

MD's opening speech for Investor Conference Call – 24th October, 2008

Thank you Rahul. Good afternoon, ladies and gentlemen. Thank you for joining this conference call. I will begin with an over view of the quarter.

Operations

Our total sales in the second quarter were 189,451 units as compared to 191,325 units in the same period last year. In the domestic market we sold 171,706 units in the second quarter against 176,154 units same period last year.



Macroeconomic parameters like lack of credit availability, high interest rates, and a depressed consumer sentiment affected the overall demand.

While models like Swift and DZire continue to sell in good numbers, pressure was felt at the entry level resulting in flat volumes.

We were able to hold our overall market share in the second quarter at 54.2% as compared to 55.3% in the same period last year

During this quarter, the company exported 17,745 units against 15,171 units last year same period.

We are happy to share with you, we have been judged number one in customer satisfaction by JD Power for the ninth consecutive year.

We have increased our capacity to 1 million units by putting up the A Star line in Manesar. We also inaugurated our new generation K- series engine shop.

Financials

I would now come to our financials. Net sales for the quarter were higher by 6% at Rs. 48,063 Mn,

Increase in the top line was on account of change in product mix resulting in higher average realizations.

Net Profit for the quarter was Rs. 2,961 Mn as against Rs. 4,665 Mn same period last quarter.

Let me discuss the factors that affected our profitability during the quarter.

Sharp increase in prices of commodities, especially steel, impacted us.

Though we passed on some part of this additional cost in form of price increase in the market in May 2008, we could not pass it on completely due to slow markets.

We use diesel to generate captive power for the Manesar plant. A higher share of cars from the Manesar plant increased our fuel cost.

Our import cost increased due to rupee depreciating against yen by about 20%.

Though there were gains in export realizations due to stronger dollar, the over all impact was negative by Rs. 180 Mn

You would be aware that we adopted a more stringent depreciation policy last year.

Due to this change, additional depreciation of Rs. 568 million had to be charged off in the second quarter.

We have been monitoring our discounts very carefully.

Although we offered discounts due to the market situation and competitor moves, we were able to keep our discounts below what was offered by several competitors.

Looking forward

Now let me discuss our outlook for the future. We are all aware of the global macroeconomic situation and the impact on the Indian market.

Experts are debating about how long and how deep this slowdown will be

Our view is that relatively speaking, India will recover sooner because of the potential of our domestic market. The sixth pay commission may help to boost some demand and improve consumer sentiment.

Though we have seen good consumer interest in the current festive season, we cannot predict, this will continue in the second half of the financial year

On the cost side, the pressures are likely to continue for sometime. Most commodities except Steel are beginning to show a decline.

With some time lag, we may start getting a benefit of this decline.

We remain confident that in the long term, India presents a strong growth story, I would like to share with you the steps we are taking currently.

As a culture, Maruti and Suzuki group are very cautious and avoid complacency even in the good times which is now helping us in tough times.

First, we are taking care of our partners.

We are careful that our dealers should not carry excess inventories, even if that increases our sales temporarily.

We follow a cash and carry principle with our dealers and make weekly payments to our vendors.

Second, we have been focusing on cost reduction innovation programs and as a result we have a strong balance sheet with good cash reserves to fund our expansion programs

The network reach is a strong advantage of Maruti and we will increase our sales network coverage from 402 cities currently to 600 cities in the next 3 years.

Our focus on customer satisfaction has helped us be the brand of choice for our customers.

We have always been planning carefully while putting up production capacities and try to stretch our existing facilities with higher productivity.

We are making special efforts in the rural markets by targeting farmers of successful cash crops.

All our expansion programs are on schedule.

We are on course to launch A Star by next month in the domestic market and Splash in the next financial year.

The K - engine shop will be expanded to include more engines in the series.

Our R&D recruitment plans are on course and our R&D engineers' strength has increased from 258 in the beginning of the year 2007-08 to 560 now.

We are on track for the medium and long term, and while there is pain in the short term, we are taking strong steps to strengthen our leadership.

End

Ladies and gentlemen, I thank you for your interest in our company and would like to invite any questions you wish to ask.

Thank you!