“Maruti Suzuki India Limited
Q1 FY2019 Earnings Conference Call”

July 26, 2018

Moderator: Ladies and gentlemen good day and welcome to the Maruti Suzuki India Limited Q1 FY2019 earnings 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 the questions after the presentation concludes. Should you need assistance during the conference call please signal for an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now 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, Senior Executive Director, Marketing and Sales, Mr. R.S. Kalsi, Executive Director - Corporate Planning, Mr. A. K. Tomer, Senior Vice President - Finance, Mr. Pradeep Garg, Vice President - Corporate Planning, Mr. Rahul Bharti, 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 harbour; we may be making some forward-looking statements that have to be understood in conjunction with the uncertainty and the risks that the company faces. I also like to inform you that this 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. I am starting my speech with sharing achievements with you. On July 23, 2018 the Company crossed production of 20 million vehicles in India. Achievement of this unique feat is an example of make in India. We would like to put on record our appreciations of the trust, you all have reposed on us, all this while, when wewere actively engaged in ensuring that we meet the aspirations of ever evolving customers with contemporary products of global quality.

Coming to the performance in the first quarter, the industry posted a growth of 19.9% while our growth stood at 25.9%. The preference for petrol vehicles continued and the share of petrol in industry stood at 62% while for us it was 72%. During the quarter, all new Swift had attained the milestone of 1-lakh unit sales in 145 days. This is the fastest 100,000 units for any car in India. Higher volumes for Swift added to the strength of compact segment, which crossed 50% contribution to the company's domestic sales.

Turning to the financial performance in Q1FY19, the company registered net sales of Rs. 218,107 million. This is a growth of 27.3% as compared to same period last year. The operating profit was Rs. 26,313 million, a growth of 59.7% over the same period previous year on account of higher sales volume, favorable product mix and cost reduction efforts, partially offset by adverse commodity prices, adverse forex improvement. Net profit after tax stood at Rs.19,753 million, a growth of 26.9% over the same period last year. I would like to emphasize again that instead of EBITDA, EBIT ratio will give you better understanding of the financial performance. I would now like to invite any questions, feedbacks, or comments that you may have. Thank you.

Moderator: Thank you very much. We will now begin the question and session. We have the first question from the line of Pramod Kumar from Goldman Sachs. Please go ahead.

Pramod Kumar: Thanks a lot for the opportunity. Sir my first question pertains to the commodity line. We have seen a meaningful jump in our commodity exposure this quarter despite the mix kind of not being that adverse, actually it has quite improved with ramp up in Swift. So just want to understand how are you looking at the commodity for the remainder of the year and given the fact that most of your peers have taken price hikes in the recent quarter on back of commodity? Is there a thought on taking price hikes at Maruti as well, given that we continued to enjoy very favorable demand environment that would be my first question?

Ajay Seth: On commodities, we had mentioned that since Q4 of last year, we had seen uptick in commodities, and especially I think the significant increase was noticed in case of steel where there was sizeable increase that happened and some of it is also getting reflected as we have mentioned earlier in our Q1 results. Other commodities also had gone up, but now there is some stability that we are seeing. But we will keep a close watch in terms of commodities to see where they are heading to. At the moment, we do not see a significant upside from here, but it would also depend on what are the global factors that can have an impact on commodities. On your second point, regarding any price correction etc., that is the decision that management will take based on many factors, and not just one factor and we will kind of look forindictors and if there is any call required, we will take it at that point time.

Pramod Kumar: Thank you Sir and the second question is on the demand environment. If you can just provide some colour as to how are you seeing the demand evolving especially in the rural market where we are seeing some few quarters of offtake now and whether some of the urban markets, there have been some new reports, I do not know how accurate they are but some of the key markets have actually at the city level aggregate at the industry level have seen decline, so if you can just make some quick comments on the demand where you are seeing and how do you look at festive season on back of that and particularly given the capacity constraints what we are facing and any colour on, any change in the full year capacity what are you looking at for FY2019?

R.S. Kalsi: This is R.S. Kalsi. Talking about the demand, I think we are on track and demand appears to the good, if you go by Q1 performance where we have grown more than the industry and retails are also good and as far as the markets are concerned, certainly there is a buoyancy and we expect this buoyancy to go up further on two accounts, one is for the third consecutive year the monsoon has been good and the second is the increase in the MSP, which will certainly bring more money into the circulation in the rural markets, so it appears to be quite positive. Now as far as city markets are concerned, yes you are right, the growth is relatively less than the rural markets, but nevertheless we do not see any reason of concern there, because as we move forward these markets will pickup. There is certain amount of seasonality that is also involved. Currently, entire country is experiencing monsoons and people would not like to drive home a new car through knee-deep water on their new cars. So there is a certain seasonality impact, but otherwise moving forward there is optimism in terms of demand and we look forward to a great festival season as well.

Pramod Kumar: Capacity Sir?

R.S. Kalsi: As far as capacity is concerned, I think we should be able to meet demand because our SMG plant is supporting us from Gujarat and also the second line will become operational early next year plus lot of Kaizen activities happen at our existing plants as well through which we try to meet that demand.

Pramod Kumar: Thanks a lot Sir and best of luck. Thank you.

Moderator: Thank you. The next question is from the line of Sonal Gupta from UBS Securities. Please go ahead.

Sonal Gupta: Good afternoon Sir. Thanks for talking my question. Could you start with what is the average discounts this quarter and the export revenues for the quarter?

Pradeep Garg: Average discounts this quarter were Rs.15,161.

Sonal Gupta: Rs.15,161, so sequentially it seems to have gone up, right?

Pradeep Garg: Sequentially yes, it has gone up by about Rs.1000.

Sonal Gupta: Okay and just on the export revenues for this quarter?

Rahul Bharti: The figure is not in the public domain.

Sonal Gupta: Okay and just could you tell us what is the royalty rate for this quarter,

Rahul Bharti: The total for the quarter is about 5.5%.

Sonal Gupta: 5.5% and this is after the readjustment that we were taking about with Suzuki that we have discussed?

Ajay Seth: Yes, so now based on the models, which are going to be on the new formula is being worked out on thebasis of new formula and the existing old models have been worked out on the basis of old formula. So it is on that basis.

Sonal Gupta: The earlier announcement was that from January 1, all models launched post January 17, would be subject to this, so has that been the case?

Ajay Seth: Yes that exactly that has been the case.

Sonal Gupta: So would there have been any retrospective benefit?

Ajay Seth: That happened last year, so this quarter there is no retrospective benefit.

Sonal Gupta: So 5.5% is the normal rate that you have?

Ajay Seth: Right**.**

Sonal Gupta: Thanks. I will join back in the queue.

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

Amyn Pirani: Good afternoon Sir. Thanks for the opportunity. Sir my first question is on in Baleno, Dzire and Swift, are you still seeing a waiting period and if so is there significant difference between petrol and diesel for these models in terms of waiting period?

R.S. Kalsi: Right now because of good production, the waiting period has come down drastically, now if we look at it, on the first of July, say Baleno is on two to four weeks waiting, and considering the fact that it used to be four to six months earlier, so there is a big comfort on that front. Now Dzire again two to four weeks and Swift, about four weeks for petrol, while diesel models for all these vehicles are available at stock.

Amyn Pirani: But Brezza continues to be on waiting despite being the diesel model?

R.S. Kalsi: Yes, Brezza still we have about four months waiting.

Amyn Pirani: Okay and so have you started to also see some discounts on the diesel variants of Baleno, Dzire and Swift?

R.S. Kalsi: No discounts as of now.

Amyn Pirani: Okay so the discounts which have gone up on a sequential basis, is it more of a seasonal thing or has there been an increase in the absolute discounts on some model?

R.S. Kalsi: See, its a matter of product portfolio as well because the discounts are relatively higher on the lower end models where the price sensitivity is higher, however for higher end models there has not been much of a change in the discounts.

Amyn Pirani: Thank you Sir. I will come back in the queue.

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

Binay Singh: Thanks for the opportunity. Firstly could you share some light on the strong other operating income or what is driving that? Is that sustainable any one-off or anything in that?

Pradeep Garg: The other operating income that we are seeing higher is primarily due to a change in the accounting method for freight expenditure. In case of certain models where we have shifted to uniform freight recovery and uniform ex-showroom prices, the freight expenditure is coming as part of other expenditure and freight recovery is coming as part of other operating income, so there is roughly about 245 Crores of element, which is appearing in the other expenditure as well as appearing in other operating income. So if you exclude that you won't find any significant change in the other operating income.

Binay Singh: Okay. This is something that you changed from last quarter onwards right?

Pradeep Garg: Yes, this is something, which we shifted from last quarter onwards because that is accounting rule by which we have to do the freight accounting.

Binay Singh: Right and secondly in the royalty is there any provisioning or any sort of mark-to-market for previous quarters sitting in that, because I believe you must have paid royalty in May, so you would have increased the provisioning for the March quarter also and booked it in this quarter?

Ajay Seth: March quarter royalty has already been paid off in May, so there is no mark-to-market or previous quarters that is in this quarter's royalty.

Binay Singh: Okay, great and anything on the Kotak Committee Report on royalty side, any clarity do we have on that?

Rahul Bharti: Nothing more from what is already known.

Binay Singh: So Maruti does need a shareholder vote for that?

Rahul Bharti: See we do not know. Whatever the laws of the land is, we will comply.

Binay Singh: Great. Thanks a lot. I will come back in the queue.

Moderator: Thank you. The next question is from Pramod Amte from TGS CIMB. Please go ahead.

Pramod Amte: Couple of questions, one with regard to your LCV exclusive dealerships, which have set up, how is the dealer viability there and do you think you need to put in more products to make them viable?

R.S. Kalsi: Well, this was a detailed exercise that we did before, we went in for this, it is a very small setup without any – frills like air conditioning and all because we were very clear that in this case, we are not selling any luxury, but all we are providing is the means of livelihood for the customer who does not really care about the frills like say air conditioning or great setup at the dealership, so it is very, very functional kind of an outlet and viability is there from day one for each and every outlet.

Pramod Amte: Second in the annual report you talked about 9 models already reaching the crash test if I am right, what is the plan for, which are models, which are still to go for this crash test and where you feel there is substantial product change required?

Rahul Bharti: See they are already part of the product plan, so this is frontal offset collision,, side impact and pedestrian impact and all the models have a roadmap of complying to the new standards well before time.

Pramod Amte: Okay and third any update with regard to the Toyota deal and the EV plan rolling out, which models will be the first one to hit, because you have been making some news items about FY2020 or 2020 is where you will be launching something?

Rahul Bharti: We will come back to you at the right time.

Pramod Amte: Sure. Thanks a lot anyway.

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

Raghunandhan : Thank you Sir for the opportunity. Can you give some colour on how is the rural and urban demand panning out, how is the growth and how is the mix, thank you?

R.S. Kalsi: One-third of our sales come from the rural market, and the rural markets currently are growing at a pace of about 15%. As I mentioned earlier the buoyancy is on account of last year good monsoon as well as this year good monsoon so far and projection also of a good monsoon by Met Department plus MSP prices going up, so rural markets are showing big signs of buoyancy and urban plus rural markets put together I think it is healthy growth happening.

Raghunandhan : Sir does it mean that urban is growing at a faster pace than rural?

Ajay Seth: No, rural is growing at a faster pace than urban as of now.

Raghunandhan : Okay because overall volumes have grown by 24% and you said 15% if I heard correctly for rural?

Ajay Seth: Okay, when we monitor the demand in rural and urban areas then we really look at the retail numbers. Now the numbers, which we normally talk like all otherOEMs, those are the wholesale numbers, so we go beyond that so retails are much higher right now in the rural area as compared to urban areas.

Raghunandhan : Sir like on the forex impact part, I mean that your press release alludes to the negative impact of forex this quarter, can you quantify that and can you explain it?

Pradeep Garg: Forex impact on a year-on-year basis is of the order of about 0.3% negative.

Ajay Seth: Impact is not very significant in this quarter, but what is important is how the currency hasmoved forward and therefore you also have a lag effect on foreign currency because when we compensate vendors, we take the previous quarter average rates. Currencies have really moved in the first quarter of this year, so dollar rupee for example has significantly moved up. But for us what is important is to watch the next three quarters in terms of the impact, so impact of this quarter is small, it is there, but it is not so significant. But Q2, Q3, Q4 for us will be also area of concern where we will have to see how the currencies move moving forward.

Raghunandhan : And Sir can you throw some light on the hedges?

Ajay Seth: For the direct exposure that we have we would be covered almost 50% on our Dollar Yen exposure. We would be also partially covered on our Dollar Rupee exposure by way of natural hedge, which is almost about 50% of our exposure, the rest will be open, so for the rest we will have to take calls based on how the market moves. On Dollar Euro the exposure is not so large, but we again are covered about one-third of the exposure on the Euro exposures.

Raghunandhan : Understood Sir. Sir just one last question on Vitara Brezza, would you have a thought process on launching the gasoline vehicle, what are the thoughts there?

Rahul Bharti: Product plans are announced very close to the launches, so as to keep the excitement on so if there is any such plan, will let you know at an appropriate time.

Raghunandhan : Thank you Sir. That is all from my side.

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

Jinesh Gandhi: My question pertains to the RM cost, which has increased in this quarter on Q-o-Q basis, can you indicate what percentage of this increase would be due to commodity sir because there will also be an impact of Gujarat plant?

Ajay Seth: It is a combination of many things. One of course is that sequentially the discounts have gone up, so that is one reason about Rs.1000 per car that is one reason. As I mentioned that commodities and specifically steel and also other commodities have increased. There was a significant increase in the first quarter, which stabilized but there was a significant increase so that is the second reason and so these are broadly two impacts. on account of SMG impact, there would not be any impact for that, it is a like-to-like comparison for the same production of SMG in Q4 as well as now. So that would not be there. In fact the SMG cost over a period is now coming down, so that should not impact. So these are two broad factors for impacting our material cost to net sales ratio sequentially.

Jinesh Gandhi: Secondly on royalty, there was not any material mark-to-market on royalty payable in May that would be indicated?

Ajay Seth: No, there is no material mark-to-market loss that we had indicated.

Jinesh Gandhi: Okay. Lastly on the tax rate, would tax rate reduce a bit as other income normalizes or we should take similar 31%, 32%?

Ajay Seth: I think you should budget for average tax rate of about 29% for the full year.

Jinesh Gandhi: Great Sir. Thanks and all the best. I will come back in queue.

Moderator: Thank you. The next question is from the line of Kapil Singh from Nomura Securities. Please go ahead.

Kapil Singh: Couple of questions; first of all wanted to check, what is the footfall growth we have been seen in the last three to four months?

R. S. Kalsi: Footfall in the literal sense if we take, I would share an important thing with you that the showroom footfalls are going down because the moment of truth is happening in the comfort of the drawing rooms of the customers. So they are doing lot of research and finally coming to the showrooms, so hit ratio is much higher when they come to their showroom. Earlier the customers used to make three four visits to different showrooms before taking a decision that is one part of it, but okay coming to the technical aspect of it, we monitor enquiry, booking and then retails, so the enquiries are up by about 15% compared to last year, bookings are up by 13%, so its a healthy scenario.

Kapil Singh: Okay. This is quite helpful. Second I wanted to check there were some MTM loss in the other income, so wanted to check how much was that and how should we build other income going ahead, what is the cash on books?

Ajay Seth: MTM loss is just the movement in the interest rates, if you look at the bond yields and G-Sec rates, it will give you an indication from March to June, how they moved in. Interest rates have actually gone up by close to about 80 basis points in this period and that is exactly what is the impact of mark-to-market, so we will have an impact of over 450 Crores in this quarter due to mark-to-market provisions that we had to make on our total investment portfolio. Moving forward how the income will move, will largely depend on the movement of interest rates although they have stabilized now, so after a steep increase in interest rates, we have seen a little bit of fall in the July. So if the interest rates stays stable then there will be stability in quarterly income that we report; however, if they go down from these levels, we may actually have some capital gains. On the contrary if there are indicators of interest rates again moving up at these levels, which we see this unlikely, then there would be further negative impact of negative mark-to-market.

Kapil Singh: Okay and how much is the cash on books currently?

Ajay Seth: We are at about Rs. 29,000 Crores on actual investment basis.

Kapil Singh: This includes accrued interest as well?

Ajay Seth: No, on a fair value will be about close to Rs. 34,000 Crores.

Kapil Singh: Okay and Sir would you have any comments on profitability or Gujarat plant, where are we right now and when do you see touching the optimum level?

Ajay Seth: Gujarat plant is exactly aligned as per our own performance levels and we are continuously monitoring it in terms of various parameters and once it attains full capacity, because every year you will have another plant coming up, so there will be obviously fixed cost overhang tillit stabilizes, but we are confident that once it stabilizes over a period then the cost structure both whether it is Haryana or Gujarat will be similar.

Kapil Singh: Okay Sir. Thank you. That is helpful. Thanks a lot and wish you all the best.

Moderator: Thank you. The next question is from Ashish Nigam from Axis Capital. Please go ahead.

Ashish Nigam: First question just housekeeping, what is the SMG production this quarter?

Ajay Seth: 66,000.

Ashish Nigam: 66,000 and how does this ramp up before the second line comes up?

Ajay Seth: So we have a plant capacity of 250,000, so plus, minus 10000, so I think the max rate of 66,000, it will continue to be in that pace, till the second line comes up within next year, when it will further get increased.

Ashish Nigam: Okay. Also just on the capacity, I think Mr. Kalsi mentioned that we were geared in terms of production to meet demand, but is it feasible to do a 10% production growth for the next two years?

Rahul Bharti: We will be able to meet market demand.

Ashish Nigam: Okay, one more some qualitative thoughts, you have had the first time buyers typically been an Alto buyer and how is that buyer evolved from Alto to now a Swift or a Baleno, is there some data points you can share?

R.S. Kalsi: You see what is important here is that how many new first time buyers are coming to buy Alto and how many first time buyers are coming to the higher level segments that is one aspect. Because today considering that young generation buyers, the dual income with the starting high salary, they are skipping a few steps, straightway coming to Swift, Baleno or some of them to Dzire as well. Second thing is that the entry-level car market still remains strong, considering the fact that this market is highly under-served in terms of cars per 1000 people. So we have customers in both the segments, customers who are coming and starting with not only Alto, but with True Value as well and also we have customers who are skipping those segments.

Ashish Nigam: Okay. Thank you so much. All the best.

Moderator: Thank you. The next question is from Hitesh Goel from Kotak Securities. Please go ahead.

Hitesh Goel: Thank you Sir for asking my questions. First in your annual report, it has written that the total production of goods source from SMG was around Rs 5,080 Crores so that looks very low number what does that include?

Pradeep Garg: See,it will come under more than one head, the material cost would come under purchase of goods and depreciation of the SMG facility that you will find in manufacturing expenses because as per the accounting standards we have to accounted it as lease rent, so if you add the two to together, and see with reference to the volume purchased, you will get the total figure.

Hitesh Goel: Sir staff cost and other expenses, which you would have incurred, that would come under?

Ajay Seth: That would come under material cost. Only the depreciation portion you will find it is resting in manufacturing expenses as lease rent.

Hitesh Goel: Basically the staff cost, material cost and other expenses are that 5080 Crores, right?

Ajay Seth: All costs put together, fixed, will be resting in material cost except depreciation, which is because of the accounting standards, which will be part of manufacturing and administration expenses because we have to treat it like lease expenses, so that is where it sits. So whatever turnover you are seeing is based on the cost other than the lease expenses, which is depreciation.

Hitesh Goel: My second question is Sir related to the other expenses, now last quarter you had said there is a 50 Crores of additional royalty expense, which came in the quarter which was pertaining to the third quarter, there was also very high expenses due to auto expo and launch expenses due to Swift, but we have not seen a significant reduction on a Q-o-Q basis, any expenses which were lumpy in this quarter or what has happened in other expense?

Ajay Seth: There is nothing lumpy. I think these expenses would be the normal course of business, typically the repairs & maintenance and several other expenses as we have mentioned earlier also will go up because of the ageing plants for both Gurgaon and Manesar. Second, power and fuel cost has gone because increase in crude oil prices over a period, there is a significant increase in the rates and therefore you will see a quite a bit of increase actually in that cost. So these are two areas where we are seeing increase of overheads. Other than that I think they are more or less stable.

Hitesh Goel: Sir on the royalty rate, the royalty rate is at 5.5% to sales if you recall last quarter it was 5.7% of sales and the mix has also like Brezza and all the royalty would be much lower and you have also moved to in the new models royalty rates are much lower, so why is the royalty rate not coming down, I would assume that it will come down to 5% of sales, any reason for this? Is it a mix issue or how should we look at it?

Ajay Seth: I will tell you, the royalty rate will depend on two things, one of course will depend on exchange rates, so even now a number of models are on the older formula, which will slowly and gradually will shift to the new formula and second is as you rightly said is mix so both in terms of mix and in terms of the exchange rate, there has been an adverse impact, so therefore you find that it is at 5.5%, if the exchange was to be at the same level as last year, the quarter you are referring to, we would have been about 0.25% lower than now so we would have it about 5.2% instead of 5.5%.

Hitesh Goel: Okay and Sir final question what was the price increase taken in July? Have you taken any price increase?

Ajay Seth: No, we have not taken any price increase.

Hitesh Goel: Okay. Great. Thank you.

Moderator: Thank you. The next question is from the line of Pramod Kumar from Goldman Sachs. Please go ahead.

Pramod Kumar: Thanks for the opportunity again. My question pertains to the export market outlook. We have seen that lot of the end markets, which would depend on commodity have kind of bounced back especially if you look at categories like two-wheelers, so just want to understand is there going to be any meaningful change in our export strategy given this demand bounce in the end market?

Rahul Bharti: Not really. We expect a similar trend to continue plus we would like to devote models for domestic market first.

Pramod Kumar: Okay. So it is clearly a prioritization basically that you would like to prioritize domestic demand over export demand at this point in time?

Rahul Bharti: And the market trends also in line.

Pramod Kumar: Fine, so as the capacity pressure eases as we brings more capacity on stream in Gujarat, there will be a more stronger focus on the export market, is that understanding right?

Rahul Bharti: And if the market is also respond, yes.

Pramod Kumar: Yes, of course Rahul, that is subject to that. That is very helpful and how do you think about capex and especially in the context of the EV project, just trying to understand will there be any meaningful shift in our capex allocation for the next two years at least as to what Maruti Suzuki, the India entity kind of spends on new projects like EVs and all that or it will be primarily done by the Toyota Suzuki alliance?

Ajay Seth: It is too early to give you any number on that, we are working on it in terms of plan for next three years, as and when we get ready, we will share some numbers with you.

Pramod Kumar: Fair enough and Sir lastly on your cab aggregator exposure, how is that trending, is there any improvement there or its kind of stable or the exposure is kind of reducing for you on a quarterly basis?

Nikhil Vyas: Pramod, the last year we saw a little decline in the segment, so in a way especially the first quarter was affected last year, so this year we have seen that there is a growth in that segment; however, we have to keep in mind that because of the low base last year.

Pramod Kumar: But as a percentage of volumes, what would be that number for 1Q if you can share, I understand the seasonality, but as a percent of volume what was the number this quarter?

Nikhil Vyas: Somewhere around 5%.

Pramod Kumar: So not a meaningful change from the previous quarter, I mean 4Q levels right?

Nikhil Vyas: Right.

Pramod Kumar: Thanks a lot. And best of luck again. Thank you.

Moderator: Thank you. The next question is from the Sonal Gupta from UBS Securities. Please go ahead.

Sonal Gupta: Thanks for taking my question again Sir. Sir just on the FX exposure I mean could you remind what sort of FX exposure we have currently in terms of import content, etc.?

Ajay Seth: Our direct exposure is on two accounts, one is on the account of the direct exposure that we have for components and the raw material and the second exposure is on the account of models, which are still based on YEN payment for royalty. So these are two exposures. Roughly our exposure would be about 5% of net sales, so that is the kind of exposure that we have on foreign currency, which includes foreign currency largely Yen, Dollar and the Euro. Large exposure is Yen, some exposure is in Dollar rupee and the balance smaller portion of exposure is in Euro and Rupee. So that is how it is a kind of segregated.

Sonal Gupta: Previously I think from last whatever updates I remember it is about like we had like 16% of sales as import?

Ajay Seth: That is a top of it. We have an indirect exposure, which is the vendor exposure. So if I add 5% to the vendor exposure of about 10% that makes it 15%. So the total exposure direct, indirect put together that we have in foreign currency is 15% and the balance 5% is on royalty.

Sonal Gupta: But forex exposure on royalty after this adjustment would have come…down..?

Ajay Seth: Yes, I think progressively because now only three models have gone out of this, four models and eventually every year you will find that this exposure would come down significantly as we progress to the new license segment.

Sonal Gupta: But these three or four models given the volumes are also high, I mean 30% to 40% of your royalty will now be rupee denominated or more than that?

Ajay Seth: Yes, so about one-third of our royalty would be rupee denominated.

Sonal Gupta: Okay Sir and just the second question would what was the retail growth in this quarter for you?

Rahul Bharti: We do not have the figure as of now. We will come back to you.

Sonal Gupta: Okay Sir. Great. Thank you so much.

Moderator: Thank you. Next question is from Pulkit Singha lfrom Motilal Oswal Securities. Please go ahead.

Pulkit Singhal: Sir just a couple of questions, when you talk about rural demand being one-third of overall sales, is there a large chunk almost 80% to 90% of this first time buyer demand?

R.S. Kalsi: No, not really. You see the rural markets are also evolving and you will be surprised to know that people there are starting or upgrading to Swift, Dzire and higher end models like Brezza, so the differentiation with rural and urban markets is diminishing because of high media exposure, internet availability, the travel of the people from rural to urban for their livelihood, so one cannot really say that rural markets are anyway behind their urban counterparts, so there are say first time buyers, there are upgraders, there are people who are skipping the entry level segments, so all kinds of mix up is there in the rural market.

Pulkit Singhal: So the second question is if I just look sub Rs.4 lakh MRP segment in the car industry, I mean this segment has really just being declining over the last four to five years and in fact earlier in Alto and Wagon R both would come within this, but now the price differential between an Alto and Wagon R has also seem to have gone up. So for a two-wheeler upgrader, he/she really does not have much choices in the sub 4 lakh rupee segment. So what are your thoughts on this? Do you think, a new launch is required from your end to kind of create an excitement on the segment?

R.S. Kalsi: Last year we had 7.6% growth in the Alto segment, this year we are having 26% growth in Celerio, more than 4% growth in the Wagon R, Q1 if you talk about 20% growth in Swift, so we cannot really say that there is any sort of decline, it was a matter of portfolio management for us because when there is waiting on certain models, certainly we have to give priority to those models, so it was articulation of our portfolio with respect to our production capacity but I repeat myself that demand for entry level cars is intact, and it is there in the long term story for India.

Pulkit Singhal: Thank you.

Moderator: Thank you. Due to time constraints, we will be able to take one last question. The last question is from the line of Mahesh Bendre from Karvy Equity. Please go ahead.

Mahesh Bendre: Thank you Sir. Thank you for the opportunity. Sir first in the quarter, we have grown by 24% in terms of volume, so what kind of volume we are expecting for a full year?

R.S. Kalsi: First quarter growth relatively seen in conjunction this happenings of the last year first quarter, there were certain disruptions in the marketplace on account of GST implementation, so I think it should be taken with a pinch of salt, 25% growth. Moving forward our understanding is that industry might grow around say 8%, 9% and we are committed towards a double-digit growth.

Mahesh Bendre: Sure. And Sir have we taken any price hike in the last quarter?

Ajay Seth: No, We have not taken any price hike.

Mahesh Bendre: Thank you Sir.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management for any closing comments.

Rahul Bharti: We thank all the investors. Thank you.

Moderator: Thank you very much. On behalf of Maruti Suzuki India Limited that concludes this conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.