



Q2FY20 and H1FY20
Investor Conference Call

October 24, 2019

Moderator: Ladies and gentlemen, good day and welcome to Maruti Suzuki India Limited Q2 FY'20 & H1 FY'20 Financial Results Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nikhil Vyas. Thank you, and over to you, sir.

Nikhil Vyas: Thank you. Ladies and gentlemen, good afternoon once again. May I introduce you to the management team from Maruti Suzuki. Today, we have with us our CFO - Mr. Ajay Seth; Executive Director, Marketing and Sales - Mr. Shashank Srivastava; Executive Director, Finance - Mr. DD Goyal; Executive Vice President, Finance - Mr. Pradeep Garg; Executive Vice President, Corporate Planning and Government Affairs - Mr. Rahul Bharti and Vice President Finance - Mr. Sanjay Mathur.

The concall will begin with a "Brief Statement on the Performance and Outlook of our Business by Mr. Seth", after which we will be happy to receive your "Questions."

May I remind you of the Safe Harbor. We may be making some forward-looking statements that have to be understood in conjunction with the uncertainty and the risk that the company faces. I also like to inform you that the call is being recorded and the transcript will be available at our website. I would now like to invite our CFO -- Mr. Seth. Over to you, sir.

Ajay Seth: Thank you, Nikhil. Good Afternoon, Ladies and Gentlemen. This year, the automobile industry has seen a significant decline in sales owing to several factors. One of the main factors is increase in the cost of acquisition of the car due to various reasons coming together like implementation of more stringent safety and emission (BS6) norms, increase in vehicle insurance expenses and hike in road taxes in many states. Along with this, the lower availability of finance and increased down payment requirement have affected the affordability of customers to own cars.

The domestic Passenger Vehicle industry declined for five consecutive quarters, with Q2FY20 witnessing a volume decline of 28.7 percent over the same period last year. All three sub-segments within the Passenger Vehicles witnessed the decline. The sales for Passenger Cars, Utility Vehicle and Vans declined by 37.2 percent, 3.0 percent and 45.2 percent respectively over the same period last year. The Company was also impacted by the demand weakness and the domestic sales declined by 31.4%. Export shipments at 25,798 units also declined by 12.4% during the quarter.

The shift in consumer demand towards petrol segment is now even more evident with petrol segment now contributing to 66.7% of Passenger Vehicle Industry's domestic sales during the quarter. For the Company, the contribution of petrol increased further from 74.2% in Q2FY19 to 77.5% in Q2FY20.

The quarter witnessed the launch of two new models - a premium MPV - XL6 and - a mini-SUV - S-Presso. The response to both the new models is encouraging.

As you would be aware, the Company had also progressively initiated the transition to BS-VI norms well-ahead of timelines. Now eight of our top-selling models are compliant with BS-VI norms. This will help the Company and its stakeholders navigate the transition to BS-VI in an orderly manner.

Turning to the financial performance, in Q2FY20, the Company registered Net Sales of 161,204 million, lower by 25.2 % over the same period last year. The operating profit was Rs 6,802 million, lower by 74.9 % and Net profit stood at Rs 13,586 million, lower by 39.4 % compared to the same period previous year largely on account of lower sales volume, higher sales promotion expenses and higher depreciation expenses, partially offset by cost reduction efforts, higher fair value gains on invested surplus and reduction in corporate tax rate.

Negative operating leverage is one of the main reasons of the decline in profitability. While the Company has added capacity, the volume declined, leading to severe pressure on profitability.

The Company is conscious of the current down cycle and is making all possible efforts to contain costs. Benefits have accrued in the current quarter as well on account of cost reduction efforts.

We can now take your questions, feedback and any other observations that you may have. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Jay Kale from Elara Capital. Please go ahead.

Jay Kale: Sir, my first question was regarding the QoQ increase in your realization. If you can just allude to the factors which has led to this?

Ajay Seth: I think the reason for realization increase is primarily as we mentioned that there were safety norms introduced in the models and there was also transition from BS IV to BS VI. There was a cost that was passed onto the consumers. So, to that extent, the realization has gone up.

Jay Kale: You have mentioned that you would be kind of exiting diesel at least for a time-being from April 2020. But recently media reports suggest you have launched Ertiga diesel variant for fleet operators. And also you had mentioned that you would be taking feedback from the customers to assess whether to go ahead with diesel in BS VI. So in your initial feedback let us say in the last five, six months, what is your feedback from the customers -- whether they are willing to pay more for diesel and since you are just six months to the transition, how are you looking at this space now?

Shashank Srivastava: Actually you are right that we did make an announcement as far as BS IV diesel is concerned, going forward we would not be converting to BS VI, because the costs related to that conversion will be so high that especially in the smaller segment it may not make sense to have a BS VI diesel. Now, when you said that "What is our initial estimate on the findings on sort of research which we have done?" Actually, at this time, the research does not make sense because we really do not know what would be the prices of the BS VI diesel models if at all from our competitors. So once we are clear of that, then it is possible for us to do a more detailed study. And as such the decision of whether to go in for BS VI larger diesel would obviously be made after the study is complete.

Jay Kale: Just on your S-Presso, if you can just speak a little about your recent launch, how has been the response, waiting period and what is the kind of customer profile that you are seeing, whether it is the first time car buyers and any cannibalization with the existing products, how are you seeing that product shaping up?

Shashank Srivastava: We are very pleased with the response that S-Presso has had so far. We have got roughly 16,500 bookings so far which means at a rate of around 700- 750bookings per day. That is a pretty good response

is what I would say at this time. Regarding the type of customer, we have done a dipstick study. The pattern seems to be not very different from our other A-segment cars; however, since we have only delivered so far about 6,000 or so vehicles, we would be able to give you a more definitive customer profile of the S-Presso customer once we have had enough deliveries.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Securities. Please go ahead.

Jinesh Gandhi: Sir, can you throw light on how did our retail sales pan out in 2Q?

Shashank Srivastava: Overall Q2 was down by about 22%.

Jinesh Gandhi: Navratras and Dussehra also would be similar?

Shashank Srivastava: No. So that is what I am saying. This is overall Q2 which of course as you know include July and August as well. So if you are looking at Navratras which started only on 29th September going onto 8th of October and last year, the Navratra period were actually 10th October to 18th October. So, if you compare these two periods, actually this year retail has been positive compared with last year.

Jinesh Gandhi: So there is a growth in retail? This would be low single digit?

Shashank Srivastava: It is a small growth, but yes, it is a growth.

Jinesh Gandhi: Second question to Mr. Seth. Can you share numbers on discounts, exports revenue and Gujarat plant volumes?

Ajay Seth: Discounts this quarter were at average of Rs 25,761 per vehicle compared to Rs 18,758 per vehicle in the same period last year. Exports sales were at Rs.1,229 crores was export sales. Gujarat volumes were at 82,251 units in this quarter.

Moderator: Thank you. The next question is from the line of Yogesh Agrawal from HSBC. Please go ahead.

Yogesh Agrawal: Just a couple of questions. Firstly this demand pickup, so it is flat YoY which means it is a reasonably strong pick up on a sequential basis. So, can you add some color into what kind of profile of customers which are coming back and why they are coming back? And also related to that, between BS IV and BS VI in your inventory, which models are selling well -- is it BS VI more or is it both the same?

Shashank Srivastava: You are right, Yogesh. Sequentially, it has got better that is reflected both in our wholesale and the retail numbers. Just for your information, you would have gathered like July retail were roughly 100,000 each, September was better about 116,000, and October looks to be even better. So yes, sequentially, there has been a good growth, and I think that is also reflected in our inquiry growth especially for petrol models and also the booking growth which is also positive.

Yogesh Agrawal: And it is from both BS IV and VI. Is inventory also similar for IV and VI?

Shashank Srivastava: So, as Seth san said in his opening statement, we have introduced eight models with BS VI in petrol fuel option, starting with Alto and Baleno in April, then we had the Swift and Dzire in June and WagonR in

July, and then we had the Ertiga, XL 6 and S-Presso, which are also BS VI. So when we introduced the BS VI models, it is done after the stoppage of production for BS IV. And for these models we have very little stocks left in BS IV. So generally speaking, the stocks now for these models where we have introduced BS VI is only for BS VI. BS IV stock is more or less exhausted.

Yogesh Agrawal: Now it has picked up, so you expect this to sustain the pick up or is it more you think bunching up of pent-up demand in the last six months, so any color on that?

Shashank Srivastava: So as today when it was pointed out in the press conference also, we really do not have sort of a crystal ball for finding out exactly is it sustained sort of thing change that we are seeing. But yes, we have to wait for a couple more months to see whether the upturn persists. And the reason for that is in these times when we have noticed this apparent change in the direction of the retails towards the positive, it has been with the sentiment being positive largely because of higher promo levels and also because of the festive season. So, in the absence of these two whether this sort of retail persists is what we need to make an assessment and that can be done only after observing for a couple more months rather than today.

Yogesh Agrawal: Secondly, on market share. So there is a little bit of a loss of market share because there were launches from competition. One, do you expect with S-Presso, you will regain that market share at least in percentage volume terms? Secondly, internally when you look at market share, the sales of Toyota, is it considered part of your share or you consider it as a loss of market share?

Shashank Srivastava: No, on the second part of Toyota, we do not count it in our sales surely. So whether our market share is affected by that, we have still not come to any conclusion because it is only regarding the Baleno. As far as the market share is considered if we go segment wise that is if you take a look at the passenger car segment, our market share actually went up, in the van segment which is the C-segment also our market share actually went up in the first half; however, in the SUV segment, which is the B-segment, our market share went down. But it is a little more complicated than that as there has been a change in the share of the segment itself. So forget our market share, the share of the segment itself in overall sales has changed like the A-segment, which is the passenger car segment has actually gone down from 66% to 60%. So, this will also be reflected in the market share losses. So summary if you want to ask me, our market share has gone up in A and C segment which is the passenger car and the van segment, but we have lost market share in the B-segment, which is the SUV segment, and of course as you know in H1FY20, 13 new launches were made by the competition, 10 of them were in this segment.

Moderator: Thank you. The next question is from the line of Amyn Pirani from Yes Securities. Please go ahead.

Amyn Pirani: Sir, my first question was on your depreciation, If I look at 1H of this year over 1H of last year, there is approximately a 30% increase in depreciation on a YoY basis whereas your fixed assets have only gone up by 10%. So, is there some accelerated depreciation happening on certain assets which may not be used after BS VI, what is happening there if you could help us?

Ajay Seth: There is some element of accelerated depreciation in H1 on some of the diesel engine plants where some portion of that would be scrapped and has been taken on an accelerated depreciation and about Rs.160 crores is the impact on H1 on account of that. So that largely explains the reason for increase in depreciation.

Amyr Pirani: What is the royalty number for this quarter?

Ajay Seth: Royalty including SMG is at 5.2%.

Amyr Pirani: But the SMG royalty will reflect in your raw material line, right?

Ajay Seth: That is right. But I am giving you the combined number.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Securities. Please go ahead.

Jinesh Gandhi: Sir, on other expenses there has been a substantial decline on QoQ basis if I look at the inventory or higher production despite that there has been a drop. So any one-offs there or that is a more sustainable number?

Ajay Seth: You see other expenditure also includes royalty payments. So that is a variable expense. Since the sales have come down, therefore the royalty has also come down. So therefore the reduction that you see for other expense is partially because of that. And, of course, there has been some impact on account of cost reduction on certain areas that we have talked about overheads that we have kind of controlled in the first half, second quarter as well. So, it is a combination of the two.

Jinesh Gandhi: On the gross margin side if I look at it, there has been a fair bit of stability despite increase in discounts. And that is entirely a reflection of our cost-cutting initiatives and localization efforts or there is some benefit also of commodity reflecting there?

Ajay Seth: So there is definitely a material cost reduction initiative. Also, we got some positive on account of commodity prices going down. As I mentioned to you overall effort of reducing overheads across all verticals. This is a combination of the three factors.

Jinesh Gandhi: Any sense on what would be commodity savings in this quarter?

Ajay Seth: The commodity impact in this quarter would be small. It is not very significant, but the cost reduction will be a larger piece.

Jinesh Gandhi: But any sense on what that cost reduction number would be?

Ajay Seth: I think the commodity impact comes with a lag effect. In this quarter, it will be very small, I mean, it is not very material, but moving forward, you will see better impact on commodity as the commodity costs have gone down, and we will see Q3 and Q4 seeing much bigger impact on commodity.

Jinesh Gandhi: In terms of inventory, so where we are at the beginning of festive and what would be our target at the end of festive season on inventory levels?

Shashank Srivastava: If you are asking for network stock, should be around 30, 32 days types.

Jinesh Gandhi: And post festive, this should come down materially or we would be building up?

Shashank Srivastava: I am assuming that this would be the range here anyway because we are also sending vehicles, right.

Jinesh Gandhi: With respect to our diesel models, particularly which would not be transiting to BS VI, what is our strategy particularly products like Brezza which is only diesel, so by when do we plan to launch petrol there?

Shashank Srivastava: We will be converting the Brezza to BS VI petrol as we have already announced before the end of this financial year.

Moderator: Thank you. The next question is from the line of Joseph George from IIFL Securities. Please go ahead.

Joseph George: Just a couple of questions: One is, could you give us a sense of what your full year tax rate would be given the new announcements by the government?

Ajay Seth: We have 5% reduction on the effective tax rate for the full year, and our effective tax rate earlier was about 28%. So now it will go down to about 23% or maybe shade lower than 23%.

Joseph George: You talked about the good booking numbers for the S-Presso. But in your analysis, do you find that it is cannibalizing into some of your existing models in similar segments or do you think a large part of this is incremental volumes?

Shashank Srivastava: It is I think too early to tell that because we have seen an upturn in the other models in this segment as well. But that is I think because overall market itself has gone up. So, the cannibalization if any and the extent of it, we will be able to judge only after we see a normal period of sustained numbers going forward.

Joseph George: Last question was in relation to the demand scenario. So you mentioned that the first 10-days of Navratras were of slight growth on YoY basis. Has that continued which is another two weeks after Dussehra? And second part is given the kind of a turnaround that we have seen compared to the declines that we have seen earlier, do you think this is kind of a sustainable thing or for instance, we were talking to some of the two wheeler companies last few days and the sense we got is that they are also seeing flattish or slight growth kind of a scenario in the festive season. But none of them had the confidence to say that this momentum will continue going into November, December. So, is the PV scenario similar to what the two wheeler guys are saying or are you all seeing higher confidence in the sustaining?

Shashank Srivastava: Exactly the same. By the way, Navratra period was ten days total, and we have seen that retail continuing at a good pace even subsequent to that. So, we have to see how the Dhanteras which is tomorrow, and for period leading up to Diwali, we have to see how sales go before we arrive at any conclusion, but, I would completely agree with the two wheeler manufacturers assessment as well which is that we need to look at these numbers for a longer period of time before concluding that this is a sustained growth back in the auto industry.

Moderator: Thank you. The next question is from the line of Aditya Makharia from HDFC. Please go ahead.

Aditya Makharia: I just wanted to know if you have any broad market share targets in the medium-term. I believe there was some statement made by your people in Japan recently.

Shashank Srivastava: As we just pointed out, our market share in H1 was 49.8%. So, rounded off targets are always great. Obviously, we will try to increase it whatever is the market share we have.

Aditya Makharia: Just any developments on the hybrid side, anything we can talk about, in the sense launch timelines because there is just so much noise around EVs in general?

Rahul Bharti: We are working on the technologies, but there is a viability gap which can be corrected by the government, and we are waiting for the right policy for that.

Moderator: Thank you. The next question is from the line of Raghu Nandan from Emkay Global. Please go ahead.

Raghu Nandan: A couple of questions; firstly, any update on company's efforts on strengthening the marketing infrastructure on providing land parcels or showrooms to dealers on lease? Secondly, are you seeing any improvement in customer sentiment especially the rural salaried segments, and what would be the rural share?

Shashank Srivastava: On the first part of your question regarding the realty part, we are going ahead as per plan, and for the sites which we have actually taken, we are now in the process of making them functional. So, that was our focus regarding that. On the second part of the question, rural sale has degrown this year, but at a lesser rate than the urban degrowth. So urban degrowth is higher than the rural one. But rural one is also substantial; it is about 18% down. Rural share of the total sales for Maruti Suzuki is around 39% now.

Moderator: Thank you. The next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.

Gunjan Prithyani: Just a follow up on this inventory. Of the inventory that is there with the channel, would you be able to give us some sense of how much would it be of BS IV versus BS VI?

Shashank Srivastava: If you include the diesel vehicles, then it would be roughly 50-50 types.

Gunjan Prithyani: And excluding diesel vehicles, how would that be, I mean, it is largely BS VI now?

Shashank Srivastava: So 70% of our sales in the petrol comes from these BS VI models which we have launched.

Gunjan Prithyani: The other thing which you mentioned that 30-days is the normal inventory levels that you are comfortable with now and we are pretty much there. So, is it a fair assumption that if let us say the positive trends on retail continue, our wholesale should also be tracking the numbers here, I mean, there is no cleanup which is yet to be done here since you fairly advanced as far as the transition goes?

Shashank Srivastavat: Yes-yes, absolutely, you are right. If retail happen in whatever pace wholesale should happen. But there is a caveat which I must add whenever I mention these number of days, for example, if you sell 100 cars, and your stock is 100, we will say then 30-days of stock. However, if next month it falls to 50, then that same stock will become two months stock. So we need to look at that. So when we say that it is with respect to running three months' retail. So in that sense, yes, if the retail continue at this rate, then probably wholesale will obviously follow that.

Gunjan Prithyani: On the financing in the initial comments you mentioned there has been some reduction on the financing side. Have you seen that change during the festive like there is more willingness to give out financing, and in your portfolio how would that be panning out now?

Shashank Srivastava: Yes, little bit of reduction in interest rates of course have been announced by many banks now, roughly in the range of 10 to 20 basis points. Repo rates of course in the corresponding period have gone down by almost 115 points or so. Even in terms of the upfront payment which is the initial down payment, some of the banks with whom we have talked are now doing 100% financing on road and there are I think six, seven big banks who are doing that. So, yes, there seems to have been little more positive scenario on the financing front.

Gunjan Prithyani: What would be the penetration level -- has it remained same?

Shashank Srivastava: It is around 80% which is similar. However, I must again put a caveat that normally we look at the finance percentage which does not really mean much because you have to see the rejection rate which is a much better measure. Unfortunately, we do not have a formal system from the banks to have that measure.

Gunjan Prithyani: What is the CNG share now in the overall volumes?

Shashank Srivastava: CNG share is like roughly 7%

Moderator: Thank you. The next question is from the line of Rakesh Kumar from BNP Paribas. Please go ahead.

Rakesh Kumar: My first question was just a follow-up on BS IV inventory which you talked about half of your inventory would be BS IV models. Can you give us a sense in number of days what would that be going by the model pace?

Shashank Srivastava: All of them put together, including diesel, etc., that would be roughly 15-days of inventory I would say.

Rakesh Kumar: Looking at the gross margin which you have reported this quarter, which has expanded by 30 basis points sequentially despite close to around 16% volume decline sequentially. You talked about that you had some cost reduction benefit during the quarter. Can you take us through that how sustainable those cost reductions are? And also we see that you had significantly higher production as well during the quarter. So, how you would be managing those factory inventories in the coming quarters?

Ajay Seth: On the cost reduction, this is a running program and its implemented across the company. Hence, overall costs were down. I also mentioned that there is a significant cost reduction also on the materials side which is our annual running program where we work on various initiatives on cost reduction. So, besides the normal cost reduction program that we run every year, this year, we made special effort to look at all overheads across the company and we are trying to work on all our discretionary spends and other expenses, and we have been able to bring them down in the first half. I think moving forward also if we continue to find situation not improving, we will put stricter controls on the overheads.

Rakesh Kumar: About the factory inventory which is close to around 47,000?

Ajay Seth: Factory inventory was roughly about 50,000.

Rakesh Kumar: So, do you plan to liquidate that in the next quarter?

Ajay Seth: As my colleague mentioned that retails are looking good in this month. Lot of this now would be already gone from the factory or it will be the process of moving from the factory. So, I think this inventory will significantly come down in the next one or two months.

Rakesh Kumar: My final question was, you talked about positive growth which you saw during the Navratri phase. Do you see any pattern in the rural and urban market, any distinction in the growth or you see across the geography growth during the festival season?

Shashank Srivastava: Yes, it is largely across geographies, but of course, as in any period you will have some differences between one place to the other.

Moderator: Thank you. The next question is from the line of Ronak Sarda from Systematix Shares. Please go ahead.

Ronak Sarda: Given your readiness with BS VI and the transition which you have already seen, but the competition is still at BS IV, and they would see the transition mostly in Q4. How do you see the competitive intensity at that point of time -- do you see a situation where the discounts do not fall below from the current mark and would we participate in a similar scenario?

Shashank Srivastava: You are referring to the BS IV fire sales, right?

Ronak Sarda: Kind of, if the transition does not take place smoothly.

Shashank Srivastava: So as I mentioned for us we have a much lower stock of BS IV for the models where we have introduced the BS VI. So, I am not sure what the other auto manufacturers would be planning to do with their BS IV stock. Obviously, it depends on their production levels and their wholesale and the network stock, etc., But I can say one thing that finally, it will depend on how much value consumer sees in the BS VI models. At the moment, we see good traction with consumers regarding BS VI.

Ronak Sarda: Just a follow-up on this. Are we seeing any indication of some pickup happening in diesel variants? Do you see some prebuying especially on the fleet side, it is higher or in any other model on the diesel side, will we see some prebuying happening?

Shashank Srivastava: So if we look at overall the diesel sale also reflect the changes except that the percentage of sale of diesel in the industry has been coming down as you know. So like in H1 it has come down to almost like 22% for Maruti, and for the industry overall it has come down from 38% to 33%.

Ronak Sarda: Second question is on the raw material side. Given the commodity cost especially steel has fallen sharply over the last few months. Ajay, sir, if you can just clarify again, I mean, do you see the benefits coming in the second half on the steel price cut?

Ajay Seth: As I mentioned to you that in the second half, you will see certainly some reductions on commodities, because commodity prices barring palladium, have fallen. So steel also will give us some benefit. Besides that even the other commodities will give us some benefit. The only exceptional commodity to watch is palladium where the costs have actually gone up. But I think on an overall basis there will be a reduction in commodity prices in the second half.

Ronak Sarda: Any range that you can highlight, because steel cost has fallen almost 20%?

Ajay Seth: We are under negotiation with all our steel suppliers at the moment. But I think the reduction should be reasonably good. We cannot quantify the numbers at this point in time, but we are hoping that the reduction would be in line with what the market is.

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

Pramod Amte: Couple of questions; one, are you surprised by the demand recovery in the festival?

Shashank Srivastava: Short answer is no, but we are definitely relieved. The reason is that we have been seeing enquiry uptick for some time, but conversion was little less. But fortunately, we have seen this conversion happening in this period.

Pramod Amte: Considering that your ASP discounts are at historic high levels, how do you see that in the context that you have been early to adopt BS VI as compared to competition? Hence are you forced to give out discounts as you have taken the price hike earlier than peers and you have some disadvantage or this is a normal course to clear out the inventory?

Shashank Srivastava: So I think it is a normal market. It is basically a response to the market condition. We also see that competition has also have impact, very aggressive discount campaign.

Pramod Amte: But you do not see you have disadvantage in the short term for early BS VI adoption?

Shashank Srivastava: No, as I said, consumers I think are finding great value in BS VI vehicles, and therefore that offsets the increased prices which we may have had.

Pramod Amte: Considering that there has been a substantial slowdown in volume. In that context, what has been the CAPEX, and are you reviewing the CAPEX plan for the full year?

Ajay Seth: This year we will end up at about Rs.4,000 crores in CAPEX. So, we will be in line with our plan. We have not change any course in terms of our plans with respect to medium to long-term. So we are going ahead with whatever our CAPEX plans are.

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

Binay Singh: Just continuing on the discount side, like if we see discounts in this quarter are more than EBIT per car. So from 25,000 levels, how do you see them going ahead like in October and all, have that got inched up higher?

Ajay Seth: As my colleague mentioned that discounts is largely driven by what the market conditions are. So if demand over a period improves the discounts will also correct over a period. But if demand continues to be weak, then obviously there will be discounts in the market. It is a chicken and egg problem that all of us have got surplus capacity. And if we do not utilize it, then you are actually sitting on a huge fixed cost overhang. So, you have to choose between the devil and the deep sea.

Binay Singh: But in October, discounts are higher than even Rs.25,000 per unit?

Ajay Seth: Sure they are.

Binay Singh: Secondly, on one of the earlier questions on diesel, so is it fair to assume that on 1st of April 2020 Maruti will not have any diesel in any of the offerings in any engine CC?

Shashank Srivastava: Yes, I think it is a fair assumption, but, of course, as we have said we will keep studying the market. Should there be requirement for BS VI diesel, then we will take a relook at it and accordingly develop our product planning.

Binay Singh: Just on the segment mix because we have seen pretty sharp change in segment mix which you also talked about that small car share has shrunk. Now that you have seen some sort of retail sales recovery and you also had a model launch, how do you see the segment mix going ahead -- do you think this is a short-term phenomenon or even entry level customer is straightaway jumping to mid segment and bigger products?

Shashank Srivastava: The A-segment, which is the passenger car segment, we saw a fall from 66% to 61% and it has been going on for some time now. And as far as SUV is concerned, also in the last few years if you have seen it has been going up from almost by 18% - 19% to 34% today. And van segment has relatively been stable between 8% to 6% last year and it has gone down to 5.3% in H1 of this year. So, it is not a short-term thing. We need to study and see because it seems to be a trend rather than just a one-off thing.

Binay Singh: Then we hope that Maruti's future product portfolio is also more aligned to these segments because currently you are heavily reliant on the passenger car space?

Shashank Srivastava: Of course, A-segment passenger car is still 61% of the total market.

Binay Singh: What is the first time buyer number now?

Shashank Srivastava: First time buyer for Maruti Suzuki is around 47%.

Binay Singh: Great. It used to be around 51% I think in the previous quarter. So that has come down in this quarter?

Shashank Srivastava: No, not really, I think this has also been fairly stable for a while, so, it may go up and down month-on-month, but it has really been around that level for so many years actually even in the last 10-years, 15-years.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for closing comments.

Nikhil Vyas: Thanks a lot to all our investors and analysts.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Maruti Suzuki India Limited, we conclude today's conference. Thank you all for joining us. You may disconnect the lines now.