start with some of the recent business highlights:

To strengthen our product portfolio in utility vehicle segment, the Company launched a premium three-row utility vehicle, Invicto. With this launch, the Company debut in the 20 lakh+ price segment.

Coming to other business highlights:

During the quarter, start of sales of two new SUVs, the Fronx and the Jimny has positively contributed to the Company's performance.

Overwhelming response to these SUVs, coupled with the strong sales performance of other two SUVs, the Brezza and the Grand Vitara, the Company posted a market share of about ~20% in SUV segment during the quarter 1.

Recently, the Company further expanded its green car portfolio by offering S-CNG powertrain technology in Fronx. With this Maruti Suzuki now offers 15 models with factory-fitted S-CNG technology.

During the quarter, in the domestic market the Company sold a whopping 113,000 vehicles powered by S-CNG technology. This resulted in highest ever CNG penetration of about 27%.

In the export market, the Company expanded its portfolio by starting the exports of Fronx to destinations in Latin America, Middle East and Africa.

Coming to the business environment

During the quarter, the Company continued to face the electronic component shortages, particularly in the models witnessing high demand. The Company could not produce about 28,000 vehicles in Q1 FY24. Pending customer orders stood at about 355,000 vehicles at the end of the Quarter and the Company is making efforts to serve these orders fast.

Limited visibility on availability of electronics components is a challenge in planning our production. With the support of our supplier and dealer partners and efforts of our Supply Chain, Engineering, production and sales teams we managed to maintain healthy sales volumes during the quarter.

Today, Maruti Suzuki Board approved acquiring shares of SMG from SMC

With the growth of the Indian car market and export potential, Maruti Suzuki India Ltd (MSIL) would need to increase its production capacity to about 4 million cars per annum by FY2030-31, almost double from current levels. This would happen over several locations, some of which are known and some being studied. 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.

The Board of Directors considered this and decided that for the purpose of efficiency in production and supply chain, it is best to bring all production related activities under MSIL. Accordingly, the Board approved termination of the contract manufacturing agreement and exercising the option to acquire the shares of Suzuki Motor Gujarat Pvt Ltd (SMG) from Suzuki Motor Corporation (SMC) subject to all legal and regulatory compliances including minority shareholders' approval.

The mode of acquisition including consideration to be paid to SMC shall be decided in a subsequent Board meeting.

In terms of actual production, logistics, sales and the cost thereof, there will be no change as the cars earlier supplied by SMG as a contract manufacturer, will now continue to be supplied as before.

Coming to the Highlights of financial results: Q1 (April-June), FY 2023-24

The Company sold a total of 498,030 vehicles during the quarter, higher by 6.4% compared to the same period previous year.

In the Quarter, the sales in the domestic market stood at 434,812 units, up by 9.1% over that in Q1FY23. The export sales were at 63,218 units as compared to 69,437 units in Q1FY23.

During the Quarter, the Company registered highest-ever quarterly Net Sales of INR 308,452 million as against INR 252,863 million in Quarter 1 of FY2022-23.

The Net Profit for the Quarter rose to INR 24,851 million from INR 10,128 million, a growth of 145.4% over that of Quarter one of last year. This was on account of larger sales volume, improved realization, cost reduction efforts and higher non-operating income.

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. The first question is from the line of Kapil Singh from Nomura, please go ahead.

Kapil Singh: Decision that we have announced for acquiring the SMG plant. Can we talk about have we thought what could be the timelines and mode of consideration, so will it be in the form of cash only or there can be other options like share swap, etc., also which may be evaluated.

Rahul Bharti: This part has not been deliberated so far. As we mentioned both in the press release and in the CFO speech in the beginning, this will be deliberated in a subsequent board meeting and we wish to complete it within this financial year by March 2024.

Kapil Singh: Will there be any efficiency gains here as well, which will be there for the combined entity that you can envision?

Rahul Bharti: Broadly speaking, yes. We have so many powertrains, ICE engine base, the EV base, and the hybrid. There would have been some challenges if we had not integrated them together, at least now the decisions would be far more agile. We can quickly make changes in the production plan, location plan etc. MD also mentioned in the press conference, we are also expecting some economies of scale.

Kapil Singh: Second question is on cost. We have mentioned that there is some 80-bps one-off cost. So, if you could talk about that and what is the normalized level of cost and also just the overall industry outlook that you are seeing right now, competitive intensity, discount levels and inventory levels?

Ajay Seth: So, this 80 basis point is one time, where we have made some payments to employees for retention related payments and this would not be repetitive in nature. It will not occur in the next quarters. If you see the employee cost, it is inflated in this quarter because of these payments and also due to the retiral benefits which certainly comes in the first quarter, and it is not repeated in the subsequent quarter. The second question that you asked about discounts. Discounts have been slightly up compared to last year. Last year discounts were at INR 12,748 per vehicle. Now it is at INR 16,214 per vehicle and also up from the quarter 4 of last year, quarter 4 was INR 13,269 per vehicle. I think with the semiconductor situation easing and with the mix becoming better, discounts should also progress. But you will have to see how the market behaves in a given quarter and accordingly, discounts would have to be maneuvered. In the third quarter, normally the discounts are higher because you have the year-end clearance of your cars. Discounts will vary in each quarter as I have mentioned.

Kapil Singh: And also, the outlook and inventory level, if you could talk about that demand outlook and inventory level?

Rahul Bharti: The demand outlook is fine at the moment. If you notice in Q1, competition (industry minus Maruti) grew by about 7%, while Maruti could grow over 12%. Since we have a good model lineup of recently launched, mostly SUVs, we expect that momentum to continue. The only issue is that in Q2, the last year base is very high. So, while the absolute sales should continue, the growth figures might look less in Q2 because of a high base last year.

Ajay Seth: Network inventories would be about 125,000 units at about 4 weeks.

Moderator: Thank you. We have the next question from the line of Pramod Kumar from UBS. Please go ahead.

Pramod Kumar: Before I go with the questions, just a clarification. If my memory serves me right, when we did this arrangement, there was this worry that the consideration for a buyback of the plan maybe at a higher value. So, you had assured that it will be at a book value. So, just wanted to clarify that so does that hold good even now as in?

Ajay Seth: So, the contract manufacturing agreement, the way it is drafted and approved by the minority shareholders clearly lays down the principal that if it is to be terminated at any given point in time, the purchase would be at the net book value, so it holds good. The contract manufacturing agreement is very clear about it. There cannot be a deviation from the approval given by the minority shareholders.

Pramod Kumar: That's great to hear. Then the question from my side on the business side. Even on the other expenditure side, we've seen some uptick. Just want to clarify, is it related to what we heard from other companies as well related to IPL spends and also you had couple of launches. Is it fair to assume that the recurring run rate may be a bit lower than where we are today, or you think these are going to be the sustainable level on special marketing costs?

Ajay Seth: So, one I mentioned is that there is some 80-basis point expenditure on account of employee cost which is not recurring in nature because we had to account for these in the first quarter as we had paid some retention bonuses etc. to employees for a long term retention. But the other expenses, it will depend on the period in which the launches takes place or the events take place. It may vary a little bit, as we launch more models. Marketing expenses will continue to be at this pace in the near future. So, this is an investment we are making in the long run, not for a shorter period. They will remain to be a little stepped up.

Pramod Kumar: And Sir, how do you see the evolution of your model mix from where we are today because we've seen a pretty good improvement in both ASP and gross profit per vehicle, quarter-on-quarter, but how do you see it going forward as the semiconductor situation eases and also if you can just help us understand how do you see the major cost elements within your P&L like commodity and some sort of any comments on FOREX that would be very helpful. Thank you.

Ajay Seth: Model mix, as semiconductor situation improves, should improve because we will be in a position to sell more of the SUVs and other vehicles as large number of them are in the wait list. So, hopefully I think the realization should also improve as the mix improves in the next quarters. It (semiconductor situation) has eased a bit, but we will know exactly when we finish the second quarter in terms of where we are. But it seems to be better than where we were in the first quarter. That's the answer to the first question. Second on the commodities, now I think we have kind of stabilized. We will wait to see how the steel behaves. We had some uptick in the first quarter, but hopefully it should correct moving forward. So, we are seeing more stability both in commodities and FOREX during the year as compared to the volatility that we witnessed in the earlier years. So, while there may not be significant cost improvement, but there is not going to be any more pain that we have seen in the past. Additionally, the cost reduction efforts that we put in, which used to be offset because of these commodity increases may help us and we can continue to stick to our targets of cost reduction as we normally have during the year.

Pramod Kumar: So, before I fall back in the queue, just a clarification, does it include even the EV facility, the EV assembly plant and also what will be the status of the battery plant sir because I guess there will be some involvement of Toyota as well there. So, if you can just help us understand those aspects on the EV side?

Rahul Bharti: So, the EV manufacturing facility is part of SMG and since SMG will be part of MSIL, if everything goes through, so EV will also come to MSIL. The battery is the global project of Suzuki. It has been located in India because the volumes in India for Suzuki are the maximum. So, that will be part of a 100% subsidiary of SMC called SRDI (Suzuki R&D Center India Private Limited).

Moderator: Thank you. The next question is from the line of Raghunandhan NL from Nuvama Institutional Equities. Please go ahead.

Raghunandhan NL: Just a clarification on SMG. As per the data available on MCA, the net worth or the book value was about Rs. 12,700 crores for last 3 years. So, broadly that would be the latest book value for FY23?

Ajay Seth: Yes, that is the book value as of March 2023. We will have to wait till the whole process of approval is over and then compute the book value at that point in time. So, it should not significantly change from what you see in March 23.

Raghunandhan NL: On the raw material cost benefit just continuing the previous question, precious metal cost per unit was around 25,000 to 30,000 for Maruti and on precious metal side, there has been a very significant correction over the past few months. In addition, even costs like aluminum and all have come down, so should not that lead to a more significant benefit in Q2 or Q3 for us?

Ajay Seth: So, commodities have seen a decline, both palladium and rhodium, which we significantly consume in our production, have gone down. One has gone down by 18% and the other one has gone down by 20%, so there is definitely a benefit of commodities.

But on the contrary, steel has increased in this quarter. There has been an increase of steel prices compared to quarter four. In quarter four we saw a decline, but we had to give increase in the steel prices in quarter one. The steel is almost half the commodities that we consume and therefore overall impact is not significant because it has offset the reduction that we have got on the precious metals. But hopefully now moving forward, we should see some softening on the steel as well, which will help the overall cost.

Raghunandhan NL: Got it, sir. On the demand side, the order book now stands at 355,000, notable part of that will be SUVs. Considering improving supplies, what would be our capacity on the monthly SUV production side? And relating to that, if you can talk a bit about volume potential for Fronx, can it do 12,000 to 15,000 per month including exports and what would be the order book for Fronx? Thank you.

Rahul Bharti: I'll take your last question first. Fronx, currently we are doing approximately 9,000/ month and exports have just started, so exports volume will add to it and order book on Fronx, we have about 22,000-23,000 pending bookings on Fronx. The capacity is fairly stable now, we will add 100,000 units capacity in Manesar only next year and semiconductor situation has almost eased. So, we should see some stability in volumes.

Raghunandhan NL: Got it, sir. If you can share the exports and SMG production number.

Rahul Bharti: SMG volume was about 40% of total about 200,000 units. You're talking about the export revenue?

Raghunandhan NL: Yes sir.

Rahul Bharti: In the quarter, it was about INR 3,760 crores approximately.

Moderator: Thank you. We have the next question from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: Couple of questions from my side. First is the FX impact in Q1, would there be a material impact on account of vendor imports given JPY movement in fourth quarter?

Ajay Seth: Not significant enough, I think there is small impact, but not significant.

Jinesh Gandhi: And can you remind as in with respect to JPY hedging, have you resumed the JPY-USD hedging now?

Ajay Seth: We have been continuously doing JPY-USD hedging. We have about 50% of our direct exposure covered and we continue to look for opportunities. Wherever we find the opportunity we do hedge. We also have to look at the forward premiums at a given point in time so that we're not too much off the market. So, we have taken a calibrated call of hedging as and when we get the right opportunities. And as I mentioned, we are almost 50% hedged for the year.

Jinesh Gandhi: And lastly, now with SMG being part of MSIL, can you also talk about what is SMG's CAPEX plan going forward from where we are at 750,000 units capacity. Are they doing any capacity addition or what would be the CAPEX required in SMG?

Ajay Seth: We have been answering that question every now and then whenever we do an expansion. At the moment, we have talked about one million expansion at Kharkhoda where we have talked about the CAPEX that we'll be incurring over 4 phases of the project, because there will be four plants which will be set up there. Subsequent to that, we will be adding one million more capacity and that is under discussion now in terms of location, the cross-functional team, which is studying that and once all that's finalized, and we will come out with the plan and the approximate CAPEX. So, at the moment, we have clarity on the one million at Kharkhoda, not on the other one million because that is under study as of now.

Jinesh Gandhi: Sorry Sir, my question was what would be CAPEX requirement at SMG for the Gujarat plant?

Ajay Seth: I am talking of everything included. So, the one million additional includes the SMG because SMG in case the current thing is approved will become part of MSIL. So, it will all come under one bucket.

Jinesh Gandhi: And sir lastly, what was the royalty rate for the quarter?

Ajay Seth: 3.8%.

Moderator: Thank you. The next question is from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.

Chandramouli Muthiah: My first question is on the product launch side. So, we have had quite a lot of success in the recent past, three big launches. Between now and when the EV launches in 2025, could you talk about if there are more sort of SUV products in the pipeline or are we looking to consolidate the recently launched 3 products?

Rahul Bharti: I thought you'll be very happy about the recent launches, look at the volumes of these. As a policy, we don't comment about the future product plans. But you're right for some time we have to look at maximizing the volumes from these current launches.

Chandramouli Muthiah: Got it. That's helpful. My second question is on the Invicto launch, just related to the Hycross and if we were to compare the similar situation on the Grand Vitara, I think on the Grand Vitara on the top end variants, we had chosen to price a little higher than the Toyota Hyryder, but on the Hycross, we've been able to put together a value offering which is priced a little more competitively than the top end sort of Hycross model. So, just trying to understand what were the things that went into that decision and how we were able to price more competitively than the Hycross in spite of manufacturing still being outsourced to Toyota?

Rahul Bharti: Pricing is a competitive market decision, and it keeps varying. We keep calibrating ourselves with respect to the market and competition and of course, consumer expectations. In the Grand Vitara, I think our market pricing is almost now very competitive or I mean it's almost very close to that of Toyota. So, there is no disadvantage as such. And as far as the hybrid variants are concerned, I think the volume will really go up if there are some commensurate benefits on CO_2 from the government also in terms of GST.

Moderator: Thank you. The next question is from the line of Binay from Morgan Stanley. Please go ahead.

Binay: Just one clarification. So, TDSG will not be under this entity, right? So, that will also remain independent, the Suzuki investments in that JV?

Rahul Bharti: TDSG is a JV of Suzuki, Denso, and Toshiba, Suzuki has 50% equity in that.

Binay: Right, Secondly, actually two questions. One is if you could give us the breakdown of the order book across some of your key models? And secondly, you know like the small car slowdown is very pronounced, very visible in your numbers and there's always this debate about whether this is structural slowdown or this is cyclical slowdown. You have the most amount of customer insight and data, so anything you could share on that side as to how do you see that market and when do you see if any signs of that market recovering or like in fact even in your order book, where are the customers coming from? Are they your own customers or they are new customers from other brands moving in, so any insight on the small car slowdown debate?

Rahul Bharti: First question about pending orders, so Brezza is about 48,000; Grand Vitara 27,000; Jimny 23,000; Fronx 22,000 to 23,000; Invicto 8,000 and Ertiga 93,000. On your second question, small cars are a very large segment. Last year, they were at 33%-34% of industry. This year, quarter one its about 32%. Last year, against an overall market growth of 26%, hatches grew by 16%, which is positive growth. It is not as much as the rest of the industry, but it is still quite significant. Even this year, Q1-on-Q1, the small car grew marginally. So, it is positive growth, but less than the other segments, we think it's a very important segment and, it is temporarily challenged. The growth is not as much, but we hope that in times to come, it will also grow and it's such a large segment that it cannot be ignored.

Binay: But in a way, do you see the share of small car in the overall mix continuing to reduce?

Rahul Bharti: Gradually, yes. But for example, last year it was 33%-34%, this time it is 32%, but it's still a major chunk.

Binay: So, in terms of if that is your view, then is it fair to assume that when you think about 4 million capacity or the future model lineup of Maruti, you are also aligning the Company more in terms of the growing segments, which is now higher ASP models SUV?

Rahul Bharti: See, as a market leader, we have to cover all segments and maximize our volumes. We will look at all segments including the growth segments obviously. And so, to that extent, we will cover all segments.

Binay: Thanks, team, and lastly just if you have the first-time buyer data, which is always very insightful to look at how that trend is. Any insight on the first-time buyer number?

Rahul Bharti: It's about 40%.

Binay: So, it's actually coming down now in that sense.

Rahul Bharti: Marginally yes, from the level between 42% to 44%, it has slightly come down to 40%.

Moderator: Thank you. The next question is from the line of Kumar Rakesh from BNP Paribas. Please go ahead.

Kumar Rakesh: My first question was on the CAPEX plan at the SMG. So, my understanding is that Suzuki was planning to invest in the SMG plant for EV manufacturing line. So, now would that be happening through Maruti Suzuki and what would be the annual maintenance CAPEX of the plant?

Rahul Bharti: So, the manufacturing facility at SMG is proceeding and we hope to launch the EV in the next financial year. We have not directly gone into the CAPEX of SMG, but as mentioned in the press conference, we already have 3 plants there and there is not much land space available to accommodate more plants.

Kumar Rakesh: My second question was on Invicto. It's a very interesting product from Maruti's portfolio perspective because it dramatically changes the profile of the models which we sell. It's more than twice the price of most of the models which we have in the showroom. And it would be a completely different experience handling this model for your channel as well. So, how the experience so far has been the requirement on working capital would have stretched a lot, the kind of customers who would be coming and their expectation from the showroom would be very different. So, what has been the learning so far and are there any tangible insights you are drawing that can help you premiumize rest of your portfolio?

Rahul Bharti: Interesting question. We would also be very interested in knowing that consumer experience, feedback, learning maybe slightly too early to assess. But yes, actually we have a lot of wait list also. So, we'll keep studying as we go along, but yes, we find good acceptance of Maruti Suzuki brand in that consumer segment.

Kumar Rakesh: It may be a little early but would be looking forward to hearing your thoughts how that is helping us build more understanding of customers because I understand in the rest of the portfolio of the market, we already have a very deep understanding of customers. Is the above 15 lakh and higher is where this could possibly help us and what are the learnings we are drawing?

Rahul Bharti: So, Nexa has helped us to a good extent. In fact, in hindsight we are happy that we launched the Nexa. And so apart from the product, the buying experience, it also complements the stature of the customers in that segment, so far positive. Let's go along the line and read more into it.

Moderator: Thank you. The next question is from the line of Pramod Amthe from InCred Capital. Please go ahead.

Pramod Amthe: So, this with regard to similar line. So, with regard to your Jimny, what is the customer profile now you have started delivering the vehicles. Is it first time Maruti buyer or these are like upgrades of the erstwhile Maruti guys who are coming in, one? Second, the age profile, what do you see? And considering the long wait, have you seen any cancellations for the sale?

Rahul Bharti: The Jimny, as we had defined, it has purity of function. It's a true off-roader. So, we had targeted the lifestyle customer who likes the adventure. But we also knew that many urban drivers would take a liking to the Jimny because of its prowess and proportions and the sheer appeal. So, till now the deliveries have not been much, but yes, we've got some positive response. We have about 23,000 units of pending orders and this also we'll keep studying. Incidentally, the Jimny is exported also. Even in the export markets, there's a huge pull for it. Actually, it started with exports.

Pramod Amthe: But anything on the buyer profile, age or erstwhile Maruti?

Rahul Bharti: It's too small a sample size to comment as of now and I may also caution you that early adopters and the mainstream buyers can be different, the profile can be different.

Pramod Amthe: And the second one is coming to SMG. So, if I look at the balance sheet, since you had already indicated at the time of agreement that it will be almost zero PAT Company. So, it looks like everything is predominantly the capacity is fine. So, is it going to be if my understanding is right like when you buy it back, it is whatever has been spent to set up the capacity. That is what broadly you'll be paying because it's nothing in the results which is sitting here. So, is that the fair understanding?

Ajay Seth: So, it is very natural, Pramod, that the net book value, in a concept of no profit- no loss, can be nothing else but the value of the assets that have been procured and minus the depreciation that has been incurred so far. And that's how we arrive at the net book value. There is no reserve in the books.

Pramod Amthe: Related to the same, the only challenge is in terms of timing it in the sense you are embarking on a large CAPEX now on your own and you are also trying to buyout. Looking at the cash sitting on the books, it looks like you have both the options of buying out cash or if required stocks, but would it be advisable to go for the equity swap than the debt because looking at your aggressive CAPEX plan for next 7-8 years, any thoughts on the same?

Ajay Seth: So, as we said that the board will consider the mode of acquisition and that's not been decided yet. So, they will be meeting another round soon. So, once that's decided, then we'll exactly know what is the mode.

Pramod Amthe: And this will also go through the majority of the minority voting or how does it?

Ajay Seth: Yes, it will go through all the regulatory approvals that are required, including the minority shareholders' approval.

Moderator: Thank you. We have the next question from the line of Joseph George from IIFL. Please go ahead.

Joseph George: The first question that I had was, could you give us the retail sales number for the quarter and how it looks compared to Q1 of FY23?

Rahul Bharti: Retail sale was approximately 3.8 lakhs in the quarter.

Joseph George: And how was it year-on-year?

Rahul Bharti: Year-on-year, it's a growth of about 8%.

Joseph George: And the second question was you mentioned an inventory of 125,000, just to confirm it's dealer inventory at the end of Q1?

Ajay Seth: Yes, that's right. It's dealer inventory.

Joseph George: See at the end of Q4, when we look at the order book of 412K that's the number that you had given out on the Q4 call and at the end of Q1, you mentioned that you have an order book of 355, which is the reduction of about 55,000-60,000. The wholesales in the quarter was about 420K, I am excluding the supplies and excluding exports, which means that the new order flow in the order would have been about 360-365. Is that the right number or were there a lot of cancellations from the opening book because of which the number looks understated?

Rahul Bharti: Just keep in mind that the Jimny and the Fronx are new models, so their bookings would also go up and of course the network stock has also improved a bit, earlier it was too low. Now we are at 4 weeks approximately.

Moderator: Thank you. The next question is from the line of Jay Kale from Elara Capital. Please go ahead.

Jay Kale: Just one clarification on your CAPEX side. So, earlier without SMG, you carried around 7000 odd crore CAPEX. Now with the SMG coming in your fold, how should one think about your CAPEX plans over the next couple of years? Is it right to assume that your earlier CAPEX had increased at Maruti level because your incremental CAPEX was more happening at the Maruti level and not at the SMG level any which way. So, your CAPEX for the entire entity including SMG should not be too different than the 7000 crore for the next 2-3 years?

Ajay Seth: Let me simplify it for you. We have already said that the next one million capacity will be done at Kharkhoda, for which we have already announced the CAPEX plan. We also said additional one million capacity, which is under study, where it will be done and what will be the CAPEX would be decided once we are clear on the plans for the additional one million capacity. Of course, if we get requisite approvals for acquiring the shares of SMG and then it becoming part of MSIL, then whatever is the future CAPEX, that of course will be incurred by MSIL. Now, once we have clarity on the second 'one million', we will let you know in terms of what the additional CAPEX would be. At the moment we have clarity on Kharkhoda, for the first phase, which we have already announced the last time, but additional CAPEX over the next 5- 7 years that will be incurred, we will give you more clarity as and when we get the location identified and the amount to be spent identified.

Jay Kale: And just one on the PLI, I think SMG had won the PLI, so that would naturally get transferred to Maruti. That specific entity would have one PLI or how would that happen?

Rahul Bharti: Even in our earlier PLI application, we had mentioned that the production will be at SMG and the sale will be by MSIL. So, kindly consider it as one application and that doesn't change. I mean in fact it gets even simpler now.

Moderator: Thank you. Ladies and gentlemen, that was our 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.