



April 24th, 2009

**Daiwa Securities
SMBC**



MODERATORS: Mr. Rahul Bharti - Corporate Planning,
Maruti Suzuki
Mr. Jaideep Goswami - Daiwa Securities SMBC India
Pvt. Ltd.

Moderator

Good afternoon ladies and gentlemen. Welcome to the Maruti Suzuki conference call hosted by Daiwa Securities SMBC India Pvt. Ltd. As a reminder, all participants lines will be in listen only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference, please signal an operator by pressing star and then zero on your touch tone phone. Please note that this conference is being recorded. I would now like to hand over the conference over to Mr. Jaideep Goswami, of Daiwa securities. Thank you and over to you Mr. Goswami.

Jaideep Goswami

Thanks Marina. Good afternoon everybody. This is Jaideep Goswami and I have with me my colleague Deepak Poddar, from Daiwa securities and on behalf of Daiwa securities, SMBC, I would like to welcome you all, to Maruti Suzuki's quarter 4, and annual earnings conference call. We have with us today, top management team from Maruti Suzuki, to discuss the Quarter 4 and annual results of FY09, and the year forward. After that we would have Q&A session. Here, I would like to hand over the proceedings to Mr. Rahul Bharti, from corporate planning, Maruti Suzuki. Over to you Rahul.

Rahul Bharti

Thanks Jaideep. Good evening ladies and gentlemen. At the outset, let me apologise for the delay in our results. Before I introduce our leadership team, I will just read out our press release, which has the result, for your benefit. Within the release I will speak about the financials first.

The company registered, total income net of excise, which is income from operations, plus other income, of Rs.6538.3 crores, during January to March 2009 quarter, a growth of 30.26% compared to January to March 2008. Net profit during January to March 2009, was Rs.243.1 crores vis a vis, Rs. 297.7crores, during January to March 2008.

While there was a 17% growth in unit sales during the quarter, the adverse foreign exchange movements during the year, impacted the bottom-line in Q4 as well.

Now I will come to the fiscal 2008, 09, the company's total income, net of excise, which is income from operations plus other income, for the financial year 2008-09, climbed to Rs.21453.8 crores. This is the highest total income, net of excise, ever, in the company's history and marks a growth of 14.28%, over 2007-08.

The growth in total income, net of excise, included higher realizations, largely contributed by the company's popular hatchback, Swift and premium sedan, Swift DZire, in both diesel and petrol variants. Net profit during the year stood at Rs. 1,218.7 crores, down 29.6%, over 2007-08. The company's EBITDA for the year, stood at Rs.2433.4 crores, a fall of about 22% over the previous year. During the year, commodity prices went up sharply, and remained high for most part of the year. Forex fluctuations were also adverse, and impacted the bottom-line significantly. In recent months, commodity prices have eased. With regard to foreign currency exposure, the company's exports in 2009-10, are expected to be higher and cover its imports. The board of directors recommended a dividend of 70%, for 2008-09.

We have sent the results along with the SEBI format, by email and they are also posted at the BSE and NSE websites. We hope you would have got them by now.

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I would now begin, by introducing our leadership team today. We have with us today, our managing director, Mr. S. Nakanishi. We have with us heads of four key divisions - Marketing, Supply chain, Finance and Corporate. We will initiate the conference call with a statement on the performance on our business during the year and quarter, by our Managing Director, at the end of which we would be happy to take your questions. I would like to remind you, this call is being recorded and the transcript of this call, will be available at our website. May I also remind you of the safe harbour. We might be making some forward- looking statements. Any such statement has to be understood in conjunction with the risk, the company faces. I would now like to invite our Managing Director, Mr. S. Nakanishi. Over to you sir.

S. Nakanishi

Thank you Rahul. Good afternoon ladies and gentlemen. First of all I apologise at the start, for the delay. I would like to briefly take you through our financial and business performance in the year 2008-09 and our thoughts for the future.

The auto industry faced a lot of challenges this year like retail finance availability, low consumer sentiment, commodity inflation and huge fluctuation in foreign currencies. The industry also received proactive policy support from the government and benefited from pockets of opportunities like government employees salary increase and rural economy growth

After a year with huge volume fluctuation, the passenger vehicle industry closed with a flat growth. Maruti Suzuki managed to close the year with a domestic sales growth of 1.5%. This was our highest ever domestic and export sales. For the financial year 2008-09, we clocked domestic sales of 722,144 units, as compared to 711,818 units the previous year. In exports, we sold 70,023 units, a growth of 32% over the previous year. Overall, we sold 792,167 units, a growth of 3.6 % over the previous year. With this, our market share for the year 2008-09 has gone up marginally from 51.4% to 52.2% in the Indian passenger car segment. The market share in all passenger vehicles including multi-utility vehicles has gone up from 45.9% to 46.5%. Our sales in the pre-owned car business grew by 23% to 123,102 units. Of these, 85% translated to new car sales through exchange.

Maruti Suzuki was recognized as the leader in customer satisfaction in the JD Power survey for the ninth consecutive year. For the ninth year, Maruti Suzuki was the only player with a customer satisfaction score above industry average.

We strengthened our product portfolio. We launched the A Star in India and also in Europe as the Alto. It has also entered non-European export markets under the brand name of Celerio.

We were able to keep our focus on steps to strengthen our business in the long term. We reached the landmark production capacity of one million per year. Also, with good market demand, we were able to run our plant at this annualized rate in the month of March-09. Our diesel engine joint venture SPIL has increased its capacity to two hundred thousand units per annum. Our next generation petrol engine technology – the K- series engine plant was commissioned this year with a capacity of 240,000 units per annum We expanded our network to cover 454 cities through our 681 sales outlets and 1314 cities with our 2767 Service outlets. You may be aware, we had identified R&D capability building as a strategic step for the company's future. We strengthened our R&D team from 460 engineers to 730 this year. We have also started work on a world class test track and crash test facility in Haryana. To support our export logistics, we commissioned a Roll on – Roll off sea terminal at Mundra in Gujarat. We are also working on a direct railway line from inside our Manesar plant to this sea terminal at Mundra. I am happy to report, our new

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organization structure, with higher empowerment and role clarity for Managing Executive Officers, is showing good results.

Encouraged by this, we took the initiative further by formalizing role clarity and succession planning till middle management level. Last and very importantly, we launched a national road safety mission, in which we will train five hundred thousand people in safe driving in the next three years. Out of these, atleast one hundred thousand will be from economically weak sections of society, to give them employability. We have created training infrastructure across the country in the past eight years and we will expand it further to spread the message of safe driving.

Financials

I would now discuss our financials for Quarter 4 and the financial year 2008-09. The fourth quarter saw some recovery in market sentiment, though helped by high sales expenditure from the Company's side. On the cost side, the cumulative impact of adverse foreign exchange movement on our direct and vendor imports including the lag of previous quarters impacted our profit. Also, as informed to you earlier, material cost was still quite high as commodity cost benefit comes with a lag effect. The balance part of this benefit will come to us only starting the first quarter of 2009-10.

In the fourth quarter, the Company registered a total operational income of Rs 64.33 billion a growth of 30 % over the same period, last year. Our Net Profit after tax stood at 2,431 million, a decline of 18% over the same period, the previous year.

With this, we closed the financial year with a Total Operational Income of Rs 208.5 billion, a growth of 13.5% over the previous year. The Net Profit after tax stood at Rs 1219 million, a decline of 29.6%.

Based on the lessons of last year, we are taking active countermeasures for the future. We are increasing our focus on localization of inner parts imported by our vendors. This will reduce costs and more important, bring down our exposure to fluctuations in currency. Next year our exports are estimated to match our imports, and we might take calibrated calls to hedge the currencies involved.

I would now come to our outlook for the financial year 2009-10. Given the dynamic business environment currently, a lot of experts have different projections for future. Though we have a 15,000 strong sales force to feel the pulse of the customer all over India, we should have the humility to accept market uncertainty and plan for it.

This means our whole mindset and approach is of flexibility, agility and speed. If the market continues to be positive, we are ready to capture the opportunity. If the market springs a negative surprise, we will ensure that we are not loaded with high inventories. Our business processes and lead times are being reoriented along this approach. This approach is also required for our export markets which have shown a huge swing in response to consumption stimuli by various governments. Our efforts on quality and customer satisfaction have helped our sales even in times of low sentiment. Our focus on cost reduction, our conservative approach in capacity expansion and sustainable business practices with dealers and vendors even in good times have helped our profits in difficult times. We will watch our profit margins closely and continue to ensure that growth is profitable for us. I thank you for your interest in our company and invite any questions you may like to ask.

- Moderator** Thank you very much sir. We will now begin the question and answer session. If you wish to ask a question, please press star and then one on your touch tone phone. If you wish to remove yourself from the question queue, please press star and 2. Please use only handsets while asking your question. Participants are requested to limit their questions to 2 per participant. The first question is from the line of Mr. Chirag Shah from M K Global, please go ahead.
- Chirag Shah** First question, just trying to understand your accounting on the forex side. In the presentation you have indicated that accounted different heads. What is the M to M amount that is included in this? Is it 131 crores, you are indicating on the forex on the ECB loan?
- Ajay Seth** This is not on ECB loan. The way accounting is done is that any realization on exports, is booked on spot rates and if there are forward contracts, this is been translated to manufacturing and administration expenses. The 121 crores which we are talking about is the loss that we made on account of the contracts, which we are saying is an exceptional item and should not be duplicated moving forward.
- Chirag Shah** Is there any ECB, M to M markdown that you have done, as you had done last quarter and before that also?
- Ajay Seth** It's virtually on the market right now, so there is no loss on Mark to market on ECB.
- Chirag Shah** Secondly unless the exchange rate improves from here, is it right to assume that this will be your base in terms of your contracts, negotiations, and on that, this exchange rate, should be considered for that? Because I assume because the exchange movement was very adverse, and because of the lag effect in this quarter, so it has been lumped in this particular quarter. Am I right in the interpretation? So, this if the exchange rate is where it is, your new contracts will be based on current costing in rupee term.
- Ajay Seth** I will answer your questions in two parts. One, you are right, the base rate would remain where it is. And if there is any improvement in the year that will help. Because the rupee is pretty much there. The second thing is that, moving forward next year, we are going to be net foreign exchange earners. So, depending on how we have done our costing, I think there would be some favorable impact on the export side. So, I think, you have to look at it in totality.
- Chirag Shah** Ok, fair enough.
- Moderator** Thankyou Mr. Shah. The next question is from the line of Mr. Rajat Malhotra, from Franklin Tempelton investment, please go ahead.
- Rajat Malhotra** Hi. Just wanted to get an idea if in the last 3 or 4 months, you have brought your MRP prices on an average down for your products, and the policy going forward.
- Mayank Pareek** We may not reduce any prices. I think the discounts in the market have been high. The prices have not been reduced. But the discounts have continued to be high in the last quarter.
- Rajat Malhotra** Right, that's all, thanks.
- Moderator** Thank you Mr. Malhotra. The next question is from the line of Mr. Marc Franklin from Nevsky capital. Please go ahead.

- Marc Franklin** Thanks. I start my question on the forex loss. Where in the reported P&L, does the number get accounted, is it in the other expenditure or some other line?
- Ajay Seth** The foreign exchange loss would get reflected in other expenses. That's why you see other expenses significantly going up because of that loss.
- Marc Franklin** First 3 weeks of April so far, as compared to March and also a brief on how in the next couple of months, can see demand strengthening?
- Mayank Pareek** Yes, if you see, last year, was a year when sales went topsy turvy, 3 quarters last year, Maruti sales grew by 11.6%, in Q2 it declined by 3.2% Q3, declined by 15 odd% and Q4 it went up by 12.6%. what we are seeing is a complete turnaround in the market, From January onwards, the market is looking up. As far as your specific question, how does it look in this month, so far so good, lets keep our fingers crossed.
- Marc Franklin** Ok thank you.
- Moderator** Thank you Mr. Franklin. Our next question is from the line of Mr. Saurabh Das from Sundaram BNP Paribas, please go ahead.
- Saurabh Das** Hello, good afternoon everybody. Just a clarification on the forward contract exchange. If I am not wrong, you have a forward contract, and when you realise the sales for that, you take the commensurate loss in your manufacturing cost. Is it correct?
- Ajay Seth** Yes, that is absolutely right.
- Saurabh Das** In that case, the 121crores of foreign exchange impact which we have seen in manufacturing costs, the topline also had a commensurate higher realization, is it fair to assume that?
- Ajay Seth** That's right.
- Saurabh Das** Ok. And the other issue was on the margins. I am sorry to stress on that point, but this is, if yen stays where it is, this vendors cost which we incurred because of the lag impact, will it be a recurring item going forward? To put the question simply, if yen stays where it is, a product mix remains where it is, will raw material, gross margins, remain where it is?
- Ajay Seth** Let me answer it again in 2 parts. One is, the foreign exchange impact and the other is the commodity impact. Our MD mentioned in his opening speech that the commodity impact, the reduction that happens will be seen, fully in the first quarter of next year because there is a lag effect. So, we haven't seen full effect of that. So, there will be some impact of that next year for sure. So there is going to be some betterment in that account. Now, as far as foreign exchange is concerned, if the large import is in the yen and the euro, and it depends on how yen and euro moves, so we have seen the worst in the 4th quarter, Moving forward we have seen yen improving from the lows of 89-90. But again there is a lag effect on foreign exchange probably because of...increases, after quarter slack. So, the first quarter will see the 4th quarter impact. However, the important point to note is that next year we are also trying to push our effort on localization of these parts. So, therefore to the extent we are able to localise, there could be cost savings on that account.
- Saurabh Das** But is it not right, our, present localization levels even for the new cars are above 80%?

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- Ajay Seth** See, the total imports that we have, in Maruti, are only 12% of our net sales. But then there is an element, which is vendors. Vendors, suppliers, import parts so these are also import parts.
- Saurabh Das** Which would be around another 10%?
- Ajay Seth** Which is another 10%. So, if you have to see totally it is about 22% of our sales.
- Saurabh Das** And just one quick question on Ritz. When is the likely launch date and its positioning? Is it below swift or above swift?
- Mayank Pareek** Very interesting question. We will be launching it this quarter, next month we are going to launch Ritz, and wait for some surprises in positioning.
- Saurabh Das** Ok, great. I will come back if I have more questions. Thank you
- Moderator** Thank you Mr. Das. The next question is from the line of Mr. Shiv Chanani, from Reliance mutual fund, please go ahead.
- Shivchanani** Hi, Good afternoon everybody. Just a couple of things from my side. One is coming back to the forex part of it. What kind of forward contracts are outstanding as of now?
- Ajay Seth** We have taken calls on various currencies, so we have taken calls on euro, yen and dollar rupee. But we have kept one fundamental thing in mind, and next year, since our exports are going to be large, so we have kept a natural hedge, as far as possible for our imports and exports.
- Shivchanani** That's true, but going forward, at least quarterly you will have to take the mark to market hit, right?
- Ajay Seth** Sure
- Shivchanani** So, if you can say, what is the amount of forward contracts outstanding, as on 31st march 2009?
- Ajay Seth** We have about 1/3rd of our exposure covered at this point in time.
- Shivchanani** And secondly more on the line item part of it, just wanted to know, your other income has gone down, in this quarter. Any particular reasons? Or is it just purely because of investments that have taken place? Particularly the other operating income that I am talking about.
- Ajay Seth** The other income has actually gone up, but the other operating income had one exceptional item in the previous year, same quarter, they had a write back of about 47 crores, on account of provisions that we were carrying forward, which were no longer required. If you remove that, then we are comparable with where we were.
- Shivchanani** The rest will probably decline in scrap sales and things like that, in value terms.
- Ajay Seth** That's right.
- Shivchanani** Alright, thanks a lot, and all the best.
- Moderator.** Thank you Mr. Chanani. The next question is from the line of Mr. Akhil Bhandari, from JM Financial, please go ahead.

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- Akhil Bhandari** I just wanted to know the capex which you did this year and what are your capex plans for the future and for what? And the cash as on today on the balance sheet.
- Ajay Seth** The capex last year was about 1600 crores, and next year, capex would be in the vicinity of 1800 crores. It will be on various activities. It will be expenditure on the new model launches, part of it would be on the renewal of the facilities of the plant and some, and the marketing side of the business.
- Akhil Bhandari** And the cash on the balance sheet as on date?
- Ajay Seth** We had 4700 crores, as of 31st march.
- Akhil Bhandari** And I just want to understand going forward, in 2010, how much sales would be the domestic and export, rough ratio?
- S. Nakanishi** As you know this year we launched a new car for Europe, A star, which is called Alto in the overseas market and the response is very good. Its only 2 to 3 months when we launched it, so we are still gauging the projection, how much the sales will be. We are quite confident that sales will be very good. I think last year we sold around 70,000. This year we expect that number to go up substantially. But how much, we will have to wait for some more time. This type of turbulence in European market it will be really difficult to hazard a guess.
- Akhil Bhandari** Just a brief comment on the outlook in 2010, in export market, and domestic market as well?
- Mayank Pareek** I will take the domestic market first. You will have to go back a bit. If you see last year how the market has been, in November the total industry size in India was around 87000, which became 136000 going in March. So almost 50% change in 4 months. And with so many uncertainties around, like elections happening, how government reforms, how would the interest rates change, etc, how the global sentiments change, it will not be proper to place a bet on what the market will be. But we are positive. In fact SIAM have projected a growth of 3 to 5%, we are a part of SIAM so we will stick with that.
- Akhil Bhandari** Ok, right. And exports?
- S. Nakanishi** We started the exports of the A star and this has been accepted in Europe and we exported 70000 units, and out of that 19000 was A star. So, this year, the number is definitely up. So we expect over the year a bigger growth of exports.
- Akhil Bhandari** Ok, thanks.
- Moderator.** Thank you Mr. Bhandari. The next question is from the line of Mr. Jairam Nathan from Kotak. Please go ahead.
- Jairam Nathan** Hi, thanks for taking my call. Just on the margins you mentioned some cost reduction, activities, can you just expand on that? Primarily my question is towards your EBITDA margins, towards before 09 it was in the 15% range, I was kind of trying to get a road map on by when or how would you get that? I know raw materials would be a bit portioned apart from that?
- Ajay Seth** I think we are making all efforts in terms of ensuring that we keep our cost lean and we have even in the previous year taken a lot of initiatives, we have been moving forward again to carry on. To give you some sense on areas where we can see some improvement, as I mentioned to you, commodities where you see the full impact next

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year, starting from April. Foreign exchange impact was exceptional this year, but moving forward will not recur because we had some dollar contracts at 41 Rs. and so there was a loss of 121 crores, that you saw in the current quarter, Also regarding our programme on localization of the vendor, and that will give us significant cost savings. All these measures would help the company in terms of improving margins.

Jairam Nathan Follow up, is there any measures on the SC, and R&D kind of areas, where you could cut costs ?

Ajay Seth I think it is all across. Whichever areas we think cost can be controlled, we are controlling it. But R&D is something where it is technology driven so wherever expenditure is required for future, we will not cut that cost.

S.Nakanishi We have adopted last year, one gram one component, suggestion scheme, and we would like to continue to this activity, in order to get the benefit of the cost reduction.

Jairam Nathan Ok, thank you

Moderator Thank you Mr. Nathan. The next question is from the line of Mr. Pramod Kumar, from BNK securities, please go ahead.

Pramod Kumar Good afternoon and thanks for taking my call. Sir, can you please give me the absolute amount of royalty spent during the quarter and also, similarly for your power and fuel expenses and sales and distribution expenses?

Ajay Seth The royalty for the quarter was 216 crores, and the power cost was at 74.6 crores, and sales and distribution expenses was at 204 crores.

Pramod Kumar So, that's been a big jump over December quarter, sales and distribution. And that would be largely due to the exports, pick up in export activity? Because of ocean freight?

Ajay Seth Yes, absolutely, ocean freight was up.

Pramod Kumar But that is anyway billable to the dealer, right?

Ajay Seth That's right.

Pramod Kumar So, the compensating amount would be in the topline of your exports?

Ajay Seth Correct

Pramod Kumar And sir, just to get a sense of the forex side, of 121 crores, this would include your off shore delivery portion of the euro which you have taken in A star?

Ajay Seth No, there I nothing on euro in this, Euro in any case was not taken at that point in time, whatever we have taken, we were in the money, not out of money, this is in the hedge accounting, so we did not take any gains on that account. But these are largely the dollar rupee contracts that we had, which certified now, in the last quarter, and this is the loss purely on that account.

Pramod Kumar So, this is purely dollar denominated forex which you have taken.

Ajay Seth Correct.

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- Pramod Kumar** And how would be the treatment for the euro contract sir? Because we do understand that we have taken some forward covers on the euro side as well. So, will that be negated from the topline directly or will that be added to the other expenditure and the realizing gain would go to the topline?
- Ajay Seth** Any cover that we have, which we have which are for the next year, follows Accounting Standard 30 and routed through the hedge reserves. So, anything which is plus or minus would go through hedge reserves. As and when we actually realize them, the difference would go to profit and loss.
- Pramod Kumar** And sir another thing, many of the companies which have AS 30 exposure, do give out the unrealized losses on account of such contracts which have been taken, so if you can share the unrealized losses on that front, that would be really great.
- Ajay Seth** We had 170 crores of negative hedge reserves as on 31 st March but this will keep changing. Now for e.g. if you look at it today, the number will be very different. Half of what we are talking about.
- Pramod Kumar** Ok, and sir, one last thing on the discounting in the domestic market, what would be your sense? We do understand your discounting has come down in April. But do you see some improvement going forward, or do you expect more of FY10 to be driven on discounted sales?
- Mayank Pareek** Discount purely depends on the market situation and as you very rightly said, in April, we have reduced the discount, depending on our assessment of the market. In future, there are many factors that determine how the discount will be, market situation, what are the competitors doing, what are our models doing. An interplay of these 3 factors, will determine how the discounts will be.
- Moderator** Thank you. The next question will be from the line of Mr. Jiten Sanghvi of Enam Asset management, please go ahead.
- Jiten Sanghvi** I just wanted to get the break up of gross sales, if you could give the break up in terms of sales of modules and vehicles and dies and everything?
- Ajay Seth** Ok, the vehicle sales contributed to 5914 crores, parts and accessories were 305 crores, and dies and components were 89 crores.
- Jiten Sanghvi** And similar breakup for FY 09 as well if possible?
- Ajay Seth** 18,986 Cr passenger cars, parts and accessories were 1143 Cr, and dies and component were Rs 229 Cr.
- Jiten Sanghvi** And one more thing, what is the export value, which is there in the gross sales?
- Ajay Seth** We don't have a separate disclosure for export value, so we won't be able to give it to you at this point in time.
- Jiten Sanghvi** You normally give the FOB export in your annual report.
- Rahul Bharti** We will give it to you in the Annual report.
- Jiten Sanghvi** And just to confirm the capex figures. You said 1600 was the capex figures incurred I FY09, and FY010 will be 1800 crores. Is that right?
- Ajay Seth** That's right.

- Jiten Sanghvi** Alright, thanks a lot
- Moderator** Thank you Mr. Sanghvi. Next question is from the line of Mr. Binay Singh from Morgan Stanley, please go ahead.
- Binay Singh** Hello sir, I have basically 2 questions, one is how is the response of retail sales of A star in Europe, and which are the min countries, where we still have to enter?
- Nakanishi** Retail of the A star in Europe, it has just started, so it is therefore very difficult to say. We started from UK and thanks to all the governments for the exchange scheme...
- Binay Singh** And sir, I believe we have already entered 7 markets in Europe, is that right?
- Nakanishi** That's right, for e.g. Denmark, France, Netherlands, so it has just started, so it is very difficult to say the sales numbers.
- Binay Singh** And sir, the change in the emission norms, what would be the per car roughly price increase because of that? The mission norms that will change in India next year? Like we have been talking that there will be a small marginal increase in prices, just roughly, what would be that?
- Mayank Pareek** We will announce when we come with the model change.
- Binay Singh** Ok
- Moderator** Thank you Mr. Singh. The next question is from the line of Mr. Mahantesh Sabarad from Centrum broking, please go ahead.
- Mahantesh Sabarad** Thanks for taking my call. My question was linked to your models. Where you source drivetrain components from Suzuki power train. You have components which have drivetrain made in house and some models, with drivetrain from Suzuki power Train. What would be the approximate margin difference, if one were X what would be the other? Is it X minus or x plus? 2%, 3% points. Can you give us a guideline on that?
- Ajay Seth** On the cost side, we don't give individual vendors' guidance. To give you any details on this, would be very difficult for us.
- Mahantesh Sabarad** But can I assume, that your models with drivetrain from Suzuki Powertrain will be at a lower margin than the others?
- Ajay Seth** Our business is all at arms length, so if you are talking of some related party, I don't think that we can treat them any way different than other vendors. So, all our transactions would be at arms length, so, it's a commercial negotiation with Suzuki power train as with any other vendor.
- Mahantesh Sabarad** But you wouldn't want to comment on whether it would be lower or higher?
- Ajay Seth** It will be at the market, that's what I will say. It is not a question of lower or higher, whatever the best prevailing rate, that we get it will be for that as well.
- Mahantesh Sabarad** And what would be their indigenisation levels, if I may ask? Directionally, I just wanted to understand if there is a scope for cost reduction on account of those dry prints ahead?

Ajay Seth They are localized to the extent of about 65% and surely there is scope for them to further localize.

Moderator Thank you Mr Sabarad. The next question is from the line of Mr. Pramod Amte from ABN AMRO, please go ahead.

Pramod Amte Sir, what I wanted to know on this forward contract exchanging pack this is purely related to your imports, that is what you are saying?

Ajay Seth Exports,!

Pramod Amte Ok, only on exports front. And that too not to the European exports?

Ajay Seth No, it's a dollar rupee contract, which was taken at 41 and 42, which we have actually realized in the last quarter. Therefore I said, this is an exceptional item, because now it would be arranged more close to the market.

Pramod Amte And second, is there more clarity now on the Nissan subcontracting you will be doing for A star?

S.Nakanishi **About the Nissan Sub-contracting and the A star** we have already kept 2000 units in this month. Then we are expecting around 30000 this year

Pramod Amte Ok. And third one, is in terms of some of the reviews in a star, Europe, there has been some questions raised on the pricing of the product as compared to competition. Would you like to comment on the same? And would you be required to take some price adjustments going forward?

S.Nakanishi Why we have to adjust? Just now we started.

Pramod Amte No, but the reviews are indicating that at that price point, considering the features. What is your thought?

S.Nakanishi No, what is important is what customers say. Our customers are liking the car and we are getting very good response so far, so we don't have any plans to revise prices.

Pramod Ampte Purely on the exports market

S.Nakanishi Yes

Pramod Amte Ok, thank you.

Moderator Thank you Mr Amte. Next question in line from Sachin Kasera from lucky securities. Please go ahead

Sachin Kasera Good afternoon sir. My question was regarding the annual reading with SPIL. Is there some formula to which it is linked. In the current year, with the volumes going up, could we see a price reduction there?

Ajay Seth Our negotiations with SPIL is in line with any of the other negotiations we had with any of our other vendors. So, it is purely on that basis and if there are scope of cost reduction, wherever there are scope of cost reduction, we do take each year. So the prices are negotiated and wherever there are possibilities of cost reduction, we do take. So, there is no difference on what we negotiate with other vendors.

- Sachin Kasera** Secondly if you could just help in terms of what is the number of diesel engines we sourced from them this year?
- Ajay Seth** 1, 20,000 approximately
- Sachin Kasera** And what will be the run rate that we would get currently get sir on a monthly basis?
- Rahul Bharti** Now they have a capacity of 200000. So they can go at a run rate based on 200000 on an annual basis.
- Sachin Kasera** But sir approximately for the months of march or April what would be the run rate approximately? The number of engines that we would have sold for march or April?
- Mayank Pareek** In the models where we have diesel, the ratio of diesel to petrol is 60 40. 60 to 65% in favour of diesel, and 35 to 40% in favour of petrol. **We have diesel in Dzire and Swift and the ratio is same.**
- Sachin Kasera** I was trying to figure out, compared to 120000 last year, if we end up with substantially higher volumes in terms of diesel engines, there would definitely be substantial cost benefits because of substantial volume break up. So, would all the benefits been retained by SPIL or would some also flow into Maruti?
- Ajay Seth** I have mentioned to you that any negotiations with any vendor takes into account volumes, any possibility of localisation, and any other cost reduction that is possible, so it will be, based on all those factors. So, it will be that wherever there is a reduction possible, we will get that.
- Sachin Kasera** And sir, one last question regarding power and fuel, any update in terms of expectations of natural gas in the ... plant?
- Ajay Seth** No, we are hoping that it will come towards the end of this year, but still it is not confirmed, we are working to closing the.....to get it as soon as we can
- Sachin Kasera** And sir, regarding freight costs, it has come down significantly, so, could we see some reduction in freight costs this year or have we already entered into some long term contracts?
- Ajay Seth** The reduction on account of diesel etc, is automatic, It's inbuilt. So, whenever there is a reduction on diesel, cost etc, the freight costs automatically comes down.
- Sachin Kasera** I was referring to ocean freight costs sir.
- Ajay Seth** Ocean freight is long term contract. We have 6 monthly contract on that.
- Moderator** Thank you Mr. Kasera. Due to time constraints we will take the last 2 questions now. The next question is in line from Mr Raj Shastri from alex investments, pl go ahead.
- Raj Shastri** I have 2 questions. One is, have you seen in the last 3 months, there is a shift in the rural markets and rural markets are growing faster than the urban markets? And that's the reason why your A2 segment is growing, Alto? And number 2 is what is the dealer inventory level, and how do you see the A2 revenues in the last 3 months?
- Mayank Pareek** Yes, I think as you rightly said, rural markets have seen an upsurge. The whole year we have seen the rural markets showing a much better growth than the urban centers. Just to give you a brief accounted for 3.5% of our sales. Now from 8.5 to 9%. And we have seen a real big surge in these markets.

- Raj Shastri** And the next question was the dealer inventory levels at this point of time and how is the sale through revenues going? The sales in the retail?
- Ajay Seth** I think dealer inventory is as our MD said in his opening remark. Our principle is that, we don't believe in pushing metal to dealers and keep inventory. You should not lose any opportunity. When the customer comes he should be able to get our vehicle, of his choice, color, variant, etc. At the same time, he should not burden the network with excess inventory. We operate in the range of 2 to 4 weeks of inventory.
- Raj Shastri** Ok, thanks.
- Moderator.** **Thankyou Mr Shastri.** The next question is from the line of Mr. Kapil singh from Nomura securities, please go ahead.
- Kapil Singh** Sir, I might have missed. What is the update on Nissan order?
- Nakanishi** As I said, 2000 this month, and this year we are expecting 30000.
- Kapil Singh** Will it continue, or is it only for one year?
- Nakanishi** It depends on the market I believe. If the market is good, they may increase, I believe.
- Kapil Singh** Ok, thanks a lot.
- Moderator.** Thank you Mr. Singh. Ladies and gentlemen that was the last question. I would now like to hand this over back to Mr Goswami for final comments.
- Jaideep Goswami** Thank you Marina. On behalf of Daiwa securities, we would like to thank all of you for joining us in this call, we would also like to extend our special thanks to the top management team, from Maruti Suzuki, for giving us their valuable time, in discussing Maruti Suzuki's earnings result, and giving us valuable insights. Thank you all, and this concludes the call.
- Moderator** Thank you very much sir. On behalf of Daiwa securities, that concludes this conference, thank you for joining us and you may now disconnect your lines.
- END.**