

Mahindra & Mahindra Limited
Conference call : No Production Days (Tractor) in March 2012
(March 9, 2012)

Moderator: Good afternoon ladies and gentlemen, thank you for standing by. This is Mumtaz, the moderator, for your conference call today. Welcome to the conference call of Mahindra & Mahindra Limited. We have with us today Mr. B. Mishra, Chief Executive Tractor and Farm Mechanization, Mr. K Chandrasekhar, Executive Vice President Corporate Finance and IR and other senior management personnel from Mahindra & Mahindra Limited. I would now like to turn the conference over to Mr. Rajen Kavadia, please go ahead sir.

Rajen Kavadia: Thank you Mumtaz. We also have Mr. Vadiya who is the CFO of the farm equipment sector, we have Sandhya who heads IR and she is VP, Corporate Finance and Gayarti and myself. So Chandra, go ahead please.

K Chandrasekhar: Thank you very much for joining us on the call. This call is specifically for today's notification to the stock exchange about the stopping tractor production for 2 days in a week at 3 M&M plants so I would request the participants to keep their questions to this particular event, and we have the senior management amongst us Mr. Mishra from Farm Equipment sector. I request you to keep the questions limited and each participant who asks a question may confine himself to one question and request you not to duplicate the questions. With this I throw open the forum for questions and to Mr. Mishra. Please identify yourself when you ask the question. Mr. Mishra would you like to start off or would you like to have the question and answer session straight.

B Mishra: Yeah, I would like to welcome everyone, and I think in the interest of time, let us go ahead with the question and answer session.

K Chandrasekhar: Mumtaz this con call is for 30 mins from now.

Moderator: Yes sir.

Moderator: We have a question from Mr. Kapil Singh from Nomura, please go ahead sir.

Kapil Singh: Hello sir, thanks for this opportunity. Sir I would like to ask what is the level of finished stock that we have with the company as well with the dealers and what is it that you are looking to reduce it to? And related to this, to rationalize the finished stock are you looking at to reduce or give discounts, etc to sort of clear out inventory?

B Mishra: Well this is Mishra. First of all, the number of stocks actually depends upon number of days. Normally tractor industry stocks vary with the season. We keep it around 3 to 4 weeks maximum as stocks with the company. So therefore, this effort is not with the dealers but with the company and the reason why we are doing it as the slowdown has started, the same number of tractors would take longer time to sell. So therefore, to keep the tractors always fresh and not allow the stock to age, we have to go for much steeper reduction in the stocks than what the market is actually doing proactively. We have to do that, and that is the reason that we are doing so this is the answer to your part one. As for part two of your query, there is no question of any discount. We are not going to give any discount for the sales. As I mentioned earlier, we will not allow the stock to get aged so therefore it is a proactive action.

Kapil Singh: Sir, just for clarification, what is the stock with the company right now in terms of numbers or number of days and with the dealers. What is the situation and will this be the correction only for the current month or it will continue in the next few months as well?

B Mishra: Yeah, this correction is only for this month. We have to watch keep a watch. As for next month, we have not envisaging anything right now.

Kapil Singh: And sir in terms of dealer sales, what is the inventory?

B Mishra: No, dealer is no issue because at dealer level sales are always happening. What correction we are talking of his only at our end.

Kapil Singh: In numbers terms can you quantify?

B Mishra: It is very difficult. It is a dynamic situation. Everyday 500 to 600 tractors get sold, so at any point of time it will be difficult to say. As I said, its 3 to 4 weeks of a stock which is normally held.

Kapil Singh: Okay, thanks you.

Moderator: Thank you for your question sir. We have our next question is from **Sonal Gupta from UBS Securities**. Please go ahead.

Sonal Gupta: Hi, thanks for taking my question. My question is related to the question which Kapil Singh earlier asked. What is the level of our dealer inventory? Secondly, can you tell us what the industry growth numbers is for January and February 2012 for the tractor industry and the domestic side as a whole and what is the situation that you see overall for the industry in terms of the dealer inventory in the channel?

B Mishra: Well for the industry dealer inventory, it is very difficult for us to give any answer because this is not available anywhere. But as I said earlier, we control stock at our end and at the dealer end there is very little stock because it is their working capital issues so they do not keep a very high number of the days of stocks and most of there is no issue as such because of sales is happening. Only the pace has slowed down so therefore all these things are here.

Sonal Gupta: Could you give a number - what was your dealer inventory at this point in time as a number of weeks.

K Chandrasekhar: Sonal I am sorry I think that is what Mr. Mishra is saying it is around whatever is the usual 3 to 4 weeks and there is no change at the dealer level and I think beyond this to give exact numbers would be unfair. So I think I would request you to accept that answer.

Sonal Gupta: 3 to 4 weeks is the stock at the company level, right, it is not at the dealer level?

B Mishra: Yes, it is at company controlled store and we generally keep it for 3 to 4 weeks, depending on season in the market and the stock which is lying in the plant as well as company controlled stock yard. The inventory is at the company store and has nothing to do with the dealers store.

Sonal Gupta: So I just wanted to get, what is the typical dealer inventory, how many days in the queue?

B Mishra: It is very difficult. This data is not available; this is the sales process which is going on every day. So when dealers need tractors they get it from the stocks. So as I said earlier, dealers do not keep high stocks because the reason is that the in this working capital is involved and we have stockyard everywhere in every state and therefore there is no hurry for the dealer to

keep a very huge inventory with themselves. But difficult to give you any numbers for any particular time frame as this is a dynamic situation.

Sonal Gupta: Okay sir, just the last question, what was the industry growth in January and February on a year-on-year basis in tractors?

B Mishra: In February industries degrew by around 10%.

Sonal Gupta: Okay, thank you so much.

Moderator: Thank you for your question sir. We have our next question from **Mr. Hitesh Goyal from Kotak Equities**. Please go ahead.

Hitesh Gupta: Thank you sir for taking my question. Sir, basically growth has started to moderate from November and then it has moved to decline territory in February. So just wanted to get a sense, is it related to the lending issue per se or is it related more to crop prices coming down and there was a drought condition in AP as well because of which the demand is falling off? And what do you expect going forward? How long would it take to for the growth to revive actually?

B Mishra: I think Hitesh, you are right. Andhra Pradesh is a typical issue however it is not drought really, the canal is under repair and the whole water is gone from there so that is the problem in the Andhra Pradesh specifically for the cause of the reduction, severe drop in the industry. Coming to other areas, it is not one reason, but definitely lending is not a major issue. It is combination of different issue e. g. bumper crop happening, farmers is not able to basically get that price which they normally used to get and certain local factors like for example, let's say, cotton. Last year, cotton price was just almost doubled in what normally it is and because last year there was some drought in China and some problem in US and therefore it was absolutely abnormal. This year the price is not low, it is normal but the people were expecting last year's rise and created huge number of quantity and thereby it is an issue now. So it is just not one issue, it is a cumulative issue but one thing I must say, the fundamentals are still very strong, the crop is good, NSP is also not that bad, only because of the high production sometimes off take is not as fast and the farmers get little bit of sentimental problems. Labor shortage is still there, yes, there is some slowdown in infrastructure sector where the tractors were used. So overall, if you say, it is not the fundamental side weakening, it is basically the overall cumulative effect of the economy as a whole and always all sort of things, including the government and the stability and the policies and so on.

Hitesh Gupta: So sir, how long does it take, I mean, I know it is a difficult question, depends on crop prices and all but generally according to your experience how long does it take for the industry to revive as such because I am also hearing that collections is not a big problem with finances as of yet. So just wanted to get a sense, how do you see the industry improving?

B Mishra: Our guess is that next quarter, although it will not be as high as the earlier years but 8%, roughly growth should happen. Over all year, we are expecting in the, next year the growth should be around 8% to 10%, 8% could be under the situation we would estimate.

Hitesh Gupta: Okay sir and this is based on, your estimation of crop prices coming back or it is just a farm labor shortage issue which could drive this growth, just want to get that sense?

B Mishra: Please repeat again.

Hitesh Gupta: I wanted to get sense with the guidance of 8% to 10%, what gives you that confidence this will happen? Is it that you are seeing some revival in crop prices or is it that farm labor shortage issue is very severe because of it degrowth will come?

B Mishra: Farm level shortage is definitely there and off late if you see industry has revived so overall economy has revived and inflation is coming down. Of course, interest rate will come down so overall economic scenario to my mind is specifically after budget should be better. If there is nothing wrong with the fundamentals so therefore there is no reason for industry to degrow. This degrowth is a sudden degrowth because of overall economic reasons and I think that is the way we are looking at it.

Hitesh Gupta: Okay sir, thank you.

Moderator: Thank you for your questions sir. We have our next question from **Mr. Jamshedh Dadabhai from Citigroup**. Please go ahead sir.

Jamshedh Dadabhai: Couple of questions, number one, you have planned a new capacity, what is going to happen with that, you are going to bring it in, or defer it etc. second part is between December and today what's happened, it is clearly unanticipated. What did you all expect and what has actually not happened?

B Mishra: Let me take first thing first, it was not totally unanticipated. We had anticipated that the growth in the second half of the year will not be as fast as the first half. The reasons were two. Last year, if you see year before, the second half growth was absolutely out of bound, first half growth was muted, second half was 30% and so on plus and therefore, continuing that base became much higher. So we were expecting that second half growth will be moderate but we were not expecting that it will degrow, that is only change. So if you compare, the October where the growth was more than 30%, last October, I am saying so this was totally anticipated that after October the growth will be muted. What we did not anticipate was that it will go into degrowth phase. So I would say very great change but yes, there is change, perhaps we were not expecting that. So that is the answer to your question of certain drop in the scenario because we are comparing last second half versus this year second half and that is where the whole problem is.

Jamshedh Dadabhai: Sir, in terms of the capacity?

B Mishra: Okay and coming to the capacity, as far as the capacity is concerned, as I said that tractor industry fundamentals are very strong and capacities are created for a long-term need. In any case, this capacity is going to come into operation in the second half of the next year so therefore we don't foresee any major roadblock as far as this capacity is concerned at the moment. However, to utilize the capacity, how many shifts we work is in our own hands.

Jamshedh Dadabhai: Okay and also you are not seeing financing to the sector slowdown pre-budget or anything?

B Mishra: No, financing has not slowed down; there is nothing which has gone a tremendous change. Most of the tractors now are financed by self finance or by NBFCs. The contribution of the commercial banks is slowed and it has gone down quite an extent. So therefore, it is not now linked with the policy issue to a great length. So financing to my mind is not an issue, what was a little bit of sentimental issue is the interest rates which looks like that it will come down, hopefully, because the industry inflation has started going down so things should be better.

Jamshedh Dadabhai: So to sum up what you are saying sir, is that this is just a short-term blip?

Management: Yeah we believe that.

Jamshedh Dadabhai: Okay, thank you sir.

Moderator: Thank you for your question sir. We have our next question from **Mr. Binay Singh from Morgan Stanley**, please go ahead.

Binay Singh: Hello sir, thanks for the opportunity. Sir, if we look at the wholesale numbers that we get from the company, last four months data is down 7% and we are talking about production shutdowns. How bad is the retail trend?

B Mishra: Retail trend is quite good, there is not any major depression on the retail front and that is how we are saying that financing is not an issue. The person who has taken the tractor is all right, only issue is because of sentiments, overall economy and bumper crop happening and people expecting the same sort of price increases and all are not happening. Overall, it is a sentimental issue largely rather than any fundamental weakness.

Binay Singh: No, meaning the actual sales booked by dealers, you mean to say are growing on YoY basis?

B Mishra: In the last year, if it was growing in the last year than our billing will also be more than the last year. What is happening, that it is almost at the same level as that of last year and as I mentioned earlier, that last year in the second half, the industry grew more than around 30% and the first half was around 10%, cumulative become 20%, so therefore the second half was totally estimate rate, it was not a symmetric growth. So if you compare last year second half versus this year second half the dealer numbers are following the same trend, but it is not growing at that rate, and that is why we see when we compare the data it looks very different.

Binay Singh: So, in a way, the dealer's sales are probably flat on a YoY basis?

B Mishra: Right.

Binay Singh: And like we were down almost 20% in the month of February, how was the retail sales I know YoY base gets distorted but how was retail sales in February because I assume, you must done a lot of inventory clearance into February?

B Mishra: So, retail sales is not at all affected, that is the first thing and for our degrowth at 20%, the reason I mentioned that we want to correct much faster pace. We don't want to get the tractor aged because quality and many other issues are associated with that. So therefore, you see that number what we have actually done. It is a pro active step to improve the channel health and not to have any impact on the customer quality at the end.

Binay Singh: So the industry is down 10% in February is also, you mean to say, mainly wholesale number. Even industry probably wouldn't have been down so much on retail numbers?

B Mishra: Yes, it is a wholesale number. What the report you get for industry is wholesale number. We don't get any number on the retail because retail is done by the dealers and therefore you will not get any industry figure on the retail.

Binay Singh: And sir, like typically, what we saw in cars also, like M&M is the strongest player in tractors so it is very logical that you will never go for discounts and aggressive pricing, but typically the smaller players start to do that. Are we beginning to see that in this cycle that given the slowdown, the other players in the industry are getting more aggressive on a pricing?

B Mishra: This always happens when there is a slow down. The sustainability of the smaller player is always an issue, so they will do it in short term but they cannot sustain for the long-term. So it maybe 15 days, one month you can see such affairs happening. You have the experience in the past also but they are not able to sustain it so in the medium and long-term we don't see that should be anything for us to worry about.

Binay Singh: Sir, just lastly, anything on the mix, like do we see any difference in terms of higher horse power doing better than smaller horse powers segments? Anything on the mix, this slowdown, any mixed differential it is causing?

B Mishra: If you compare the horse power, to last year or few years ago versus now the shift is towards higher horse power and therefore richer mix from the industry perspective.

Binay Singh: Even in the slowdown, you mean to say that mix is not changing?

B Mishra: No, it is not. The trend is same and trend is towards the higher horse power tractor which is richer from the industry at this point of view.

Binay Singh: Thank you sir.

Moderator: Thank you for your question sir. We have next question from **Mr. Srinivas Rao of Deutsche Bank**. Please go ahead.

Srinivas Rao: My question was on the volatility of the tractor demand seems to have caught everyone by surprise. Internally how do you assess it, I mean, we did meet some time back and this kind of volatility was not sort of expected. Going forward, what are the factors which you internally keep in mind? You said that this is a short-term blip and how do you assess that,.. That's the basic question we have.

B Mishra: The factor which is considered for projecting our numbers and plans are fundamentally the tractor penetration, per 1000 hectares... how many tractors are available in particular zone and territory. Because of irrigation, the price, MSP, the shortage of the farm labour, then the availability of the finance and the rate and the cost etc. So these are some of the important parameters which we consider and all these parameters are quite robust. In fact, everywhere like penetration is still very low. In some states like Punjab it has reached to a saturation level, but if you compare all over other part of India. It is very-very low compared to same level as that of Punjab. So therefore, these are the factors which we consider and these are the factors still very relevant. So therefore, these are small things which keep on happening every cycle, every three years or four years something of this sort happens again and then it gets corrected. So that is our take on this phenomenon.

Srinivas Rao: Would it be fair to say that we would at least see, based on past trends something like 12 to 18 month cycle as you said, a down cycle?

B Mishra: No, there has never been 18 months cycle actually. I believe last time in 2002 and 2003 there were continuously two years of drought now there is a change, even though last time, around three years back or two years back there was a draught but tractors sale did not get affected because the usage of tractors also has undergone a lot of change and like infrastructure sectors, other sectors, haulage, 40% and more tractors are used for that, on top of it, labor shortage so therefore I don't foresee that the duration will be so long. As I said that 1st Quarter we should expect the change. In fact we are not anticipating any sort of sharp correction going forward next year.

Srinivas Rao: Fair enough sir. Thank you so much.

Moderator: Thank you for your question sir. We have next question from **Mr. Pramod Amthe from RBS**. Please go ahead sir.

Pramod Amthe: Hi sir. This might be a repetition. But would you quantify your inventory and number of vehicles and also what is the dealer inventory in terms of number of vehicles tractors?

B Mishra: As I said earlier and as Chandra has already mentioned, it is physically impossible to... it is like a clock running, so every time by the time half an hour we talk, the situation would have changed there but generally speaking, the rule is around 3 to 4 weeks.

Pramod Amthe: Sir, if to understand right, is it the fact that you are trying to adjust your year-end inventory at the plant levels or is it to adjust the inventory in the system itself over a short-term of 2 to 3 months? How are you looking at?

B Mishra: Our level is plant and also our stock yards in various states. So we are correcting the inventory and that is which is being done by the company.

Pramod Amthe: Can you give in terms of capacity, where you stand and what will be the production for this month in particular after this cut and all?

B Mishra: The production number is difficult to give. As I said that there will be some new production there and we have indicated for the coming two weeks.

Pramod Amthe: Okay, where do you expect the industry to stand and you expect them in terms of inventory and you expect them to react in similar fashion by the industry, in terms of the cut in the production or you are ahead of the curve or you are the only guys who are affected?

B Mishra: I believe that yes, industry should be doing at some point of time, only their choice is theirs, when they have to do. Already some player had done a few in last month itself or month before. So it is not particular to one particular manufacturer because we are the largest so will get impacted first for any sort of change which happens, and we always do proactively these corrections as I mentioned to you. We had a choice not to do that severe but as I said that if suppose you have 10,000 tractors to sell and today it is getting sold in 30 days now it will become 45 days. So than 45 days means tractors get aged so we will not like the tractor unnecessarily get aged. That is our main concern that customer quality and all those things should be intact, that is why proactively we have done it. And as I said that I have just given you this number as an example than just why we do such type of steps. You must be wondering why we have taken what other are not doing.

Pramod Amthe: Okay, thanks.

Moderator: Thank you for a question sir. We have our next question from **Mr. Sumit Agarwal from ICICI Bank**. We go ahead.

Sumit Agarwal: Sir, my question has been answered, thanks.

Moderator: Thank you sir. Our next question is from **Mr. Mahantesh Shabrad from Fortune Equities**.

Mahantesh Shabrad: Thank you very much sir. Just wanted to seek clarification when the excise duty on tractors dropped down from 8% to nil or was it 4% to nil, I don't recall. The industry, instead of dropping the prices had actually raised the prices of tractors because you lost modvat credit. Are you in the current budget expecting a return back to excise duty days so that would mean that you will have to drop your prices?

K. Chandrasekar: This is con call for especially the announcements today. I think, it is too early to anticipate what will be in the budget. I think, probably we will have another time to talk about it. Currently that remains in the realm of speculation. So I request you to think, to the point that why we have call this con call.

Mahantesh Shabrad: Okay sir. Can I just squeeze in a question, your tractors, the Yuvraj tractor that you have, if I am right, outsourced in terms of production. So is that also affected?

K. Chandrasekar: We are just saying sorry to Mahantesh, we are not giving model wise break up. As Mr. Mishra has mentioned that the trend continues to be the same. I think, that should be taken as an answer for this. What we are saying is we are not going to.., it will be unfair to give model wise where it is going up, when it is down. So overall, we are planning this as a proactive step and as he mentioned, this is the step inside of the company.

Management 1: Mahantesh, if you read our statement, it is very clearly mentioned Nagpur, Jaipur and Rudrapur.

Mahantesh Shabrad: Okay, I get the answer then. Thanks for answering my questions.

Moderator: Thank you for your question sir. We have our next question from **Mr. Karan Mehta from Alegrow**, please go ahead sir.

Karan Mehta: Hi you have answered most of my questions. Just wanted to understand what is the production capacity for target like post this production cut?

B Mishra: Production capacity?

Karan Mehta: What is the capacity you will probably say target to produce, for example, would it be like 80%, 90%, 75% post the cut?

Management: Mishra Ji, what he is asking is this March we are cutting back on production for two days a week.

B Mishra: So at best around four days i.e. out of 25 to 26 days, what percentage will be that be, around 15%. That is only for this month.

Karan Mehta: Would it move over or spillover into the next financial year?

B Mishra: We are not expecting that as of now.

Karan Mehta: Okay, so as of now, just 15% approximate cut in the production.

B Mishra: For this month, Yes.

Karan Mehta: Right, that is only for this month.

B Mishra: Nearly 1%, roughly if you calculate for the whole year.

Karan Mehta: Sir, what is the utilization that has been running at so far ?

B Mishra: There has been full utilization, 100% capacity utilization till last month.

Karan Mehta: Okay, thanks a lot sir.

Moderator: Thank you for a question sir. We have next question from **Mr. Deepak Jain from ShareKhan**. Please go ahead.

Deepak Jain: Sir, with this production cut, it means that the sales to the dealers will not be impacted because in February if you have sold 15,300 numbers so that is the sales number which you are reporting so that sales numbers does not include the tractors which are at a company?

B Mishra: No, the dealer sales will not at all get impacted because they manage their own stock and plus we have the stock available in our stockyard. So therefore this cut is we don't want to exceed beyond certain number in the stockyard. Therefore, that is the reason why, there will not be any impact on the dealer space.

Deepak Jain: Okay so basically, the sales number is only your sales through the dealers. For example, in February, 15,300 numbers is your sales to the dealer?

Management: This is how the industry calls in, this is the selling through the dealers.

Deepak Jain: And second question is on market shares, last couple of months we have seen TAFE in particular increasing market share, were you impacted at all with TAFE increasing market share or any in a particular region, where probably, they would have increased market share/ Are you impacted in terms of market shares because in February you said industry has declined 10% but your volumes declined 20%.?

K. Chandrasekar: Just wanted to confirm this, the point which you are making month-on-month which are you looking at, if you look through the year or year-to-date we are roughly around 42% of the market share. To look at it only on one data point, one month would be little hasty to do that because the leads and lags of different players in the market will be different of stocking. So, the sales were captured at the dealer level means manufactured to dealer level and if you look at year-to-date we are more than 42%, last year we were 42%, year before last year we were around 41 and somewhere. So overall market share we just want to clarify this point, if you look at one month and about region and all that we don't normally comment about other manufacturer so therefore, the point is that today, no production is consigned to this month. We will evaluate for future if there is anything further development on this.

Deepak Jain: Okay you are saying year-to-date market share remains at 42%. Sir I was just wondering last three months some market shares have definitely come down I think to 39% odd. So in last three months, if I look at... so I have just comments from that perspective that may be?

K. Chandrasekar: As Mr. Mishra explained the dynamic stocking situation. So therefore in a month, different players, different regions, different seasons, therefore that could be different in the different months, but overall we have retained our market share at around the same level.

B Mishra: Actually market share you should see only cumulative So it will give you much clear idea as if you, if you have the same con call in October the things would have been so different for the company that you are talking about. So therefore it will not give you the right judgment if you compare month to month. It is always better that you compare year till date.

Deepak Jain: Right sir. Thank you.

Management: Can we have the last two questions, please.

Moderator: Certainly sir. We have next question from **Jinesh Gandhi from Motilal Oswal Securities**. Please go ahead sir.

Jinesh Gandhi: Hi sir. My question is on discounting level in the industry, we have seen increase in discount for last 2-3 months, how would be discounts in March this year vis-à-vis March of last year?

B Mishra: We are not giving any discount and so therefore, there is no question of any discounting. We are not in the mode of clearing inventory by giving discount, then we would not have even reduced our production. So therefore, discounting is not an issue at all.

Jinesh Gandhi: Okay so are we saying there are zero discounts on our products?

B. Mishra: No, there is nothing called discount. So if you go to the dealer they have certain margins. They may give you Rs. 3000 off but that is their discount, they give it from their own. That is there in every industry, every product like if you go to car dealers, they have certain margins which we give commission but company does not give any discount neither we are going to give any discount.

Jinesh Gandhi: Understood and lastly on your new capacity, which you indicated will come in next year. Can you quantify the quantity and by when it will come next year?

B Mishra: As I said second half of the next year that capacity will be operational.

Jinesh Gandhi: Okay and this would be second half of FY13, you mean?

Management: That is right.

Jinesh Gandhi: And what would be this capacity, how much it could be?

Management: We have announced it at 100,000 at Zahirabad.

Jinesh Gandhi: Okay sir. Thanks and all the best.

Management: Thank you, the last question please.

Moderator: Thank you for your question sir. We have our next question from **Mr. Ganesh Ram from Kim Ang**. Please go ahead sir.

Ganesh Ram: Thank you sir. I just want one clarity on the inventory levels. You said you want to maintain at 3 to 4 weeks. So is it that the current inventory levels is like for example 5 to 6 weeks or so?

B Mishra: Four weeks as I said is a peak inventory, we would like to maintain when the things are going and festive season demand is looking better. So therefore, we would like to reduce the inventory, and that is the situation just today. As I said the normal 3 to 4 weeks, not any abnormal thing in the tractor here.

Ganesh Ram: So because of production cut, the inventory levels will reduce from 3 to 4 weeks to something or how it happens?

K. Chandrasekar: Ganesh, the point is that you expect a certain sales in the market and there is something else which is happening, for example this month is expected to be flattish year-on-year. Therefore, when you produce anticipating future sales, when the future sales are reducing then it is something that you have to reduce. So we try to keep it within the expected monthly or steady state level. It is a very proactive step in terms of anticipating what will happen in March, therefore, we are doing this. In case the situation changes, we will evaluate it. What we are saying is our desirable level remains within 3 to 4 weeks.

Ganesh Ram: Just one clarity, even last six months, the average was 3 to 4 weeks and it will continue in March also?

K. Chandrasekar: This is about the future in the sense, you are looking back and saying what we are saying is, what we projected as an increased overall if that doesn't happens, therefore the reduction will happen.

Ganesh Ram: Okay, fine thanks.

Moderator: Thank you for your question sir.

K. Chandrasekar: Mr. Mishra, is it okay, you can take one more question?

B Mishra: Yeah, sure.

Management: Last question please?

Moderator: We have our next question from **Mr. Govind Chellappa from Jefferies**, please go ahead.

Govind Chellappa: Hi. Sir, I know you have answered this question many times, but I'm still not clear. Can you just clarify if the retail sales YTD are higher or lower than the wholesale reported so far i.e. you have sold about 206,000 tractors in February in the domestic market that is the wholesale number, is the retail sales higher or lower than that?

K. Chandrasekar: Govind, that the point is that we cannot give exactly what is the retail sale, Mr. Mishra will also supplement this but overall, our billing tends to be in line with the retail, not too much away from it, cannot exactly match, but it will be, the trend will be in line with the retail sales.

Govind Chellappa: And this is true of almost every month I would assume?

B Mishra: Yeah, month-to-month, there can be a little bit of variation. Similarly, for example, in the month like October billing may be a little higher than the retail.

Govind Chellappa: So it is fair to assume that the retail sales...the wholesale number that you have reported is very little reflective of the retail sales?

B Mishra: No over a period of time if the retailer is like an engine, and that slows down obviously everything has to slowdown. What we're talking of the industry slowdown is nothing but the off-take by the customer and as Chandra has said is absolutely will be in line with over a long period of time in the billing.

Govind Chellappa: Okay, just one small question. What is the industry's financial right now and how much of that is NBFCs?

B Mishra: The proportion is quite high, it may be all put together something I would say around 50%, such.

Govind Chellappa: 50% is NBFCs market share?

B Mishra: Yes.

Govind Chellappa: And this is what is the total percentage of the industry that is financed by all sources of finance?

B Mishra: I think it is something around 80%, 20% is the cash customers these days. Again, industry figures are very different... I can tell you only based on our experience.

Govind Chellappa: Okay, thank you Sir.

Moderator: Thank you for your question sir.

K. Chandrasekar: Yeah, can we close, Mumtaz?

Moderator: Certainly Sir. Ladies and gentlemen, this concludes the conference for today. We thank you for your participation and for using Tata Docomo conferencing services, you may please disconnect your lines now. Thank you and have a great day.

K. Chandrasekar: Yeah, thank you gentlemen.