

Maruti Suzuki India Limited

First Quarter Earnings Conference Call, Financial Year 2010

July 23, 2009

- Moderator: Good afternoon ladies and gentlemen. I am Manjula, the moderator for this conference. Welcome to the Maruti Suzuki conference call hosted by IDFC-SSKI Securities. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. Now, I would like to hand over to Mr. Ramnath Subramaniam from IDFC-SSKI. Thank you and over to you sir.
- Mr. Ramnath S: Thank you very much. Good afternoon to all of you. On behalf of IDFC-SSKI Securities, I welcome you all to the Q1 FY10 post results conference call of Maruti Suzuki India Limited. I also take this opportunity to welcome Mr. Ajay Seth, CFO of Maruti Suzuki. Mr. K. D. Singh, GM, Corporate; Rahul Bharti, AGM, Corporate Planning, and the Investor Relation Team of Neerja Bharat and Vivek Kumar. I would now like to hand over the call to Mr. Rahul Bharti to take it from here. Over to you sir, Thank you.
- Mr. Rahul Bharti: Thank you Ramnath. Good afternoon ladies and gentlemen. Thank you for your interest in our quarterly conference call. We have with us Mr. Seth, our CFO; Mr. K. D. Singh, our GM, Corporate and senior members of Finance, Mr. Pradeep Garg and we have the Investor Relations Team. The call will begin with a statement on the performance of our company by our CFO, after which we will be happy to take your questions. May I remind you of our safe harbor. We may be making some forward looking statements. They have to be understood in conjunction with the risk that the company faces. I may also remind you that the call is being recorded and a transcript will be available at our website www.marutisuzuki.com. Now, I would like to give the floor to Mr. Seth. Over to you sir.
- Mr. Ajay Seth: Thanks Rahul. Good afternoon ladies and gentlemen. I would like to first briefly take you through our business and financial performance for the quarter ended 30th June 2009. This quarter, the domestic market growth was uneven and limited to a few models and geographies. Maruti Suzuki was able to grow by 9.6% while the rest of the industry was almost flat. There is a lot of dynamism and volatility in the demand pattern of export markets. Several governments in Europe are offering a scrappage incentive and with a positive product feedback on the A-Star, Maruti Suzuki could grow its exports by about 135%. Maruti Suzuki registered

its highest ever quarterly net sales of rupees 63,403 million, a growth of 34% over the same quarter last year. The total income of the company was rupees 73,257 million, a growth of 26.6% over the same period last year. Our net profit after tax stood at rupees 5835 million, a growth of 25.3% over the same period last year. The later part of financial year 2008-2009 was marked by adverse foreign exchange movements and impact of high commodity prices, owing to which our profit margins have declined substantially. With some reduction in commodity prices, some favorable movement in foreign exchange, and our innovation and cost reduction efforts, we have been able to improve the business situation to a considerable extent. With this, our net profit margin has come closer to that of the first quarter of 2008-2009.

Moving on to the outlook, I would now like to share our thoughts on the outlook for the rest of the current financial year. The passenger car market in India, though showing some activity, is still not in a healthy and broad-based growth mode. We should keep in mind that domestic industry growth has been only 4% and many export markets are buoyant partially because of scrappage incentive schemes in Europe. In India, finance penetration, a critical enabler for car sales, is still at 66% levels. In the beginning of the year, we had decided that the entire organization would be flexible and agile to cope with volatility in market demand. Though we are cautiously optimistic about the future, this approach will remain central to our efforts this year.

On the margin front, while some additional commodity gains may come in the second quarter, we have to see whether they are offset by any rebound in the prices of commodities. At the same time, we will keep our focus on localization and areas of innovation and cost optimization. We have hedged about half of our foreign exchange exposure and are obviously dependent on the market for the other half. The percentage of new models in our total portfolio is increasing and it will have an advantage in terms of lower sales promotion but an impact in terms of higher royalty outgo.

This is a dynamic and uncertain year and we have to respond to dynamism and uncertainty with speed and agility. Here, I would like to mention that the new management structure conceptualized by our Managing Director Nakanishi San with a lot of focus on people empowerment and role clarity is helping us in execution speed. All our long-term capability building programs are on track and we hope to keep serving our customers and creating value for our shareholders for a long time. I would now like to invite any questions or suggestions you may have. Thank you.

Moderator: Sir, do we go ahead with the Q&A?

Mr. Ramnath
Subramaniam: Yeah.

Moderator: Thank you very much. We will now begin the Q&A interactive session. Participants who wish to ask questions, please press *1 or 01 on your telephone keypad. On pressing *1 or 01, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 or 01 now. First in line, we have Mr. Pramod Kumar from B&K Securities. Over to you sir.

Mr. Pramod Kumar: Yeah, good afternoon everyone. Sir, I just wanted to understand the movement in power and fuel expenses and sales and distribution expenses on a sequential basis, both of them have actually come down in absolute terms as well. So, if you can just clarify what are the factors driving that and whether this is sustainable?

Mr. Ajay Seth: Power and fuel expenses, if we were doing a year-on-year comparison, the power and fuel has slightly gone up, not come down, but if we were to look at a percentage of power and fuel to net sales, surely it has come down. I think if your capacity utilization is much better, you will surely see lowering of power and fuel cost; that is one. Second, we also saw reduction of diesel prices in the past, which has also helped in partial reduction in the power and fuel cost. The larger impact of power and fuel cost would be felt when we actually move the Manesar plant to natural gas, which we have said is slated towards the end of this financial year.

Mr. Pramod Kumar: And sir, on the sales and distribution front, because I believe our discounting has been slightly higher as well towards somewhere like May-June and despite that, our S&D expenses have actually come down on a sequential basis again.

Mr. Ajay Seth: No, the discounts are actually netted off from sales. So, the selling and distribution cost that you see here is partially the advertisement cost, the warranty cost, and it is the shipping cost that we incur on exports besides some domestic freight cost. So, whilst the sales promotion cost year on year has remained almost flat, it has significantly come down on Q on Q. So, from fourth quarter if you were to see it in this quarter, it has significantly come down.

Whilst this selling and distribution cost largely denotes lower spend on advertisement and also certain savings on the freight cost because the freight also has gone down compared to what it was last year same time.

Mr. Pramod Kumar: And sir, in terms of...as you were guiding that bulk of the demand in Europe is right now driven by scrappage program, so what would be our full year number which we would be looking for exports during this particular year and what is the outlook for FY11 sir on the export front?

Mr. Rahul Bharti: It is extremely difficult to say because different countries are responding in a different manner, but we have talked about an expectation of about 130,000 this year. Next year, it should be higher, but it all depends on the global recovery.

Mr. Pramod Kumar: Sir, just extending that question further, in terms of Nissan is going to set up their Chennai plant, I think it is going to commission by somewhere towards the beginning of next calendar year. What could be the impact of that on their off-take of Pixo right now?

Mr. Rahul Bharti: I think you should ask Nissan.

Mr. Pramod Kumar: But as of now, I think the agreement which we have with Nissan is only for this particular fiscal, right, the off-take agreement?

Mr. Rahul Bharti: No, it extends beyond. Auto industry contracts are longer in nature.

Mr. Pramod Kumar: Okay. And on the domestic front, any revision in outlook sir, in terms of you had indicated somewhere like a 5% growth, so is it improved or are we still holding on to the same number sir?

Mr. Rahul Bharti: We will be watching the market from month to month, quarter to quarter. And this approach is helping us control inventories and being more responsive to the market. So, as of now, we have not made any revision in our outlook for the year.

Mr. Pramod Kumar: Fair enough sir and thanks a lot and best of luck. Thank you.

Moderator: Thank you very much sir. Next in line, we have Vaishali from Angel Broking. Please go ahead.

Ms. Vaishali: Good afternoon everybody.

Mr. Ajay Seth: Good afternoon.

Ms. Vaishali: This is regarding the top line which has gone up substantially, is it more of realization coming on exports front or how has been the realization in domestic and export, if you can explain me that.

Mr. Ajay Seth: Yes, it is to do with both. I think the realization on export front has increased. YC5 share of realization is also significantly higher than what it was of the exports last year; that is one. Second is the significant growth in sales of diesel and higher end models. Sale of some lower end models like M-800, etc., has gone down. The mix has changed, bias is more towards the higher end models and therefore you see this increase in the realization. If we were to look at realization, I think it is now falling in place. In the last few quarters, the realization has been, you know, much higher than the growth in the volumes. So, this is largely the reason....the diesel sales and the export models have given us better realizations.

Ms. Vaishali: And on the margin front, are these going to be sustainable for the next quarters also, like the higher margins you have reported this quarter?

Mr. Ajay Seth: As we mentioned, we have come close to the margins of first quarter of last year. We had to do a significant effort in terms of ensuring that we come back to those levels. We will continue to work hard towards ensuring that we always optimize our margins, but margins are a derivative of many factors, how the exchange rate moves, how the mix moves, what are the discounts in the market at a given point in time. So, I can say that company's endeavor will be to maximize margins and do better each quarter, but you will also have to take the market factors into account at a given point in time. So, we will have to deal with it as and when it comes and we will try our best in terms of doing our bit.

Ms. Vaishali: I mean, here if we exclude the export or the variation in the exchange, around 200 BPS is a quarter-on-quarter improvement which is showing in the current quarter, so then is it okay if we exclude that and that the sustainable core margin thereafter?

Mr. Ajay Seth: There is no exceptional item. In fact, last year, we have had a 121 crores of exceptional item on account of foreign exchange loss that we made because we had to book a loss on our forward contracts and cancel some contracts and we mentioned last quarter that this is not recurring in nature and therefore, the benefit will occur on a recurring basis from next quarter onwards. So, if you were to look at this quarter in isolation, there is no exceptional item in this quarter.

Ms. Vaishali: Okay. So, these exchange benefit will continue for the next few quarters as well?

Mr. Ajay Seth: Whatever is the benefit which is getting into realization will continue.

Ms. Vaishali: Okay, thank you.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Jinesh Gandhi from Motilal Oswal. Please go ahead with the questions.

Mr. Jinesh Gandhi: Hi sir. My question is on your hedging, you mentioned half of your forex exposure has been hedged, so that half is your direct exposure or total exposure?

Mr. Ajay Seth: Half of the exposure for the rest of the year is hedged at the moment. We are talking of direct exposure. We are not talking of any indirect exposure hedging because that is done by vendors on their own.

Mr. Jinesh Gandhi: Okay.

Mr. Ajay Seth: So, that we are not aware as to how much they have hedged at this point in time.

Mr. Jinesh Gandhi: Okay. And secondly, in terms of our raw material sourcing, would you throw some light, until when are we secured for our supplies?

Mr. Rahul Bharti: We have various commodities, we have different tenures. For aluminium, we do monthly. Steel, for example, we have half year and for some of them, the full year. So, that is how we are placed.

Mr. Jinesh Gandhi: Okay. So, steel we would be booked till what, December?

Mr. Rahul Bharti: Till H1 of this year.

Mr. Jinesh Gandhi: Okay. So, we will be renegotiating our steel contracts now, I mean, September-October.

Mr. Rahul Bharti: Starting 1st October, second contract.

Mr. Jinesh Gandhi: Okay. Thanks.

Moderator: Thank you very much sir. Next in line, we have Mr. Dipen Sanghvi from Enam AMC. Please go ahead with the questions.

Mr. Dipen Sanghvi: Hi sir. Congratulations for good results.

Mr. Ajay Seth: Thank you.

Mr. Dipen Sanghvi: Sir, just wanted to have couple of details. Firstly, can you tell me what were your euro...in terms of euro, how many euros to a rupee kind of realization did you achieve in Q4 of last year and Q1 of this year?

Mr. Ajay Seth: It will be similar numbers, not very different because if you look at the top line, the results, the exchange rate gets reported on spot. So, spot hasn't changed significantly. Spot was at about 65-66 then and it has been around that level even now. So, it will remain at that level. The difference between the two in terms of contracts if you add gets reported in the loss...exchange loss which is part of other expenses.

Mr. Dipen Sanghvi: Okay.

Mr. Ajay Seth: So, on top line, there would not be any difference on Q4 versus Q1 or on exchange rate, on export side.

Mr. Dipen Sanghvi: Alright.

Mr. Ajay Seth: Having said that, there would be a significant difference on the import side.

Mr. Dipen Sanghvi: Okay. So sir, I believe your import, your total material and components that you consumed this quarter is closer to 5000 crores. Of this 5000 crores, what was our percentage of imported raw materials?

Mr. Pradeep Garg: Imports as a percentage of material consumption, are of the order of about 10-11%.

Mr. Dipen Sanghvi: Okay.

Mr. Pradeep Garg: And our imports as you know are denominated in yen.

Mr. Dipen Sanghvi: Right.

Mr. Pradeep Garg: And we just mentioned that we have a cover for 50% of our exposures for the remaining part of the year.

Mr. Dipen Sanghvi: Okay, okay. And sir, can you just give me the breakup of the other income, what all does it include, is there any major item over there?

Mr. Ajay Seth: No, there are all routine items. There is no exceptional item.

Mr. Dipen Sanghvi: Mainly interest, dividend, and...

Mr. Ajay Seth: The other income tends to be higher in the first quarter because of the capital gains.

Mr. Dipen Sanghvi: Okay.

Mr. Ajay Seth: You know we invest something on fixed maturity plans which are over a year...

Mr. Dipen Sanghvi: Okay.

Mr. Ajay Seth: ...and always mature in the first quarter. So, the first quarter proportion of other income is always higher, but if you were to ask me a broad breakup...

Mr. Dipen Sanghvi: Yeah.

Mr. Ajay Seth: ...of other income, the income from investments per se would be about 217 crores this quarter.

Mr. Dipen Sanghvi: Okay.

Mr. Ajay Seth: The scrap sales are about 54 crores.

Mr. Dipen Sanghvi: Okay.

Mr. Ajay Seth: There are other miscellaneous receipts that we have or sales tax benefit that we get on our particular plant, plant 2, is about 30 crores.

Mr. Dipen Sanghvi: Okay.

Mr. Ajay Seth: And the rest would be small, items comprising of some small write-backs and stuff like that. So, the bulk of the income comes from two main items, which are the investment income...

Mr. Dipen Sanghvi: Yeah.

Mr. Ajay Seth: ...and the second is the scrap sale.

Mr. Dipen Sanghvi: Okay. And sir one last question, can you tell me how much is the export turnover out of the gross sales of current quarter?

Mr. Rahul Bharti: At the moment this figure is not in the public domain soon we will take a call on sharing it with you.

Mr. Dipen Sanghvi: Alright. Thank you sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Amol from Edelweiss. Please go ahead with the questions.

Mr. Amol: Hello sir. Congratulations on good set of numbers. Just one quick question on the EBITDA margins, on the exports, I mean, we have seen the realizations have improved because of the currency movement. So, roughly how much of the improvement in margins on a blended basis is explained by the improvement in export margins, just a rough number sir?

Mr. Ajay Seth: If the question is on a year-on-year basis...

Mr. Amol: Okay.

Mr. Ajay Seth: There is no comparison as we have had no exports of YC5 in that period.

Mr. Amol: On a sequential basis?

Mr. Ajay Seth: On a sequential basis again, there will be no impact because the rates last quarter and this quarter have been similar.

Mr. Amol: If I have to compare say when you are exporting 800 and Alto, when you did not have A-Star under your export portfolio...

Mr. Ajay Seth: In Q4, the large portion of exports was A-Star.

Mr. Amol: Okay. Then, on a year-on-year basis, what would be the improvement, as in export margin per se?

Mr. Ajay Seth: We did not have A-Star in Q1, Q2, Q3, so it is not comparable. It is not a like-to-like comparison. I cannot compare A-Star versus an M-800 or an Alto because they are two different models. So, what I am saying is that...

Mr. Ajay Seth: ... the exports overall have improved...

Mr. Ajay Seth: ... we cannot say that how much of margins have improved because of better realization because, you know, this is a unique number which has come in. You can only substitute this number with our domestic number.

Mr. Amol: Okay. And what would be the comparison there, domestic versus exports?

Mr. Ajay Seth: If you were to look at the mix... we are about 100 basis point better on mix.

Mr. Amol: On the export?

Mr. Ajay Seth: On overall mix.

Mr. Amol: Okay.

Mr. Ajay Seth: So, my mix has improved by about 100 basis points.

Mr. Amol: Okay. And just purely because of the currency movement, what would be the impact on the realization, just because of the currency movement, for the unhedged portion of your exports?

Mr. Ajay Seth: Our currency movement would have given us about 15-16% better realization.

Mr. Amol: Okay fine sir. Thank you, thanks a lot sir.

Mr. Ajay Seth: You're welcome.

Moderator: Thank you very much sir. Next in line, we have Mr. Jamshed from Citigroup. Please go ahead with the questions.

Mr. Jamshed: Yes, hi sir. I missed the exports revenue that you gave this quarter and could you also share what it was for the whole of last year?

Mr. Rahul Bharti: The number of cars?

Mr. Jamshed: No, in rupee terms.

Mr. Rahul Bharti: That figure is not in the public domain, soon we will take a call on sharing it with you.

Mr. Jamshed: Okay, alright. Then my next question is ... are you giving that number for last year?

- Mr. Rahul Bharti: No, again we will be informing you along with current year..
- Mr. Jamshed: Okay. What were the new models in your portfolio as a percent of sales this quarter versus last quarter, that is fourth quarter FY10?
- Mr. Rahul Bharti: Okay. The A-Star, we did in this quarter, about 29,000 total exports, out of which 90% was A-Star. So, about 26,000 was A-Star. And on the domestic front, we had Ritz which we did about 14,000 this quarter.
- Mr. Jamshed: Okay, fair enough. And my last question is why are you'll only cautiously optimistic, I mean, you said that the mix is moving towards higher realization products, so the mix is improving. Financing is trending up and it has moved up from the low 60s to about 65-66%. So, my question is why are you all still only cautiously optimistic? What are the negatives that or what is it that concerns you all?
- Mr. Ajay Seth: There are a couple of factors we have to very closely look at. One is, of course, the monsoons which have an effect... it could have a bearing on sales because rural sales have shown a significant growth in the last one year, that is one concern. Second is, if you look at what was announced in the budget, the fiscal deficit being what it is and the government borrowings now starting could have pressure on the interest rates, which has again a bearing on our sales because financing is important, interest rates are important. So, all these factors have to be borne in mind and that is why we are saying that there are positive factors, but there are concerns which we have to closely look at and make sure that we are flexible, agile, and we don't lose an opportunity, but also make a correction wherever it is required. So, therefore, the word "cautiously optimistic."
- Mr. Jamshed: How much was rural as a percent of your domestic volumes in first quarter versus whole of last year?
- Mr. Rahul Bharti: It has improved from about 9% to 12%.
- Mr. Jamshed: Alright, thank you Ajay.
- Moderator: Thank you very much sir. Next in line, we have Mr. Sahil Kedia from Enam Securities. Please go ahead with the questions.
- Mr. Sahil Kedia: Sir, thank you for the question. I had just a couple of quick questions. If you can just tell us what are the average discounts

that are currently going on and how they have changed over the last quarter or so and if you can also throw some light on the current inventory levels in the system?

Mr. Rahul Bharti: To answer your question on inventory levels first...

Mr. Sahil Kedia: Yeah.

Mr. Rahul Bharti: ...our inventory levels are very much in control. They are well within a month.

Mr. Sahil Kedia: Okay.

Mr. Rahul Bharti: This is the dealers' network stock. In Maruti, we don't have much space, so the inventory is only a few days.

Mr. Sahil Kedia: Okay.

Mr. Ajay Seth: Average discounts have been in the range of about 9,500 rupees per vehicle if you were to take an average. They have come down from as high as 12,000 rupees in Q4 last year and they are pretty much around the level which was existing in Q1 year on year.

Mr. Sahil Kedia: And sir, are the discounts likely to continue over the next maybe quarter or so or you prefer to come down?

Mr. Ajay Seth: This is entirely market driven. So, it is very difficult to predict because last year also, the discounts were low in the first quarter and started picking up thereafter, but we will have to wait and watch what are the factors that will have a play, is interest rate consistent for the year or will it go up or down, all these factors will have a bearing on discounts, demand will have a huge bearing on discount, so it is not easy to say at this point in time. So, let's wait and watch.

Mr. Sahil Kedia: Right sir. One just followup question, if you can just shed some light on the CAPEX and cash levels, CAPEX expected for this year and what is our current cash level sir on books?

Mr. Ajay Seth: This year, CAPEX would be about 2,100 crores which also includes the R&D spend and the CAPEX in Q1 was 330 crores. Cash position at this point in time is, we have 4,700 crores of cash in the books.

Mr. Sahil Kedia: This is cash plus investments, right sir?

Mr. Ajay Seth: Yeah.

Mr. Sahil Kedia: Sir, if you can just give us the figure for the R&D expenses exactly this year?

Mr. Ajay Seth: We are yet to finalize on the number. We are working on it, so we don't have a number at the moment.

Mr. Sahil Kedia: Alright sir. Thank you so much sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Kunal Bhatia from Dalal & Broacha. Please go ahead with the questions.

Mr. Kunal Bhatia: Yeah, hello sir. Thank you for taking my question. Sir, first question would be on rural, just wanted to know out of the total rural sales, how much was on the actual cash sales and taking into account the point that the monsoon would affect sales going forward, what is your take on that?

Mr. Rahul Bharti: Rural sales have a higher cash component and the finance penetration is lower. Generally, we have observed that at least there is a 5% to 10% gap in the finance penetration between the rural sales and all India average.

Mr. Kunal Bhatia: Sir, how would it get affected because of shortfall on monsoon?

Mr. Rahul Bharti: There is no direct correlation between monsoon and our rural sales. The relationship is through a general economic feel-good and economic prosperity. A lot of our rural sales happen to teachers, cooperative banks, and other people who are not directly associated with agriculture. So, it is a difficult question at the moment, but definitely there will be an effect if the monsoons have a problem.

Mr. Kunal Bhatia: Okay. And sir, secondly my question would be on your new launches, like what would be your strategy on that, as in even this year we...like for the first quarter we saw that the sales for a few models were higher than the others. So, what are your plans in regards to new launches and what is your strategy for sales?

Mr. Rahul Bharti: We have a very well laid-out product roadmap for the next few years and our effort is to understand the Indian customer as closely as possibly. We would be launching products that are high on fuel efficiency and value for money and at the same time are more and more exciting and good looking. Our effort at the back-end would also be to try and commonize as much as the cost structure as

possible to gain some higher operating leverage and for this, we are putting up a local R&D capability. In the past, we have seen that whatever models Suzuki has given us have clicked too well with the Indian customer, but the kind of growth which the Indian market is seeing, we think it deserves an additional local R&D capability which we are trying to develop.

Mr. Kunal Bhatia: And sir, how many new models would be in the current year?

Mr. Rahul Bharti: In the past, we have talked about at least 1 model per year and in the past 40 months we have given 8 models. So, let's wait and watch. We will let you know just before the launch.

Mr. Kunal Bhatia: Okay. Sir, thank you so much, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Sonal Gupta from UBS. Please go ahead with the questions.

Mr. Sonal Gupta: Hi. Thank you. This is Sonal here. Good afternoon everyone. Just a couple of questions. One was, is there any FX gain on liabilities in your other expenses this quarter because the rupee has, I mean, appreciated quarter on quarter?

Mr. Ajay Seth: No, there is no impact, I mean, the impact is not significant enough to have any bearings on the financials.

Mr. Sonal Gupta: Okay. And in terms of, I think you mentioned initially in your comments that the domestic market growth has been uneven and just primarily across a few models, could you shed a little more light on that in terms of what are you seeing in terms of trends?

Mr. Rahul Bharti: Mr. Seth talked about geographies. For instance, we are seeing that the top 10 cities are still not responding. We are seeing that the next 10, that is, cities ranking from 10 to 20, 20 to 30, the growth has picked up. Rural continues to be high, but the top 10 cities are not responding. In terms of models, we have seen that the newer models are growing, but the older models are almost static, and we have seen that growth is happening to some players but not to other players. So, it is not a broad-based growth that is happening all across industry for us to take a really positive view on the rest of the year. Growth is still sporadic, it is still uneven, it is still limited to geographies, sectors, players, models.

Mr. Sonal Gupta: Right. And on these top 10 cities, there is, I guess, a model churn happening in that sense, so that is why, I mean, while your sales is not growing, the newer models are growing and probably the older

ones are declining in top 10 cities. Will that be a correct assessment?

Mr. Rahul Bharti: No. We have to separate an industry consumption phenomena and Maruti model mix or Maruti sales phenomena because our market share in A3 segment, for example, has gone up to 37% now. It was 15% two years back. So, from 15% to 22% and now 32%, so this is not indicative of the consumption in the country. It is a market share phenomena and that is why we cannot conclude anything from our mix about the market.

Mr. Sonal Gupta: Okay. Okay, just one final question, can you just...how do you define rural, what is your definition?

Mr. Rahul Bharti: Actually, industry-wise, there is no common definition.

Mr. Sonal Gupta: Right.

Mr. Rahul Bharti: We define it as per our rural channel.

Mr. Sonal Gupta: So, I mean...

Mr. Rahul Bharti: We have a separate channel for rural. We have rural format dealerships and we have a special scheme wherein we try to reach out consumer segments that we can associate with the rural economy and whatever sales comes in from these channels, we call rural.

Mr. Sonal Gupta: Okay. So, it is not defined by, I mean, below 100 cities, top 100 cities or something.

Mr. Rahul Bharti: It is not very well defined.

Mr. Sonal Gupta: Okay, great. Thank you so much.

Moderator: Thank you very much sir. Next in line, we have Mr. Abhijit from CLSA. Please go ahead with the questions.

Mr. Abhijit: Yeah, hello sir. I have two questions. The first one, I know it is a bit of a repeat, but does your other expenditure for first quarter, does it include any reversal of any of the FX loss that happened last year?

Mr. Ajay Seth: No, no, none.

Mr. Abhijit: There is no reversal of the loss that happened last year.

Mr. Ajay Seth: No, not at all.

Mr. Abhijit: Okay, that's great. The second question is on your capacities. We currently have 7 plus 3 Lac unit capacity, and if car industry growth were to stay strong next year as well, there is a chance that second half of the year, your monthly annualized run rate might cross that number. So, my question is to what extent can you stretch this 1 million unit capacity, can you do 1.1 without expanding further for some time or is limited to 1 million? And secondly, if you were to expand your Manesar plant capacity, what kind of lead time do you need, can it be done in a fairly short period of time of less than 12 months or something?

Mr. Abhijit: Yeah.

Mr. Kanwaldeep Singh: We are already working extra hours on the Manesar plant, so the flexibility to that extent is there and the lead time is much shorter. So, at the moment, there are no concerns on capacity here.

Mr. Abhijit: But can you quantify that if possible?

Mr. Kamaldeep Singh: We do half shifts, we can do two-hour shifts, and if need be, we could do four-hour shifts. So, there is flexibility available to that extent.

Mr. Abhijit: So, you would not have a problem doing 1.1 million on your existing plants?

Mr. Kamaldeep Singh: Depends on the product mix, of course, but in terms of numbers overall, yes, that is possible.

Mr. Abhijit: Okay, that's great. Thank you very much.

Moderator: Thank you very much sir. Next in line, we have Mr. Abhishek from Emkay Global. Please go ahead with the questions.

Mr. Chirag Shah: Hi, this is Chirag here, good afternoon everybody. I was just trying to understand on the raw material side. If we look at some other entities in different sector or even the other auto guys, they have shown a sharp reduction in RM to sales ratio. So, does it...but in your case, that reduction is not as sharp as is seen with other players. So, does it mean that the benefits are yet to come or

your contract levels are such that you have obtained whatever benefits you could have obtained or there is a currency impact underlying in your RM cost which is adverse for you right now?

Mr. Ajay Seth: Okay Chirag, let me answer that. I think you have very carefully examined this piece. Most of the commodity impact has come in. You know, this quarter shows bulk of it. There is some which should hit us in the next quarter, which we have just recently finalized on some contracts, which should hit us next quarter, but that is not very significant.

Mr. Chirag Shah: Okay.

Mr. Ajay Seth: However, we also have, you know, this also factors in all the reductions that we do in a year, the cost reduction program that we run in a year.

Mr. Chirag Shah: Okay.

Mr. Ajay Seth: But I think the negative of it is that the vendors have significant import content which is about, roughly about 15% of our sales. So, to that extent, the currency has really moved adverse from then to now. It is almost a 45% depreciation in currency.

Mr. Chirag Shah: Okay.

Mr. Ajay Seth: So, that has largely offset, in fact, more than offset the gains that we have had on commodity and...but also the fact is that we give them increase on exchange with a quarter lag.

Mr. Chirag Shah: Yeah.

Mr. Ajay Seth: The fourth quarter was the worst.

Mr. Chirag Shah: Yeah.

Mr. Ajay Seth: And since then, we have seen some improvement on the currency front as well.

Mr. Chirag Shah: Okay.

Mr. Ajay Seth: So, you know, that will get factored in the next quarter.

Mr. Chirag Shah: Okay.

Mr. Ajay Seth: But one important issue that we have to see is the exchange risk management at the vendor's end and second is how effectively do we expedite our localization program.

Mr. Chirag Shah: Okay. Sir, so does it mean that the currency benefit, if at all, are likely to come in next quarter or in the next part of the year and to that extent, your RM to sales ratio could improve or the pressure could reduce.

Mr. Ajay Seth: Absolutely.

Mr. Chirag Shah: Is it the right way to look at it? But excluding currency issues, most of the benefits have been factored in...

Mr. Ajay Seth: Absolutely.

Mr. Chirag Shah: ...on pricing. Sir, second is that, if you can share, throw some light on your impact on realizations because of currency movements. You said it is 15-16% on Q-on-Q...

Mr. Ajay Seth: No, year-on-year basis.

Mr. Chirag Shah: On year-on-year basis. But what would be on Q-on-Q...

Mr. Ajay Seth: No, no significant difference because the rates were very much same last quarter versus this quarter.

Mr. Chirag Shah: And lastly, if you can just help us understand what would be your FOB billing for A-Star in terms of pricing, because it seems the pricing is significantly higher, so what is the difference between the domestic pricing and the products you are sending across for the international markets or the European markets?

Mr. Ajay Seth: The only comment I would like to make is that the pricing of A-Star is certainly higher than the other earlier export models.

Mr. Chirag Shah: Yeah.

Mr. Ajay Seth: So, therefore, you see that, you know, the value end, you see a significant improvement, but the details with regard to pricing, etc., I think we are not sharing at this point.

Mr. Chirag Shah: But it also takes care of sufficient profitability vis-à-vis your earlier models, is it right?

Mr. Ajay Seth: We said we are profitable on exports.

Mr. Chirag Shah: Yeah.

Mr. Ajay Seth: We have always maintained that our export profitability is a shade lower than our domestic profitability.

Mr. Chirag Shah: Okay.

Mr. Ajay Seth: But it is not that we are not making money on exports.

Mr. Chirag Shah: No, no sir, my question was that vis-à-vis your domestic pricing, because you must be doing some more value addition and making changes in the product to suit the European markets.

Mr. Ajay Seth: Right.

Mr. Chirag Shah: Okay, so what is the incremental cost that you have over and above the domestic pricing to ensure that you meet the requirements of the developed markets. I was asking more from that perspective.

Mr. Rahul Bharti: Okay. We have more than 100 variants of the A-Star...

Mr. Chirag Shah: Okay.

Mr. Rahul Bharti: ...and it is branded as A-Star, Alto, Pixo, Celerio...

Mr. Chirag Shah: Yeah.

Mr. Rahul Bharti: ...in different markets of the world.

Mr. Chirag Shah: Yeah.

Mr. Rahul Bharti: So, it is very difficult to give you a comparison.

Mr. Chirag Shah: Okay.

Mr. Rahul Bharti: But what we would like to definitely tell you is that in exports by virtue of the longer value chain are intrinsically lower than domestic level of profitability and it is for all manufacturers in India.

Mr. Chirag Shah: Yeah.

Mr. Rahul Bharti: But certainly...the profitability is certainly higher than our old model exports...

Mr. Chirag Shah: Okay.

Mr. Rahul Bharti: ...and the Board of Maruti demanded this profitability when we were putting up investment for the A-Star.

Mr. Chirag Shah: Okay, fair enough. But you have not yet helped me understand what is the incremental cost you are incurring to ensure your products comply to the...say, for example, the key European markets where you are.

Mr. Ajay Seth: There are about 100 variants.

Mr. Chirag Shah: Okay, fair enough, fair enough.

Mr. Ajay Seth: So, there would be...surely, every variant will have a different cost model.

Mr. Chirag Shah: Okay.

Mr. Ajay Seth: Now, to give you a comparison of those 100 models will be extremely difficult.

Mr. Chirag Shah: Fair enough.

Mr. Ajay Seth: Yeah.

Mr. Chirag Shah: Yeah, sir, last question on the Nissan side, just a clarification, you said the contract is for a longer duration, so is it...how should I understand that, 30,000 units per annum is far more than one year or the quantum is yet not decided in terms of longer duration, what should I understand from that?

Mr. Rahul Bharti: This year, it is 30,000.

Mr. Chirag Shah: Yeah.

Mr. Rahul Bharti: And we will let you know the next year figure once we understand it.

Mr. Chirag Shah: Thank you, thank you very much.

Mr. Rahul Bharti: Right.

Moderator: Thank you very much sir. Next in line, we have Mr. Kapil Singh from Namura. Please go ahead with the question.

Mr. Kapil Singh: Yeah, hi sir. My questions have been answered, thank you.

Mr. Ajay Seth: Thanks.

Moderator: Thank you very much sir. Next in line, we have Mr. Ambrish Mishra from MF Global. Please go ahead with the questions.

Mr. Ambrish Mishra: Thanks, even my questions have been answered.

Mr. Ajay Seth: Thank you.

Moderator: Thank you very much sir. Next, we have Mr. Pramod from RBS Equities. Please go ahead.

Mr. Pramod: Sir, congrats on a great set of numbers. This is with regard to the Ritz which you launched. Sir, what is the internal feeling in terms of the product's success or failure and also in terms of the petrol version versus the diesel version?

Mr. Rahul Bharti: We have got very good feedback on the Ritz and we are very happy with it.

Mr. Pramod: Okay.

Mr. Rahul Bharti: And customers have appreciated it. The other positive part is it doesn't seem to cannibalize the Swift at all.

Mr. Pramod: Okay.

Mr. Rahul Bharti: The third thing is at the moment the mix is 50:50, petrol and diesel.

Mr. Pramod: Has it surprised you compared to the Swift one?

Mr. Rahul Bharti: To some extent yes, because predominantly one would have thought that diesel would have commanded a higher share.

Mr. Pramod: Okay.

Mr. Rahul Bharti: That means, people relish fine driving better NVH.

Mr. Pramod: The K-Series benefit?

Mr. Rahul Bharti: The K-Series benefit, yes.

Mr. Pramod: Then, coming to that K-Series ads which you are trying to put across, what is the capacity and where are you standing in terms of

utilization of the same and how that will pan out by the end of the year?

Mr. Rahul Bharti: Our capacity is currently 240,000 per annum.

Mr. Pramod: Okay.

Mr. Rahul Bharti: And we would let you know as and when more and more models are launched using the K-engines.

Mr. Pramod: Sure. Thanks and all the best.

Mr. Rahul Bharti: Thanks.

Moderator: Thank you very much sir. Next in line, we have Mr. Mitul Mehta from Lucky Securities. Please go ahead.

Mr. Mitul Mehta: Yeah, congratulations on a great set of numbers sir. Sir, my question is to the royalty that we are paying to the Suzuki, I mean, would the rates differ across models, how the whole structure is?

Mr. Ajay Seth: We are paying royalty on all the new models as per the RBI precise formula. So, the royalty cap is 5% of net sales on all the newer models. On the earlier older models, we are paying royalty at 3% and there is a slightly different formula. It will be complicated to explain here, but that 3% in a way equates to the 5%. So, effectively we are paying royalty as per the RBI precise formula at 5%.

Mr. Mitul Mehta: If the cap is lifted by the government, would the royalty go up?

Mr. Ajay Seth: No, royalty has already been fixed. The license agreements have already been signed, so it will remain where it is.

Mr. Mitul Mehta: Okay. Is this for a particular period of time or how is it sir?

Mr. Ajay Seth: Royalty agreements are for 11 years unless they extend it.

Mr. Mitul Mehta: 11 years unless they extend it?

Mr. Ajay Seth: Yeah.

Mr. Mitul Mehta: Okay. And sir, this CAPEX that you mentioned about this number would take the capacity eventually to what number?

Mr. Ajay Seth: No, we have not talked about any expenditure on capacity in these numbers. One portion of this is on the R&D setup and the remaining expenditure would be on the new model launches or on the routine CAPEX on both Manesar and Gurgaon plant. Also, on the marketing side, we will have some infrastructure investments to be made. So, this does not include any capacity expansion.

Mr. Mitul Mehta: And sir, would it be possible for you to give us any kind of volume guidance for the current year for Maruti?

Mr. Rahul Bharti: Maruti, just by accepting uncertainty in this particular year has gained tremendously on its ability to serve the market better, but we did have a starting figure in mind and that figure was the same as the industry figure of 5% growth. So, we are really not concentrating on a growth figure. We are concentrating on being able to respond to immediate needs of the markets at a faster pace. We have not changed the outlook of 5% as of now.

Mr. Mitul Mehta: Right. And sir, your current EBITDA margin for this particular quarter minus the other income was 12.2%. Is there a further lever for margins to go up in the current circumstances given the fact that the raw material prices have fallen and we are selling more and more new models?

Mr. Ajay Seth: As I mentioned, we will always endeavor to improvise on our margins in whichever way we can, but the margins is a play of many factors. We have to look at the mix at a given point in time. We have to look at all the foreign exchange rates move and also on the discount front. So, whilst we will continue to do our best in terms of margin improvement, we will have to also look at the market trends on these items that I just talked about. It is very difficult to predict what the margins would be, but surely we will do our best in terms of ensuring that the margins are at their best.

Mr. Mitul Mehta: Congratulations and all the best sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Mahantesh from Centrum Broking. Please go ahead.

Mr. Mahantesh Sabarad: Good afternoon sir. Very good set of numbers. I have two questions and both are on the cost front. One is to do with what is your cost of emission control, meeting the emission norms in April 2010; that's one. And two, your older set of models, the Alto and Wagon-R have not been refreshed to my memory for quite some

time. So, would you look at some new variants there, upgrading it in the form of some certain features and what cost thereof?

Mr. Rahul Bharti: On the emission changes, it depends...the cost depends to a very, very large extent on the technology you are deploying to get to the emission level. For instance, you could do a small programming change in the electronic control unit or you could add some major hardware equipment in the engine, it depends a lot. For instance, in the Omni, we are not having to incur anything at all. And on the second question, thanks for your feedback, we will take it in our product decisions and product consideration.

Mr. Mahantesh Sabarad: Sir, you mentioned on the Omni. I understand your Ritz meets the emission control norms. What about again the same Alto and Wagon-R, even they need to be upgraded to Euro IV, what is the engine strategy there, what hardware, what cost?

Mr. Rahul Bharti: See, we have seen changes from Euro 0 to I through Euro IV now and the A-Star, we are already giving at Euro V. So, this is almost a regular phenomenon for us and I believe for other players also. So, there is nothing major in meeting that. Secondly, as a broad strategy, for our next generation power trains and engines, we have put the K-series engine plant inhouse now.

Mr. Mahantesh Sabarad: I mean, I understand on the K-Series, but, you know, as an analyst and with my fellow colleagues also listening in, we would like to have some guidance on what is the cost increase that Maruti as a company will see because it has to meet the emission control norms next year. Of course, there will be a pricing increase that you would like to take to pass on those cost increases, but at least on the cost front, what is it that we should be guided by?

Mr. Rahul Bharti: I think it will be an industry-wide phenomena just like any other price or excise duty change or a fuel price change or an interest rate change. So, it will not be very significant.

Mr. Ajay Seth: I think this is a regular feature that you see whenever Euro norm changes. It happened from II to III and III to IV. There is going to be certainly an increase in cost. We will not be able to quantify as to what is the increase and whether it will be passed on or not passed on is a question of where is the market at that point in time, what is market's capacity to absorb price, etc. So, that we will have to see as we go along, but surely there will be some increase in cost. Some has already been incurred and some is going to be

incurred. Some we would have already factored in, that would have gone in in the accounts. Some is going to go as we move along.

Mr. Mahantesh
Sabarad:

Sir, one final suggestion. I find most of us have been asking you for the export value in your turnover. It would be great if that number can be shared because some other companies do share such numbers. They have been sharing this number for quite some time.

Mr. Ajay Seth:

We will give you a breakup. We don't have it at the moment with us since we were not planning to share it.

Mr. Mahantesh
Sabarad:

Yeah.

Mr. Ajay Seth:

But we will surely answer to your query subsequently.

Mr. Mahantesh
Sabarad:

Sure sir. Thank you very much.

Mr. Ajay Seth:

Right.

Mr. Mahantesh
Sabarad:

That's all from my side.

Moderator:

Thank you very much sir. Next in line, we have Mr. Rohan from Anand Rathi. Please go ahead with the questions.

Mr. Rohan:

Thanks. Sir, could you give me the breakup between the dispatches and the retail during the quarter?

Mr. Rahul Bharti:

Difference between?

Mr. Rohan:

The passenger car dispatches and the retail sales in the quarter?

Mr. Rahul Bharti:

Insignificant.

Mr. Rohan:

It is not significant at all?

Mr. Rahul Bharti:

No.

Mr. Rohan:

Okay. And sir, in the export market, till when the scrappage norms given by various European countries be applicable, any time frame has been given or not so far?

Mr. Rahul Bharti: Separate governments have separate schemes and I believe separate budgets also. For example, Germany has already used up its first tranche and is now extending it to the second tranche. We believe the governments would also like to continue it till they see a sustained momentum in consumption in their countries. So, broadly, we think some time till the third quarter or the fourth quarter the scrappage incentives should last, but it depends on those governments, very difficult to say.

Mr. Rohan: Third quarter or fourth quarter of the calendar year or the fiscal year FY10?

Mr. Rahul Bharti: Third or fourth quarter of the calendar year, I am sorry.

Mr. Rohan: Okay. And sir, any outlook on demand visibility after these incentives have run their course?

Mr. Rahul Bharti: It remains to be seen whether the momentum continues, it's anybody's guess.

Mr. Rohan: Okay, thanks a lot sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Jalpath Shah from Quantum. Please go ahead with the questions.

Mr. Jalpath Shah: Yeah, good afternoon sir. My question is your interest cost has come down drastically by almost 60%, so what could be the reason for the drop in interest cost?

Mr. Ajay Seth: We had some export loans last year which have become zero now. So, because of that, the interest cost is showing a significant reduction. Also, on the long-term loans, the rates are reset based on the MIFOR rates for last six months and that has also come down as the rates were much lower compared to what it was last year. So, both these factors have been responsible for the reduction of interest cost.

Mr. Jalpath Shah: So sir, what is the average cost of debt now and your debt as on 30th June?

Mr. Ajay Seth: It is about 4.5% on the long-term debts.

Mr. Jalpath Shah: Okay. And what is the debt?

Mr. Ajay Seth: 620 crores in all.

Mr. Jalpath Shah: 620. Now sir, your euro loans are, I mean, what is the repayment schedule, every year you have to pay in installment or...?

Mr. Ajay Seth: The repayments will start from now...

Mr. Jalpath Shah: Okay.

Mr. Ajay Seth: ...and it will go on for the next five years.

Mr. Jalpath Shah: Next five years, okay sir, thank you very much sir.

Moderator: Thank you very much sir. Next in line, we have Ms. Gopika from Morgan Stanley. Please go ahead.

Mr. Dinesh: Hello sir, this is Dinesh from Morgan Stanley, hello...

Mr. Rahul Bharti: Yes.

Mr. Dinesh: Sir, first of all, could you give us roughly an idea about what is the percentage of diesel car sales in the first quarter versus the last quarter same year and secondly if you could tell us something about the CNG roadmap, which models, which variants, and when can we see the cars being sold out?

Mr. Rahul Bharti: We will give you the data in a couple of minutes.

Mr. Dinesh: Then, just on the other operating income that we show in the BSE format, that is up around 30% on a quarter-on-quarter basis, could you shed some light on that?

Mr. Pradeep Garg: Other operating income consists mainly of scrap sales and the cash discount that we receive on purchase of material. So, as our material consumption has gone up, the cash discounts have also gone up. There are some miscellaneous receipts also which have also gone up.

Mr. Dinesh: Okay.

Mr. Rahul Bharti: On the diesel, there has been a 66% growth...

Mr. Dinesh: Okay.

Mr. Rahul Bharti: ...in quarter one versus the same period last year.

Mr. Dinesh: And on a quarter-on-quarter basis?

Mr. Rahul Bharti: On a quarter-on-quarter basis, we have about 10% growth.

Mr. Dinesh: Okay. And sir, roughly what will be the number of Ritz that we would have sold in the last quarter?

Mr. Rahul Bharti: We have talked about 14,000-15,000.

Mr. Dinesh: Okay, okay. And just on the CNG roadmap if you could tell us something on that.

Mr. Rahul Bharti: We are watching the CNG situation in the country, though the production is going up from about 100 mmscmd to about 200 mmscmd in the next three-four years and the national pipelines are also getting laid out, but the issue is of last-mile connectivity which is city gas distribution. So, as and when the city gas distribution links, the last mile link is completed, we will consider models in that space.

Mr. Dinesh: Okay. Okay sir, thanks a lot.

Mr. Rahul Bharti: Yeah.

Moderator: Thank you very much sir. Next in line, we have Mr. Hitesh Goel from Citigroup. Please go ahead with the questions.

Mr. Hitesh Goel: Yeah, hi. I just wanted one clarification. Last quarter, you had pointed out that 120 BPS impact was due to vendor imports in your margins. So, can we have that number this time around, for this quarter? Hello...

Mr. Ajay Seth: Import impact in this quarter will be about the same again.

Mr. Hitesh Goel: Okay.

Mr. Ajay Seth: It is about 50 crores impact that we have on account of exchange fluctuation.

Mr. Hitesh Goel: This is on material cost. This is both vendor and direct or only vendor?

Mr. Ajay Seth: Vendor, vendor, I am talking about only vendor.

Mr. Hitesh Goel: And on direct, you had an impact or no?

Mr. Ajay Seth: On direct, the impact has been neutralized because there were corresponding gains on exports. So, on dollar-rupee, we are naturally hedged, so there will be no impact.

Mr. Hitesh Goel: Okay. So sir, it is not exactly a lag of one quarter or so, it depends on the negotiation with the vendors because if we see the last quarter, there has been a minor, you know, appreciation of JPY versus INR as compared to fourth quarter.

Mr. Ajay Seth: So, what will happen is that since we give them the increase with a quarter lag, so in the second quarter, we will take the rates that are prevailing in the first quarter.

Mr. Hitesh Goel: Okay, okay.

Mr. Ajay Seth: So, it is a cycle that we follow, so therefore you will see a different impact in the next quarter. It should actually come down in the next quarter.

Mr. Hitesh Goel: Okay. And sir one more question, it is basically right now whatever growth is coming is on the rural areas like you said. If the urban demand starts to recover, do you see you and your competitors increasing discounts to prop up sales?

Mr. Ajay Seth: We have seen that in the last year as well the discounts have been very volatile. They were low in the beginning and then they moved up, but last year's situation was also very different from what it is in the current year, but, for example, if the monsoons are bad and demand should close down or if the interest rates start moving up, you could see a play of discounts in the market again. Too early to say, but we will have to keep a watch.

Mr. Hitesh Goel: Okay. Okay sir, thank you very much.

Moderator: Thank you very much sir. Next in line, we have Mr. Bhagesh from HDFC. Please go ahead with the question.

Mr. Bhagesh: Actually sir my question is regarding the product mix in the Dzire model, the Swift model, and the Ritz model, the petrol versus diesel?

Mr. Rahul Bharti: What is it that you want to know?

Mr. Bhagesh: What is the proportion of diesel in the Dzire model, in the Ritz model, and the Swift model?

Mr. Rahul Bharti: It is roughly 60:40 in both Swift and Swift Dzire.

Mr. Bhagesh: Okay.

Mr. Rahul Bharti: In case of Ritz, it is 50:50.

Mr. Bhagesh: Okay, thank you sir.

Mr. Rahul Bharti: Thanks.

Moderator: Thank you very much sir. Next, we have a final question from Ms. Sai Anjali from Capital Market. Please go ahead.

Ms. Sai Anjali: Hi. I just wanted to reconfirm the percentage of rural in your domestic sales, you said it is 12% in this quarter and the previous quarter, that is June 08, it was 9% is it?

Mr. Rahul Bharti: No, for the last full year it is about 9%.

Ms. Sai Anjali: Okay fine. Alright, yeah, thank you.

Mr. Rahul Bharti: Thank you.

Moderator: Thank you very much ma'am. At this moment, I would like to hand over the floor back to Mr. Ramnath for final remarks. Please go ahead sir.

Mr. Ramnath Subramaniam: Yeah, thanks to all of you for logging on to the call. Thanks to the entire management team for sparing your valuable time and all the best for the year sir. Thank you very much.

Mr. Ajay Seth: Thank you.

Mr. Ramnath Subramaniam: Thanks, bye.

Mr. Rahul Bharti: Thank you Ramnath. Thank you.

Mr. Ramnath Subramaniam: Bye sir.

Moderator: Thank you very much sir. Ladies and gentlemen, thank you for choosing WebEx's conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.