MARUTI SUZUKI
Way of Life!

Q1FY20
Investor Conference Call

July 26, 2019

Moderator: Ladies and gentlemen, good day and welcome to the Maruti Suzuki India Limited Q1 FY19 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Nikhil Vyas. Thank you and over to you, sir.

Nikhil Vyas: 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; Senior Executive Director - Marketing and Sales -- Mr. R.S. Kalsi; Executive Director – Finance -- Mr. D. D. Goyal; Executive Vice President - Finance – Mr. Pradeep Garg; Vice President - Finance – Mr. Sanjay Mathur. The concall will begin with a brief statement on the performance and outlook of our business by Mr. Seth, after which we will be happy to receive your questions. May I remind you of the Safe Harbor? We may be making some forward-looking statement that has 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 transcript will be available at our website. I would now like to invite our CFO -- Mr. Seth. Over to you, sir.

Ajay Seth: Thank you Nikhil. Good afternoon ladies and gentlemen!

As you all are aware, the auto industry is currently experiencing a down cycle. Particularly, for Passenger Vehicle Industry, it was the fourth consecutive quarter of decline in volumes.

During the quarter, the sale of Passenger Vehicles for the Industry declined by 18.4 percent over the same period last year. All sub-segments within the Passenger Vehicles witnessed the decline. The sales for Passenger Cars, Utility Vehicle and Vans declined by 23.3 percent, 4.5 percent and 25.7 percent respectively over the same period last year. The Company was also impacted by the demand weakness and the domestic sales declined by 19.3%.

The shift in consumer demand towards petrol segment is now even more evident with petrol segment now contributing to 66% of Passenger Vehicle Industry's domestic sales during the quarter. For the Company, the contribution of petrol increased further from 72% in Q1FY19 to 78% in Q1FY20.

The Company had also progressively initiated the transition to BS-VI norms well-ahead of timelines. Now five of our top-selling models – Alto, Baleno, WagonR, Swift and Dzire - are already compliant with BS-VI norms.

Export shipments at 28,113 units grew by 5.5% during the quarter.

Turning to the financial performance, in Q1FY20, the Company registered Net Sales of 187,352 mn, lower by 14.1 per cent over the same period last year. The operating profit was Rs 11,292 million, lower by 57.1 per cent and Net profit stood at Rs 14,355 million, lower by 27.3 per cent compared to the same period previous year largely on account of lower sales volume and higher depreciation expenses.

However, we remain confident as ever in the fundamental strength of our business and with the support from all our stakeholders, we resolve to come out even stronger amid these uncertainties.

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

Moderator: Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Jinesh Gandhi from Motilal Oswal Securities. Please go ahead. Jinesh Gandhi, your line is in the talk mode, please go ahead with your question.

Jinesh Gandhi: My question pertains to firstly; can you share discount numbers for the quarter?

Ajay Seth: The discount for the quarter were at Rs 16,941 per vehicle.

Jinesh Gandhi: Okay. And secondly, given there has been substantial decline in wholesales. In that context, how did retail do in this quarter? How are the inventory levels now?

R. S. Kalsi: The retails were down by 17% for the quarter.

Jinesh Gandhi: Okay. And so, inventory is still at about 25 days or it has come down?

R. S. Kalsi: No, inventory still continues to be high.

Jinesh Gandhi: Would be around 25 days or has changed materially higher, lower?

R. S . Kalsi: It is little more than one month.

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

Kapil Singh: Couple of questions on the financials. Firstly, we see that the other operating income has seen a big increase to roughly Rs. 980 crore. So, could you help us understand if there are any one-time item or this is a recurring number?

Ajay Seth: See, one, of courses, is on account of the uniform freight recovery as we are moving most of our models on uniform freight recovery. So, there is a regrouping issue. So, just to give you comparative numbers on this, in Q1 last year, Rs. 244 crores were the freight recovery, uniform freight recovery which was shown as operating income and the expense. This year the figure is Rs. 483 crores. So, that is coming in expense as well as operating income. So, that is one difference. There are other smaller items but this is a big difference.

Kapil Singh: So, this should be a recurring kind of number?

Ajay Seth: Yeah, this should be a recurring kind of a thing because you may have one or two more quarters of reclassification as we move all the models towards uniform freight. So, you might see this number change a little bit more in few quarters and then it will settle down.

Kapil Singh: Because, sir, in that case your other expenses have seen a very big drop, right? Because it is lower by another Rs. 240 crores compared to what we have seen on a Y-o-Y basis.

Ajay Seth: Yeah, Kapil, that is largely because the volumes are down. Some of these expenses which are variable in nature like royalty and all will also be significantly down, right? Because it is all linked to volumes. And in all other areas where we have made efforts to bring cost down to the extent that we could for example, areas like advertisement and other areas we kind of brought the costs down.

Kapil Singh: Sir, this uniform freight recovery, has anything changed from last quarter to this quarter? Because in absolute terms our number is much higher, whereas the volumes are lower?

Ajay Seth: No, because if the models keep moving to uniform freight, so this will keep changing, right.

Kapil Singh: Okay, understood. And sir, secondly, just had a query on your Slide #11 in the presentation, we have mentioned that positive factors as favorable commodity prices, which is a movement between 1Q FY 2020 and Q4 FY 2019. Whereas, when I look at material cost as a percentage of sales is actually gone up by 90 bps, if I look at Slide #10. So, how to understand this, did you experience any material cost benefit and are we likely to see some more going ahead?

Ajay Seth: Ok. The fact is that material cost benefit certainly is there on account of commodities and cost reduction. In fact, even the exchange rate has been a bit favorable. There is about 40 basis point kind of impact that we have on account of these three factors which is positive. However, one, this is more like an arithmetical factor, whatever cost that we have added on account of the BS-VI and safety features, the cost has been passed on to the customer. So, if you take that into account, which is like, if it is a cost of Rs. 400 crores on one side material costs and Rs. 400 crores on the sales side, that distorts the ratio almost 50 basis points. So, that is the reason why you find sum little higher**.**

Kapil Singh: Could you give the royalty number and Gujarat production as well? That will be all from my side.

Ajay Seth: Royalty is at 5.2%. And Gujarat volumes were at 96,623 units.

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

Pramod Kumar: The first question pertains to the industry outlook. The last number we had was from the Chairman that he would expect the industry to grow by 4%. I am pretty sure, a lot of things have changed with the 1Q print and given the other headwinds, what the industry is facing. So, if you can just help us understand, what would be your best case estimate for industry in terms of FY 2020? And in relation to that, how do you see Maruti in terms of outperformance or underperformance versus that number, sir? That will be the first question.

Ajay Seth: Pramod, there is a significant uncertainty in the market. You know, it is very difficult for anyone to predict any kind of number, unless we see some semblance by way of government policy intervention, etc. So, at the moment, markets are looking weak. There is very little demand traction. But hopefully, I think this awareness has started coming in now the circles of government. So, I am sure something soon will happen. But to give you any guidance at this point in time for the year will be very tough.

Pramod Kumar: Okay, fair enough, sir. And the second question is on the diesel side. We have further shrunk our diesel exposure. And if I can price in Brezza and S-Cross which are 100% diesel models, your diesel exposure comes down by another 9 percentage points. So, I just want to understand, what is the thought behind kind of completely exiting the diesel engine altogether with BS-VI? And what kind of study do you have which backs it whether the consumer will really move away? And what are the kind of hurdles what you see in terms of increased costs or increase breakeven numbers. Because a large section of the investor community is a bit worried about Maruti vacating the diesel space altogether. And if that could result in some bit of market share loss or some bit of disadvantage for us in the market space and especially, even on the shared mobility side. So, if you can just help us understand your decision to kind of exit diesels in BS-VI.

Ajay Seth: Pramod, we had, I think, some time back mentioned that we are evaluating 1.5 L diesel engine for compliance with BS-VI and its not entirely correct that we would like to completely vacating the space, we are evaluating and as we progress, we will revert back to you. As far as the smaller diesel engines are concerned, I think, this space is being vacated mostly by all manufacturers because it is not going to be viable from a point of view of our consumer. Given that there are going to be two increases, one at a time of BS-VI and the second when the RDE comes in play, which is two years later. The cost increase on these are quite significant in both these two steps. And therefore, commercially it does not make sense to do it. But we will have to continue to watch it carefully and see, how it plays out. And company will continue to see all the situations and conditions that exist from time to time.

Pramod Kumar: And sir, just to clarify the 1.5 L may not necessarily be ready on BS-VI from 1st April, 2020? Is that understanding right or you can still make it in that particular timeline if you decide we need to have that engine in BS-VI?

Ajay Seth: We have not at the moment made any announcements or shared any timelines for its introduction. As soon as we complete the evaluation and have clarity on this, we will come back to you on possible launch dates.

Pramod Kumar: And sir, on the related side, how do you see the commercial taxi segment reacting to this because you are the preferred brand when comes to either Uber or Ola in terms of the sedan segment like Dzire is one of your largest, it is most dominant model on the mid-sized taxi market. So, how do you expect the customers to react? Do you see the commercial angle even there getting a bit tougher for diesel, or you think expect petrol hybrids with the mild hybrid with 10% - 15% higher fuel efficiency kind of taking that space or even CNG? So, how are you thinking about the shared mobility space, sir?

R. S. Kalsi: See our CNG models are doing quite well and we are finding that our sale on CNG is increasing in that segment that is one. Second thing, we have been having discussions with the government about fast expansion of CNG network availability, in terms of adding more cities, also in terms of adding more gas stations. Now apart from this, petrol hybrid models also over a period of time will find an acceptance in this segment.

Moderator: Thank you. The next question is from the line of Pramod Amthe from CGS-CIMB. Please go ahead.

Pramod Amthe: Considering the fact that now Vahan database gives out the actual registrations, which for industry looks like a single-digit decline versus your retails are still double-digit decline. What do you read from the Vahan database? Is it reliable or it does not make any sense still? The reason why I am asking you is if you have declined by almost 20% and if they are showing a 6% decline, that means the rest of the players have substantially improve their market share on the retailing front, is that right?

R.S .Kalsi: No, that is not the case. So, that is not the case, in fact, if we talk about decline, this is across the industry So, I have nothing to comment on single-digit data whether it is Pan India or other comparison, in that. But for the entire industry, its a declining trend.

Ajay Seth: Also, Pramod, I do not think this will be a like-to-like comparison because there will be a lot of vehicles, which pertains to previous year, which would have got registered in the current year. So, unless you have an apple-to-apple comparison, you can't compare the two fingers. So, maybe in a much longer period, if you are doing a comparison that will give you more meaningful results because if you are looking at Q4 numbers being registered now and suddenly, you will find that registrations are much lower decline compared to decline in the retail or wholesale volumes.

Nikhil Vyas: Additionally, Pramod, I think, not all registration data is captured by the Vahan as data of certain states are not included in this figure.

Pramod Amthe: Sure. And second question is with regard to capacity. There were some announcements about the Suzuki delaying or deferring the capacity plan for Gujarat plant. Any thoughts or what is your reflection for the same and also, the plans for Southern capacity to come up in the future?

Ajay Seth: Pramod, we work with a long-term view of business and we have seen these cycles in the past also. And therefore, our plan is based on much longer period of time. And therefore, we will go on track in terms of whatever we have so far announced and planned. There will be no stoppage of that, I think these cyclical phenomena's will be seen from time to time. So, this is something that we have to deal with. And I am sure that things over a period will improve. And therefore, we are not delaying any of our plans as we announced.

Moderator: Thank you. The next question is from the line of Chirag Shah from Edelweiss. Please go ahead.

Chirag Shah: Sir, two questions from my side. One I was trying to understand, what would be your rural market share and urban market share? Because I presume post-Nexa over last four years you would have gained significant urban market share? And we had an earlier understanding that we are extremely strong in rural and were relatively weak in urban before the entire Nexa rollout and the Nexa story played out. So, can you shed some light on what would be our rural market share and urban market share?

R. S. Kalsi: Well, rural markets have been doing well. So, in spite of our expansion in the urban market, there has been a fairly good growth and if I talk about 2018 - 2019, we had 39% penetration in the rural markets. At the same time, if we talk about quarter one, there is a lot of pressure on the rural markets and there has been a 17% de-growth in the rural market, almost similar to what has happened in the urban market. However, if we talk about the share, that share continues to be around say 38% - 39% in the rural markets.

Chirag Shah: So, that is our volume contribution, right? I was trying to understand my market share, if it would be closer to 50% for all India market?

R. S, Kalsi: That we are not able to estimate because from the competition this retail data for rural markets is not available separately.

Chirag Shah: But would it be a right shipment, gap would have been significantly bridged and urban and rural market share would be largely similar?

R. S. Kalsi: As I mentioned this, since we do not monitor it or cannot measure it. So, it is difficult to make a statement on that.

Chirag Shah: And the second on the CNG side. So, one, what will be the current contribution of CNG in our overall portfolio?

R. S. Kalsi: It is more than 6% of now.

Chirag Shah: And in the cities where our CNG sales are happening, over there would it be right that CNG would have disproportionate share maybe 30% of the volume contribution in that city would be coming from CNG?

R. S. Kalsi: Yes, vehicles are sold only in those cities where CNG is available. So, certainly, Pan India figure may reflect (+6%) but actual share in those markets is much higher.

Chirag Shah: But it would be upwards of 25% or it would be a safer assumption that at least one-fourth of our sales in say Bombay.

R. S. Kalsi: Around 22%.

Chirag Shah: And sir, one last question if I can squeeze in is when you say that inventory is around more than a month. Are you referring to only dealer inventory or you take into account the inventory to our factory gate also?

R. S. Kalsi: We are talking about dealer inventories only.

Chirag Shah: And what kind of inventory generally we keep at our factory gate?

Ajay Seth: Factory inventories are normally all regulated and then we would best have about four years to five days inventory at given point in time.

Moderator: Thank you. The next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.

Gunjan Prithyani: I just had a follow-up on gross margin. If I just compare your gross margin versus last quarter, it seems to have deteriorated further. Now I do understand you mentioned there was commodity easing and positive effects. And the BS-VI impact kind of offset that but still deterioration Q-on-Q if you could give us some sense, what has led to that and how should we see this panning out over the remainder of the year?

Ajay Seth: Okay. So, we mentioned to you that there has been a cost reduction and then we mentioned that there is a 50-basis points impact on account of this BS-VI and safety feature, right. The Now, cost reduction, I mentioned to you, sales promotion expenses have been higher this quarter compared to last quarter. So, that has an impact of about 40 basis points. So, discounts had an impact of about 40 basis points. There is a slight impact of sales product mix, which is about 20 basis points and the balance I mentioned to you is on account of that arithmetical computation of passing on the material cost of BS-VI and safety features.

Gunjan Prithyani: Which was offset by the FX that you have seen. So, essentially, it is higher sales promotion, which I am assuming is captured at the net realization level and the mix impact which has kind of led to the deterioration. Now, if I look at the remainder of the year, do you really see more commodity easing to reflect going forward on this line item?

Ajay Seth: I think, two things will happen which we are working on. Commodities, of course are easing so you will see that benefit coming in, in quarter two as well and maybe a shade better. Second is that I think some of these cost reduction initiatives that we have taken in the first quarter will continue even in the second quarter, it is, however, difficult to talk about the discounts and sales promotion costs because that will purely depend on how the markets behave and where you stand at that given point in time.

Gunjan Prithyani: Okay. And the follow-up I had was on the royalty, could you give us a sense that how much of the portfolio for royalty payment is now in INR and when you are having these refreshes which are the BS-VI refreshes or relaunches, does the royalty get denominated in INR at this transition or it happens whenever there was this portfolio transition which were to happen with refreshes where the royalty gets converted in INR?

Ajay Seth: So, we are exactly going by what we had communicated earlier, that all new model changes - full model change - as and when it happens, it will move to the new royalty program formula. So, far, almost 45% of our model values would have moved to the rupee-based formula and the balance 55% will move within the next three years. So, by 2021 - 2022 we would have all the models which would have moved to the rupee formula.

Gunjan Prithyani: Okay. And just last question, if I can squeeze, on the accounting adjustment that you have done this lease restatement, if you could explain the key line items and the impact?

Ajay Seth: See, the impact is not material and these have happened under few heads. So, it is not material and Ind AS 116, as it was to be implemented in consultation with the auditors and it has been done. I do not have the exact line wise detail but the impact is not material.

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

Nitin Kale: So, my question was under electric vehicles. So, just wanted to check if there is any update on your plans for launching electric vehicles? Also, wanted to understand how is the collaboration between Toyota and Suzuki helping us there? Is Toyota working directly with us or with Suzuki at the global level? And how is the development work being done? Is it being done majorly in India or by Suzuki in Japan?

Nikhil Vyas: So, Nitin, there is no further updates on this subject except that we are currently testing about 50 electric vehicles prototype across country, in different terrain and it will give us a good insight into what kind of EV will be suitable for Indian market?

Nitin Kale: Okay. And second question was on the fuel mix. So, we are talking about predominantly petrol portfolio. So, how do you see the impact of the CAFE norms? There is a thought that CAFE norms will again lead to higher cost increase for petrol vehicles. So, how do you see the industry and maybe the fuel mix evolve heading into these CAFE norms in April 2022?

Nikhil Vyas: No, I do not think so that is a right thing. Because see, CAFE regulations require your fuel efficiency improvement and proportionate reduction in the carbon dioxide emissions. So, that can be achieved with the appropriate mix of - electrification of power train, the IC engine powered vehicles, and CNG. So, in petrol vehicle because of the CAFE, cost increase is unlikely. But yes, the power trains will have to be a combination of various kinds of alternate fuels.

Moderator: Thank you. The next question is from the line of Jatin Chawla from Credit Suisse. Please go ahead.

Jatin Chawla: First question is with BS-VI, what is the kind of price increase that you have taken across different models and the fact that you are the first ones to have taken and the competition has not does that place you at slight disadvantage in the next few months till the rest of the competition takes the price increase?

Ajay Seth: We had mentioned to you that we have passed on the cost of BS-VI and the additional safety features. In this kind of a market to take a price increase will be a very difficult job where the market is already contracting. So, there is no price increase per se that we have taken. However, because of cost impact, in case of safety norms and BS-VI is not small so that has been passed on. The response to BS-VI has been reasonably good. In spite of the increase in costs I think customers are looking towards the BS-VI vehicles maybe in psyche, they have a feeling that this is a different technology or these are superior vehicles. So, the response so far on BS-VI has been reasonably good.

Jatin Chawla: Related question on the same thing is, what I noticed is that when you are launching BS-VI vehicles your ARAI mileage under those vehicles is lower than what it was with the BS-IV vehicle. Any particular reason for the same?

Ajay Seth: So, this is a technical question, we will have to check with our engineering colleague, who unfortunately is not here, but we will get back to you.

Jatin Chawla: Okay, no worries. Also, on the whole auto slow down, I think one thing which all of us are finding it difficult to understand is why it is that auto segment as such seems to be significantly weaker compared to other consumer discretionary segments. Just wanted to check if you guys have found some insights which can be useful to all of us?

R. S. Kalsi: Well, when a customer is buying a car particularly when it is an additional car, he can always defer it depending upon market sentiment. Now, point is across the auto industry, we are finding this kind of a declining trend. For example, two-wheelers declining by 18%; three-wheelers by 7%; commercial by 9%. Now, car is something where a person looks at many factors, say interest rate is one thing, where in spite of reduction the interest rates by RBI it has not been passed on to the customers. Then there is a tightening of credit norms by the banks. So, again some of the customers which earlier were getting qualified for taking the loans, they are not getting those loans or they are getting those loans at a much higher rate from NBFCs. Another reason is that loan to value ratio also, there has been a big change in that because of squeezing of credit by the Bank. Plus, if we talk about say rural market, as I mentioned earlier, there have been so much of uncertainty there, say monsoon it, it got delayed and then if we talk about average monsoon across the country as on 17th of July, it was about 16% deficient across the country. And even the 16% figure will not be an appropriate to talk about because there is a big diversity in terms of say monsoon causing floods in some areas of the country and dry spell in other parts of the country. Sowing has been delayed, there is a 17% decline in rural markets. So, all these factors put together are responsible for this kind of decline in the passenger vehicles industry.

Jatin Chawla: A quick follow-up on that. What is the trend you are seeing on footfalls? Are footfalls also down similarly and are you seeing a big decline in your conversion ratio?

R. S. Kalsi: Yes, there is a big drop in the walk-in inquiries and we are putting efforts to generate enquiries through multiple events. In fact, we have multiplied the activities in the field level and trying to reach out to the customers to enhance the enquiry level.

Moderator: Thank you. The next question is from the line of Sonal Gupta from UBS Securities. Please go ahead.

Sonal Gupta: Just couple of housekeeping question. Could you give us the export revenues for this quarter?

Ajay Seth: Export revenue for the quarter was at Rs. 1,406 crores.

Sonal Gupta: Okay. And I just want to understand, I mean, in the other operating income, would we have seen higher R&D income from reimbursement in this quarter? And would that be also part of the growth that we have seen on a sequential basis?

Ajay Seth: Yes, there is Rs. 109 crores of engineering services fee that has been also accrued this quarter, which is higher than last year same quarter as it was a very small amount. So, that is another reason for a higher operating income.

Sonal Gupta: So, versus Q4 of last year or how would have that?

Ajay Seth: Q4 was at Rs. 50 crores. So, against Rs. 50 crores it has doubled.

Sonal Gupta: Right. And just lastly, on this AS 116 impact. Does it conceptually make it now, like the SMG depreciation that was coming in our other expenses now goes back to the depreciation line? And therefore, in a way it is like if you were to sort of have consolidated SMG operations that is how we see the EBITDA number. Just wanted to understand how the accounting is moving now with the AS 116?

Ajay Seth: As we mentioned to you that we have in consultation with the auditors, implemented AS 116 as applicable. And, as I mentioned to you, I do not have the line item wise details. There will be impact on some of these items but the overall impact on the profitability is minimal, it is not very significant.

Sonal Gupta: Right. And this last question as you mentioned the credit stress that is there to some extent. Could you just talk about how the overall position of dealers is in terms of the financial health of the dealers and are you looking to extend any credit support given that banks have tightened credit just your thoughts there?

R. S. Kalsi: Well, we are closely monitoring dealers' financial health and you know, in some cases they have deployed short-term funds in the long-term. So, what we are doing is through bringing in a better inventory control at the dealership, we are trying to help them come out of this situation.

Moderator: Thank you. The next question is from the line of Basudeb Banerjee from Ambit Capital. Please go ahead.

Basudeb Banerjee: How much was SMG production in Q4FY19, sir?

Ajay Seth: About the same number 96,272 units.

Basudeb Banerjee: Okay. And how much is the utilization level of SMG now?

Ajay Seth: So, we have now two plants running. The second plant is being ramped-up slowly because that only started in January. So, the capacity of the first plant is full 100%. Second part is getting ramped-up. So, based on that if you look at total capacity of the two plants will be 500,000 and every quarter it will translate to about 80% of the capacity at this point of time.

Basudeb Banerjee: Okay. Second thing, sir as you mentioned, retails are down almost similar to wholesale say around 17% - 18% Y-o-Y, can you share with us how much has been the retails down sequentially Q-o-Q because your inventory destocking exercise has been going on aggressively. So, ideally, the quantum of retail decline should be lesser than wholesale on a sequential basis?

Ajay Seth: We will come back to you on this, we do not have information immediately. We will revert back to you on this.

Basudeb Banerjee: And sir, as you have been sharing earlier that the target dealer inventory levels is around 30 days in general, which is the case presently, as you mentioned. So, how to look at inventory destocking exercise in forthcoming months as such. So, it is it largely over and as a precursor to festive season coming from September, we will see inventory levels rising up again?

R. S. Kalsi: We will have to monitor the market situation because as of now, we do not see positive signals in the market, which will give a sense of optimism for the future. Now, we will wait and watch, and accordingly, our production system is flexible enough and we have enough capacity. In case there is an increase in the demand, we will be able to cater to that. But unnecessarily loading the dealers with the inventories at this point of time in anticipation of a good market will not be a smart move.

Basudeb Banerjee: Sure, that is great. And last question, sir, as you mentioned already BS-VI for Alto, WagonR, Swift, Dzire and Baleno is implemented. So, what is the timeline for the rest of the models for BS-VI transition you are looking at?

R. S. Kalsi: We will do it within the stipulated time limits given by the Government but majority of our models would be done by end of this calendar year itself.

Moderator: Thank you. Ladies and Gentlemen, that was the last question for today. I now hand over the conference to the management for closing comments.

Nikhil Vyas: Thank you very much.

Moderator: Thank you. On behalf of Maruti Suzuki India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.