

Transcript

Conference Call of Maruti Suzuki India Limited

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Presentation Session

Moderator: Ladies and gentlemen good day and welcome to the Maruti Suzuki India Limited Q2 FY2018 post results conference call hosted by Batlivala and Karani Securities India Private Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance during the conference call please signal for an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is recorded. I would now hand the conference over to Mr. A. Jayaraj from Batlivala and Karani Securities India Private Limited. Thank you and over to you Sir!

A. Jayaraj: Thanks Stanford. Good evening everyone. On behalf of B&K Securities, I welcome you all to 2Q FY2018 post results conference call of Maruti Suzuki India Limited. We are delighted to have with us today the senior management team from Maruti Suzuki India Limited. I now transfer the floor to Mr. Nikhil Vyas to take the proceedings forward. Over to you Mr. Nikhil!

Nikhil Vyas: Thank you Jayaraj. A very good afternoon to all of the participants. 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, Senior Vice President - Mr. Pradeep Garg and Vice President - Mr. Sanjay Mathur from Finance. The con call will begin with a brief statement on the performance and outlook of our business by our CFO 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 the uncertainty and the risk that the company faces and I would like to inform you that this call is being recorded and our 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. At the onset, I am happy to share with you that our newly launched Dzire has achieved the fastest 1-lakh sales mark, a distinctive feat in the Indian automobile industry in just five and a half month since launch. Also, the recently introduced refreshed version of S-Cross is being received well by the market. While this is a positive encouragement to us, the Company's constant endeavor would always be to delight customers with exciting offerings in future as well.

During the second quarter of the current financial year, domestic passenger vehicle industry posted a growth of 13.4%. The Company could once again outperform the industry and posted a growth of 18.8% during the quarter. Petrol vehicles continue to gain traction. The Company posted a growth of 25% in petrol models. Despite the capacity expansion for the models with a long waitlist, the demand continues to be strong. Notably, the sales for Baleno and Vitara Brezza in the quarter grew by 85% and 47% respectively.

While the first half of the fiscal witnessed a growth of 15.6% though on the low base, the full-year growth would be limited by overall capacity.

This was the first quarter post the implementation of GST. The advanced preparation done by the Company along with its partners helped in the smooth transition to the new taxation regime.

One of the important factor in the second quarter of the current financial year was the highest ever sales of 492,118 units. The net sales and profit at Rs. 214,381 million and Rs 24,843 million registered a growth of 21.8% and 3.4% respectively over the same period last year.

Higher volumes led economies of scale, increase in the share of higher segment models and material cost reduction initiatives together contributed to profit. This was partially offset by adverse commodity price movement, higher advertisement cost, lower non-operating income and increase in effective corporate tax rates.

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

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin with the question and answer session. We take the first question from the line of Pramod Kumar from Goldman Sachs Securities. Please go ahead.

Pramod Kumar: Thanks. Sir my first question pertains to your revenue line, we observe that if one looks at the overall realization, which is basically the net revenue and the other operating income included on an sequential basis we have seen that there is a slight reduction in the net ASP so just wanted to understand given the very strong mix led by Baleno, Brezza and the lower contribution from Alto Wagon R this is a bit surprising so if you can help us understand this whether it has got to do with anything on the GST side or on the spare part side or on the export where there have been probably a slippage so if you can provide color on that, first?

Ajay Seth: Let me first explain you that the realization per vehicle has gone up and not gone down both for domestic and exports so realization per vehicle Q1 of this year was at Rs. 393,219 which has gone up to Rs. 399,070. The only difference you see is that the operating income has actually come down because there was a one-time sort of a write back in the last quarter.

Pramod Kumar: I understand that but even if adjust for that it is like just to I am looking at the numbers otherwise I think on the other way would be if you can share the corresponding export number for Q1 and Q2 and also was there any impact on the spare part sales this quarter vis-à-vis GST implementation?

Ajay Seth: Only to the extent that earlier when we were accounting for spare parts sales, it was the excise element was part of the sales value but now after GST the entire GST will be removed from that line which means the excise will not be counted as part of the sales value. Perhaps when you are looking at both vehicle spare parts put together there will be a difference because in Q1 the sales is including the excise value whereas in Q2 the sales is without excise value.

Pramod Kumar: I am sorry to interject but we are looking at the net ASP here ex of excise or GST so it is kind of a like-to-like numbers when you look at the net revenue number?

Ajay Seth: In case of spare parts you will not even see the excise duty value separately because it is part of the sales value. It is embedded in it. Whereas in case of vehicles, excise duty value was separately shown as a line item. Post GST implementation, the GST value is not included in the sales value of spare parts.

Pramod Kumar: Okay and export revenue for the quarter?

Ajay Seth: Export revenues Rs. 1,565 Crores for the quarter.

Pramod Kumar: What was it for 1Q if you have the number handy?

Ajay Seth: Rs. 1,166 Crores.

Pramod Kumar: The second question would be on the tax side again, a clarification. There has been a bump up I understand that is probably got to do with the slippage in the treasury income so if you can guide for that as to where do you see it on a full year basis the tax rate for FY2018 and even probably 2019 and 2020, will it be the same for 2019 at-least?

Ajay Seth: I think we will end up at about 29% effective tax rate. Now the difference between last year and this year is essentially the three items. Last year we had an investment allowance on plant and machinery which gave us a tax shield to the extent of our investment in plant and machinery and second was the R&D benefit was at 200%. This year it has been reduced to 150% and of course the third you asked is about the tax shield. There was a significant tax shield available last year compared to this year. So these are the three broad reasons for the tax rates going up this year. And our internal assessment is that we will be at about 29% effective tax rate for the year.

Pramod Kumar: Finally on the cash limits I mean the cash and cash equivalent at the end of first half of this fiscal year?

Ajay Seth: Rs. 26,000 Crores.

Pramod Kumar: Thanks a lot and I will come back in the queue. Thanks a lot.

Moderator: Thank you. We take the next questions from the line of Aryn Pirani from Deutsche Bank. Please go ahead.

Aryn Pirani: Thanks for the opportunity. Sir my first question was on your raw material cost despite seeing an increase in commodity costs as well as the increasing share from Gujarat, we would have expected raw material in 2Q to be higher than 1Q but actually that has not happened so is it more of a timing issue on the commodity cost or is it some other internal improvements that you are doing that we are missing because of which the commodity cost had actually surprised positively?

Ajay Seth: Okay so between Q1 and Q2 the commodities have actually not gone up. There has been a slight reduction because we got the benefit on reduction in rubber prices, so that is one and the other commodities have been where they were in Q1. Other than that we do a normal cost reduction program, which had given us significant benefit in the second

quarter. So the combined effect of that you see the raw material cost to net sales ratio being better in Q2 compared to Q1.

Amyr Pirani: Sir looking at how commodity have moved since and you know based on what you forecast for the coming whatever three to six months what would be the directional movement in raw materials according to you?

Ajay Seth: We believe that commodities are likely to go up from these levels. We already have seen certain trends in few commodities like copper etc., where we have seen rising trend. Steel which is the a major commodity, so far we have been able to maintain price for the first half but we are likely to see some increase in even steel prices in the second half.

Amyr Pirani: Sir lastly, just wanted to get a sense as to what is your reading of the retail sales for this festival season over the last festival season and obviously your waiting period new models are obviously doing very well but as a whole portfolio how has been the festival response this year versus last year, if you can give some color?

R.S. Kalsi: You see the festival season has to be seen in one context that last year we had all the three major festivals like Navratri, Dussehra and Diwali concentrated in the month of October alone while this time these were split between September and October so we will have to see September plus October put together so though October we have another five days where retail will happen but so far if you compare these two months together then we are at a double-digit growth on wholesale as well as on retail so I can say that festival season is in line with our expectations.

Amyr Pirani: That is helpful. Thank you for the opportunity.

Moderator: Thank you. We take the next question from the line of Chirag Jain from SBI Cap Securities. Please go ahead.

Chirag Jain: Thanks for the opportunity. Sir just wanted to understand with respect to capacity you mentioned that so far we have seen 15% growth but in the second half there could be a limitation with respect to the capacity, especially in the context of the fact that we have already started the second shift at Gujarat plant so update on capacity and also the second and third line by when they would be operational at Gujarat plant so just want an outlook on that?

Ajay Seth: I think in the first quarter we mentioned that we have limitation of capacity, we will have a capacity of 1.55 million in Haryana between Gurgaon and Manesar. We will be doing about 150,000 cars from Gujarat this year, which is a going to be ramped up to 250,000 as we move to the full capacity next year. Now as far as the second plant is concerned, it would be ready in the early part of 2019.

Chirag Jain: That is it from my side. Thank you.

Moderator: Thank you. Will take the first question from the line of Ashutosh from Equirius Securities. Please go ahead.

Ashutosh: Sir, if I look at the balance sheet, the other current liability have increased from Rs. 1,825 Crores to Rs. 4,056 Crores is there any reason behind that?

Pradeep Garg: It has gone up mainly on account of the GST liability, which are paid off on the 20th of the next month. So 28% GST and cess that has gone into the current liability.

Ashutosh: Okay and sir receivables also increased from Rs. 300 Crores to Rs. 1,900 Crores?

Ajay Seth: I think receivables are within the normal cycle of between one to ten days which we monitor and this will depend on what wholesales we do in that particular month and retails, so there will be some variation that you will see in receivables in each month depending on festival season or normal season etc.

Ashutosh: Ok sir can you share the discount number for the quarter?

Ajay Seth: We were at Rs. 15,200.

Ashutosh: Thanks for that.

Moderator: Thank you. We will, take the next question from the line of Kapil Singh from Nomura Securities. Please go ahead.

Kapil Singh: Congrats on a good set of numbers. A few housekeeping questions; firstly Gujarat production how much was it for the quarter?

Ajay Seth: 34,000 units.

Kapil Singh: Okay and how much is it running at currently?

Ajay Seth: Now we are doing 10,500 a month.

Kapil Singh: So second shift is going to ramp up slowly is it?

Ajay Seth: I think we will eventually move to a stage where we will be doing at the rate of slightly over 20000 a month.

Kapil Singh: Okay and by when do we hope to achieve that?

Ajay Seth: In the last quarter, I think we should be hitting that number.

Kapil Singh: Secondly how much was the royalty expense for the quarter?

Ajay Seth: Royalty was at Rs. 1,144 Crores.

Kapil Singh: Capex?

Ajay Seth: Capex was Rs. 1,458 Crores.

Kapil Singh: Okay so that is a bit lower than what we are guiding for the full year?

- Ajay Seth:** Our guidance for the full year remains at about Rs. 4,000 Crores and there are certain items that will get incurred now in the second half, there was a full plan that was discussed in the board meeting today, guidance remains at Rs. 4000 Crores.
- Kapil Singh:** Sir where would be the inventory levels would be now after the festive season?
- Ajay Seth:** At the end of this month the inventory is in the network would be further down by about 20%.
- Kapil Singh:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Jay Kale from Elara Capital. Please go ahead.
- Jay Kale:** Thanks for taking my question. Sir my first question was with respect to your first time car buyers. How are we seeing that trend going and especially in the new models like Dzire have you seen substantial increase in the first time car buyers for this higher end models and one or two years back there was this thing of latent demand for first time buyers. Are you seeing that the complete historical highs of first time car buyers being reached already?
- R.S. Kalsi:** Well, you are asking this with respect to Dzire so in Dzire currently about 50% of the customers are there who are first time buyers. It is not the first car in the family but as an individual the guy is buying for the first time. So, lot of people on account of easy finance availability, are looking at the EMIs and not on price. So they are skipping certain entry-level models and straightaway coming to entry-level sedans. So with respect to Dzire it is about 50% and that is the average figure in the portfolio as well.
- Jay Kale:** So we are already at 50% and what could have been say two three years back are we at the historical highs in terms of first time car buyers?
- R.S. Kalsi:** It was around 42% or so.
- Jay Kale:** Okay so we are about that. Secondly on the fleet sales in the government employee share how has that moved say in the quarter and what would be the proportion of that currently?
- Nikhil Vyas:** The government employee sales is somewhere around 20% what we are seeing in Q1 also.
- Jay Kale:** Okay and the fleet sale?
- Nikhil Vyas:** Fleet is in a lower single digit.
- Jay Kale:** Thanks and all the best. That is all from my side.
- Moderator:** Thank you. We take the next question from the line of Sonal Gupta from UBS Securities. Please go ahead.

Sonal Gupta: Sir thanks for taking my question. Good afternoon to you all. Sir most of the questions are answered but just to clarify again on the government so for you the demand momentum has been extremely strong I mean clearly driven by new product launches as well but how do you see the overall market and also I mean this government employee share has sort of stabilized it seems because I think last year itself it was at 20% so have we not seen more pick up on that side I mean I guess as more states also implement that?

R.S. Kalsi: See when you talk about the share as a percentage so even the overall portfolio we have had a growth of about say now 18.8% in the Q2 so if the base itself has moved up by say 18.8% and out of that 20% share is that of government employees so that means in the absolute numbers it is increasing, that is one part. The overall market you are asking about so may be competition has grown by about 8% we are at 18.8% for Q2 and arrears on Seventh Pay Commission are pouring in and car buying is about a decision that where a guy gets an arrear and immediately he starts going out to buy a car. He takes sometime to discuss with the family so it is having a gradual impact and I would say that the growth is quite robust and now the Seventh Pay Commission arrears will come to professors and lecturers as well and the state governments also giving that so we see positivity in this segment moving forward.

Sonal Gupta: So basically what I was also trying to understand so if this share is constant then there are some other segments also which are growing very rapidly so are we seeing like all across the board very strong demand is that the way to look at it?

R.S Kalsi: Rural has grown by about 22% on account of the good monsoon last year and a fairly good monsoon this year as well. Of course there might be some pockets where people are saying, MET Department is saying there has been some deficiency but overall sentiment is good and a rural markets are also giving positivity.

Sonal Gupta: Right Sir. Sir just last question my side on just a True Value side I mean we are sort of scaling up that significantly but given where the GST rates are, how has that sort of panned out? Is that a negative or are we still seeing good traction on the used car segment and what is the strategy there?

R.S Kalsi: Well we are able to sustain our numbers that is one point. Of course GST impact is there on whatever is the value addition between buying price and selling price, the differential would be taxed at a rate at which new cars of that segment or that category are being taxed so the burden has increased on the customer on that account but certainly we are putting efforts in order to enhance value for the customer in terms of his experience, we are setting up new True Value counters and trying to give as good as an experience to the customer at the True Value showrooms as a new car customer gets, we are introducing the digital technologies there and we are focused on enhancing the quality of the car, certification of the car in a very strict manner giving company backed warranty on that. So lot of initiatives we are taking where customer feel that, yes, it is worthwhile paying that kind of price for a True Value car.

Sonal Gupta: Great Sir. Thank you so much.

Moderator: Thank you. We will take the next question from the line of Sahil Kedia from Merrill Lynch. Please go ahead.

Sahil Kedia: Thank you for the opportunity. Most of my questions are answered. I have one question. One we understand that your Gujarat plant was running on a single shift basis till now and you are now started second shift. Is it possible for you to give us a sense of how much that would have impacted or is the cost structure very different in Gujarat today., My second question is that the discount number that you have shared suggest that they have come down but still are almost at a Q4 level considering that larger number of your products are now on waiting or have nil discounts I am just trying to understand does this imply that the discounts on the entry level cars have actually gone up? If yes then how should we think about those discounts, so your average does not seem to be falling quick enough?

Ajay Seth: You are talking of a period when we had a variety of festivals, where a lot of schemes are launched and also there was a transition that happened during this period from previous regime to GST and also you know discounts will keep varying from model-to-model depending on what the requirement of the market is. So we have also said that discounts have come off a little bit from where they were but there will be a requirement depending on which model needs what kind of discounts, so it is difficult to pin point and quantify what the level of discount have to be given to a model. It depends on again for the market demand, where we should position it and how much discount we should offer. Based on that how the schemes are worked out each month.

Sahil Kedia: My first question is on the Gujarat and profitability there Sir?

Ajay Seth: See we have always said that we look at blended cost and blended profitability; we have done a significant job in terms of reducing cost. Gujarat cost we have always said that we are very tightly controlled. Virtually the material cost is same as ours except for that there is some material that needs to be transported there from Haryana because we have not got all the vendors in Gujarat at this point in time but progressively over next three years we will have all the vendors who would be in place there and then even this logistic cost will almost become negligible. So in terms of parameters in Gujarat we are fully controlling all cost including the overheads and the material cost

Sahil Kedia: So Sir is it right to say that your material cost reduction is despite a fact that there has been some I would say adverse impact or some higher costs in Gujarat because of the low utilization is that fair to say?

Ajay Seth: That is what, what happens is when you looking at material cost, the complete bought out cost of Gujarat is loaded into it so it is not only material cost, it is also overheads, which are loaded into the material cost because we are buying a completely built unit from there. So the entire cost is loaded into it and therefore material cost as a comparison to last year will be higher because of that reason but the other initiatives is that I mentioned about cost reduction, about product mix etc., these are different in terms of where we are now.

Sahil Kedia: All right Sir. Thank you this is very useful. Thank you Sir.

- Moderator:** Thank you. We take the next question from the line of Kumar Rakesh from BNP Paribas. Please go ahead.
- Kumar Rakesh:** Good evening. Congratulations on a strong Q2 results. Thank you for taking my questions. My first question is you have talked about cost reduction program. Can you share some more details about that? How much more benefit and when could you expect this to be coming from that going ahead?
- Ajay Seth:** It is like an ongoing program that we have every year, and our effort is that through value engineering, localization we try to reduce the standardization we try and reduce cost as much as we can. And this is a standard program and target and we done every year so that if there is any deterrence like commodity price increase or foreign exchange fluctuations, we are able to control our cost through these initiatives. So it is a significant program and the impact of that is visible in the material cost to net sales ratio as we see.
- Kumar Rakesh:** Understood. And your margin is now back to the levels where it was last year this quarter so will it be fair to assume the headwinds from Gujarat plant ramp up is now behind us?
- Ajay Seth:** Gujarat plant partial impact you can see in the first half but Gujarat plant is not fully ramped up so there could be some incremental impact because I mentioned logistic cost in Gujarat is higher because we are transporting a lot of materials from here to Gujarat so that is one part and the second part is some caution that we would like to give on commodities because we believe commodities are looking to go up and there could be slight impact on commodities.
- Kumar Rakesh:** Thanks for that Sir.
- Moderator:** Thank you. We will take the next question from the line of Aniket Mhatre from Haitong Securities. Please go ahead.
- Aniket Mhatre:** I just wanted to understand whether you get some more input credits from some services or other exemptions, which is captured, in the revenue line item, which was not there previously. I mean trying to understand why this realization number that we see is not or rather the average realization has not increased as much as it should have increased year-on-year?
- Ajay Seth:** Let me explain the reason to you. In case of vehicles there is no change because vehicles, we were only showing excise duty for the purpose of grossing up as per the requirement but net sales is also clearly visible. And everything was calculated based on net sales; however, in case of spare parts, the sales were including excise duty because excise was part of the sales value. Now that excise duty has now been removed because it has been replaced by the GST the entire GST cannot be shown as part of sales. So the entire amount of excise duty is now removed from that sales value and therefore you see lower sales value because of the removal of GST from it.
- Aniket Mhatre:** Okay apart from this spare parts adjustment no other adjustment is that is a fair understanding?

- Ajay Seth:** No there is no adjustment that is about it.
- Aniket Mhatre:** Sir my other question was relating to a product mix capacity, although you have indicated the 1.5 million capacity and also the Gujarat facility you obviously produced far more in times of high demand months through debottlenecking exercises so I just wanted to understand what is the achievable production rate for the full year if you can guide us to that?
- Ajay Seth:** I think we would be stretching to about 1.7 million.
- Aniket Mhatre:** That is about it. Thanks.
- Moderator:** Thank you. We take the next question from the line of Jinesh Gandhi from Motilal Oswal. Please go ahead.
- Jinesh Gandhi:** Sir, my question pertains to the government employee's share of vehicle sales. Do you see risk to this demand segment because of the ongoing EV debate at the government level that they had started procuring for government usage through EESL; do you see that as the risk?
- R.S Kalsi:** Well there are two categories of purchases of the government. One is say where the vehicles are purchased directly from the Govt. budget, you know this is under the government project, and there are other which are purchased by the government employees per se. So when we say 20% share, it is the government employees who take their vehicles on the basis of their independent decision so they are under no compulsion and I would like to say that our portfolio is a portfolio of choice for them because we offer a wide range of vehicles right from say 800cc right up to Ciaz and S-Cross plus our widespread service network, government employees do get transferred to remote locations. So, thanks to the 3200 workshops including that in the remote areas, it is something which no other OEM can provide them. So these are the two basic factors, which make car portfolio very attractive or Maruti Suzuki brand very attractive for government employees and we expect that we will continue to enjoy this support from them in the times to come.
- Jinesh Gandhi:** Understood. Secondly question to Seth Sir you indicated that commodity prices could impact second half because of the current inflation any sense on what kind of inflation could we see based on the current commodity prices because more or less commodity prices has gone up between 10% and 20%?
- Ajay Seth:** So one will have to see how it is stabilized but if the trend is what it is at this point in time then the impact could be bit steep and also we have to watch where the steel prices get settled because that is almost half the commodity that we deal with. But especially things like lead, copper, zinc everything has gone up from previous level. Just to give you an indication the commodity prices from last year till now have risen by almost 200 basis points. This is an indication I am giving you. I do not know where will it be where will it settle but there could be some impact if the commodity prices keeps going up the way they are going.
- Jinesh Gandhi:** Great. And have you taken any price increases in H1?

- Ajay Seth:** No we haven't.
- Jinesh Gandhi:** Okay and this kind of commodity price inflation continues you might be forced to take one?
- Ajay Seth:** I mean we will have to internally review. Our first endeavor is always to look at our own internal efficiencies before taking a call or any increase.
- Jinesh Gandhi:** Okay understood. And last question on the hybrid diesel of Ciaz and Ertiga. How has been the impact on demand post GST? Are we seeing a material shift towards petrol or demand for hybrid diesel is under severe pressure?
- R.S Kalsi:** Yes, there is a certain shift towards petrol now because the prices of hybrid have gone up (around Rs 80,000), so customer makes his/her own choice on the basis of cost to value equation. Nevertheless, earlier in Ciaz 70% was hybrid and 30% petrol. Now the trend has reversed now its 32% hybrid and 58% petrol. Similarly on Ertiga, which has commercial application as well, there the shift, is not so huge it used to be again 70-30 now it is stabilizing at say 50-50. The point is yes customer's bias is towards petrol now on account of the cost impact on hybrid.
- Jinesh Gandhi:** Sir last question on diesel what would be diesel proportion for the industry?
- Ajay Seth:** 40%.
- Jinesh Gandhi:** Thanks and all the best.
- Moderator:** Ladies and gentlemen we take the last question. We will take the question from the line of Jatin Chawla from Credit Suisse. Please go ahead.
- Jatin Chawla:** Good afternoon Sir. Thanks a lot for giving the opportunity. The first question is on the demand post GST. There have been a lot of news articles on the self-employed and the SME industry being impacted do you see any impact on your demand from that segment?
- R.S. Kalsi:** Overall, I would say that we have grown by 18.8% post GST and you know it has certain positive impact as well as the prices of some of the models came down by one percent to three percent, and we passed on the benefit on the same day. So if demand is any reflection at a macro level so we have not seen any big drop; however, the micro segmentation we need to check I do not have the data right away.
- Jatin Chawla:** Second question is I was looking at adjusting for the spares number basically working with the number that you have given in schedule IV in the SEBI release and then even then it suggests that the revenue per vehicle has gone up by only about Rs.1500, which is roughly equal to the discount reduction so just wanted to check is there an element that we have absorbed some of the hit on the hybrid vehicles on Ciaz and Ertiga and that has something that has impacted the realization?

- Ajay Seth:** Jatin I have the realization numbers to the first quarter for vehicles which is at the Q1 was at 393,219, which has moved up to 399,000 so there has been a close to Rs.6000 increase in realization.
- Jatin Chawla:** One last question is when I look at your production in the first half you produced about 870,000 units in the first half and with the Gujarat plant ramping up I would expect at least another 30,000-40,000 units to incremental in the second half so does that mean that we can close to 1.8 mn or is there some other factor which will impact production in the second half?
- Ajay Seth:** Production is based on the calendar that we have to run for the year and so we have to factor in holidays and we have to factor in many other things and also limitations which the plants have.
- Jatin Chawla:** Thanks.
- Moderator:** Thank you. Ladies and gentlemen that was the last question I would now like to hand the conference over to Mr. A. Jayaraj from Batlivala and Karani Securities India Private Limited for closing comments.
- A. Jayaraj:** Thanks everyone. On behalf of B&K Securities, I would like to thank the senior management team from Maruti Suzuki for taking the time out to discuss the quarterly results. Thank you all for joining us. Have a great weekend.
- Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of Batlivala and Karani Securities India Private Limited that concludes this conference thank you for joining us. You may disconnect your lines.