

## Q2FY14 Post Result Conference Call Transcript

### Representative:

**MR. AJAY SETH - CFO**

**MR. MAYANK PAREEK - Chief Operating Officer(M&S)**

**MR. RAHUL BHARTI - Head (Corporate Planning)**

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**Date:** October 28, 2013

### SHYMA – MODERATOR

Ladies and gentlemen, good day, and welcome to the Q2FY14 Earnings Conference Call of Maruti Suzuki hosted by Prabhudas Lilladher. As a reminder all participants' 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 any assistance during this conference call, please signal an operator by pressing \* followed by 0 on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Surjit Arora of Prabhudas Lilladher. Thank you and over to you Sir.

### MR. SURJIT ARORA – Prabhudas Lilladher

On behalf of Prabhudas Lilladher I welcome you all to this call. I welcome the management team from Maruti Suzuki. I would now like to hand over the call to **MR. RAHUL BHARTI** for introducing the management team to us. Over to you Sir.

### MR. RAHUL BHARTI

Thanks Surjit. Ladies and gentlemen good afternoon. Our apologies for the delay and change in schedule. Welcome to the call. On our side the management team is being led by our CFO Mr. AJAY Seth. I do understand that since we released the results only recently, some of you might not have got the results. So before everything else, I will just restate the result to you.

In the second quarter of this financial year, net sales stood at Rs.102 billion. Profit after tax stood at Rs. 6,702 million. We will straightaway go to the call. Before that I will remind you of the safe harbor. We will be making some forward looking statements and they have to be understood in conjunction with the risks that the company faces. The call is being recorded and the transcript will be available at our website. We can directly go to our Q&A so we can start with the questions.

### MR. SURJIT ARORA – Prabhudas Lilladher

Moderator can we have the Q&A session please?

### SHYMA – MODERATOR

Sure Sir. Participants, we will now begin with the question and answer session. Anyone who wishes to ask a question may press \* and 1 on their touch tone telephone. If you wish to remove yourself from the question queue, you may press \* and 2. Participants are requested to limit your questions to 2 per participant. Should you have more questions, kindly come back through the queue again. Anyone who has a question at this time, you may press \* and 1. We have the first question from the line of Pramod Kumar from IDFC Securities. Please go ahead.

**MR. PRAMOD KUMAR – IDFC Securities.**

Yeah thanks a lot and congratulations on what seems to be a significantly better number Sir. To just to get more color on the result because I think it hasn't hit exchange as yet. What is the operating margin we are talking about vis-à-vis last year?

**MR. AJAY SETH - CFO**

Operating margin vis-à-vis last year, ok the Ebitda margins are at 12.9% compared to 8.2% last year.

**MR. PRAMOD KUMAR – IDFC Securities.**

And first quarter Sir?

**MR. AJAY SETH - CFO**

And the first quarter margin was at 11.7%

**MR. PRAMOD KUMAR – IDFC Securities.**

And if you can just throw some color Sir because what has led to the QoQ margin expansion, because discounts were expected to have gone up, diesel volumes are down. If you can just add some flavor to that, and I will take my second question next.

**MR. AJAY SETH - CFO**

So I think major impact has been on account of the material cost reduction and favorable exchange rate. So on the on the foreign exchange side I think there was savings on the exchange, in the dollar-yen as well as some dollar-rupee on account of exports. Also we had this impact of the vendor compensation that we pay with the quarter lag. So therefore that impact was also favorable because the first quarter rates were actually paid off in the second quarter. So there the impact was favorable. And of course the higher discounts partially got mitigated with the volumes and the mix. So overall the material cost reduction and the favorable exchange rate was responsible for higher profits in the first quarter sequentially.

**MR. PRAMOD KUMAR – IDFC Securities.**

And how much of this is sustainable? Because forex can quantify how much of...because they will be some lag of the recent unfavorable movement on dollar. So if you can just throw some more color on that.

**MR. AJAY SETH - CFO**

So I think we will have to acknowledge the fact that foreign exchange rates are going to be volatile and therefore there will be these movements which will be favorable in some quarter and unfavorable in some quarter. Third quarter will have an adverse effect of vendors' compensation. Although on the direct side, we should be ok because we are naturally held on the dollar-rupee. But on the vendor side the compensation amount will be significantly larger in the third quarter. But we also are working towards the other initiatives on cost reduction, localization, yield improvement, to see how much we can offset cost moving forward. So while there will be challenges on the foreign exchange, we will work towards the cost reduction target. Also, one more thing to remember is that we have got the third plant now running in Manesar. So depreciation cost moving forward is going to go up.

**MR. PRAMOD KUMAR – IDFC Securities.**

And Sir what are notional gains of forex this quarter?

**MR. AJAY SETH - CFO**

105 over the last quarter.

**MR. PRAMOD KUMAR – IDFC Securities.**

And when you say last quarter it is YoY right? Or are you talking about sequentially?

**MR. AJAY SETH - CFO**

Sequentially.

**MR. PRAMOD KUMAR – IDFC Securities.**

Sequentially. And this ideally will tend to reverse right as time progresses or is like.....

**MR. AJAY SETH - CFO**

Yes this will reverse to some extent but it all depends on where the dollar-rupee moves.

**MR. PRAMOD KUMAR – IDFC Securities.**

Excellent. Sir my last question, second question is pertaining to the demand environment. If you can just throw some light on the festive season, how has it been so far. And I think by this time you would have got a good flavor on the enquiries and bookings for the Dhan Teras and Diwali season. So how do you see the festive season in totality and for yourself and for the industry as well? And is it a sign for some kind of a bounce back in demand for the second half as well? Thank you.

**MR. RAHUL BHARTI**

The festive season has been fine. But there is still macro-economic uncertainty. And we do not know where the second half of the year will be like. So we will continue to focus on our sales efforts and whatever best we can do in such an environment. Long term we are positive on India but in the short term the uncertainty continues.

**MR. PRAMOD KUMAR – IDFC Securities.**

Thanks a lot Rahul and I will come back in the queue for more questions. Thank you.

**SHYMA – MODERATOR**

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

**MR. BINAY SINGH – MORGAN STANLEY**

Hello. Congratulations for a good set of numbers. I haven't seen the results. I just wanted to understand it a bit more. Could you tell us the exact exchange rate that you used in the second quarter versus the first quarter? That will be my first question.

**MR. AJAY SETH – CFO**

So there are various currencies and therefore there will be a variety of exchange rates which will be used for dollar-yen, dollar-rupee, dollar-euro etc.

**MR. BINAY SINGH – MORGAN STANLEY**

If you can give me an average of dollar-yen and dollar-rupee that you used. That will give us a good indication of what we can expect on going ahead.

**MR. AJAY SETH – CFO**

Average dollar-yen rates were at a level of 96. Dollar-rupee has varied. The dollar-rupee rate for our direct imports and exports was close to about 61-62. That I am saying including the natural hedge that we enjoy. On the indirect imports the rates were much lower because it was with the quarter lag. So there the dollar-yen...yen-rupee rate was at 0.56. So dollar-yen would be at an average of 97-98, and rupee would be at an average of 54-55.

**MR. BINAY SINGH – MORGAN STANLEY**

Ok. So Sir what portion of your margin jump has come in from currency on a sequential basis? Because sequentially the rates are not much better right? Sequentially you are almost the same.

**MR. AJAY SETH – CFO**

No the reason that we have got a some gains is because on the vendor side our compensation is payable with a quarter lag. So therefore the rates in the second quarter because they relate to first quarter are very favorable. So therefore the question that you asked, what percentage of jump has come on account of foreign exchange sequentially, it is about 100 basis points which is come on account of foreign exchange in this quarter.

**MR. BINAY SINGH – MORGAN STANLEY**

Ok. And Sir secondly you talked about material cost reduction. Could you elaborate a bit more on that? Was it a localization or did you get a lower raw material price?

**MR. AJAY SETH – CFO**

The raw material prices have been more or less the same. But I think the bulk of the reduction is come from our negotiations as well as the localization and yield improvements.

**MR. BINAY SINGH – MORGAN STANLEY**

Sir is it something sustainable and what portion of material...like I can see the material cost drop is also quite significant from quarter one, almost 260 basis points down. So what proportion of this drop is sustainable, and what proportion is mainly the currency? So 100 bps is currency and it seems that 160bps will be on account of our material cost reduction?

**MR. AJAY SETH – CFO**

No it is partially material cost reduction and partially the mix impact. So there will be a variety of reasons the material cost will be one reason, mix is the second reason. But material cost reduction is a substantial reason in the overall reduction.

**MR. BINAY SINGH – MORGAN STANLEY**

Is that a sustainable thing Sir? Like material cost reduction, is it sustainable?

**MR. AJAY SETH – CFO**

We do have aggressive plans of localization. So I think localization happens as per plan we will try and work towards you know whatever reduction is possible. But this will also depend on how the currencies move later. Because if currencies again move the way they have moved in the past, even if you do localization, we will be back to square one.

**MR. BINAY SINGH – MORGAN STANLEY**

And Sir just two last questions. If you could just tell us again about where you stand on your localization plan, and lastly when you say the mix of favorable....because we do understand diesel was much lower this quarter. So where exactly was the mix favorable? Last two questions from my side.

**MR. RAHUL BHARTI**

We did mention that we would try to reduce our import content by about 2-2.5% every year. And we are on course to achieve that.

**MR. AJAY SETH – CFO**

The mix is largely the...compared to last year is largely because of diesel and petrol. So if you look at last year, diesel was much lower because of the...Manesar we had some problems last year on this quarter. But now in this quarter diesel sales are much higher than last year diesel sales. So that explains why....

**MR. BINAY SINGH – MORGAN STANLEY**

Sir on a quarter to quarter, because I think in first quarter you sold around 84,000 diesel cars, in this quarter you sold around 75,000.

**MR. AJAY SETH – CFO**

The reason for mix is more domestic and exports.

**MR. BINAY SINGH – MORGAN STANLEY**

Ok so it is basically the export profitability which is kicking in. Fine Sir. Great Sir and congratulations on a good set of numbers in this challenging environment. I will come back in the queue. Thanks.

**SHYMA – MODERATOR**

Thank you. We have the next question from the line of Kapil Singh from Nomura. Please go ahead.

**MR. KAPIL SINGH – NOMURA**

Hi Sir, good afternoon. Sir just a couple of things. Firstly on the....I just wanted to recheck the numbers. We have 105 crore MTM gain? Is that right?

**MR. AJAY SETH – CFO**

No, no. This is the foreign exchange gain. So we are comparing what was the effective rate in quarter one of this year versus quarter two. There is no MTM.

**MR. KAPIL SINGH – NOMURA**

There is no MTM. Ok, ok, understood. And Sir what was the average discount versus Q1?

**MR. AJAY SETH – CFO**

Discounts have gone up this quarter. They are at Rs17,500 as compared to Rs13,500 in Q1.

**MR. KAPIL SINGH – NOMURA**

Ok. Sir now I mean you have also taken some price increases. Do they fully cover up, what is the kind of cost increases you are seeing?

**MR. RAHUL BHARTI**

Price and cost are an ever increasing battle and we will have to keep working on our cost and keep looking at the market, whatever best we need to give to the customer to hold him with us.

**MR. KAPIL SINGH – NOMURA**

Ok. And any color on footfalls during the festive season? How are they moving compared to last festive season?

**MR. MAYANK PAREEK**

Yeah this is MAYANK PAREEK. Yeah actually festive season are one big time when manufacturers look for increase in sales. So far we have seen two festivals. One is South Onam and the Navratra. In both we have seen a big increase in footfalls. However, actual sales increase is in the range of 5-8%.



**MR. KAPIL SINGH – NOMURA**

Ok. You are comparing like to like period right?

**MR. MAYANK PAREEK**

Yeah, yeah.

**MR. KAPIL SINGH – NOMURA**

Navratra period last year to this year for example.

**MR. MAYANK PAREEK**

Right.

**MR. KAPIL SINGH – NOMURA**

Ok, ok. And Sir just on the mix of sales, how much is coming from rural and what is the difference in growth between rural and urban that we are seeing?

**MR. MAYANK PAREEK**

A sharp growth actually. As you know the overall market of Maruti has grown by 3% for 6 months. Rural market has grown by around 24%. And the rural penetration is around 31% and every third car we sell goes to the rural markets.

**MR. KAPIL SINGH – NOMURA**

Ok, ok. Right Sir. Thank you I will follow up with my questions.

**MR. AJAY SETH – CFO**

Thank you.

**SHYMA – MODERATOR**

Thank you. We have the next question from the line of Prateek Mehta from Bajaj Alliance. Please go ahead.

**MR. PRATEEK MEHTA – Bajaj Alliance**

Hello?

**MR. AJAY SETH – CFO**

Yes please.



**MR. PRATEEK MEHTA – Bajaj Alliance**

Thank you for the opportunity. I do see that the realized rate for you for the quarter, for USD-INR is around 61-62. Is this the same for your export realization also?

**MR. AJAY SETH – CFO**

Yeah same numbers. Normally except for the timing mismatch, most of our exposures are naturally hedged. So more or less the rates would be aligned.

**MR. PRATEEK MEHTA – Bajaj Alliance**

Ok. And there is about 77 crore increase in the employee bill for the quarter. So just wanted to understand is there any extra ordinary element in this, or how should one pertain going ahead?

**MR. AJAY SETH – CFO**

We had our annual payout, one time annual payout in this quarter which is why there you see this increase.

**MR. PRATEEK MEHTA – Bajaj Alliance**

Can you quantify that amount for the onetime cost?

**MR. AJAY SETH – CFO**

It's almost about 50 basis points impact.

**MR. PRATEEK MEHTA – Bajaj Alliance**

Ok, ok. That's all from my side. Thank you.

**SHYMA – MODERATOR**

Thank you. We will take the next question from the line of Ambrish Mishra from JM Financial. Please go ahead.

**MR. AMBRISH MISHRA – JM Financial.**

Hello?

**MR. AJAY SETH – CFO**

Yes go ahead.

**MR. AMBRISH MISHRA – JM Financial.**

Yeah hi. Congratulations around the very good set of numbers. Just can you throw some...give some idea on the capex plans because we keep hearing in the media about some capex plans being either postponed or canceled for the time being. So can you give us some thought process on what's happening on the capex both at Manesar and Gujarat?



**MR. RAHUL BHARTI**

Gujarat we still have some time to decide because the market is slow. So we can still take a decision. Time is on our side. On Manesar we have commissioned a plant of 250,000 assembly capacity per annum.

**MR. AMBRISH MISHRA – JM Financial.**

This is on the assembly side. And what about the engine capacity of the diesel engine plans we had?

**MR. RAHUL BHARTI**

We have also commissioned a plant of diesel engines in our Gurgaon facility of annual capacity 150,000 per annum.

**MR. AMBRISH MISHRA – JM Financial.**

Ok. And we also read about this assembly lines being considered in some of the overseas markets. So I mean can you just clarify on that and give some idea on what's going on there?

**MR. RAHUL BHARTI**

We are just doing feasibility studies, nothing as of now.

**MR. AMBRISH MISHRA – JM Financial.**

Ok, so nothing at least in FY14-15.

**MR. RAHUL BHARTI**

We can't be clear on that. The feasibility studies will let us know the plans.

**MR. AMBRISH MISHRA – JM Financial.**

Ok. Great. Thanks a lot Sir and I will come back if I have questions.

**SHYMA – MODERATOR**

Thank you. We will take the next question for the line of Hitesh Goel from Kotak Securities. Please go ahead.

**MR. HITESH GOEL – Kotak Securities**

Thanks for taking my question Sir. Sir on a Q on Q basis if we look at the gross margins, it is expanded by 260 basis points. You said 100 basis points came from currency. Similar kind of decline you would have seen in increase in discounts. So is this 250 basis points, largely because of cost reduction and localization, and how much is this sustainable? Because product mix is also deteriorated which would have an impact on this quarter.

**MR. AJAY SETH – CFO**

Yes you're right. These are the two major factors which have been responsible for increase in the margins. Sustainable, we have said we will continue focus on cost reduction, which has always been our strength area. So we will further work on it to see what more we can do. So to that extent we will try and work on improvement of margins. But then adverse factors as you see is currency and what the market would need in terms of push, so discounts if they have to go up will work against us. So we will have to see all the factors going forward. It is very difficult for me to say whether they are sustainable at this point in time or not. Our efforts on cost reduction though will continue as it is.

**MR. HITESH GOEL – Kotak Securities**

So what is the kind of price increase you have announced in October and will that fully cover the cost increase that is happening?

**MR. AJAY SETH – CFO**

I think the price increase was a very nominal price increase. It was not much so we had about 0.7% or 0.8% price increase. The marketing cost will depend on how the market performs. It is very difficult to say whether it is sufficient to cover the marketing cost at a given point in time.

**MR. HITESH GOEL – Kotak Securities**

No I am talking ex of marketing cost. So if we remove the discount increase or anything, you know major on the discount side or marketing side, would you say you have covered most of the cost increase? Because my sense is that metal cost would have gone up by, would have impacted 200 basis points in your margin. So is that covered in the next quarter?

**MR. AJAY SETH – CFO**

Barring the unforeseen things like raw material and foreign exchange...

**MR. HITESH GOEL – Kotak Securities**

If the rupee stays at these levels.

**MR. AJAY SETH – CFO**

If the rupee and yen stays at these levels and if raw material prices don't go up from here.

**MR. HITESH GOEL – Kotak Securities**

Then you are comfortable at 0.8%?

**MR. AJAY SETH – CFO**

Right.

**MR. HITESH GOEL – Kotak Securities**

Ok Sir. Thank you very much.

**SHYMA – MODERATOR**

Thank you. I will take the next question from the line of Akshit Gandhi from Aviva Life Insurance. Please go ahead.

**MR. AKSHIT GANDHI – Aviva Life Insurance**

Can we please have the royalty payout of this quarter? How much it was approximately?

**MR. AJAY SETH – CFO**

Royalty is in the region of around 6%.

**MR. AKSHIT GANDHI – Aviva Life Insurance**

Ok. Also can we have an outlook why the tax rate was lower this quarter just to understand?

**MR. AJAY SETH – CFO**

The tax rate is dependent on what tax free income you have on your investments, plus your R&D expenditure. So these are, there are no driving difference that you have to take in your books. So if they are higher in a particular quarter the tax rate is bound to be better. So that is perhaps the reason.

**MR. AKSHIT GANDHI – Aviva Life Insurance**

Ok. And one last thing. Can we understand how the current hedges are running on our books for the dollar and the yen please?

**MR. AJAY SETH – CFO**

We are on a direct exposure and also the vendors, our third quarter exposure. We are on dollar yen we are hedged fully. Also the fourth quarter we have partial hedges. There are some hedges that we have not taken for royalty which is paid in the next year. So that is something which is pending. Other than that we are almost covered for our entire exposure. Also on the dollar- rupee we have taken covers, short covers for the short period. However fourth quarter on dollar-rupee we would be open at this point in time.

**MR. AKSHIT GANDHI – Aviva Life Insurance**

Ok. And Sir one thing. When we say dollar-yen we are hedged fully, we are only including our direct exposure. Our indirect exposure is open right?

**MR. AJAY SETH – CFO**

Our indirect exposure rates are also freezed for the third quarter. So we are only open for the fourth quarter now.

**MR. AKSHIT GANDHI – Aviva Life Insurance**

Ok, alright Sir. Thank you so much.

**SHYMA - MODERATOR**

Thank you. We'll take the next question from the line of Jamshed Dadabhoy from Citigroup. Please go ahead.

**MR. JAMSHED DADABHOY – Citigroup**

Yes thank you for the opportunity. First question, could you give us a sense of the exports in revenue terms please for the quarter.

**MR. AJAY SETH – CFO**

So export revenue this quarter are at 1,519 crores. And for the half year they are at 2,428 crores.

**MR. JAMSHED DADABHOY – Citigroup**

Ok. Second question, could you give us some sense in terms of your outlook next year, given the fact that you know there has been a slight improvement in the festive season? How are you planning your new model launches going in to next year? What would you like to beef up in terms of the portfolio?

**MR. MAYANK PAREEK**

Actually these are two questions. One is what is the outlook for the next year and new launches. So new launches are actually not related to the outlook because these are very long term plans and we continuously work towards developing and launching plans. This reflects our inherent confidence in the long term potential of this market. As far as this temporary stress is concerned, ya we know currently we have a problem. The market, industry in the first 6 months has declined by 5.5%. Normally what we see is second half is around 10% better than the first half. So if you use simple mathematics, you have to do 16% better in the second half. So it is possible in this fiscal industry to show a negative or a 2-3% minus. Next year again I can tell you that if you can forecast to me what will be the situation of fuel prices, interest rates, then I can tell you what will be the forecast for the market.

**MR. JAMSHED DADABHOY – Citigroup**

Sir could I squeeze in one more question on diesel engines. What happens in the contract with Fiat? Is there a specific take and pay contract now that you all have your own engines and there is not sufficient demand for diesel cars in the short term? How do we think about that?

**MR. RAHUL BHARTI**

See one we have to place it in perspective. It's only a short term question. And in long term capacity and demand catch up with each other. So we will continue sourcing some quantity from Fiat.

**MR. JAMSHED DADABHOY – Citigroup**

And the residual quantity is there any penalty that you have to pay?

**MR. RAHUL BHARTI**

No

**MR. JAMSHED DADABHOY – Citigroup**

Ok. Thank you I will come back for more questions.

**MR. AJAY SETH – CFO**

Thank you.

**SHYMA – MODERATOR**

Thank you. We will take the next follow up question from the line of Kapil Singh from Nomura. Please go ahead.

**MR. KAPIL SINGH – NOMURA**

Hello?

**MR. AJAY SETH – CFO**

Yeah Kapil go ahead.

**MR. KAPIL SINGH – NOMURA**

Sir I just wanted to check on this....what was the diesel mix for this quarter.

**MR. MAYANK PAREEK**

Diesel mix for this quarter for Maruti was 30%.

**MR. KAPIL SINGH – NOMURA**

And for the previous quarter was also same?

**MR. AJAY SETH – CFO**

34%

**MR. KAPIL SINGH – NOMURA**

So it has come down?

**MR. RAHUL BHARTI**

Yes it has come down.

**MR. KAPIL SINGH – NOMURA**

And does that in any way help the margins?

**MR. RAHUL BHARTI**

We do not talk about product wise or segment wise profitability. We have to work on overall blended average and see that the overall profitability is healthy for us.

**MR. KAPIL SINGH – NOMURA**

Second thing, the cost reduction that we are doing or the localization that we are doing, what is the percentage benefit that we see on account of that in the...I mean so far whatever we have done and where do we stand?

**MR. MAYANK PAREEK**

It varies from component to component and technology to technology, generally in the region of 10-20%.

**MR. KAPIL SINGH – NOMURA**

But will it be higher now because the rupee is at 60?

**MR. AJAY SETH – CFO**

Last time when we said that we are 20% import content was with reference to the closing rate of March. I think yen-rupee was at 0.57 at that time. Now yen-rupee is at 0.63. It is variable and will keep changing.

**MR. KAPIL SINGH – NOMURA**

Sir if you can just give us the current numbers, both direct and indirect import content as well as the cost savings and localization plan.

**MR. AJAY SETH – CFO**

Oh I can give you that we said at that reference rate we said we are at 20% import content. Our target towards the end of the year is to go down to 16%. This was our terminal target and that was through the reference rate of 0.57, please bear this in mind. So we are working towards that target. However if the rate moves, 20% can go up and that 16% can also correspondingly go up.

**MR. KAPIL SINGH – NOMURA**

Ok. And Sir so far whatever reduction we have done, where are we now? From that 20 where have we reached? Have we reached 18 or 17?

**MR. AJAY SETH – CFO**

I don't have the exact details of that break up as of now. We will get back to you.

**MR. KAPIL SINGH – NOMURA**

Ok. Ok Sir I will take it later. Thanks.

**SHYMA – MODERATOR**

Thank you. Before we take the next question, a reminder to all participants. Anyone who has a question, you may press \* and 1. We'll take the next question from the line of Pramod Amte from CIMB. Please go ahead.

**MR. PRAMOD AMTE – CIMB**

Hi Sir, congrats on the good set of numbers. One with regard to the RBI banning the submission scheme how is the finance availability in the market and what type of short term plans you have put in place?

**MR. MAYANK PAREEK**

I think finance availability is pretty good in the market. Of course there is some liquidity concern but the subvention ruling that has come that has not affected availability of finance, it is available throughout the country.

**MR. PRAMOD AMTE – CIMB**

And with regard to the recent press report about scrapping the large leg of diesel expansion, what is the rationale behind the same and how does it impact your future diesel products to come through on your existing platforms?

**MR. RAHUL BHARTI**

There is no scrapping of plan of expansion. We wanted to expand and we wanted to do it in phases. So we have done the first phase which is a 150, 000 per annum. And at the moment we think it is adequate for us.

**MR. PRAMOD AMTE – CIMB**

Ok so it's still on the cards and if only on time which you are....

**MR. RAHUL BHARTI**

Whenever the market needs it we will put up the relevant capacity and we know there is a lead time attached to it.

**MR. PRAMOD AMTE – CIMB**

Thanks a lot for this.

**SHYMA – MODERATOR**

Thank you. We have the next question from the line of Vishal Saraf from SBI Mutual funds. Please go ahead.

**MR. VISHAL SARAF – SBI Mutual Fund**

Hi Sir. Just number you had mentioned for actual benefit on account of currency. What was the number?

**MR. AJAY SETH – CFO**

I did not mention any number. I said that there is a benefit on account of the quarter lag because the compensation paid to vendors was based on the average rate of quarter one. So therefore the 105 crores of forex impact that you see sequentially quarter on quarter, is partially also on account of the quarter lag that we have in case of vendors.

**MR. VISHAL SARAF – SBI Mutual Fund**

Ok. And Sir can you give the number what was the actual realization number that you would have got.

**MR. AJAY SETH – CFO**

Actual realization, the yen-rupee realization in the quarter one was at 0.57.

**MR. VISHAL SARAF – SBI Mutual Fund**

Ok so say 0.57 to the current rate which would be say 0.63 which would be kind of a 10% move. So is it a kind of hit? And you said we are hedged now so is this the level we are hedged now and that is the kind of move we are seeing? Likely to see in second quarter cross movement?

**MR. AJAY SETH – CFO**

So in case of vendors yes there will be a hedge because the rates from 0.57 will move to whatever the average rates for the second quarter are, which will speak up in third quarter. So therefore I had said that you know forex could be very volatile. And some quarters you can see big benefits, and in some quarters you can see the cost actually going up.

**MR. VISHAL SARAF – SBI Mutual Fund**

Ok right Sir. That's all from my side. And Sir one more thing. The royalty provision you would have done for this quarter would be assuming what rate?

**MR. AJAY SETH – CFO**

The closing rate of September 2013 which was close to 0.63 yen-rupee.

**MR. VISHAL SARAF – SBI Mutual Fund**

Thanks a lot.

**SHYMA – MODERATOR**

Thank you. We'll take the next question from the line of Vaishali Jaju from Aegon Religare. Please go ahead.



**MS. VAISHALI JAJU – Aegon Religare.**

Good evening everyone. Sir just an update on export volume if you could give little more color on which are the countries we are seeing better visibility in terms of export. Because now the currency is also supporting and if the domestic is not working, how are we placed in terms of export volume?

**MR. AJAY SETH – CFO**

A very interesting question you asked. As you know the overall exports in international markets are also they are not doing so well and are slow now. Second thing is very often it is asked that since currency and rupee depreciated do we get benefit. But see in the business where we used to explore major markets, their currency has also depreciated. So we will not get much advantage. Last to answer to your main markets....new markets if you have developed, I think we have got some success in Latin America, like Bolivia, we have got some success in Israel. ASEAN countries have also responded well to us. Now for the volume, I think under this overall general not such a good economic environment, holding on to last year's volume will be an achievement actually. So our target is to hold on to last year's volume.

**MS. VAISHALI JAJU – Aegon Religare.**

Ok so there is no positive growth. We are accepting the same volume that was there last year?

**MR. AJAY SETH – CFO**

Absolutely.

**MS. VAISHALI JAJU – Aegon Religare.**

And what is the contribution from Europe and non-European countries to the export right now?

**MR. AJAY SETH – CFO**

I think right now the non-European has come down to around 30%. Sorry Europe has come down to around 30%, non-Europe is 70 plus.

**MS. VAISHALI JAJU – Aegon Religare.**

Within non-Europe which is the major one?

**MR. AJAY SETH – CFO**

In non-Europe, Algeria is big. Algeria, Chile, Indonesia.

**MS. VAISHALI JAJU – Aegon Religare.**

Ok thanks a lot.

**SHYMA – MODERATOR**

Thank you. We'll take the next question from the line of Sahil Kedia from Barclays. Please go ahead.

**MR. SAHIL KEDIA – Barclays**

Sir thank you for taking my question. I have a question regarding your discounts. You mentioned that the average discounts for the quarter was 17500 versus 13500 in Q1. Is this more of a mix issue in the sense that given that your diesel contribution has come down, mathematically the average discount should go up. But if I was to compare like to like model wise, are discounts still trending up, or are we seeing flattish discounts or even falling discounts?

**MR. AJAY SETH – CFO**

The discounts have actually gone up from 13,500 to 17,500. So discounts on an average for a variety of vehicles would have gone up. It is known that it's a mix issue. It is that the average discounts on most of the models have gone up sequentially. So when we say 13,500, average it means average model was actually we were incurring 13,500 and now we are incurring 17,500.

**MR. SAHIL KEDIA – Barclays**

Ok so discounts you are saying is directionally still going up? Ok. Sir the other question essentially is on the export side of it. Can I just clarify? You mentioned that you are expecting flat volumes for the year?

**MR. AJAY SETH – CFO**

What I said was it is an achievement is same volume as last year.

**MR. SAHIL KEDIA – Barclays**

Alright Sir. And lastly Sir any understanding or any direction you would like to give in terms of what volume growth for the full year we should expect with domestic markets?

**MR. AJAY SETH – CFO**

So I will explain again. See normally second half is around 10% better than the first half. But this year if you see the numbers from our reports, the first half industry has declined by 5%. We are better than that. We have gained by 3%. Even to achieve last year's number industry will have to grow 16% in the second half which according to my understanding looks very difficult. So this year industry could itself be anywhere from 3-5% minus. Of course we'll do better than that.

**MR. SAHIL KEDIA – Barclays**

Sir one last question if I may. You mentioned that rural has become about 33% of your total volumes. Can you give us a sense, a little bit of color in terms of how you have gone about expanding your distribution network within the rural side over the last let's say 6 to 12 months? If you can just give us some understanding of how you have achieved this.

**MR. AJAY SETH – CFO**

Ok rural is 31% not 33% and actually we have done lots of things. When we meet some other time I will explain it to you what all we have been doing for building the rural vertical. Literally brick by brick we have worked on developing the rural market so that today it has become 31% of our sales. I think though it will take everybody's time, I need half an hour to explain to you what all we have done in the rural market.

**MR. SAHIL KEDIA – Barclays**

Fine Sir I will come back.

**MR. AJAY SETH – CFO**

Ok

**SHYMA – MODERATOR**

Thank you. Participants that was the last question. I now hand the floor back to Mr. Surjit Arora for closing comments. Thank you and over to you Sir.

**MR. SURJIT ARORA – Prabhudas Lilladher**

Yeah. On behalf of Prabhudas Lilladher I would like to thank the management team of Maruti Suzuki for giving us the time for the call. And I would like to thank the participants for the call. Thank you all and have a nice day.

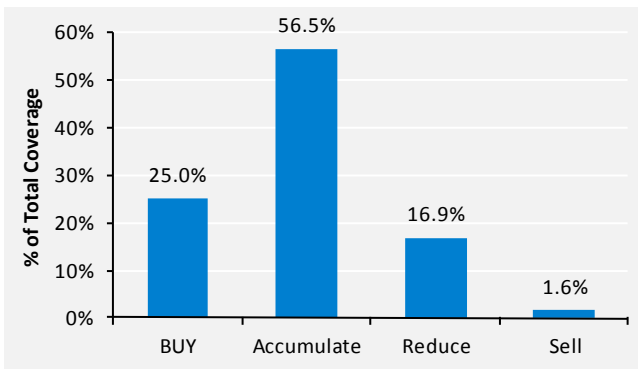
**SHYMA – MODERATOR**

Thank you. Ladies and gentlemen on behalf of Prabhudas Lilladher that concludes this conference call. Thank you for joining us, you may now disconnect your lines. Thank you.



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