

"Maruti Suzuki India"

January 23, 2012







MODERATORS: Mr. JIGNESH GANDHI

MR. AJAY SETH MR. NIKHIL VYAS



Moderator:

Ladies and gentlemen, good afternoon and thank you to standing by and welcome to the Q3FY12 results conference call of Maruti Suzuki India Limited. At this time all participants are in the listen-only mode. The call will commence with the brief from the management of Maruti followed by Q&A session. Should you need assistance during the conference, please signal an operator by pressing "*" followed by "0" on your touchtone phone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Jignesh Gandhi from Motilal Oswal Equities team Thank you and over to you Sir.

Jignesh Gandhi:

Thanks Terrence. Good afternoon to all of you. On behalf of Motilal Oswal Securities I welcome you all to the Q3FY12 results conference call of Maruti Suzuki India Limited. I also take this opportunity to welcome Mr. Ajay Seth, CFO of Maruti Suzuki along with the management team, I would now like to hand over call to Mr. Nikhil Vyas who will take it from here. Over to you Nikhil.

Nikhil Vyas:

Thanks 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, Chief General Manager, Mr. Pradeep Garg, and the team members from the finance. From the corporate we have the head of corporate planning Mr. Rahul Bharti. The concall will begin with the brief statement on the performance and the outlook of our business after which we will be happy to receive your questions.

May I remind you of the safe harbor, we may be making some forward-looking statements they have to be understood in conjunction with the uncertainty and the risks that the company faces. I may also like to inform you that the call is been 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. The current financial year and the third quarter in particular has been quite challenging for the auto industry. Higher petrol prices, high interest rates and a lower consumption sentiment impacted the consumer sales. The domestic passenger vehicle industry sales grew by minus 2% in the quarter while remaining flat for the first nine months of this fiscal. The magnitude of the slowdown of the passenger vehicle space looks more severe than what we had witnessed in the year 2008-2009.

The petrol, diesel price divide has lead to strong degrowth in the petrol car sales and the customer wait list on the diesel cars has become unusually high. We also lost sales of around 40000 cars to the labor unrest before it was resolved in October. Our total vehicle sales for the quarter stood at 2,39,528 units this is a decline of 28 % on a year-on-year basis and a 5 % for the sequential quarter-on-quarter.

On the cost side there was steep appreciation of the Yen with respect to the rupee and this increased the cost of direct and indirect imports and royalty. There was some benefit in the export realizations but the quantum was limited as the export volumes continued to be dull in a weak global economic background. In the domestic market the company had to support a week



consumer sentiment and higher fuel cost with higher discounts as compared to the same period last year.

On a sequential basis discounts came down marginally from 2Q to 3Q. The company was also forced to pass on a price increase in the quarter to partially compensate for higher cost. For the quarter the company registered net sales of Rs.76064 Crores. This is a decline of 17.4% as compared to same period last year.

Net profit after tax 205 Crores a decline of 63.6% over the same period last year. I would come to the outlook for the current quarter. The company has good retail sales in December; however, we are here to see a continued momentum in sales. Any cord of the volume growth with some clarity can be taken only in the next year. The whole organization is making strong efforts to prove sales volumes and profit margins in a balanced manner.

The macroeconomic parameters might take some time to improve. The company is concentrating on the sectors within its control. The company is stepping into the next year with a strong product line up, plans of new models launches, higher availability of diesel engines and more output from factory production. All these factors improved the company's volume growth next year. While the true long-term immunity from foreign variation will come from localization of components and (indiscernible) 5.18 by the company and its vendors, the company has received RBI approval to take hedges of forex variation on its vendor reports. We would like to assure our investors and analysts that the company is putting in hard work internally and will emerge stronger as and when the market revives. I would now like to invite any questions, feedback, performance that you may have, thank you.

Moderator:

Thank you very much. We have our first question is from the line of Kapil Singh from Nomura Securities. Please go ahead.

Kapil Singh:

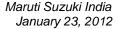
Good afternoon sir. Congrats on a good set of numbers, just wanted to check on the Japanese Yen appreciation has the impact been fully captured for both direct and indirect costs in the raw material and related to that there is a forex exchange impact that you highlight in the presentation in manufacturing and admin cost to net sales which is higher by 80-basis so just wanted to understand what is that related to?

Ajay Seth:

Kapil as far the direct imports are concerned the impact till the quarter has been fully captured. As far as indirect imports on our material costs is concerned lag comes by a quarter and the full impact is to be seen in the next quarter and the impact of foreign exchange net of exports gain has soon of order about 1% of net sales on our margins for this quarter as compared to the previous quarter.

Kapil Singh:

In the presentation you talk about some foreign exchange impact on manufacturing and admin. cost? What is that item?





Ajay Seth: Kapil essentially there are some mark-to-markets that we would have done on reinstatement of

liabilities etc., so these are more of notional losses that would have been provided on the exchange rate prevailing at that point in time, some of them are likely to get reversed because these are provided at a time when the exchange rate was at its peak and it has come down since then. So largely you that account reinstatement of liabilities which are as a capital in nature when

which has to be reinstated as the rate which is prevailing at closing period.

Kapil Singh: So can you indicate at current rate what will be rough-cut amount that will reverse?

Ajay Seth: I think we same amount that you see there we have parked in roughly would be reversed now, if

this current rate prevails.

Kapil Singh: Sir how much hedging have you done for this quarter and next year?

Ajay Seth: We are hedge as far as all are Yen is concerned fully we are also hedged as well as all Dollar

Euro is concerned but we are open on the dollar rupees at both sides.

Kapil Singh: Last question is of on tax rate is much lower so just wanted to understand anyone of there?

Ajay Seth: There is no one off because it depends on size of the PBT the tax shield is almost the same as in

the previous quarter but with PBT being a slightly lower figure, the text shield as the percentage

of PBT appears to be high.

Kapil Singh: Sir, if you could just give discounts average discounts in this quarter and also the export revenue?

Ajay Seth: Export revenue in this quarter, this is 938 Crores and as far discounts are concerned they are

slightly less than the previous quarter it is of the order of about 12200 per vehicle previous

quarter we were at about 13500 per vehicle.

Kapil Singh: So basically the increase in ASPs is largely due to mixed improvement and the price increases

that we have taken?

Ajay Seth: Correct that is right.

Kapil Singh: Thanks. I will follow up later.

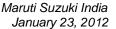
Moderator: We have our next question is from the line of Chirag Shah from Emkay Global. Please go ahead.

Chirag Shah: Thank you for the opportunity. Sir my first question is a followup on the MTM loss, can you

quantify the extent of loss you have booked in the P&L?

Ajay Seth: There are two aspects to it, one is the royalty which has to be mark-to-market, because royalty

payment happens once in November and then in May, so the accumulation of royalty for this quarter would have gone through mark-to-market, so there is an impact of about 75 Crores on account of that which sits on royalty itself, so that is in that particular head, but other than that





there will be an impact of about 0.8% as we said which is largely on account of reinstatement of liabilities and if there is any loss that we have either on the import or export side against the contacts that we are holding. So these are our two losses that we have.

Chirag Shah:

We have also mark-to-market your royalty is also sitting under royalty head is that 5.9% and second question was on how has been the demand of the retail sales in the first 20 days of January. They were as strong as they were in December because December was a good month?

Ajay Seth:

We are still waiting after the price increase, we are waiting for some more days that will only give us clear signals. I do not think the first 20 days of the month will give us any relevant information for the quarter or for the future.

Chirag Shah:

So still we will wait for some more information over there and lastly what is the kind of operating leverage one can expect because this could probably on one on the volume side we have seen sequential drop happening what king of operating leverage can we expect the other expenditure and staff costs can we expect in other expenditure some reduction happening in a absolute amount also?

Ajay Seth:

Sure, see we are working on a cost reduction than in any case, so in spite of whatever expansions and increase in capacities is that we have put in we are still trying to control our cost every quarter but I think the worst is behind us and if you see this quarter we lost about 40,000-odd cars due to hike, so we therefore should start seeing now onwards benefit of economies of scale, because so far what was happening was that the capacities were not being fully utilized and hence we find that expenses as a percentage of net sales were very high, but there should be a correction in that going forward.

Chirag Shah:

SBI have started functioning at full level? Indian supply from Suzuki Powertrain and of Fiat JV would be when can we expect that volumes should start kicking in, Sir?

Ajay Seth:

Sometimes starting next month.

Chirag Shah:

We can expect year 9000-10000 units roughly for month from there?

Ajay Seth:

That is only an annualized figure obviously there will be a ramp up.

Chirag Shah:

Initially it would be intermittent he lower end and then you will touch that kind of a number that

is the right we are looking at it, right sir?

Seth:

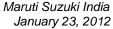
Correct.

Chirag Shah:

Thanks a lot for this.

Moderator:

Our next question is from the line of Sahil Kedia from Enam. Please go ahead.





Sahil Kedia: Thanks for taking my questions. I have two questions firstly you mentioned that the royalty

payment to Suzuki happened in November, so would that mean that there would have been an adjustment because in the first quarter we would have provided less which is part of the 0.8%

that you have mentioned in other manufacturing expenses. Have I rightly understood well?

Ajay Seth: There is small loss in that account that was actually Mark to market in September end quarter but

there is a loss of about 19 Crores on that payment which is sitting on this account.

Sahil Kedia: Could you also explain to us that how your royalty in this quarter remained at the level of 2Q

despite the rupee dollar kind of going against us. I am just trying to understand how these already

figures have kind of remained same as a percentage of sales?

Ajay Seth: Quality I think is largely also to do the mix you know and as you know they are different rates

for different models there are some models which are at higher rate of 5% and 6% files, also export on the proportion has come down. So it will be a combination of mix and as I mentioned

to you that rates within this mix will vary so therefore one will have to look at complete mix to

understand where it is coming from.

Sahil Kedia: Also wanted to check, you mentioned that you are hedged for the Dollar Yen and Dollar Euro for

their open for the Rupee Dollar Just when you said you're hedged to Q4 or for FY'13 just wanted to understand? Only for Q4. So FY'13 we remain completely open? Also wanted your one comment on has there been any improvement that you are seeing as far as steel, aluminium prices or concerned in your latest negotiations for any signs of them becoming weaker and one more

question on the localization for the indirect imports can you give us a little bit of sense of what to

expect in FY"13?

Ajay Seth: Steel has been marginally lower but we should remember the import parity has come down so

because of the Dollar Rupee change imported steel has become expensive and so domestic steel also has headroom to raise prices to that extent. So we did not get as much benefit on steel.

Aluminum also continues to be soft and on I missed your other question.

Sahil Kedia: The localization granted for the indirect exports?

Ajay Seth: We are on course to achieve.

Sahil Kedia: What are the kind of savings that one can expect in terms to reduce our indirect imports?

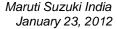
Ajay Seth: Generally these are both kind of components, which has some technology issue, or some lower

volume viability issue, so the incremental benefits will not be much they would be about 15% to

20% of the current imported cost.

Sahil Kedia: Thank you so much.

Moderator: Our next question is from the line of Vishal Shah from Allard Partners. Please go ahead.





Vishal Shah: Thanks for the opportunity. My question is regarding your hedging policy. I just wanted to know

we had read reports that we would be considering hedge in the indirect exposure through vendors. So what is the thing on that and as far as your direct imports and royalty is concerned if I have understood correctly is the Dollar Yen thing has been hedged but the rupee dollar is still

open?

Ajay Seth: So that has correct we have hedged our exposure for this year which we effectively Q4 on import

side for Dollar Yen and on the export side for Dollar Euro. We are open on dollar rupee. So that is the answer to your hedging question that you had asked and the other question that you would asked was when the hedging. Now you got this approval and we got all the documentation, etc., done in October, we are now in the process of taking calls on hedging. We will be taking calls at a time you think appropriate when we think because the rates are right and we can take exposure for ourselves as well as on the exposure that we have record of vendors. We have these tool now available to us because like last year we have to struggle with vendors and we have to compensate on fully at least you would now been a better position to mitigate the risk and we

think the time is right and you know we get the right call in the market on exchange rates.

Vishal Shah: When you say hedging, you have hedged the direct imports the royalty exposures would still

remain?

Ajay Seth: Royalty also for this six month Dollar Yen leg has been hedged.

Vishal Shah: This one thing more that the clarity that the indirect imports hedge would come with a lag, so if

whatever that hit would have been in this quarter would particularly be reflected Q4?

Ajay Seth: Right, it comes with a lag so whatever it is a change and exchange in Q3 will get reflected in Q4.

Vishal Shah: But this quarter 1% of sales would have been the net forex impact?

Ajay Seth: That is right.

Vishal Shah: Thanks a lot, Sir.

Moderator: Thank you. Our next question is from the line of Sanjay Doshi from Reliance Mutual Fund.

Please go ahead.

Sanjay Doshi: Sir, a couple of questions from my side both from a medium perspective. First if you can help us

understand our current product and design capabilities taking an example of say the new Ertiga,

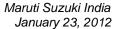
what proportion or what part has been currently done in-house?

Ajay Seth: The Ertiga has been largely a Suzuki input and we are developing product and design capability

but those modules are still sometime away.

Sanjay Doshi: Sir, if you can get help us understand bit more in over the next year two to three years what

percentage of the overall work can be done in India?





Ajay Seth: We are also studying that in lot of granularity there is whole process in product design and some

of them are meant for intensive, some of them are laboratory and equipment intensive and we are trying to lay our hands that but there first model with some good amount of Indian input should

happen in the next whether in the three or four years.

Sanjay Doshi: The second part was on the localization what are the specific components, which we can now

look at, localizing and what has been the problem in the past? Why we were not able to localize

it?

Ajay Seth: If I look at specific technologies I think one of the major areas which has so far not been

localized is the lot of automotive electronics, sensors, control chips and then there are some electrical components there are some high tech engine parts, some high precision parts of the air

conditioning system and some gears these are the wants which continue to be imported.

Sanjay Doshi: we look at localizing part of this right?

Ajay Seth: We are attending localization part of these.

Sanjay Doshi: High value items can be localized?

Ajay Seth: That is the effort.

Sanjay Doshi: Thank you very much.

Moderator: Thank you. Our next question is from the line of Govind Rajan Chillapa from Jefferies. Please go

ahead.

Govind Rajan Chillapa: I have two questions. You had spoken about localization. Can you give us rough idea of how

much investments would vendors need to make if you want to localize Re.1, say Rs. 100 import what would be the corresponding investment just a ballpark that vendors would need to make and second could you give us a little more clarity on the deal with Fiat, the newspaper talk about 100,000 which you also confirmed right now is that a fixed deal that you have you have of

100,000 units of engine and there is a variability what kind of clauses have been built into it?

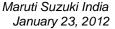
Ajay Seth: Govind, for the first question the investment to turnover ratio is highly depended on the kind of

going to making a car are very different, they could be as different from electronic manufacturing to a casting, to a rubber tyre, to a seat, or a plastic manifold. So it is very difficult to give you a single answer across all these technologies and but generally speaking a turnover ratio of investment to turnover ratio of between in 1:1 to 1:2 works. Your second question about being

technology that goes in to that component. The output is the car but the kind of technologies that

the only thing known at this point of time is that we have a volume of about 1 lakhs and on an annualized basis more details are yet to be known and within that volume we will have a ramp

up.





Govind Rajan Chillapa: This on the fiat sourcing is it an agreement between Maruti and Fiat or is it between Suzuki

Powertrain and Fiat?

Ajay Seth: Suzuki globally has helped us arrive at just being with Fiat.

Govind Rajan Chillapa: These 100,000 units is meant for Maruti?

Ajay Seth: Yes in India.

Govind Rajan Chillapa: But you still are not in confirming whether it is directly sourced by you are through Suzuki

Powertrain?

Ajay Seth: We are not clear about that as of now.

Govind Rajan Chillapa: Thank you.

Moderator: Thank you. Our next question is from the line of Mr. Srinivas Rao from Deutsche Bank. Please

go ahead.

Srinivas Rao: Thank you very much. I just had two questions. The service income level seems to have increase

this quarter suddenly from the normal runrate over the last three or four quarter. So if can throw some light on that and on the same if you can give the scrap sales number for this and last quarter? Secondly the depreciation continues to increase now I understand of course if the months is getting capitalized but just wanted to check would not depreciation should not be in line with the production capacity or sales production volumes, so why is it increasing at a pace it

seems to be higher than at least the production volumes?

Ajay Seth: As far as your first question on interest on services is concern it consists mainly on extended

warranty and in Q4 since the retail sales were much higher than Q2 the extended warranty income that we have booked in Q3 is higher than Q2, so it is a function of retail sale rather than whole sales. The question was on scrap sale, the scrap sales this quarter is 66 Crores almost at the same level as previous quarter and regarding depreciation I think it has not do with the volumes that you are doing in a quarter, depreciation by a particular rate that you charge and depreciation charge has gone up in this quarter because the Manesar's D-line that we have commissioned in September this quarter has got a full three month charge as compared to a single month charge

with respect to the second quarter.

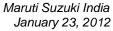
Srinivas Rao: So it is not linked to the production volumes under and that sort of thing?

Ajay Seth: See it is not like that of volumes it is the flat rate.

Srinivas Rao: Thank you so much.

Moderator: Thank you. Our next question is from the line of Mr. Aditya Makharia from JP Morgan. Please

go ahead.





Aditya Makharia: Only to understand the kind of rating you have on Swift Diesel currently?

Ajay Seth: It is about 4 to 5 months.

Aditya Makharia: So you know with this Fiat facility coming through and I am assuming you are even launching

other products on diesel, I was wondering do you see this coming down substantially or how will

they shape up your diesel portfolio?

Ajay Seth: Our best effort is to bring it down it is not good have customers waiting but we do not know how

much demand will it see on our side we can increase supply which we are doing.

Aditya Makharia: Any thoughts on the diesel coming in the budget I mean, anything which got change or growth

than because initially that what it is being a stated in the media that the industries kind of waiting

for some clarity to emerge?

Ajay Seth: Let us just wait and watch what budget has to say.

Aditya Makharia: Thanks.

Moderator: Thank you. Our next question is from the line of Mr. Jamshed from Citigroup. Please go ahead.

Jamshed: I have two questions. The first is you all mentioned in your opening commentary that retail sales

has improved in December qualitatively can you all some sense of direction. Do you think the industry has bottoming out and do you think this had a role-play in your discounts coming down sequentially QOQ or was it due to a mix shift. That is the first question, second question you have also alluded to some sort of new product line up coming through now I understand royalty on some of your models that are 3% rather than 5% to 6% and if you have new product coming through and you all face out the earlier ones how should think about royalty as a percent of sales

going forward say to FY'13, FY'14? Thank you.

Ajay Seth: In December we had the retail sales of 116000 and though there is no signal that this will

continue in January because December is genuinely known as the discount month because the modern year changes and customer looks at discounts in December but the positive part is that the consumer sentiment can change and the consumer can start coming back to the showroom in a short span of time and that some price points he is willing to buy. There is no such signal as of now from the market that this kind of momentum will continue in January. We are also waiting

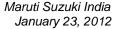
and watching the market.

Jamshed: Sir on a year-on-year perspective how is retail December 2011 versus December 2010?

Ajay Seth: It was still lower. I think more than 10% decline, but it was sequentially much higher so we still

take it as a positive signal. In terms of new products yes, there is a mix. Our approach is to cover every segment of the market and starting from the small cars to the Cedance including NUVs that is our approach and royalty depends on the technology input and the time period for which the

model has been there. So I think the mix will decide what is the aggregate royalty for the year.





Jamshed: Not for the year I am saying you will probably have a model plan right and some sort of focus.

So in your forecast do you all expect royalty as a percent of sales going up?

Ajay Seth: Jamshed, royalty is scabbed at a particular rate. So it is not going to go up from there. The only

thing, which we cannot predict is the exchange rate. So if Yen Rupee was to move from the current level of 65 to let us say 70 obviously the royalty as a percentage will go up, but if it was

come down to let us say 60. We will certainly find the ratio to change.

Jamshed: That is fine Sir. I am asking more from the perspective of a model mix change, which you said

that some models we will have royalty at 3%. I am assuming this was the older one.

Ajay Seth: I do not think there will be any significant change. Yes there can be some change if the lower

royalty being models sales are much lower than higher royalty paying models but most of it already factored in there could be some impact but I would not say that there would be severe

impact because of that.

Jamshed: Thank you.

Moderator: Thank you. Our next question is from the line of Hitesh Goel from Kotak Institutional Equities.

Please go ahead.

Hitesh Goel: Thanks for taking my question. Sir just wanted to understand more about the QOQ margin

decline that has happened. Actually you said that the forex impact was closed to 1% because we do not see an impact on the royalty on a QOQ basis. So considering that most of the improvement has come in the product mix or there was a negative or positive fact on the raw material side as well. So can you explain that why we were expecting much higher on the Yen

impact this quarter but it was lower than RFQ?

Ajay Seth: I think we mentioned in the beginning some impact of the price correction we have done on

diesel cars in that quarter. That is one reason. The cars were slightly lower in the last quarter so if you take these two impacts together that will give you answer to your question where we had slight improvement on that material cost to the sales ratio. Other than that I think the commodities have been flat in this quarter. Of course to quantify to you the net impact of the exchange rate, which is on account of imports and also some gains that we had an exports. So

that is where we are.

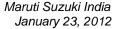
Hitesh Goel: On the localization front can you tell us in last one year what is the kind of reduction we have

done as a percentage of sales in the import content?

Ajay Seth: It is on course as we had mentioned just about 2% for net sales.

Hitesh Goel: In last one year we have reduced import content by 2%?

Ajay Seth: 1.5% to 2%.





Hitesh Goel: Last question is on the negative operating leverage side. Can you quantify what is the impact on

margins because of negative operating leverage in this quarter may be on a QOQ basis so that we

can model that how it is going to be one volume revise?

Ajay Seth: I would seem that if you are to now get back to the normal levels of sales or able to more

effectively utilize capacity the operating leverage should give us at least between 100 to 150

basis point incremental if or more. So that is where we are.

Hitesh Goel: Major fixed cost would come in other expenses or there will be some fixed cost also on the raw

material side because of the vendors having fixed cost?

Ajay Seth: It is all on the manufacturing and administration expenses.

Hitesh Goel: Thank you.

Moderator: Thank you. Our next question is from the line of Mahantesh Sabarad from Fortune. Please go

ahead.

Mahantesh Sabarad: Good afternoon. Thank you for my question. Just wanted to understand a) what is your current

capacity and b) that capacity increase because now you will be sourcing nearly 1,00,000 Fiat

engines into the next year?

Ajay Seth: Current vehicle capacity.

Mahantesh Sabarad: Yes, vehicle capacity right now. You were intending to add another 250,000 capacity Manesar

another line. So take out our eventual capacity to 1.75 million if I am right?

Ajay Seth: We have approximately 1.6 million capacity currently and the Manesar plant would add another

about 250,000 and as of now we have now started work on that plant and on the engine side we have about slightly short of 300,000 diesel engines per annum with SPIL 290,000 and any

sourcing from outside will be over and above this.

Mahantesh Sabarad: My question was that because that 1,00,000 engines will come from Fiat will 1.85 that you are

eventually targeting will become 1.95?

Ajay Seth: It is the case of mix. 1.85 is car assembly capacity; engine capacity is different so we have some

K-series engine capacities, some other engines capacity and some diesel engines capacity and SPIL. So right now what is happening is the diesel demand is increasing at the expense of petrol demand. So increasing capacity of diesel engines need not necessarily mean that the overall

capacity will go up.

Mahantesh Sabarad: My second question was how is the pricing of this engine from Fiat going to be relative to your

pricing of engines from Suzuki Powertrain. Will it be higher, lower?

Ajay Seth: They are not known as of now.



Mahantesh Sabarad: But your supplies are commencing next month itself so you must have in a way?

Ajay Seth: We are in the process of closing the commercial transaction.

Mahantesh Sabarad: I think that is all from my side. Thanks for answering the questions.

Moderator: Thank you. Our next question is from the line of Rajat Chandak from ICICI. Please go ahead.

Rajat Chandak: Good afternoon Sir, couple of questions. First of all Q4 what USD Yen rate you would have

hedged at?

Ajay Seth: Dollar Yen rate would be close to over 78.

Rajat Chandak: Over 78 and what would have been that realized exchange rate for the reported quarter USD, Yen

and then Rupee terms also for the reported quarter?

Ajay Seth: Q3 would be roughly around Rs.78 for billion and USD.

Rajat Chandak: What about the Rupee?

Ajay Seth: Rupee is that 51.25. The average would therefore be about 0.6. We let you know the answer.

Rajat Chandak: Thank you. That is all.

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

ahead.

Sonal Gupta: Thank you for taking my question. Just to clarify are there any commodity related losses or gains

in these numbers, which are that.

Ajay Seth: There are no losses. There are some mark-to-market gains that would have gone in but that is

very smaller number varying material.

Sonal Gupta: Just to clarify the only mark-to-market royalty head related to H1 royalty payment would be

about 19 Crores in the royalty right?

Ajay Seth: That is 19 Crores. The loss on contract payment compared to mark-to-market is about 19 Crores.

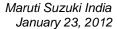
Sonal Gupta: If you could just elaborate a little bit on the other portion on the mark-to-market side, which you

touched upon relating to the operating asset etc. If you could just elaborate exactly what it is and

how much is the quantum for that?

Ajay Seth: One of course, which is sitting in royalty, is the mark-to-market that we have done as of

December. So there will be about Rs.75 Crores impact on that account compared to last quarter. So that is the incremental provision that is to be created because of exchange rate difference.





That is one. Second is on other manufacture expenses. We have already mentioned one is the 19 Crores of exchange rate loss that we had on account of royalty payouts. Other than that there will be reinstatement of liabilities, which would have to be required mark-to-market, which is about 20 odd Crores that we have to.

Sonal Gupta:

20 Crores, reinstatement of that, but what you mean by that. Could you just?

Ajay Seth:

So if there is any liability on capital account of revenue account materials that should be mark-tomarket.

Sonal Gupta:

My second question is really in terms of the market demand. Are you seeing any trend in terms of your petrol demand or your petrol model sort of bottoming out and are we seeing some sort of an improvement out there and secondly given that you have couple of new product launches including the Ertiga, which you have announced and the under four meter Swift Dzire which is expected. It does seem to me that even after this ramp up in terms of diesel engine you still will be on a constraint in terms of diesel capacity so any thoughts on that front as well.

Ajay Seth:

We are happy about the December retails is that it shows that at some price point the customer certainly comes back to the showrooms. So if there is a long lull and the customer seems to have gone into a shell within a month some action can bring in back. That is the positive part, but as of now we have not seen any sustained increase. Things are generally looking slightly positive and at some point of time either the fuel prices will have to moderate or the customer will have to adjust to the new normal and fuel prices. So at some point of time therefore demand has to come back. That is part one. Part two is on diesel we are in absence of government policy it is difficult to make a decision and the outsourcing deal will help in terms of volumes and I think new models definitely have add to additional sales they bring back showroom profit inventor customer come to the showroom he looks at the models also. So it has a robust effect, difficult to quantify but it definitely had excitement to the market.

Sonal Gupta:

Just a small followup on the spectral thing. Are you as an industry wide thing because other manufactures on the petrol side also been significantly affected? Are you seeing some trend in terms of customer up trading from petrol version to a diesel version or do you think that the demand remains there for petrol if the petrol prices come down?

Ajay Seth:

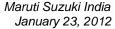
You are right, some people up trade for a higher price diesel model in favor of lower cost of ownership. There has been some such conversions but people who are not able to afford may go out of the fold because the price point gets raised with more diesel incline and at some point of time this has to the customer will get adjusted to the new fuel prices like in most cases of inflation in India.

Sonal Gupta:

Thank you so much.

Moderator:

Thank you. Our next question is from the line of Binay Singh from Morgan Stanley. Please go ahead.





Binay Singh: Most of my questions have been answered. Just on two points. Firstly on exports could you give

us some sense on the kind of monthly runrate we can expect because it has been very erratic ranging from 8000 to 14,000, 15,000. Secondly on if could give us what was the blended price

hike that we took around a week back?

Ajay Seth: Yes, exports we have I think our outlook for the year we will still not be able to inflate as we will

not be able to achieve last year numbers and may be we do something like 125,000 and we did pass on a calibrated price increase recently, but it is yet to be seen any benefit I think would come only in the next financial year because in the number of models there are discount are still higher.

Binay Singh: Okay, and the geographical breakup remains still Europe heavy?

Ajay Seth: No, it is Europe light.

Binay Singh: So, you are like 40% Europe and rest case on your as such whatever.

Ajay Seth: Yes, between 35% and 40% is Europe.

Binay Singh: Okay, and secondly what is the blended price hike that you took around a week back?

Ajay Seth: It was about 2% that was models but that is at the showroom level. So you will have to therefore

draw it backwards to see what is the impact was but the overall price increase is about 2%. The net benefit to Maruti will be lower because there was an element of dealer compensation also their costs have gone up so we increase their margins a bit and we will have to look at it net of

discounts also.

Binay Singh: Right and that lastly on your other income it went up sequentially any one of cases over there?

Ajay Seth: The other income is largely due to the treasury income. The yields were better so therefore the

treasury income has gone up and there was some capital gains also in this quarter, because we know when we put money into fixed maturity plans so all these investments actually fructify in respective quarters so there was the large chunk of capital gain that we had on those fixed

maturity plans.

Binay Singh: Great that is it from my side. Thank you.

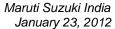
Moderator: Thank you. Our next question is from the like of Vaishali Jajoo from Aegon Religare Life

Insurance. Please go ahead.

Vaishali Jajoo: First one have given, the other question again on the margin front if we take it as 100-200- BPS

operating leverage coming in as you said if the volume increases and the price hike taken recently and keeping all the factors constant can we say that it will be about 250 to 300 BPS

quarter-on-quarter margin improvement we can see maybe a next couple of quarters?





Ajay Seth:

So, first I like to the first one I like to be share is that we believe that we have seen the worst now and should improve from here. Now the improvement will depend on how the markets behave in next quarter and thereafter that is one. So there was the economies of scale and the cost material measures that we are working on that would only be known once we know about the market size is going to be. Second is also definitely the positives are whatever price increases we have taken but it should be seen in light of what the discounts of the market would be in each of the quarters. One thing, which we cannot control, really is we exchange movement so if rupee continuous to improve and Yen continuous to improve definitely there could be a significant favorable impact of that in the coming quarters. But if we diversify from where it is today you can virtually see again fair amount of negative impact of that in the next quarter or next year. So I think once thing we need to very clearly watch is exchange rate fluctuation and therefore the impact of that and we will have to take some risk mitigation measures to take the right calls to take hedges at the right time. So I think these are the factors that we will have do watch carefully, bu all I can say is that we believe that the worst is behind us now and we will surely improve from these leverage.

Vaishali Jajoo:

That is why I kept if we kept exchange rate and everything as a constant given on the operating leverage can be increase it to the 200 BPS also?

Ajay Seth:

Yes, we provided the discounts continue to be where they are now. If they increase from these levels and of course there will be any impact on that extent.

Vaishali Jajoo:

What all the positive volume movements we have seen in the month of December was it more on the rural or urban if you can give some indication from where a little bit of positive sentiment coming in?

Ajay Seth:

No, I think it was all across.

Vaishali Jajoo:

Okay, it was all across. One, more thing on your vendor rationalization and vendor hedging quality things when can we see that coming operational if you start doing that into process and the hedging is already cleared from IDI so when can that coming into the operation?

Ajay Seth:

It is already in operation we have taken service though way small hedges for Q4 of this year. So it is already operational. I think you will see it now being done in a much bigger way next year as and when we see that there is the correction in the end and it is the right time to take a call so we are only waiting for the opportune time to take approximately recovers but it is already operational. So we have to done the first cover a month ago and we already have started working with vendors on this account.

Vaishali Jajoo:

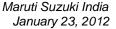
It should be meaningfully visible maybe in the first half of next year sir?

Ajay Seth:

Thank is right.

Vaishali Jajoo:

Thanks that is all from my side.





Moderator: Thank you. Our next question is from the line of Dipen Sanghavi from Enam Asset Management.

Please go ahead.

Dipen Sanghavi: My questions have been answered. Thank you very much.

Moderator: Thank you. Our next question is from the line of Jamshed from Citigroup. Please go ahead.

Jamshed: Sir I have just two questions. Number one what is your cash position as of the end of the

December quarter? The second is that could you give a sense on discounts on like-to-like sense on discounts because I understand that that mix-shift would have distortions quarter-on-quarter

basis?

Ajay Seth: We have about close to Rs.60 million invested in a combination of fixed mutual funds, fixed

deposits and all. Your other question is about discount this quarter we had already answered is of

the order of about 12200.

Jamshed: Was that, but on with there have been some distortions due to mix-shifts on a like-to-like basis if

you have to adjust for the mix Q2 versus Q3. I am just trying to get a sense because you know Rahul mentioned in one of his questions that at a certain point in time at a certain discount level

customers do tend to come back. So it is come back.

Ajay Seth: You are talking a model wise discounts so I will come back to you on this with that details.

Jamshed: All right, thank you.

Moderator: Thank you. Our next question is from the line of Pramod Amte from RBS. Please go ahead.

Pramod Amte: Hi, what is the CapEx as on nine month and what is the outlook for the remaining 12 and the

FY'13 and second how does this Fiat deal change your own CapEx plan?

Ajay Seth: With the capital expenditure so far during the year is of the order of about Rs.20 billion and for

FY'12-13 it would be in the vicinity of about Rs.25 billion to Rs.35 billion and as far as the fiat thing is concerned it does give us flexibility in terms of to the offering more diesel in our

portfolio I do not think it has altered any of our CapEx plans in this regard.

Pramod Amte: No, in terms of your vehicle assembly capacity plan do we have to?

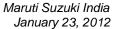
Ajay Seth: It does not change it is a diesel engine first thing they does not a car forcing deal Pramod diesel

was in any case being balance in Suzuki Powertrain.

Pramod Amte: That I understand sir. What I am saying is are you going overboard even after that Rs.1.8 million

getting the assurance of a Rs.0.1 million or how does it change considering that your petrol to

diesel which will changed so is there any thought on the same?





Ajay Seth: No, it is too early to know a kind of conclude on the mix-shift should drastically but I think we

are making all our plans to ensure that whatever diesel is required in the market we cater to either

to our own production or through the outsourcing more that we talked about.

Pramod Amte: Sure sir, and one specific to the product lines you are ECO platform and Omni have seen a

substantial deterioration in December. Is it more to do with the production constraint or and thing

really happening in that segment on the retail side?

Ajay Seth: It has to do with the fact that they do not have diesel engines.

Pramod Amte: No, but even compared to the petrol line up compared to the first half to December quarter there

is a sharp deterioration so that is the reason I might back and take it off-line.

Ajay Seth: No, it is a function of diesel and petrol cost economics and the divide.

Pramod Amte: Okay, so you are saying the competitor diesels are affecting you more as compared to their

historic petrol am I right in understanding?

Ajay Seth: See, the diesel this any this is a semi commercial segment and here diesel makes excellent sense

for the user so if there is such an huge divide between petrol and diesel obviously the customer is

going to shift.

Pramod Amte: Sure thanks.

Moderator: Thank you. Our next question is from the line of Sumanta Khan from ICICI Prudential Life

Insurance. Please go ahead.

Sumanta Khan: Thank you for the opportunity. I just wanted to know on the tax rate what would be the

sustainable number that we should take?

Ajay Seth: I think about 27% or so should be a sustainable tax rate given the benefit that we will have in

R&D and some investors that we make on mutual fund which are the tax free because of the

indexation benefit. So about 27% is a sustainable tax rate that we see in the long run.

Sumanta Khan: This is the annual figure you are saying that we have fluctuate quarter-on-quarter?

Ajay Seth: Yes, it was fluctuate quarter-on-quarter.

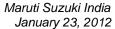
Sumanta Khan: Thank you.

Moderator: Thank you. Our next question is from the line of Vishal Saraf from SBI Mutual Fund. Please go

ahead.

Vishal Saraf: Hi, sir I just wanted to understand the impact of forex you have already mentioned this few times

that you have mentioned only the impact of direct import has come through on the forex side





indirect possibly will come next quarter. So can you give some sense of how much balance impacts are we likely to see in terms of raw material cost increases?

Ajay Seth:

Let, me give you a full blown information on forex because these questions have come time and again. Now let me first give you what is the forex impact on year-on-year basis we have had a total net impact of Rs.200 Crores on forex which is on account of direct imports indirect imports a royalty and then there are items where we said we have to market-to-market because of we have been take our liabilities and also the exchange loss that we had on the royalty payment that we made for in November so that put together and netted of from the export gains that we had the total losses Rs.200 Crores this is on a year-on-year basis. If I was to talk on Q2 versus Q3 the total loss would be fairly Rs.78 Crores, which is again on these accounts of indirect imports, direct imports, royalty payments on account of restatement of liabilities and partially offset with the export gains. So Rs.78 Crores is the foreign exchange loss on a holistic basis, which would be, sitting in different heads, some would be sitting in the material cost, some gains would be sitting in the sales realization and some would be sitting in manufacturing and administration expenses. So therefore the total summary is on a yearly basis Rs.200 Crores and on a quarterly basis on Q2 to Q3 Rs.78 Crores.

Vishal Saraf:

Right, and sir in terms of the impact which will upper going ahead because of indirect imports which has not come to as yet to what will be addition impact same fourth quarter and going ahead next year?

Ajay Seth:

Having the severe impact that we will have on forex will be in the fourth quarter are indirect imports whereas in direct imports we do not see that impact would be should actually comedown. But our indirect imports the impact would be very severe because of the quarter will actual the rates of quarter three, which were the worst phase that we applied in quarter four and we are yet to quantify the impact based on the total supply etc., but the impact was only be larger than the impact that we shared with you which we had in the third quarter.

Vishal Saraf:

Okay, so in this quarter if we had a 100 BPS impact possibly net quarter it will be higher than 100 BPS?

Ajay Seth:

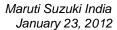
So, 100 BPS impact is everything put together right. Please understand that the impact on direct imports and royalty may not be a severe in fact there could be some benefit there as the rates have comedown but the only indirect imports impact would be there. So I do not think it will cross 100 BPS over 100 BPS in any case it should be less than that. But we will have to quantify the indirect import impact totality, which could be double of what we saw in the quarter.

Vishal Saraf:

Sir going ahead how do you see material cost in the sense even all the measures you have said you have been taking to reduce material cost in increase localization plus the pricing action you would be trying to take so how do you see that next year in terms of percentage to sales?

Ajay Seth:

We will be a position to answer this question in a couple of months time because we have a formulating our budgets for the next year now and we has various factors in the budget that we





are looking at commodity prices, how they will pan out, forex rates, localization plan, our own internal cost reduction program so based on that we will be able to and also to mix that we will have next year. So based on that we will arrive at weighted blended material cost impact next year either reduction or increase hopefully we should see some benefit moving forward but its too early to say so I think just wait for a couple of months we will be the better position to give you some guaranty we have.

Vishal Saraf: Would you have any long-term targets that you intent to bring RM cost down to say as per that

percentage of sales from the current?

Ajay Seth: Our bottom line is that we would like to see our EBITDA margins in double digits. So it would

therefore definitely mean that there has to be significant improvement in mixed realization and

material cost without which it is not going to be possible.

Vishal Saraf: Right sir. Okay sir that is all from my side thanks a lot.

Moderator: Thank you. That was our last question. I would now like to hand the call over to Mr. Jinesh

Gandhi for closing comments. Thank you and over to you sir.

Jinesh Gandhi: Thanks. On behalf of Motilal Oswal Securities I would like to thank once again to Mr. Seth and

the management of Maruti for giving us this opportunity to host the call. Thanks and thanks

everybody for participating in the call.

Moderator: Thank you so much. On behalf of Motilal Oswal Securities Limited that concludes this

conference. Thank you for joining us you may now disconnect your lines. Thank you.