Transcript

Conference Call of Maruti Suzuki India Limited

Event Date / Time: 27th April 2018 4 PM IST

Presentation Session

Moderator: Good evening ladies and gentlemen. Welcome to 4QFY18 and annual financial results conference call of Maruti Suzuki India Limited hosted by Motilal Oswal Securities. I now would like to hand over the floor to Mr. Jinesh Gandhi. Thank you and over to you Mr. Gandhi.

Jinesh Gandhi: Thank you Honeyla. Good afternoon everyone. On behalf of Motilal Oswal Securities, I would like to welcome you all to fourth quarter and FY18 annual results conference call of Maruti Suzuki. I would like to thank the management for taking time out for the call. I would now hand over the call to Mr. Nikhil Vyas. Over to you Nikhil.

Nikhil Vyas: Thank you Jinesh. 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 - Corporate Planning, Mr. A. K. Tomar, Senior Vice President - Finance, Mr. Pradeep Garg, Vice President - Corporate Planning Mr. Rahul Bharti, Vice President - Finance, Mr. Sanjay Mathur. The con-call will begin with a brief segment 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 that has to be understood in conjunction with the uncertainty and the risks that the company faces. I also like to inform you that this 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 and welcome once again to Maruti Suzuki's conference call. India's passenger vehicle market grew at 7.9% in 2017-18, against 9.2% in 2016-17. Among the three broad segments of the industry, the utility vehicles segment, which accounts for about 28% of industry sales, grew by 21%. The other two segments, passenger cars and vans, grew by 3.3% and 5.8% respectively. Demand for diesel models continued to see weakness, and their industry share declined marginally from 40.5% to 39.9%.

The Company with its strong portfolio of 16 models, posted a volume growth of 13.8% in domestic passenger vehicle market. Including the LCV, the Company's domestic sales growth stood at 14.5%. This was the 4th consecutive year when the Company posted double digit volume growth.

With Suzuki Motor Corporation (SMC) taking responsibility for incremental capacity expansion, the Company was able to focus on other key success factors. The Company's new sales channel, NEXA, showed strong growth and contributed 20% of the domestic sales of the Company. During the year, the Company initiated the revamp of the existing sales channel under the brand, ARENA, to offer customers a superior experience.

The Company continued to expand its network at a fast pace. During the year, the Company added 315 sales outlets, including 140 sales outlet of the commercial channel. In addition, 203 new service workshops were set up. The Company strengthened its efforts to buy land parcels for sales and service outlets.

The Company launched 2 new products – the new Dzire and the new Swift. The Company also introduced face-lifts of S-Cross and Celerio. For five of the models – Brezza, Baleno, new Dzire, new Swift and S-Cross - customer orders were higher than planned and the Company stepped up efforts to improve availability of these cars.

Greater reach, a superior customer experience and exciting products enabled the Company to attract more customers and grow faster than the industry for the 6th time in a row.
In 2017-18, the Company achieved leadership position across all the three sub-segments of passenger vehicles - Passenger Cars, Utility Vehicles and Vans. Incidentally, all the five best-selling models in India were Maruti Suzuki models. Also, the Company achieved leadership position in export of passenger cars from the country.

In the LCV segment, during the year, the Company was able to sell 10,033 units of Super Carry. The brand was adjudged "Commercial Vehicle of the Year" at the Apollo-CV Awards 2018. With a commercial network of 190 outlets in 159 cities, the Company is in a position to expand volumes in this category.

The Company ensured smooth transition to the new GST regime by proactively training business partners and handholding them during the transition process. The Company and all its partners were GST compliant as per the timeline.

In the last three years, there is a noticeable shift towards petrol vehicles, primarily in the compact segment. The Company, in the passenger vehicle segment, posted a sales growth of 16.8% in the petrol segment and 7.1% in the diesel segment.

Withdrawal of incentives for hybrids in the GST regime also contributed to the shift in consumer demand towards non-hybrid variants of Ciaz and Ertiga,

During the year, the Company continued its efforts to strengthen its synergy with finance partners resulting in the highest ever finance penetration for the Company at 80.5%.

With the rise in commodity prices the Company undertook major cost reduction efforts to minimize the impact on profit margins.

The net sales and operating profit for financial year 2017-18 stood at Rs. 781,048 million and Rs 93,036 million registering a growth of 16.7% and 20.1% respectively over the same period last year. The growth in operating profit was on account of higher sales volume, and cost reduction efforts, partially offset by adverse commodity prices. Going forward, in our view, operating profit would be a more appropriate parameter to gauge the Company's performance as the contribution from SMG to the overall production becomes significant.

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

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again.

The first question comes from Mr. Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: Hello team, thanks for the opportunity. Two questions, firstly, when we look at other expenses this quarter, we are much higher than what we have seen recently. Could you give us a breakup as to what were the key elements in that, was there any one-off, anything relating royalty rollback, provisioning on auto expo? And the second question is on royalty, in the last call we spoke about royalty rates being reduced, and there was also lot of media articles about royalty shifting to INR, so any update on that?

Pradeep Garg: See, one of the reasons for other expenditure going up is, there is a freight expenditure, which is now being reflected in other expenditure. Corresponding freight recovery of that is reflected in other operating revenue. So, roughly about 180 crores in this quarter is the freight expenditure, for which you will find a corresponding recovery in other operating revenue. Other reason is there was an exchange variation of royalty of about 100 crores in quarter 4 and power and fuel, because of the crude oil going up, the power and fuel bill is also up. So, these are broadly the reasons why the other expenditure was up.

Binay Singh: Could you give us the royalty amount also or any rollback of or any sort of one-time payment for previous quarters also.

Rahul Bharti: There may be a lot of quarter-to-quarter variations on account of exchange rate. I think, the way to look at it is, that the full year royalty percentage to net sales is 5.4% this year, compared to 5.8% last year.

Binay Singh: Okay. And how much was it in this quarter?

Ajay Seth: 5.7% was the royalty for this quarter and largely because the exchange rate were adverse and there was also a corresponding third quarter royalty, which had to be reinstated at the current exchange rates.

Binay Singh: Correct, correct. And with regard to the second question, any update on the revised royalty contract?

Rahul Bharti: See, last quarter we had announced that there is a new method of calculation and it was yet to be approved by Suzuki. That approval has happened now.

Binay Singh: Okay. And so, can you share the details of that?

Rahul Bharti: It is what we have already shared. One, for all new model agreements, starting the IGNIS, the royalty will be in INR instead of Japanese Yen and, of course, the expenditure which we do in India on R&D that will be reimbursed with some margin. And after some time, once a particular level of volume is achieved, the royalty rate will come down.

Binay Singh: So, in a way, could you then directionally give us a sense as to what will be the royalty percentage like three or four years down the line, because…

Rahul Bharti: Directionally, it should come down.

Binay Singh: Great, great, I will come back in the queue for follow-up questions.

Moderator: Thank you sir. We will move on to the next question, which is from Amyn Pirani from Deutsche Bank. Please go ahead.

Amyn Pirani: Yeah, hi sir, thanks for the opportunity. Sir, just a clarification. You said that there is a freight expenditure for which there is a recovery in other operating income, what is this regarding? If you can clarify?

Pradeep Garg: See, for the new models introduced, we had moved on to uniform pricing all over India. So, the freight expenditure varies from destination to destination, but the recovery is uniform on a weighted average basis. So, accounting standards don't allow offsetting unless the recovery and expenditure are equal. So, that's the reason we had to move the recovery part to other operating revenue and the expenditure part remains in the other expenditure.

Amyn Pirani: Okay, understood. And can you give us the average discount per car for this quarter?

Pradeep Garg: This quarter it is Rs.13,880.

Amyn Pirani: Okay. And just one question, so, this SEBI circular, you know, on the royalty cap of 2% and the requirement for, shareholder approval, have you heard from them as to what is the timeline for this, does it apply on existing models, future models, and what will be the procedure going forward? If you can give any clarification?

Rahul Bharti: No, as of now, we have not heard or seen any notification to this effect.

Amyn Pirani: Okay, so as of now, everything is status quo?

Rahul Bharti: Yes.

Amyn Pirani: Okay, thank you. I will come back in the queue for more questions.

Moderator: The next question comes from Hitesh Goel from Kotak Securities. Please go ahead.

Hitesh Goel: Thank you sir for taking my question. Sir, you said that there are two reasons for such increase in other expenses, one is that freight cost element and one is the royalty increase, which is about 100 crores increase on a Q-on-Q basis, right? Just wanted to understand, even if we adjust for volumes, still there is the other expenses are like 300, 400 crores higher than what it should be ideally. So, can you just give us some more sense, is there any substantial increase in some other heads, which we are missing?

Pradeep Garg: No, the other reason was, that advertisement expenses are also up, because there was auto expo along with the Swift launch in this quarter, so that's the other reason why you find other expenditure up.

Hitesh Goel: So sir, so basically, if you look at the full year other expenses to net sales around 12.5%, by excluding any variations in the year end should we be comfortable with that kind of number or how should we look at it, because now, I think, launches are also not that significant in FY19.

Ajay Seth: See, you should, to my mind, you should look at the full year numbers, that will give you more meaningful information rather than looking at quarter, because there are some activities that may get shifted from one quarter to the other quarter. So, if you were to look at our full year numbers, you will find that to be a good benchmark or a reference point, to see how the cost is moving in the future, which I think is reasonably okay, because certain quarters were quite low in terms of cost, because the activities were to happen in the third quarter or four quarter etc., so please look at full year numbers, don't take a cue from a third quarter, fourth quarter numbers that the cost is therefore moving in a particular direction. Because certain activities are one time, there are certain activities which will be repeated, but the cost may or may not be the same in the subsequent quarters, so I think, for example, exchange rate we talked about 100 crores, but that is a one-time kind of a thing, it may happen, it may not happen. So, auto expo will not happen every year. Some of these things are one time. Regrouping is a big amount, which is just unnecessarily distorting the amount of other expenses. So, some of these things have to be looked at from full year perspective and not from a quarter perspective.

Pradeep Garg: Just to supplement, if you look at the full year other expenditure as a percentage to net sales, it is down by some 0.2% as compared to last year.

Hitesh Goel: Yeah. And sir my second question is basically if you look at the gross margin, there is a reduction on a Q-on-Q basis and this has largely come from discount reduction. Can you also tell us what the price increase was during the quarter and what was the commodity cost impact in this quarter?

Ajay Seth: Price increase impact has been minimal, I mean, not much in this quarter. The commodity impact has been about 1% in terms of commodities going up. Commodities impact, in fact for the full year has been very steep for us. We have, I think, mentioned earlier that about 700 crores impact has happened in commodities over this year compared to last year. So, commodities have been bothering us for quite some time. If it was not for our program on the side of cost reduction and other initiatives, we would have been very badly hit on the material cost to net sales margin. So, inspite of high commodities, we have still been able to, lower material cost to net sales ratio, or keep it where it is…

Hitesh Goel: And you have not taken much price hike, right, sir? You have not taken much price hike this year, so basically it is, so it is mostly related to product mix?

Ajay Seth: It is both mix and cost reduction taken this year.

Hitesh Goel: So sir, I mean, just last question, basically, if I look at your competitors, like even Tata Motors, Toyota, everybody is taking price hikes, they have taken two price hikes, in January and April, why is our company with capacity not being there, why is our company not taking pricing up of 1% to 2% to offset the commodity cost hike?

R.S. Kalsi: See, our focus is always customer, so, point is, if there is a slight up or down in the commodity prices, we always try to absorb it and not pass on to the customer. So, we do not really want to exploit this opportunity, just because customers like our vehicles and if there is a waiting, so we increase the price, that's not our policy as a company. So, when it becomes extremely necessary, then only we go in for a price increase.

Hitesh Goel: Okay sir, thank you.

Moderator: Thank you sir. The next question comes from Mr. Pramod Amthe from CIMB. Please go ahead.

Pramod Amthe: Yeah, hi. One, you have said in the notes that you have adjusted or provided for 250 crores for this Haryana land issue. How much of that is accounted in the interest expense and how much of that is in the other expenses?

Ajay Seth: The entire amount of 254 crores that we have mentioned in the note is accounted for in the interest expenses.

Pramod Amthe: Okay. Nothing in the other expense per-se?

Ajay Seth: No, no.

Pramod Amthe: And how does the counter balance in the balance sheet for the remaining part of the 900 crores minus 250?

Ajay Seth: That amount has been capitalized on the land, because that was the acquisition cost difference, so that has been capitalized.

Pramod Amthe: Okay. And can you give…directionally how are you…with the new royalty structure being passed by the Suzuki for you, what are the charges for new models? Like IGNIS you said it has come down. So, what are the charges for the same in INR as a percentage of sales and when will you hit the milestone like 4% or 3% as a company per se on the royalty structure?

Rahul Bharti: See, we answered that in the beginning. For all new models starting the IGNIS, the royalty will be pegged in INR, Indian rupees, and after a particular threshold volume is achieved, the royalty rates will come down.

Pramod Amthe: Will you be comfortable disclosing versus the company average, because we need to build that in the model, so how should we look at it?

Rahul Bharti: see, it would depend on a lot of factors, particularly product mix, and when the new models will be launched, how much volumes they will do, so it is difficult to give a guidance on the blended average figure in the future.

Pramod Amthe: Sure. And with regard to ARENA rollout, what are the plans for the next one year or two years, how many of them you want to convert, one, and second, drastically alter the profitability of dealers and hence you may have to accordingly compensate them for the commissions side.

R.S. Kalsi: Well, ARENA rollout there are two aspects of it, one is where-ever new dealers are being appointed, so these guys are coming out with ARENA outlets straightaway, that kind of CI and all, now second is the existing dealers who have to be changed into ARENA, so which is relatively more challenging work. But nevertheless, we are working with our dealers jointly, and it is not that we would be compensating them for this; it is a part of their own investment. Maybe some help we will providing them in terms of changing the CI etc. Otherwise all the investment is being done by the dealers only.

Pramod Amthe: Thanks, and all the best.

Moderator: Thank you sir. The next question comes from Mr. Kapil Singh from Nomura Securities. Please go ahead.

Kapil Singh: Hi sir, can you share the growth outlook for FY19 and where we are placed in terms of production capacity?

R.S. Kalsi: Well most of the experts like you have commented positively on the macro economic factors and with forecast of good monsoon by the weatherman, I think the year looks to be good. The GDP growth is also in the right direction. So we are committed towards double-digit growth, though industry growth is forecasted at about 8% to 9%; so we would try to exceed industry growth. That is one part. As far as capacities go, this year, our Gujarat plant would be operating for the full year on double shift with full capacity. So compared to 160,000 that we got last year, we will be getting about 250,000 from there plus our second line will start around January. Third thing is that I have a lot of confidence in my production counterparts at Gurgaon and Manesar. We keep on doing innovations and get incremental numbers from them. So we are on track and whatever we are committing for double digit growth, we will be able to achieve it.

Kapil Singh: Secondly I wanted to check in the notes we had mentioned that there will be certain investments being made to mark the 35th anniversary which will be 1% of the profit after tax to employ welfare fund and Trust to promote scientific research. So these will be part of CSR spend or they will be incremental?

Ajay Seth: This is not CSR spend, this is money that we will appropriate out of our profits towards two funds; one fund and one trust. One is for the employee welfare fund and there will be specific objectives set up for it and the other is for the scientific research trust which would be established. So the board today in principle approved these two, however we will have to only go back to the board in the July Board Meeting with the details of these two funds and trust and seek a formal approval.

Kapil Singh: So if I understand correctly these will not have a P&L impact?

Ajay Seth: Yeah, so we are examining it, but hopefully we should be able to appropriate it from the profits and create a fund in reserve in all of these.

Kapil Singh: Okay. And lastly, I wanted to check what is the CAPEX we have done and how much of that is land?

Ajay Seth: CAPEX this year has been 3400 crores and the next year plan is about 5000 crores of CAPEX.

Kapil Singh: Okay and land….out of that?

Ajay Seth: We have done land this year of about 790 crores. Next year plan is about 1000 crores for acquisition of land.

Kapil Singh: Okay so bulk of the increase is going in which area sir?

Ajay Seth: New models will have a sizeable amount. There will be some expansion on engines etc., where we need more capacity so there will be some spend there. Land we have already mentioned to you; there will be routine maintenance CAPEX; there will be some expenditure on the R&D facilities. So these are broad areas where we will be spending money.

Kapil Singh: Just one clarification. We had mentioned 100 crores Royalty impact for exchange rate….is this for prior period or this is for Q4 and prior period?

Ajay Seth: It is for Q3 and Q4 because what happens is that royalty for Q3 has to be reinstated in Q4 because it is actually paid in May.

Kapil Singh: Is it possible to quantify Q3 impact?

Ajay Seth: Together it is about 97 crores which is I think you can actually say it is half of that for Q3 and half of that for Q4.

Kapil Singh: Okay then thanks.

Moderator: Thank you sir. The next question comes from Mr. Jinesh Gandhi from Motilal Oswal Securities. Please go ahead sir.

Jinesh Gandhi: Hi sir, my question pertains to the demand environment where you indicated demand has been growing pretty well for the industry. How would it be spread between urban versus rural? Is urban still growing faster than the rural or you are seeing some recovery in urban as well?

R.S. Kalsi: You see for the year gone by, we had about 15% growth in the rural sector and we have a penetration of about 36% in the rural market and moving forward I think we feel that the same ratio will be maintained. That kind of growth momentum as well as share of rural markets.

Jinesh Gandhi: Okay. Second question pertains to the staff cost. We see in this quarter, staff costs have gone up quite substantially. So are there any one-off there or it is largely year end related provisioning and re-provisions?

Ajay Seth: So the one off is that the gratuity act has changed because of that the limit increased from 10 lakhs to 20 lakhs so we had to do an actuarial valuation. So this will have an impact actually for the full year because it's been done in the fourth quarter. That's one impact. Secondly there are certain provisions which were made in different quarters, so the provision for quarter four was a shade higher than the normal provisions which are made in quarter one, two and three. So I think these are two reasons. Again I am saying, please look the growing cost on a yearly basis which will give you a better reflection than only looking at the quarter because quarter can tend to have certain higher provisions in certain quarters compared to other quarters, so therefore if you were to look at our employee cost, it is 3.6% for the full year; its similar to what it was last year.

Jinesh Gandhi: Right. And sir what would be the export revenues for the quarter and for the full year?

Pradeep Garg: Revenues for the quarter 16,250 million rupees.

Moderator: Thankyou sir. The next question comes from Jatin Chawla from Credit Suisse. Please go ahead.

Jatin Chawla: Hi good evening sir. Can you share the Gujarat production number for the quarter?

Rahul Bharti: We did about 58,000 units.

Jatin Chawla: You are at a run rate of 20000 per month?

Rahul Bharti: That's right.

Jatin Chawla: Just a clarification on the Toyota supply arrangement that was announced; is there a cap on how many units you will supply to them because you have capacity constraints?

Rahul Bharti: It is not happening in the near future, so as of now we are not too immediately concerned about it.

Jatin Chawla: Okay. And in the future when it happens will the transaction be routed through Maruti or is it Suzuki Gujarat directly supplying to Toyota India.

Rahul Bharti: Maruti is Suzuki in India, so it will be from us.

Jatin Chawla: Okay and just one quick clarification; on the interest cost amount for the compensation that you paid out, it seems that the total amount is 375 odd and 250 crores has been budgeted in this quarter; will the remaining also flow through to the P&L or is that directly going to the….

Ajay Seth: Jatin we had earlier about a year ago made a provision of balanced amount in the books already. This is the increment amount that we were required to provide; so the entire 350 has been provided in two lots. One was provided in FY16 and the other amount is being provided in this year.

Jatin Chawla: Okay and there is nothing pending going forward. Just one quick clarification on the employee cost bit, the television channel mentioned that there was a 100-crore additional provision on variable cost. From what you are mentioning it seems it is also pertaining to prior quarter. So that is not something that we should take as recurring right?

Ajay Seth: No, no. You have to kind of even it out and see quarter wise and some quarters may have a shade higher provisions and some may have a shade of lower provision so it is like….you create an estimate and then you have to change it. Also I have to mention about the gratuity thing because that's also an amount for the full year and it is also one-time. As far as you are concerned, I don't think you should take it as a recurring kind of an event.

Jatin Chawla: Okay great, thanks.

Moderator: We have the next question from Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: Hi team, on the raw material side, is the bulk of raw material hit in the current quarter or how do you see the raw material expense sir in the coming quarter? Have you already taken majority of the hikes?

Ajay Seth: So raw material prices are likely to further go up. We have taken some hikes last year but I think the way we saw the commodities…specially steel and some of the metals have been moving, directionally we see a little bit of pain there and some commodities we are in control and hedge we are doing that; but bulk of the commodities where we cannot hedge is something we are worried about specially steel forms the bulk but the indication given by our supply chain team is that the hardening of commodities is expected, you might see more price increases from vendors which will have to be given.

Binay Singh: Right. As of now this year you haven't taken any price hike right?

Ajay Seth: We haven't taken any price hike.

Binay Singh: And sir, how would you look at urban demand? There's a lot of chat around rural demand but how would you see the urban demand?

R.S. Kalsi: Well urban demand is fine….our overall growth has been at 14.5% and rural growth as I mentioned has been around 16%. So more or less there is not much of a difference.

Binay Singh: When we look at it, the growth ex-Maruti remains quite weak, so one way to read is that the franchise is getting stronger that your order book is growing, people are waiting for it. The other would be thatthe demand itself is not picking up as strongly. How would you see your order book on December quarter end versus March quarter end? What was the order book then and what is the order book now?

R.S. Kalsi: You see we today have 110,000 bookings. Last year at the same time we had about 120,000 pending bookings. So the point is, we've been increasing our capacity and this year when I say 110,000, it is on 4 models. Last year it was on 2 models only Baleno and Vitara Brezza. This time it is additionally in S-Cross and in Swift as well, which is in waiting apart from Baleno and Vitara Brezza. So we are ramping up our capacities and its showing its effect. The waiting time for the customer is going down.

Binay Singh: Right. And sir lastly in the newspaper there's been a lot of articles about Maruti starting another channel dedicated for cab aggregators, how big is that segment now for us?

R.S. Kalsi: No, I learnt it from newspapers only.

Binay Singh: Okay but how is that segment now or us…..the cab aggregators segment and how is that growing?

R.S. Kalsi: In 17-18 there was a de-growth on that because of certain issues, like availability of drivers, there was some unrest among drivers and also there were certain issues on the regulatory front in terms of fitment of speed limiting devices….that announcement was there all of a sudden. There were a number of factors and there was a de-growth last year in this segment.

Binay Singh: So that will be less than 10% sales for us right?

R.S. Kalsi: Well yes, you are right, much lesser than that.

Binay Singh: Great. Thanks a lot.

Moderator: Moving on to the next question, it comes from Amyn Pirani from Deutsche Bank. Please go ahead.

Amyn Pirani: Yes, hi thanks for the opportunity again, just going on the Royalty which you mentioned on the new models is coming down. Since the starting point is Jan 2017, my first question is, are these reductions going to happen on a retrospective basis? Second question is, does the new rate starts from 1Q FY19 or is it at a future date?

Rahul Bharti: See we have to keep in mind that this understanding is only on new models which are launched after Jan 2017, starting with the Ignis.

Amyn Pirani: So which would include the Ignis, Dzire and Swift right….or is that….?

Rahul Bharti: Yes, Ignis, Dzire and Swift are the three models that are covered till now. Going forward as we have more new models, it will keep getting incorporated on those.

Amyn Pirani: But as of now you have not incorporated that lower Royalty rates in 4Q for those models right? You will start doing that only from FY19….is that correct?

Rahul Bharti: We mentioned that this year the Royalty rate is 5.4% versus 5.8% last year because of this effect and others.

Amyn Pirani: Okay so partly it is being seen in….?

Rahul Bharti: Yes, partly it has already been seen.

Amyn Pirani: Okay, thank you.

Moderator: Thank you sir. The next question comes from Abhishek Jain from HDFC Securities. Please go ahead.

Abhishek Jain: Thanks for taking my question sir. What is the share of the cab aggregators in the total volume of Maruti?

R.S. Kalsi: It is about 5000 to 6000 per month.

Abhishek Jain: So it is say around 3% to 4%. So it has gone down as per 18…?

R.S. Kalsi: Yes it has gone down because of certain disruptions in the business. One was availability of drivers with cab aggregators, second thing there was a driver unrest as well, third is there were certain regulations which were implemented like fitment of speed governors, so vehicle registration was halted for a few months. Because of all these factors there was a de-growth in this segment.

Abhishek Jain: So sir, because of this slowdown, sales of the old car is improving. So how does it impact the passenger vehicle industry in terms of the new cars?

R.S. Kalsi: Well we are already at a growth rate of 14.5% despite of this, if in one segment there is a challenge, we always explore other segments, other markets. We do micro segmentations. So these are the efforts which we put from a marketing and sales side.

Abhishek Jain: Okay sir, what was the fuel mix during Q4, diesel versus petrol?

R.S. Kalsi: 29:71.

Abhishek Jain: Okay thank you sir.

Moderator: Thank you sir. The last question for the day comes from Mr. Hitesh Goel from Kotak Securities. Please go ahead.

Hitesh Goel: Sir you said the raw material costs are likely to go up further and you will have to give increases to vendor. So will it be offset by internal cost reductions by the company or company will look to price increase?

Ajay Seth: Our endeavor would always will be to see whatever best we can do on the cost and therefore will continue to work. First we actually get a view in terms of how much is the raw material price going to up by, what is our cost reduction program. So that I think will be our first major focus and any call to be taken or any other matter will only be based on these factors. We will discourage increase unless we are compelled to.

Hitesh Goel: So mainly should we assume that the gross margins….like last year also you maintained the gross margins so in spite of commodity cost increase you can maintain that?

Ajay Seth: There are so many variables in business; you will have to look at all those factors. So to give you directionally whether margins will be higher or lower is a very difficult question to answer at any given point of time. We don't know when the exchange rates are going to go up. My worry today would really be depreciating rupee and yen the way it has been behaving compared to where it was last year. Commodity is the second worry, but also growing volumes will help us give some leverage. There will be other benefits that we will get from some work that we have done and cost reduction program will in anyways be run in a very big way. So we will have to see a combination of factors and individual impact of those factors can only derive the margins in a quarter and it will be visible to you quarter by quarter.

Hitesh Goel: And sir my last question is basically for Gujarat plant, in the first phase we saw a lot of startup cost and initial ramp up costs, now with the second line you are starting, should we assume better operating efficiency of the Gujarat plant which can positively impact margins?

Ajay Seth: No, what we have said is, that Gujarat project has in phase one, three plants to be set up….plant 1, plant 2 and plant 3 where plant 1 is over, plant 2 will start. Once we reach a steady state of the first phase where you are running at 750000…full capacity, we will be in a position to compare one against the other and I think we will be more or less working towards the situation where we can be at the same cost. But till that time there will be some element of volatility and I think you will have to live with that but once we are done with, I think then you will have more stability.

Hitesh Goel: Okay great sir, thank you.

Moderator: Thank you sir. That will be the last question for the day. Ladies and gentlemen this concludes your conference call for today. You may all disconnect your lines now. Thank you and have a good day everyone.