



“Maruti Suzuki India Limited Q4-FY14 Conference Call”

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- Moderator** Ladies and gentlemen good day and welcome to Maruti Suzuki Q4 FY14 and full year results conference call hosted by Standard Chartered Securities India Limited. As a reminder all participants' line will be in the listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aniket Mhatre. Thank you and over to you sir.
- Aniket Mhatre** Thanks a lot Chitarasu, good afternoon everyone. On behalf of Standard Chartered Securities I welcome you all to the post results conference call of Maruti Suzuki India Limited. I also take this opportunity to welcome the management team from Maruti Suzuki today, without wasting much time I would now like to invite Mr. Nikhil Vyas who will take it over from here. Over to you Nikhil.
- Nikhil Vyas** Thank you Aniket. Ladies and gentlemen good afternoon once again. May I introduce you to the management team from Maruti Suzuki. We have with us our CFO Mr. Ajay Seth, from Corporate we have our Vice President Mr. K. D. Singh. The con-call will begin with the 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 statements they have to be understood in conjunction with the uncertainty and the risk that the company faces and I may 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 welcome once again to Maruti Suzuki's conference call and thank you for your interest in our annual financial results. You would be aware that financial year 2013 – 2014 was a tough year for the auto industry. Low income growth and high inflation impacted consumer sentiments and discouraged household from spending on discretionary products like automobiles. Cost of ownership, a key factor for first time buyers, increased owing to significant rise in fuel prices and high interest rates.
- Diesel vehicle sales declined by 14% on account of rise in diesel prices and share of diesel vehicles in total industry came down from 58% in 2012 – 2013 to 53%. Petrol vehicles after declining for two years turned slightly positive and grew by 4%. With this domestic unit sales posted a decline of 6% during the year, the highest year-on-year decline in a decade.
- A weak market demand scenario had to be supported with higher sales promotions to partially offset increase in the cost of ownership. The company organized a number of sales events in effort to reach out to the potential customers and create customer pull and generate enquiries. The government acknowledged the tough market conditions and announced an excise duty cut on passenger vehicles.

The company passed on the entire benefit to the customers and also decided to compensate dealers for their inventory at that point to protect them from the significant financial impact. With a growth in rural income in recent years, the company enhanced its efforts in these markets. By the end of the year, the company could sell vehicles in 93,000 villages up from 44,000 villages in '12 – '13. With this rural sales posted a growth of 16% during the year and accounted for 32% of the company sales.

During the year export sales were adversely impacted by weak global economic growth, political unrest and regulation changes in some of the major markets. While sales to Europe reported a slight improvement, sales to other markets declined by 21%. So, although, rupee depreciation increased export realizations but the benefit was limited due to fall in volumes. In the medium term the company is working to expand its presence in market like Africa, Latin America, and Middle East.

During the year various cost reduction initiatives like localization, focused cost down and value engineering helped the company to improve its operational performance, these initiatives added significantly and helped improve profits despite net sales remaining flat as compared to last year. The exchange rate was favorable during the year. Commodity prices remained stable for most part of the year however there was an upward move in quarter four.

During the year, the company commissioned its third vehicle assembly line in Manesar with an annual capacity of 250,000 units which took the overall capacity to 1.5 million units. Also, a diesel engine plant in Gurgaon with an annual capacity of 150,000 engines was commissioned. Due to weak market conditions and reduced demand of diesel models both vehicle and engine manufacturing capacity remained underutilized. This unutilized capacity added to fixed cost. The company's world class R&D center and test track at Rohtak started its first phase of testing and evaluation in the latter half of the year.

The company's new model Celerio, launched at the Delhi auto expo, became the first car in the country to offer auto gear shift technology. Initial response to the technology and the car has been positive. During the year four of the top five selling models in the industry were from the company's portfolio, these included Alto, Swift, Dzire and Wagon R. The company was once again rated the best in both sales and service satisfaction in India as measured by the JD Power Asia Pacific Survey.

The company registered net sales of Rs.426,448 million and a profit of Rs.27,831 million. Sustained cost reduction efforts, extensive localization drive along with vendors and focus on operational efficiencies will continue in the next financial year as well.

In quarter four, lower volumes, higher sales promotional expenses, and stock compensation to dealer owing to reduction in excise duty impacted the company's bottom line and the company posted a net sale of Rs.118,181 million, a drop of 6.9% over same period last fiscal and net profit of Rs.8,001 million, a drop of 32.9% for the same period last fiscal.

Coming to outlook:

India's automobile industry has registered negligible growth over the past three years, while the environment remains challenging and uncertain in the short term, the prospects of the industry continue to stay positive in the medium term.

The upcoming R&D centre at Rohtak and SMC's high focus on India place the company in a strong position to launch new models and enter new segments. In the near future, the company will work to further strengthen its marketing infrastructure to enhance its connect and serve purpose better. We can now take your questions or observations that you may have. Thank you.

Moderator Thank you very much sir. We will now begin the question and answer session. First question is from the line Pramod Kumar from IDFC Securities. Please go ahead.

Pramod Kumar My first question pertains to the current quarterly performance. You talked about some dealer compensation and it will be great if you can quantify that because that will help us to get closer to the recurring margin. And also if you can throw some light on higher employee expenses if there's any provisioning or extra non-recurring hit and also what are the lumpy expenses related to new model introduction including any one time model charges we pay to Suzuki and then I will come to my second question.

Ajay Seth So, in terms of the exceptional item, the stock compensation that we paid to dealers was 143 crores so that would be a non-recurring expense, the other point that you made was on the employee. So, for employee related benefit we have made a provision at the end of the year which actually pertains for the full year, of about 93 crores, so that has to be normalized for each quarter. But it is meant for the full year, so these are two exceptional items in the quarter four results. And there are no other fees or anything that we have paid in this quarter which has impact on the Q4 results.

Pramod Kumar My second question is on diesel capacity. Now, given that diesel volumes have declined and the competition is also increasing in that sense because more and more players are adding diesel capacity. You have enough capacity and also sourcing from Fiat, so is it logical to understand that one way of growing the diesel or to increase your utilization of diesel would be to probably look at new sub segments of diesel engine in terms of the capacity. So is it fair to that there may be new iterations of diesel engine from your side in the future because 1.3 ltr market or the category what you are catering already is getting fairly competitive in that sense.

KD Singh Pramod this is KD here. Somewhat specifically we will not be able to comment on what is the plan vis-à-vis diesel but just in response to your question we are taking, we have to take, a medium to long term view on fuel options and we are convinced that even after there is a withdrawal of subsidy on diesel, it will remain a promising fuel for the auto industry. So that is how we are planning it out in future products and future technology. I think diesel will play a very important role.

- Pramod Kumar** Finally on AMT, what is the roadmap because the waiting period is what we are hearing from dealers is like 8 – 9 months. Which is like, one side you can be very happy but I think it's not a great kind of a waiting period to really to be sustainable so at the end of the day you will be looking at ramping up as well. So how should one look at AMT in terms of a potential capacity, post the ramp up, that you would be planning.
- KD Singh** Of course Pramod, the immediate focus is to get as many more of the AMT as we can. So really our supply chain is working with the component supplier so that we can scale it up as fast as we can and you are right that a long waiting period is not something to celebrate. So we are communicating with customers. But we also need to have a sense of balance here because automatic traditionally have been 1% to 2% of the market. The best you can really forecast or assume is say 20% - 25%, here we are having AMT share to the tune of 47%. So our sense is that this is probably a short term spike there is probably an element of euphoria around this. So we will have to normalize it at some point. It is just two months since we have launched this model, we will wait and see the response to this over a slightly longer period and then I think we will be able to make a fair assessment.
- Moderator** Thank you. Next question from the line of Kapil Singh from Nomura. Please go ahead.
- Kapil Singh** Couple of questions from my side. Firstly, on discounts could you please share what would be the average discount for this quarter?
- Ajay Seth** Kapil, the average discount for the fourth quarter were at about 17,500.
- Kapil Singh** Okay so there was a slight reduction?
- Ajay Seth** That's right.
- Kapil Singh** And if I were to just understand on the hedging I can see that on a quarter-on-quarter basis there is not much of an impact at least from the PPT there is no mention, so what were the hedging rates that we had for the fourth quarter and do you see any impact going forward, I mean what are the current hedges we have based on that.
- Ajay Seth** So, currently what we have done is that we have hedged for the short term. Our policy is that we hedge one third of the exposure for each month and keep building up on that. We also are looking at what our exposure on dollar rupees is, to the extent of natural hedge we keep it open and to the extent of the balance short term we are taking covers. So, at the moment for the full year, we will be hedged about 20% of the full year.
- Kapil Singh** And around what rate for JPY sir?
- Ajay Seth** They will be more at the current market rates.

- Kapil Singh** And I also wanted to understand that in the fourth quarter JPY rates were slightly better than third quarter so while you hedge fully and are there some gains which can come in the coming quarter?
- Ajay Seth** whatever hedges we had taken for the fourth quarter would have been accounted for in the fourth quarter. There might be some carry forward, but it would not be very significant. So as I said the totally covered exposure is about 20%. So, they will be at different rates, some would be at rates which are prevalent then and some would be at rates which were slightly lower than that so that's why I said average rates are the current market rates.
- Kapil Singh** And for the fourth quarter is what would be the average rate?
- Ajay Seth** The fourth quarter average rate would be about 0.61 Yen.
- Kapil Singh** And lastly on the material cost we have seen some increase so and just wanted to understand where has this come from and is it due to product mix or generally across the board increase in some materials and how do you see that going forward.
- Ajay Seth** So, increase in the third quarter to fourth quarter is largely on the commodity impact and I think we have mentioned that earlier also that commodities have started moving up and there was a significant increase in the steel prices so we had to pass, plus other commodities as well. So I think the overall impact on commodities in this quarter is about close to 1.5% so that's one significant impact in this quarter compared to last quarter.
- Kapil Singh** And sir all of that pertains to fourth quarter or there is some effect of that from previous quarters as well?
- Ajay Seth** there could be a very small effect from previous quarter, the bulk of it is fourth quarter there could be some retrospective for that will not be very significant number.
- Kapil Singh** Finally, any timelines for new product launches?
- KD Singh** we had one product launch last year we probably would do more than that this year but beyond that I think we are not in position to share at this point.
- Moderator** Thank you. Next question is from the line of Binay Singh from Morgan Stanley. Please go ahead.
- Binay Singh** Post the excise duty cut and as such just to reflect on the environment could you talk a little bit about footfalls conversion ratios that you are seeing at your dealership.
- KD Singh** Actual movement, I mean the sense that we get from the marketing team is that there are enquires, there are people wanting to buy cars, however having made those enquiries they are deferring purchase, so the hope is that of course with the economy improving at some point and

sentiment getting better these customers, these enquiries will turn into purchase but net – net I think the situation is still very tough. There is no sense that there is an uptake in sentiment after the excise duty reduction.

Binay Singh And sir secondly, could you also talk a little bit about discounting because on one side we do see your discounts going down at the same point of time the environment remains pretty competitive if we look at some of the launches by competitors recently so how do you see sort of discounting trending up for you from here on.

Ajay Seth That's very difficult one to answer at this point in time. It will purely depend on where the markets are and that discounts are usually to create a pull in the market. If the demand comes back, discounts may, over a period, get normalized. To some extent the discounts also depends on new model launches. So, one reason that you are seeing quarter four discount slightly lower is also that we launched Celerio. Overall I think discounts are going to remain here unless the market improves.

Binay Singh So, lastly if you could just share a number about your diesel unit sales this quarter?

Management Diesel unit sales were about 95,000 units.

Moderator Thank you. Next question from the line of Basudeb Banerjee from Quant Capital. Please go ahead.

Basudeb Banerjee Just looking at the numbers even at the other expense level say it looks pretty much on the higher side and one of the other guy asked any one-off expenses for the new launches or did I miss out the quantum of that launch related expense?

Ajay Seth So, there is nothing which is abnormal, I think the normal expenses on advertisement and promotion etc. are all in line some quarters could be higher because specific launches that happened but there is nothing abnormal and the only exceptional item there were two which we talked about one which is a part of the materials cost-to-net sales which will be stock compensations. Second is employee cost where we have given some employee benefit where we kept some employee benefit, which is done in the fourth quarter but it pertains the full year. So, if you normalize, the margins I think will correct by 0.6% or 0.7%.

Basudeb Banerjee And your annual balance sheet this short term borrowing spiked up significantly though you have enough cash on books so any specific need for that?

Ajay Seth So, you know whilst we have enough cash but there can be some mismatch in cash in terms of payment, when payments are made to vendors, etc. Most of our cash is locked into certain investments so we borrow short term to meet this mismatch it's quite possible. When we were closing our balance sheet at this point in time, we would have borrowed money to pay the vendors due to the mismatch, at that particular day but that gets paid within few days thereafter.

- Basudeb Banerjee** Sure and what's the presence stage of net import content that has been declining steadily?
- Ajay Seth** See, we have been working on reducing on import content and this was mentioned when the exchange rate was at about 0.58 yen to rupees. But we will be down to about 16% and further reducing it. I think we are very close to our target at that fixed exchange rate. So barring the exchange difference we would be close to the number direct-indirect imports put together at about 16%.
- Moderator** Thank you. Next question from the line of Sahil Kedia from Barclays. Please go ahead.
- Sahil Kedia** Just a follow up question on the localization. Last year you had given a number of close to 19.5% - 20% is it correct that this number today at the end of this year stand at 16% just want to clarify that?
- Ajay Seth** Yes that's right.
- Sahil Kedia** And just you had mentioned that your target is about 16% on the localization side you are very closed to that is there more headroom for this number to see potential reduction in the next year or so or two years?
- Ajay Seth** Right so first, one thing that I would like to clarify is that this 16% is in relation to the exchange rate that we had fixed at that point in time and there will be slight variation because exchange rate could have moved in the way so that could be slightly higher than 16% or lower than 16% depending on where the exchange rate is today that's one part. The second part we mentioned is we are continuously working to bring it down as much as we can. Now, we have to work with very difficult technologies and it has long lead time. These technologies are not easy to crack but the supply chain team, engineering team is at it. We are hopeful to get some meaningful numbers in the next few years and we will keep our focus and make sure that we achieve this target over a period.
- Sahil Kedia** Couple of housekeeping questions. Can you share with us the royalty number for the current quarter that you have paid?
- Ajay Seth** It is 6% of our Net sales. This is the provision we have made because payment is made only twice in a year.
- Sahil Kedia** And one question regarding the discounts I mean is it that with the excise duty reduction you are rolling back some discounts to kind of offset some of that impact and is there a chance that with discounts coming down there is a little bit of headroom to take up prices now that commodity prices are starting to go up a little bit?
- Ajay Seth** Where is the question of even looking at price increase. The market is very weak and as we have said that in this sort of a market the only thing that works is that what are the various schemes that we can bring in and excite customers. I don't think there would be any legroom

available for any of such wishful thinking (price increase, etc). On a contrary I think we will have to now see where the sales promotion cost moves because that is what a customer looks at that what scheme has been brought in and he is waiting and watching whenever he gets a good scheme he looks at buying cars.

Moderator Thank you. Next question from the line of Jinesh Gandhi from Motilal Oswal Securities. Please go ahead.

Jinesh Gandhi One housekeeping question on exports. You mentioned 1,122 crores in this quarter this includes kit sales right.

Ajay Seth Yes that's right.

Jinesh Gandhi Can you indicate how much of that would be kit sales?

Ajay Seth We would not have the breakup available with us right now.

Jinesh Gandhi And exports for third quarter, you will be having that number?

Ajay Seth The third quarter is 929 crores.

Jinesh Gandhi And one clarification on your localization 16% import content is as of March 2014 and not average for the full year right?

Ajay Seth Yes, this will be at March 2014 that's right not the average.

Moderator Thank you. Next question is from the line of Jay Kale from IDFC Securities.

Pramod This is Pramod again. Just wanted to understand your rural initiative you have said that you are covering some 93,000 villages right now and there is a growth of 16% in rural volumes, just wanted to know what is the kind of headroom which you have further there in terms of probably covering reach to more rural villages and how much could be the potential percentage revenue or volumes what you can derive from the rural market because 32% when you look back what it was during the Lehman on the post financial crisis it has seen a very spiraling jump, so I was just wondering where do you see this getting kept out.

KD Singh Pramod on a medium-term basis I think our sense is that we can go further from here and we can do better than what we have done so far with need to experiment with ways to reach out to people in rural areas is through our communication, through our outlet formats and so on. So net – net I think we are looking at expanding it. How much it is difficult to see at this stage but when we talk to our marketing people I mean in a lighter way they say there are 600,000 villages in this country and we have done only 100,000 so far so that's the sense, just a sentiment among the sales team, I think we can do better from there.

- Jay Kale** And my final question is on AMT regarding the technology what you have worked on. One is, is it scalable to bigger engines and is it scalable to different fuel options?
- KD Singh** We would like to see how it works in this category of engine size and then decide to see whether it can be scaled up further.
- Jay Kale** And just if you recollect what was the average discounts what you were paying out say post in the worst of the period during the post-liquidity crisis as in I am just trying to understand how do the discounts compare now vis-à-vis what it was during those days.
- Ajay Seth** In 2008, I think discounts there were about 12,000 or thereabouts. So, they went up from 9,000 to 12,000 during that period.
- Moderator** Thank you. Next question is from the line of Raghu Nandan from Asian Market Securities. Please go ahead.
- Raghu Nandan** Just a small clarification these 143 crore of compensation given to dealers in which line item has it been captured?
- Ajay Seth** This is reduced on the sales. so it's coming as part of the net sales item.
- Moderator** Thank you. Next question from the line of Hitesh Goel from Kotak Securities. Please go ahead.
- Hitesh Goel** This average discounts per vehicle is a function of overall discounts coming down slightly on your vehicles or is it a function of product mix or it's both because Celerio would be like 5% of volumes in this quarter so that is why I was asking.
- Ajay Seth** Yes, so it is a function of product mix as well as it is a function of new model launches both will have an impact on discounts. There are some models where discounts are lot bigger, there are some models where discounts are slightly lower it's a definitely a question of mix and new model launches so it's a combination of the two.
- Hitesh Goel** And there are certain manufacturers who are increasing prices in April like Mahindra has done so, so have you taken any price increase in April or would you plan to do that.
- Ajay Seth** We haven't taken price increase in April nor is there any plan to take any.
- Moderator** Thank you. Next question from the line of Prayesh Jain from IIFL. Please go ahead.
- Prayesh Jain** What was the CAPEX that was done in FY14 and what's the plan for FY15 and FY16?
- Ajay Seth** I cannot comment on the plan. I can tell you this year we spent 3,500 crores on CAPEX and next year would be about similar numbers slightly more than this around 4,000 crores.

- Prayesh Jain** And with respect to tax rate, we have been around 24% and this year would it be similar in the next year.
- Ajay Seth** We should see a similar tax rate even next year.
- Prayesh Jain** And off late on the rural side is there any slowdown or we have seen overall 16% growth but has that been trending down or it's continued at the same pace throughout the year.
- KD Singh** It's been stable. There are no visible signs yet but let us see from here what happens.
- Moderator** Thank you. Next question from the line of Saurabh Talwar from HDFC Securities. Please go ahead.
- Saurabh Talwar** If you may share with us the retail sales for the quarter and channel inventory currently?
- Ajay Seth** Channel inventory would be closed to four weeks and that's the channel inventory. Retail sales, that's something we will not be immediately able to tell you but we will get back to you on this.
- Saurabh Talwar** Sure, secondly last year we have seen 32% of our sales coming from rural market given the concerns on El Nino and monsoon are there any strategic initiatives company is taking to counter any falling sales over there, it's almost one-third of our domestic sales right now.
- KD Singh** That's right I mean we have also seen reports in terms of some preliminary forecasts. Really I would not be able to comment at this point as to what could be the implications but if we take the overall picture we have to appreciate that agriculture per se is contributing less to GDP now. The sentiment impact though is very high and that covers both rural and urban areas but really too early to comment.
- Moderator** Thank you. Next question from the line of Pramod Amthe from CIMB. Please go ahead.
- Pramod Amthe** Could you pls give us a sense on what's happening on the exports? This segment has been lacking in the last one or two years and are there any conscious effort to ramp it up?
- KD Singh** Exports have suffered this year and that's for example due to regulation changes in certain markets, it's because a political unrest in couple of other cases and so on so. So numbers have come down but again over the next three to five years we are consciously looking to do much better on exports. So we are looking at new markets we are working with the network there. We are launching new products in those exports markets in South Africa for example we have just boosted our product portfolio. So on exports there is focus of course the results will not be evident in a year or so but generally the trend is upwards that's is our view of exports in the next three to five years.
- Moderator** Thank you. Next question from the line of Srinivas Rao from Deutsche Bank. Please go ahead.

- Srinivas Rao** Just two questions. First, any feedback on the geographic distribution of sales and what is your outlook that's number one. Second you did mentioned about the first time buyer been impacted. Traditionally the contributed about 33% of the overall buyers what has been the ratio in the last let's say one-and-a-half to two years?
- Management** I will take your second question first, in the last two years, first time buyers' percentage has come down from about 50% to 37% in this year. Now, answering your first question on geographic performance, in terms of sales – our view is that North and East have performed slightly better than South and West. Some markets in west are underperforming. East is clearly leading followed by North, South and then West.
- Moderator** Thank you. Next question from the line of Akshay Saxena from Credit Suisse. Please go ahead.
- Jatin** This is Jatin. Couple of questions, one on the drop in net realization on a quarter-on-quarter basis is all of it pertaining to the fact that dealer compensation was passing through net sales or is there some other impact there as well because I think product mix wise you were pretty okay this quarter.
- Ajay Seth** Jatin, bulk of the reason is that only that the compensation will have impact on the realization and also slightly because of mix but that's not very significant but largely the first reason says it all.
- Jatin** Okay on the commodity side did I hear you right that you said that there was 150 bps impact on a quarter-on-quarter basis because of the increase in commodity cost so you said 1.5% increase in commodity cost?
- Ajay Seth** So, 1.5% was the increase in the material cost of which one of the reasons was commodities and the second reason was the exchange rate because we had an unfavorable impact and as you know the compensated quarterly lag so the euro compensation was quite high and the yen compensation was almost same as last quarter but euro compensation shot up and the dollar compensation shot up. So, whatever imports that we do in euros and dollars there we had to pay much high compensation so there were two impacts – one on account of the exchange rate and the second on account of the commodities.
- Jatin** And this provision that you have created on the employee cost that's pertaining to what?
- Ajay Seth** These are basically employee related benefits. There are several benefits that we give to employees so it's related to those benefits and this is for the full year. But since the provision has been made at the end of the year therefore you see this merge in the last quarter so you have to really normalize it because in a normal course it should be coming in a new quarter from now onwards.
- Moderator** We will take a follow up question from the line of Sonal Gupta from UBS Securities. Please go ahead.

- Sonal Gupta** This is my first question. Just few questions, I mean starting off with this employee thing because I mean overall if you look at the full year employee expense it's up almost like from 1100 crores last year to 1360 crores so it's almost like 22% to 23% sort of an increase in a year where you are not really increased any production so just want to understand how of much of this is due to headcount versus how much of this just I mean normal increments.
- Ajay Seth** Headcounts there has been not a very significant increase. We have not added much numbers in this year. Though there will be some small amount of increase but I think there are two basic reasons. One is that in the month of October we had a bonus that was paid out to our employee which was not there last year so that bonus payout happened in October and the second reason was that in the normal course we give increments and promotions to our people which has a bearing on the cost every year so that's the second piece and third is as I had mentioned that in this quarter we have made some employee benefit related provisions so that is the third reason. So therefore effectively if you were to look at last year there was no bonus provision in last year and there was a bonus given to employee this year. So that has created the difference and second is the normal increment that happens every year.
- Sonal Gupta** The other question that I had was on the exports side there will be some news report that you will not be exporting to Europe from here on at least for the next year or year-and-a-half, so can you just elaborate exactly what sort of numbers are you looking at for FY15 now and in the light of this thing.
- Sonal Gupta** And one more question on the new launches, I think on CNBC in flashing that you have been launching three new models this year, is there something that you are stating.
- Ajay Seth** As I said earlier we do better than last year when we did only one model the Celerio which probably do more than that but I think as we come towards we will be able to share more details.
- Sonal Gupta** Right and just finally I just wanted to get your thoughts on the hatchback and the entry level segments so to speak I mean because the hatchbacks have sort of dropped despite the share of petrol increasing we haven't really seen an improvement I guess in the hatchback share overall so it's still around 50% - 52% of the market. So, do you think that this can go back to at the peak it was like 60% so do you think that that's going to happen or do you think that I mean you will see hatchback sort of growing along in the market itself you will not see a special a big jump in the hatchbacks in terms of the recovery.
- KD Singh** Right, some of this of course we will have to do with the overall slowdown and also the fact that first time buyers are not coming in at that pace. Also new segments are gaining current sales so net – net I think that once the market is back and sentiment is on track we should see a recovery in hatchback.
- Sonal Gupta** So, you would see some amount of share recovery as well right in terms of the industry share?

- KD Singh** That's right.
- Moderator** Thank you. Ladies and gentlemen we are going to take a last question from the line of Kaushal Maroo from Emkay Global.
- Kaushal Maroo** My question is on your kit a sale on your exports has it come down sequentially because your realizations on exports have come down.
- Ajay Seth** There has been some reduction in exports of kit sales compared to last quarter last year.
- Kaushal Maroo** And on the Q-o-Q basis versus Q3 this year?
- Ajay Seth** It will be lower in Q3 as well.
- Kaushal Maroo** Can you just give us broad breakup of the 4,000 crore CAPEX under various heads?
- Ajay Seth** It will be largely in the areas of new model launches, R&D and in the marketing infrastructure, these are our three major focus areas.
- Moderator** Thank you. Ladies and gentlemen due to time constraint that was the last question. I would now like to hand the floor to Mr. Aniket Mhatre for closing comments thank you.
- Aniket Mhatre** Thank you Chitarasu on behalf of Standard Chartered Securities, I would like to thank the senior management team of Maruti Suzuki for taking the time out and patiently answering all the questions thank you very much gentlemen. Thank you to all the participants for being there on the call thanks and have a great day.
- Ajay Seth** Thank you.
- Moderator** Thank you. On behalf of Standard Chartered Securities India Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.