Q4 FY21 – Investor Conference Call

April 27, 2021

Moderator: Ladies and gentlemen, good day. And welcome to the Maruti Suzuki India Limited Q4 FY 2021 Earnings Conference Call. As a reminder, all participant 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pranav. Thank you and over to you, sir.

Pranav Ambaprasad: Thank you, Janis. Ladies and gentlemen, good afternoon once again. May I introduce you to the management team from Maruti Suzuki. Today we have with us our CFO – Mr. Ajay Seth. From marketing and sales, we have Member Executive Board – Mr. R.S. Kalsi, Executive Director (Marketing & Sales) – Mr. Shashank Srivastava. From corporate, Executive Vice President (Corporate & Government Affairs) – Mr. Rahul Bharti. From finance, we have Executive Director – Mr. DD Goyal; Executive Vice President – Mr. Pradeep Garg and Mr. Sanjay Mathur.

The con-call 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 statements that have to be understood in conjunction with 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: Thanks, Pranav. Good afternoon, ladies and gentlemen. I hope you and your families are healthy and safe. The country is experiencing an unprecedented situation because of this pandemic. We pray for speedy recovery for the people who are battling with the COVID-19 infection. We will continue to observe all COVID COPs and precautions, be sensitive to the human and social elements, build an environment of positivity and keep working hard as our bit in these difficult times.

May I start with the business environment that prevailed in financial year FY 2020-2021. It began with a nationwide lockdown imposed by the government to keep the pandemic in check, resulted in no sales in April 2020. We used this time to help produce and donate masks, ventilators and PPEs, of which we had no past experience. The lockdown resulted in severe cash flow challenges for the company's suppliers and dealer partners. The company immediately provided cash flow support to wherever it was required for sustainability of our suppliers and dealer businesses. Many companies in the industry who did not have surplus cash could not take such remedial measures.

When the operation began post the gradual ease of lockdown restrictions, the company faced the twin challenge of ensuring safety of health of all the people across its value chain and ensuring continuity of operations, to put the business quickly back on track. We accorded utmost priority to ensure the safety of health of all people across the value chain. The company collaborated with stakeholders and jointly prepared detailed standard operating procedures catering to specific needs of every member of the value chain partners. The company increasingly adopted the use of digital technologies wherever possible. The company also faced business continuity challenges due to supply constraints caused by both local and global issues, such as state-wise lockdown restrictions, global semiconductor shortages, natural disasters such as U.S. polar vortex and geopolitical tensions, among others. With meticulous planning, the company was able to manage the supply disruptions and could maintain the continuity of operations during the year.

As lockdown restrictions eased, non-urban markets became bright spots of economic recovery, and the company focused on those markets, leveraging the favorable conditions. The overall contribution of sales from the non-urban markets increased by 2.5% to 41% in year 2020-2021. During the year, consumer profiles also underwent some changes. Driven by the increasing need for personal mobility, the participation of first-time buyers went up. Also given the dip in economic activity and uncertainty about growth in incomes, customers continued to hold on to their existing cars, leading to lower replacement demand during financial year 2020-2021.

During the year, the customer acceptance towards environmental-friendly CNG vehicles increased. The increase in customer preference over CNG-led technologies made the company extend its CNG technology in Celerio, S-Presso and Super Carry. Despite overall sales of the company declining in domestic market was 7.8%, the sale of CNG vehicles grew by nearly 50%. Consequently, the CNG vehicle share, and overall domestic shares of company has increased to nearly 12%.

During financial year 2020-2021, the company with technological support from SMC launched new S-Cross with bigger engine capacity, along with Suzuki's flagship for Smart Hybrid powertrain technology. The company also launched a facelift of new Swift during the year, with advanced powertrain and safety features such as electronic stability program, hill hold assist function in the AGS variants.

During financial year 2020-2021, passenger vehicle market posted a decline despite the recovery in sales volume in the second half of financial year 2020-2021. The auto sector was witnessing a structural slowdown even before the pandemic struck. During financial year 2019-2020, the passenger vehicle industry witnessed its sharpest demand contraction in the last two decades.

During financial year 2020-2021, the pandemic further accentuated the contraction in sales volume in the passenger vehicle industry. Passenger vehicle demand in financial year 2020-2021 has just recovered to financial year 2015-2016 levels.

The company sold 29,556 units of Super Carry during the year, posting a growth of 35.7% in BS-VI regime .Company launched India's first gasoline with CNG powered mini trucks in the market, which is largely dominated by diesel vehicles. The customer liked the high power, low acquisition and maintenance cost offered by the Super Carry gasoline for CNG powered vehicles. As a result, the sale of Super Carry not only grew by 35.7% in 2021, but the company was also able to increase the market share in Super Carry segment by nearly 8% during the year.

In export markets, the pandemic impacted the company's sales during 2020-2021. Export sales volumes declined by 5.9%. Further during 2020-2021, the company reached a milestone of 2 million units of sales in export market since its inception in January 2021. The start of export shipment of Jimny created positive consumer sentiments in many export markets.

The price of commodities such as precious group metals PGM as we call it, steel and others increased suddenly and steeply throughout financial year 2020-2021. The forex movement also remained adverse during the year. Given the fact that demand for passenger vehicles was just recovering in the domestic market and due to the uncertainty in sustenance of the demand, the company undertook a cautious approach in raising the prices of the cars.

In the second half of financial year 2020-2021, despite favorable operating leverage, driven by increased capacity utilization, lower sales promotional expenses, reduced overhead expenses and price hikes taken towards the end of the year, the quantum of increase in commodity prices and lower foreign exchange movements still adversely impacted the operating margins in financial year 2020-2021.

Let me now come to the financial results:

The company for the quarter sold a total of 492,235 vehicles during the quarter, higher by 27.8% compared to the same period previous year. Sales in the domestic market stood at 456,707 units, growth of 26.7%. Exports were at 35,528 units, a growth of 44.4%. It may be recalled that in quarter four of the previous year, there was a significant decline in sales volume, largely owing to COVID-19 lockdown.

During the quarter, the company registered net sales of INR 229,586 million, an increase of 33.6% compared to same period previous year. The operating profit for the quarter was at INR 12,501 million, a growth of 72.8% over the same period previous year, on account of higher sales volume and cost reduction efforts, despite steep commodity price increase.

Net profit over the quarter stood at INR 11,661 crores, lower by 9.7% compared to the same period last year, owing to the above factors and lower non-operating income owing to mark-to-market loss on invested surplus.

Coming to full year:

The company's performance for 2020-2021 is to be seen in the context of COVID-19 related disruptions. The company sold a total of 14,57,861 vehicles during this period, lower by 6.7% compared to the previous year, and lower by 21.7% compared to 2018-2019.

In financial year 2021, the sales in the domestic market stood at 13,61,722 units, lower was 6.8%. And exports were at 96,439 units, lower by 5.9% compared to the previous year. During the period, the company registered net sales of INR 665,621 million, lower by 7.2% compared to that in the previous year.

Net profit for the period stood at INR 42,297 million, decreased by 25.1% compared to that in the previous year on account of lower sales volume, increase in commodity prices, adverse foreign exchange movement and lower non-operating income, partially offset by lower operating expenses and cost reduction efforts.

In line with the financial performance of the year and considering uncertain business environment, the Board of Directors recommended a dividend of INR 45 per share (face value of INR 5 per share) for FY 2020-21.

We are now ready to take any questions, feedback and any other observations that you may have. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Firstly, I wanted to know regarding current demand environment, because we have seen a substantial increase in COVID cases, has that had any kind of impact on demand sentiment in your view? Or this is more only transactional issues because of the lockdown? So, if you could comment particularly on rural and suburban demand sentiment also. And also on the supply side, if we should expect any kind of disruptions because of COVID or because of chip shortage.

Ajay Seth: Shashank, will you like to take this question or the first question, please?

Shashank Srivastava: Yes. On the question of the current demand, so the current demand seems to be holding out as far as fresh bookings are concerned. We have also substantial pending bookings. But yes, on the retail front, because there has been a lockdown in nine states so far, including Maharashtra, Delhi, Chhattisgarh, Jharkhand, MP, Rajasthan, Karnataka, Meghalaya and Mizoram, they constitute roughly about 35% of the monthly sales. So, in that sense, the retail might be a little affected in these areas. But as we go forward, the current levels of bookings and the inflow and the inquiries, it seems to be okay. Although I must hasten to add that the auto demand is very closely related to the sentiment, being a discretionary purchase. And if this COVID thing persists for a longer time, then obviously the sentiments of the consumer get negatively impacted. But we have to wait and see how long this situation continues.

Kapil Singh: Thanks. And on the supply side, if you can comment on the chip shortage

Ajay Seth: Rahul, would you like to go ahead on this, supplier of semiconductors?

Rahul Bharti: So, so far, we are operating on full capacity, we don't have any problem, supply chain is also working fine. So, we will keep monitoring in the supply chain because there are many, many factors. And we will report as and when if we foresee any problem.

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

Pramod Kumar: My first question is kind of continuing with what Kapil was asking on the demand side, can you please help us understand where were you in terms of the order book from dealers and inventory at dealers before these local lockdown kicked in? And any specific colour if you want to share about performance of the semi-urban and the rural pockets, especially your extended sales outlet, how are they performing in terms of how much of your sales network is up and running at this point of time? So, some color on those lines. That's the first question.

Shashank Srivastava: Yes. So, I think the question had two parts, I think basically enquiring about the network stock and also the factory stock, I think that is the first question relating to it. So, the network stock at the beginning of the month was around 32,000. And currently, it is about 85,000-90,000. So, that is as far as the stock, it is still less than what is our normal stock, which is usually 135,000 to 140,000. Is that the question or is there some additional information that you want?

Pramod Kumar: The additional information was, what is the current dealer order backlog what you are carrying?

Shashank Srivastava: So, the current pending bookings, which we have is just above 200,000. On the rural-urban, we saw, and it was, I think, reported in the press conference also, the rural growth last year was about 7%. And therefore, the overall increase in the rural contribution to the total sales was about 2.5%. So, from about 38.5%, it has now gone up to 41% in terms of contribution. Going forward, I think the rural demand still continues to hold, although in the Q4 of last year urban demand also came back strongly. But going forward, I think, given the kharif sowing being very good, the rabi crop also being very good and the monsoon is expected to be near normal. As of now, it appears that the rural would continue to see the upswing, which we have seen in the recent past.

Pramod Kumar: Thank you. And Ajay, this question is for you. If you can just help us understand, what has been the exact extent of price increases what you have taken in January-April? And how much of further commodity pressure is still lying with the company in terms of which has not been spiced out yet to the market? And related to that is the cost reduction effort outside of commodities what you are kind of undertaking, I am pretty sure you are working on all of these. And if you can just help us understand how meaningful they could be, and by when can we expect these cost reduction efforts to kick in?

Ajay Seth: So, we took an increase in the fourth quarter, which was partial because we had some extension of price protection for some period. But we did get an impact of some increase, but that increase was smaller, I think it was under 1%, between 0.75% and 0.8%, something like that for the quarter. And we have taken another price increase which was recently announced in the week of April, I think around 10th April, and that price increase, as we have mentioned in the stock exchanges is 1.25% average. So, that is what we have done so far. And I think the impact of fourth quarter price increase will fully also come in in the first quarter of the next year. And this new price increase impact will also come, if not for the full quarter, but most of the quarter. So, that is one.

Commodity, unfortunately commodity increase has been very, very steep. In the fourth quarter, and earlier also I mentioned in my last conference call that the bulk of the impact is going to come in the fourth quarter. So, commodity impact, if we were to look at commodity impact, it's almost close to what 400 basis points in this quarter, compared to last year same quarter. Even sequentially the impact is quite big because the impact was not so much in the third quarter as it is now. So, even think sequentially the impact will be slightly under 3%. Now, obviously, there are various things that we would do, price increase is what something we have done, but we are now working on our internal plan of mitigating the impact on seeing how we can reduce improvement of yield and how we can reduce consumption of some of these precious metals and kind of make up there. Plus, as I mentioned, these two price increases also will help in partially mitigating the impact.

So, these are various action points that we are doing. And we are hopeful at some point in time the commodities will stabilize, and you might also start seeing some reversal as well, where they can't indefinitely continue to keep rising. And we will take collaborative calls based on where we are at that point in time.

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

Kumar Rakesh: My best wishes and prayers for everyone on the call and their family members. My first question was for Ajay sir. So, on the margin front itself, so how much of commodity sequentially you said has already come through? And more importantly, what it appears so far is that our price increases have been trailing the commodity inflation which we are seeing. And in the next quarter, we will also have the ramp up impact of the new plant in Gujarat. So, would it be fair to expect that this decline in margin will likely continue at least for a quarter or two?

Ajay Seth: It all depends on what the volume offtake is. Because if situation continues like this and deteriorates, then, of course, there will be definitely an issue of operating leverage, including the new plant that is going to come in. But the kind of hit rate that we were having in the fourth quarter, we are hopeful that we will be at least doing this, and we will actually running short of supply as we had very low inventories at the end of the year. So, hopefully, I think, if things don't deteriorate from here and they start improving thereafter, we may see things looking up and operating leverage being much better. But if they don't, then of course there is this concern of the outlook. But it will also depend on one more factor that how much more headwind do we have on commodities, because the onslaught has still not stopped. We are also seeing some rise in prices even in the first quarter. So, if at some point in time they stop, I think then you will start seeing that reversal. So, it's difficult to predict at this time what will be the outlook, but margins can be volatile at least in the first quarter or the first half of this year.

Kumar Rakesh: Got it. Thanks for that. My second question was Shashank, so have you done any study, or you have any understanding or your thought process around how do you take a call between price increase and its impact on their demand versus the profitability which as a company you would want to maintain? So, far it appears that we have been very conservative in taking price increase, looking at the demand, but what kind of impact that can potentially do on the demand, do you have any price elasticity or some understanding of how that plays out vis-à-vis how much of profitability loss you are okay to take in this process?

Shashank Srivastava: Yes. So, basically when we look at the price hikes, we do look at a combination of factors. So, one of the factors obviously is to look at the elasticity of demand, which you mentioned just now, we have quantitative elasticities for different segments, because as you know, different segments elasticity to price hikes are different. Secondly, we also have to look at the volume part, because that is where the subjective judgement comes in. Because sometimes when you assume a certain volume, depending on the market situation, and there is no exact science to that, except that elasticity part if demand was only a function of price. And there is always, as you know a debate between what volumes we can achieve and how much profit we should look at. And somewhere there is a consensus which emerges that this is what is important. Sometimes the volume takes precedence, sometimes the profitability is also very important. But I think, given the sticky nature of the market in the last two years, we have been conservative in price hikes, mainly because we think, as a market leader, it is also our duty to kick start the industry overall. And that is why when the cost of acquisition has gone up in the last couple of years, we have really been very conscious of the fact that we need to protect the volumes as well going forward, not only for Maruti Suzuki but for the industry overall as well.

Moderator: Thank you. The next question is from the line of Yogesh Aggarwal from HSBC Securities. Please go ahead.

Yogesh Aggarwal: Ajay sir, you talked about operating leverage just now. But in the fourth quarter volumes almost touched 2 million on an annualized basis, so you still think there could be potential for positive operating leverage next year versus the fourth quarter?

Ajay Seth: No, what I am saying is that if you are able to use the third plant volume also, then you will be able to absorb the cost, that incremental cost that you are incurring there. So, while we had this constraint in the fourth quarter, otherwise we could have produced more and we could have delivered more, as you know our network stock was only 40,000 odd at the end of March. So, what I am saying is that if there is this demand pull, and we are able to produce high quantity, then the hit rate of the third and the fourth quarter, with a new plant coming in, then you can actually neutralize that additional impact that we have been talking about the fixed cost that will play in the current scheme of things. That is all. Otherwise, I think operating leverage has almost seen its peak in the third and fourth quarter.

Yogesh Aggarwal: Thanks. Sir, and the other thing is, just big picture. Suzuki talked about the mid-term plan in February, they talked about double-digit volume growth, lot more EVs in the next three, four years, but flattish margins from last year to FY 2026. So, in context of everything, would you be able to provide some clarity on what are the plans for India? And also, just a smaller point to that, you are now selling almost 6,000 cars to Toyota per month, so how do we see this over the next one, two years? And in terms of compensation, is there some sharing which can happen from a Toyota side in terms of larger vehicles?

Rahul Bharti: Okay. See, on the electrification and the net zero agenda, it's a large agenda. It spans not years, it spans decades. So, we have to configure our business according to that. As far as electrification is concerned, still despite many efforts by many stakeholders, the penetration is very low, it is not even 1% So, the fundamentals have to be addressed first, and the fundamentals are localization of key components that go into the electric car or the hybrid electric car. So, you are aware we are working on such localization of parts, we have a lithium-ion cell plant. So, we will work on the fundamentals and the moment we have a viable, scalable option and offering, we would of course like to scale it up. As regards Toyota, so far, we are doing about 6,000 numbers. As and when we have more avenues, we will let you know. But what I can certainly tell you is, the partnership is working well on exports, so we are able to leverage the network in Africa and countries like that, and our exports you would have seen it in the numbers. And future should also be positive on this.

Moderator: Thank you. Next question is from the line of Raghunandan from Emkay Global. Please go ahead.

Raghunandan NL: First question was to Shashank. On retail market share, would it be over 50% in FY 2021, if I also include the sales of Toyota? And also, global Suzuki had indicated in February that India market share, the aspiration is to hold on to 50% over the medium-term, if you can add some colour on efforts to sustain the market share.

My second question is, can you share the first-time replacement and additional buyer mix for a FY 2021? Also, by when would you expect some kind of recovery to pan out on the replacement demand side?

Shashank Srivastava: So, on your first question on the retail market share. As you know, this data is generally shared across in the industry. It's not a definitive data. However, from the current available information, Maruti Suzuki's retail market share is just under 50% on its own. And yes, if you add Glanza and Urban Cruiser to that number, it does cross in fact 51% for the financial year 2020-2021.

On the other question about the market profile, as far as the first-time buyer and the replacement buying is concerned, the first-time buying, as we have been repeatedly saying, has gone up by about 3.5%. And additional car buying has also gone up by almost the same percentage, it is about 3.6%. And the additional car buying is what has come down from I think 26.4% to 19.5%. So, the first-time buyer, going up from 43.4% to 46.9%, up by 3.5%. Replacement buying coming down 26.4% to 19.5%, which is almost 7%. Additional car buying going up from 30.1% to 33.7%. There seemed to have been a little bounce back in Q4 for replacement buying, but we find again in this month the replacement buying in that range of around 18%. So, I am not sure replacement buying is actually quite closely related to the sentiments, again, because people will tend to hold back to their older vehicles and not upgrade if they are not sure of the situation. So, I think it's difficult to predict when the replacement car buying will come down to the previous levels. But I think we did find that when the thing became a little more normal in Q3 and early part of Q4, the replacement buying was coming very close to that figure of 25%.

Raghunandan NL: Thank you, sir. That was very helpful. I had also asked, like global Suzuki had indicated aspiration to sustain 50% share over the next five years, and in the February presentation they had indicated efforts on SUVs, CNG and strengthening of sales infrastructure. So, if you can add some colour on efforts to sustain that 50% or the dominant mark over the medium term? Thank you.

Shashank Srivastava: Yes. So, I think that 50% is sort of a figure which we look at whenever we are looking at industry size and how much is the projections and what Maruti needs to do to attain that sort of market share. So, if there isn't any indication, if you look at figures for last year, for example, 2020-2021, the market share for Maruti Suzuki in the passenger car segment, which is A segment, is almost 63%. In C, which is the van segment, it is now 97.3%, up by 7.7%. In MPV, the market share is 56.9%, again, up by 7%. So, without the SUV the market share is 64%, it is up by 1% over last year. However, when you look at the overall picture with the SUV, and that is where I think the issue is, our market share is just 13.2%, although we are the market leader by far, as far as the entry SUV is concerned. In the mid SUV, I think the S-Cross' performance has been suboptimal. That is where our market share gets pulled down from 64% without SUV to 48% last year, if you include the SUV. So, I think it's clear, we need to focus on our products plan in that segment. And we are obviously looking at those white spaces, and also those red spaces I keep talking about where our market share is low. But also continuing our dominance, including in the fuel efficiency and the part where CNG has come out as a very good option. As was being mentioned by Ajay Seth in his opening remarks, CNG has also proved to be a great source of good market share for us. So, I think these are some of the factors which we take into account. And obviously, it has to be backed up not only with product plans, but with our network expansion as well, which we continue to do, and in our overall plan so that we keep the high market shares, which was indicated in the Suzuki's press conference.

Moderator: Thank you. Next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: Sir, first, can you share some data points on discounts, export and spares revenues?

Ajay Seth: Pradeep, can you give the numbers, please?

Pradeep Garg: Yes. So, discounts this quarter were at about INR 16,600 per vehicle. And export sales were about INR 1,745 crores.

Jinesh Gandhi: And spare part sales?

Ajay Seth: We normally do not give this guidance of spare parts separately, Jinesh. We just got a consolidated number. The breakup is available in the annual report, so you can get an idea from there.

Jinesh Gandhi: Sure. I will wait for that. Sir, just to clarify, you said price increase benefit in fourth quarter was about 0.75% to 0.8%, so that is the volume weighted price increase, which you are indicating for fourth quarter.

Shashank Srivastava: Yes. So, I mentioned that this is the kind of price increase that will slip in into the next year. And this increase was partial in the fourth quarter, I think it was there for two months and not full three months. Two and a half months, I think, 15 days we had some price protection scheme that worked. So, you will get it for that period. And further to that, we have had another price increase in April, so that's in the vicinity of about 1.25%, as I mentioned, on an average.

Jinesh Gandhi: Okay, got it. And lastly, with respect to the RM cost inflation, based on the current spot prices or residual impact, which is still pending, what is your assessment of further impact which could be seen in 1Q on RM cost basis?

Ajay Seth: We see some more impact in the first quarter because the prices of both steel as well as rhodium and palladium are elevated from the levels that we have seen at the closing of the fourth quarter. Because please remember that our prices are with a quarter lag. So, what you will see in first quarter will be the fourth quarter prices, and what you will see in the second quarter will be the first quarter prices.

Jinesh Gandhi: Right. But would it be as much as what we have seen in fourth quarter?

Ajay Seth: No, it may not be as steep as you have seen in this quarter, this quarter was like absolutely unprecedented. But I think there will be some increase, we can't put a number to it as of now, but there will be some increase as indicated by supply chain that the steel makers have sought increase as well as rhodium and palladium prices have gone up on the levels where they closed last.

Jinesh Gandhi: Okay. And lastly, any update on re -entry into diesel considering diesel continues to be preferred fuel in SUV category?

Rahul Bharti: So, we had always mentioned that we are keeping the flexibility of that option, depending upon the market conditions and how attractive it is. But let me caution you, the regulatory roadmap for diesel is going to be very, very tough and uneconomical going in the future. We had BS-VI, after BS-VI we have RDE, after RDE we have conformity factors which are getting more and more stringent. So, we have to keep that in mind.

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

Pramod Amthe: This is with regard to the digital initiatives which you had taken. Considering that the COVID disruption seems to be more repetitive in sense, so where did you end the sales pull from the digital marketing? What proportion you have been able to source by the quarter? And also, are there any more initiatives expected in the coming year to make it a more sustainable going forward?

Shashank Srivastava: Yes. So, as far as the total enquiry levels are concerned, the contribution last year was about 35% on the digital platform. The contribution towards booking and also in terms of retail was 8%. Going forward, we are expecting it to go up further. And as a result, we have been strengthening our digital platform, exactly going by what you just mentioned, we expect not only this disruption to continue often. But also, going forward, even after the disruptions are over, you will find that the consumer preference to come on the digital platform across the country would increase. So, we see it as an irreversible trend and that is why we have strengthened it so much over the last few years.

Pramod Amthe: Sure. And my second question is with regard to the chip challenges. Even though you guys have been able to manage the supply chain on the chip side, what is your outlook or what are you feeling in terms of the pricing trend for chips? And do you see a risk of that price hike coming through in the coming months?

Ajay Seth: So, there are challenges, Pramod, on semiconductors, the situation is uncertain. We have taken whatever measures we could take in terms of ensuring alternate suppliers or rejigging the model mix, etc. Whatever it was under our control, we have done that. But moving forward, with the current condition of COVID, etc., how will it pan out, what will happen is difficult to predict. So, far, we have been able to manage it. But it's very difficult to give you an answer and assurance on whether it will be seamless or there could be some disruption. So, it will depend on how these suppliers behave, because obviously some quantity is getting shifted to priority, and therefore the production has come down for auto. But I mean, it started happening quite some time back, we have been able to manage it so far. Let's see and if there is any problem then, of course, we keep communicating from time to time.

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

Sonal Gupta: I had a couple of questions. One was, could you share the retail volumes for the fourth quarter?

Shashank Srivastava: For Maruti Suzuki?

Sonal Gupta: Yes sir.

Shashank Srivastava: So, of course, these are like shared figures, so these are obviously approximate figures. So, this year Q4, the retail for Maruti Suzuki was about 419,000.

Sonal Gupta: And sir, would you be able to share what was the share of top 10 cities and top 11 to 20 in the full year sales?

Shashank Srivastava: Yes. So, top 10 cities, it is I think 34% was the top 10 cities share. So, city wise, first to 10 if you look at the total retails in the industry contribution of top 10 cities is 34.9%; for 10 to 20 it is 12.2%; for 20 to 40 it is 14.6%; and all the rest is 38.3%.

Sonal Gupta: Right, that's very helpful. And sir, could you share how the overall customer mix has moved over the year? I mean, has the share of salaried employees gone up, government employees gone up? So, any share of the customer mix that you can give on how that was changed for the year?

Shashank Srivastava: Yes. So, we did see the salaried customer going up a little bit, about 2 percentage points. Largely the government salaried class going up. So, if you look at the complete year, then I will just give you those figures as well. By occupation, salaried customers for 2021 went to 45% - 46%, slightly up; government was up to a little bit. And over the years, if you want, then the salaried customer were roughly 44% 10 years back, but they had gone up to almost 47% in 2017-2018, and last year it was 49%. Government customers out of these 25%, 10 years back was about 22%, 2017-2018; 24% last year, so it was up to 3%. Private salaried customers are also up 2%. Business customers were down, so business customers which are normally 33% came down to 28% last year, mostly shop owners, in fact across all categories, trading, transportation, contractors. And self-employed came down 1%; but the others, which is basically retired and housewives and other people, they were consistent, in fact, went up slightly to 11%.

Sonal Gupta: Okay. Sir, thank you so much for this data point. And just my last question on what is the investment in the third line at Gujarat, could you sort of share that number?

Ajay Seth: Immediately we don't have that information, we will get back to you.

Moderator: Thank you. The next question is from the line of Ronak Sarda from Systematix Shares. Please go ahead.

Ronak Sarda: Sir, my first question is on the supply chain side, I mean, I understand we are able to navigate the chips side, but the capacity constraints are impacting our wholesale or inflating to the increase in order book at dealer level. So, any thoughts on realigning the capacities to better selling model over the next one or two years? Or will that help us improve our retail sales versus the wholesale, sir?

Rahul Bharti: So, the third plant at Gujarat has just become operational. And after a ramp-up, it will be ready to generate about 250,000 per annum. And we will keep watching the situation, there would be some productivity stretch also that might be possible. It's always a very difficult question, we have to balance between overcapacity and unserviced demand. So, the ideal condition, of course, is close to 100% utilization. But this plant will give us good volumes.

Ronak Sarda: And have we decided will this be mainly servicing towards Baleno and Brezza demand, can you highlight?

Rahul Bharti: These days plant capacity is mostly flexible across models.

Ronak Sarda: And the second question is to Shashank. Sir, I understand the Vitara Brezza is more of the real SUV versus the competition, which is more of a crossover or a car structure in SUV shape. One, does the customer understand the difference between riding a real SUV versus, let's say, more of a crossover product? And second, is there a cost advantage to launch a product similar to competition? Does that take care of a price point at a lower level?

Shashank Srivastava: I am not sure what your question exactly is. Is the question about that can the customer distinguish between crossover and pure SUVs?

Ronak Sarda: Right. So, like Brezza is a derivation of the Grand Vitara, so the suspension or the ride feel is more like a real SUV or the larger SUV versus, let's say, the competition.

Shashank Srivastava: Yes. That's right. So, the short answer is, yes, I think the customer does distinguish between the two. However, this SUV customer in India is a little different from what you find in Europe or Latin America, or U.S., in the sense that ours is largely a two wheel drive. So, it's not used really for off-roading. But the stance of riding that it provides, the big ground clearance, the larger tires, those are the things which the customer is looking for in an SUV. And I think the customer is able to distinguish between a crossover and the SUV.

Ronak Sarda: Right. So, the related question is, when do you see there is a price point to launch a more of a cross-over product? I mean, is there opportunity to launch, let's say, a similar looking product at a lower price point because you have removed certain features of a real SUV. So, is there a thought process to launch similar products?

Shashank Srivastava: So, I think as far as product plan goes, the real saving in terms of entry SUV in India, whether it is a Sonet or a EcoSport or Nexon or a Venue or a Breeza, or Urban Cruiser or XUV300 is really the size of the vehicle being four meter below, rather than those other functionalities of SUV that you are referring to. And the second point, yes, as far as one of the product planning principles is, given a platform, if you can build a SUV-ish like a vehicle, yes, the common components always lead to more localization and also bigger cost advantage. So, yes, the opportunity does exist in that direction.

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

Binay Singh: In the past calls, we have often talked about SUVs, Suzuki has also talked about importance of SUVs. Yet over the last few years we see Maruti losing market share on that side. So, could you talk a little bit about what are you planning on the product side? Do we see the company doing something to address that gap in this financial year? Or is it more like a longer-term aspiration to address the SUV gap that something comes out in the next three, four years? So, could you talk a little bit, I know you won't talk about specific products, but could you share something maybe on the timeline by which you expect sort of a more fuller SUV portfolio?

Shashank Srivastava: So, I think, yes, I did mention it, that as far as retaining that large market share, one of the constraint seems to be our current market share in SUV segment seems to be low. However, I must say that if you further dissect that in the entry-SUV, of course, we are the market leaders with Brezza. So, is it a mid-SUV? Premium-SUV segment is actually very small, contributing to just 0.8% of the overall sales. Whereas the entry-SUV and the mid-SUV which are larger, 16.4% entry-SUV and 14.7% mid-SUV. In the mid-SUV, our market share is actually quite low, even though Brezza is a leading in the entry-SUV. In the mid-SUV we have the S-Cross, which we recently launched with a new engine in August. And I think it has given us suboptimal numbers so far, which we intend to increase in the coming years. Of course, as far as the overall product plan for SUVs is concerned, as I mentioned, we keep looking at those red and white spots. White if there is an opening, red where we are poor. So, yes, we will have a product plan, but I am really constrained, I really can't speak about the future product plan in that segment. But yes, we are cognizant of the fact and we are looking at this segment very, very carefully. And definitely we will see some action there.

Binay Singh: Okay. And lastly a question, like Rahul mentioned that the company, in fact, is working on localizing some of the battery parts on the hybrid or on the EV side. Could you give a little bit of an update on when do we see the first set of battery packs coming from that facility?

Rahul Bharti: The facility is already doing test production. So, commissioning is over, it's doing test production.

Binay Singh: So, is it fair that this will basically first go into the hybrid that we will launch closer to the CAFÉ rollout?

Rahul Bharti: See, we don't have much EV volumes as of now. So, at least we have volumes in mild hybrids to start with. So, we have to maximize our volumes. So, we will work according to that.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. On behalf of Maruti Suzuki India Limited, that concludes this conference. Thank you all for joining. You may now disconnect your lines.