



Q1 FY23 – Investor Conference Call

July 27, 2022

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '23 Earnings Conference Call of Maruti Suzuki India Limited. 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 pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pranav Ambaprasad. Thank you, and over to you, sir.

Pranav Ambaprasad: Thank you, Aman. 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. From Corporate, we have Executive Director, Corporate Planning and Government Affairs, Mr. Rahul Bharti; General Manager, Corporate Strategy and Investor Relations, Mr. Nikhil Vyas. From Finance, we have Executive Director, Mr. Pradeep Garg; Executive Vice President, Mr. Sanjay Mathur; and Vice President, Mr. Dinesh Gandhi.

The con call will begin with a brief statement on the performance and outlook of our business by Mr. Seth, after which we'll 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 risks that the company faces. I also like to inform you that the call is being recorded, and the audio recording and the transcript will be available at our website. May please note that in case of any inadvertent error during this live audio call, the transcript will be provided with the corrected information.

I would now like to invite our CFO, Mr. Seth. Over to you, sir.

Ajay Seth: Thanks Pranav,

Good afternoon, Ladies and Gentlemen,

I hope you and your families are healthy and safe.

Let me start with some business highlights

Since long, our investors, analysts and well-wishers were eagerly awaiting for our action on new product launches, specially in SUV space. We are happy to inform that we have started launching one product after the other. We have broken all earlier barriers by offering products with new age features and cutting-edge technologies. We thank all our investors and analysts for keeping their trust in us and I am sure you would be happy to see our comeback with products which are proving to be blockbusters from DAY ONE.

The all new Brezza, India's most loved compact SUV, will help in strengthening our SUV offerings. With around 70,000 bookings in a short span of time, customer response for all new-Brezza is overwhelming.

Introduction of technologically advanced features such as electric sunroof, Heads-Up Display, Telematics, 360-degree camera, ESP & Hill hold assist among others is helping in improving customer convenience and safety in these products.

The Company with its next generation, highly efficient K-series engines and electrification technologies is working towards lowering the CO2 emission for its fleet. These new products come with improved energy efficiencies that help in both lowering the Co2 emissions as well as lowering the running cost. Relevance of fuel efficiency improvement is more pronounced during the ongoing period of elevated fuel prices.

One of our most spectacular models, Grand Vitara, is a new SUV model conceptualized, designed and developed by Suzuki and will be produced at Toyota Kirloskar Motor Pvt. Ltd. In addition to sales in India, the model is also planned to be exported to markets outside India. It has multiple variants with different powertrain options such as, the Suzuki ALLGRIP SELECT with off-roading technology, the Intelligent Electric Hybrid powertrain which delivers almost 28 km per liter and the Smart hybrid powertrain version.

Going forward, the Company will strive to further strengthen its SUV portfolio to dominate the SUV segment, just like all other segments.

During the quarter, the Company finalised the land site for new manufacturing plant in Haryana, an 800 acres site at IMT Kharkhoda. The first plant with a manufacturing capacity of 250,000 vehicles per annum is expected to be commissioned within the year 2025. In the first phase, the investment would be over INR 11,000 crores. The site will have space for capacity expansion to include more manufacturing plants in the future.

Coming to export markets. Thanks to our parent Company, Suzuki Motor Corporation, Japan, we have been able to leverage their vast global distribution network to significantly enhance our exports. With this we recorded our highest ever quarterly exports of 69,437 vehicles in Q1 FY 2022-23.

Reinforcing its commitment to maximize the use of renewable energy in operations, the Company has set up a 20 MW solar power plant at its Manesar facility.

Coming to the business environment,

The electronics component shortages are still limiting our production volumes. In this quarter, the Company could not produce 51,000 vehicles. Limited visibility on availability of electronics components is a challenge in planning our production. Our Supply chain, Engineering, Production and Sales teams are working towards maximizing the production volume from available semi-conductors. The supply situation of electronic components continues to remain unpredictable.

Input cost pressure, led by the increase in commodity prices, was another challenge for the Company. The Company has always strived to provide mobility to masses and continued to work on focused cost reduction efforts to limit the impact of commodity inflation on selling prices.

Coming to financial results:

Performance in quarter 1 of FY2021-22 was affected by Covid related shutdowns and disruptions and hence a comparison of Q1 of last year with Q1 of this year is not on a like to like basis.

The Company sold a total of 467,931 vehicles during the quarter. Sales in the domestic market stood at 398,494 units. Exports were at 69,437 units, the highest ever in any quarter. During the same period previous year, the Company sold a total of 353,614 units including sales of 308,095 units in domestic market and 45,519 units in export markets.

During the quarter, the Company registered Net Sales of INR 252,863 million as against INR 167,987 million in quarter 1 of previous year.

The Operating Profit in Q1 of this year stood at INR 12,607 million. During the same period previous year, the Operating Profit was at INR 779 million.

The Net Profit for the quarter stood at INR 10,128 million against INR 4,408 million in Q1 of previous year.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Firstly, I wanted to check on the cost side, how much cost inflation did we see in 1Q FY '23? And how much of it we were able to pass on? And also looking into the second quarter, how much drop in raw material to sales are you looking at given the drop in commodities that we are seeing? And if you could add some perspective there as well in terms of metals and other elements like energy costs, the conversion costs etc.

Ajay Seth: Kapil, the cost inflation on commodities comes with a quarter lag. So, this quarter was affected because the effective prices were for the fourth quarter of last year, which had to be indexed and increases were to be given to the vendors. We had an impact on commodities all across, including steel and precious metals. The impact was to the extent of about a little less than 2%. And while we were able to partially offset this impact with the price increase that we did and there was also some incremental impact of the sales promotion cost being higher sequentially compared with fourth quarter in this quarter. So, that broadly is the reason for the drop in operating margins that you see sequentially between quarter 4 and quarter 1. Moving forward, we are hopeful of commodity prices cooling. It is difficult to give any fixed guidance at this point in time because these situations vary, but we have more clarity on quarter 2 because quarter 2 rates are fixed to quarter 1. We definitely see prices across all commodities, including steel and other metals being low, much lower than what they were in quarter 1 of this year as you've seen in the results.

Kapil Singh: And secondly, just wanted to check on the order book, if you could give the latest order book update and how much was the net order inflow for the quarter? And also, there were some news reports regarding order inflows for Grand Vitara. So, if you can share an update there that what kind of order inflow we have seen for that and how the response to hybrid within that? Also, the retail sales for the quarter, please.

Rahul Bharti: So, retail sales are broadly in line with wholesales, slightly short. On the order book, the pending orders as of now are about 3.5 lakhs. And a good number has come from new models. As Seth San mentioned

in his opening remarks, we have got an excellent response to the All New Brezza with about 70,000 bookings. And a good number of these bookings are for the top variant.

Kapil Singh: So, Grand Vitara also if you could share in terms of how are the bookings and how the response to the hybrid presented in those mix of bookings you are getting.

Rahul Bharti: Grand Vitara, we have a good order of about 20,000 or so. And for the all-new Brezza, we have about 70,000. In the Grand Vitara, the strong hybrid, which we have described aptly as Intelligent Electric Hybrid that has got between 45% to 50% of the bookings. So, that's a very positive sign. And we just hope that we'll be able to service these orders fast.

Kapil Singh: Rahul sir, I also wanted to check, we had S-Cross in the portfolio earlier, which was a fairly strong model, but it did not live up to expectations in terms of volumes. So, any learnings that are there which we are employing now as we are ramping up the SUV portfolio?

Rahul Bharti: See, the S-Cross was a crossover. It was a new concept. So, it was between a sedan and a SUV. But if we are to see anything from the Grand Vitara, based on feedback from the journalists, and the auto experts at the launch; almost unanimously, there has been a very strong positive reaction on it. I'm yet to hear a single remark about any lacuna or weakness in the model. In terms of technologies, it is very strong. Almost everything that we can think of is there. There's a giant panoramic sunroof, all features like Heads-up display, ESP, hill hold assist, 360-degree camera and it has a muscular stance, large body, I mean, all dimensions, length, width, height, are good. There are 2 versions. The AllGrip Select technology, which is all-wheel drive powertrain. And there is a strong hybrid version, which has very high fuel efficiency, of 27.97 kilometers per liter. So, everything points towards a very strong pull from the market.

Moderator: Next question is from Gunjan Prithyani from Bank of America. Please go ahead.

Gunjan Prithyani: Just 2 questions. Firstly, the extension on the margin. You mentioned about 200 basis point impact of commodity. Against that, we had offsets available from price hike, which is almost 1.3%, which we had announced and then we had the yen depreciation, which benefited as well. So, in that context, the 1% decline that is there in the gross margin seems a bit steep. So, if you could just give us more color, maybe help us quantify what were the promotional spends? Or did we really see any yen depreciation benefit in this quarter? Some quantifying around that will help us.

Ajay Seth: So, as I mentioned earlier that there was this commodity impact, which was partially offset by selling price increase and sales promotion cost was sequentially higher from Q4 to Q1. So, the net impact between the selling price increase and the material cost was still about 1.2%, as you see in the numbers. Besides that, there was an increase in the employee cost because usually in the first quarter, you will always see the regular impact, of salary increases and retirement benefit which are built in, which was about 0.6%. So, these are 2 major factors for the movement of operating profit between quarter 4 of last year and quarter 1 of this year.

Gunjan Prithyani: Anything to quantify on yen depreciation? Was there any meaningful benefit in this quarter?

Ajay Seth: There was a benefit, though not very big because the benefit comes with a quarter lag. As I mentioned to you, the indirect imports are the larger piece, direct is a much smaller piece. And the rates of quarter 4

would have applied in quarter 1, but we will see a much larger impact as we move forward because now, we will have the full benefit of the current exchange rates in the coming quarters.

Gunjan Prithyani: So, that yen benefit will flow through in second quarter. Okay, got it. The second question was on the Grand Vitara again. Now clearly, it's good to see that response to the strong hybrid. Just trying to get your thought process. There is about 45%-50% diesel share in this category. So, how are we thinking about competing with the diesel portfolio there, given hybrid still suffers from higher taxation. So, maybe some thoughts how we are positioning to compete with the diesel share within that midsize UV segment.

Rahul Bharti: The hybrid taxation is a shade lower than the diesel taxation in that segment (Mid-SUV). So, to that extent, it is not a disadvantage. Secondly, customers are yet to see a very powerful product with efficient gasoline in that segment. I may also remind you that in the entry SUV segment, the diesel to gasoline ratio used to be 80:20 a few years ago. After the entry of Brezza (BS6), it reversed from about 80:20 to 20:80. And now even the 20% diesel has now become about 18.3% diesel. So, if customers get a good product, they'll lap it up.

Gunjan Prithyani: And can you share the discounts for the quarter. This is the last one from me.

Ajay Seth: Discounts, this quarter, were at Rs. 12,750/veh, and quarter 4 was lower at Rs. 11,130/veh.

Moderator: Next question is from Raghunandhan N. L. from Emkay Global. Please go ahead.

Raghunandhan N. L.: A couple of questions. Firstly, on Grand Vitara. What are your thoughts on the acceptable pricing gap between that of a mild hybrid and strong hybrid? Again, like trying to understand at what kind of price gap customers will accept a strong hybrid as a substitute to diesel?

Rahul Bharti: So, the pricing is still not decided. And of course, we, like yourself, also have this curiosity and we are studying the market. And at an appropriate time before sales, we will announce the pricing. Also, on a larger view, if India has to decarbonize, there's a major advantage with strong hybrids because they do a good fraction of the job of an EV and are many times more scalable. So, we can attack decarbonization in a large way, it becomes scalable if we employ such technologies. I think it's a matter of time customers will see the benefit and be willing to pay more for it.

Raghunandhan N. L.: Ajay san, if you can talk about what would be the current yen exposure? Would my understanding be correct that yen payables would be high single-digit share as a percentage of revenue?

Ajay Seth: Yen exposure has significantly come down compared to earlier years because the yen exposure is only in case of the component imports that we have from overseas. And the royalty now, as you know, is all paid in rupees and not exposed to currency risk. So, our total exposure for that import, our total exposure is close to about 3% of our net sales, which is significantly small compared to what it used to be earlier.

Raghunandhan N. L.: And indirect exposure, sir?

Ajay Seth: Indirect exposure would be slightly large. That will be in the vicinity of about JPY 85 billion for the full year.

Raghunandhan N. L.: Just a clarification on what you said on the royalty side. I mean, the earlier commentary, I remember was 50-50 share of rupee and yen royalty. How is it currently, sir?

Rahul Bharti: No. Now we have attained total rupee exposure, the new formula totally.

Raghunandhan N. L.: Just a last question. On the other income side, there was the impact of the MTM losses. I mean, just trying to understand if we have to look at future quarters, broadly, what could be the run rate?

Ajay Seth: So, the mark-to-market impact came this quarter because of a steep increase in the interest rates. And we had, to some extent, corrected ourselves by taking a lower tenure papers, but we still were hit because the interest rate increase was over 100 basis points, and that impacted the yields. We are hopeful, the markets have already corrected to a large extent and built in the increases that are expected. If there is no surprise other than this, then we should see a steady income during the remaining period. But yes, if there is any surprise from bank by further increasing the rate than what is being expected in the market, then there could possibly be some more mark-to-market impact. At this point in time, we don't think that there should be any surprise by the Central Bank.

Moderator: Next question is from Pramod Kumar from UBS. Please go ahead.

Pramod Kumar: My first question pertains to the CNG and the hybrid tech side. So, if you can just help us understand how is the demand for CNG models evolved over the last few weeks or actually, let's say, for 2 months because CNG prices have moved quite sharply and price gap between petrol and CNG has narrowed as well. Sir, if you can just help us understand, is the way you look at the booking run rate or the booking velocity for CNG, has there been any let up from the customer side?

Rahul Bharti: CNG is currently 20% of our sales, and we are looking at it as a larger decarbonization journey. And this situation has arisen from the war. So, these short-term phenomena, will not matter in the long term. So, we have products in the pipeline also.

Pramod Kumar: No, the reason why I was asking that, Rahul San, was that the customers in terms of behavior are far more sensitive towards OPEX. And as the OPEX benefit of CNG kind of reduces, I'm just curious to understand, is there any change in the booking pattern, that's about it? I'm just going back to the previous episode of diesel versus gasoline between FY '11, '13. And in a way, extending that to the hybrid bit, I wanted to understand given the fuel economy delta, what is kind of driving a lot of customers to prefer the strong hybrid technology given the initial booking numbers what you're talking about? I was just trying to get the sensitivity around the OPEX bit.

Rahul Bharti: So, interestingly, a good percentage of the bookings have come in the strong hybrid category, almost 45%+ of bookings. And I think it is not just OPEX, customers are attracted to a new technology, and they want to embrace it fast. And there is some sensitivity about lower carbon emissions also. So, this is very positive. And along the way when customers actually see the car and, in the display, it clearly explains how the battery plus motor combination is providing the power to the wheel or the engine is providing power to the wheel. So, the more they use it, the more we believe there would be traction in this segment. OPEX, of course, does matter, but I think over the long term, we will also strive to deliver better on both OPEX and CAPEX for the customers.

Pramod Kumar: And Rahul San, extending that hybrid bit, is it fair to assume that Grand Vitara is just the start of the kind of taking strong hybrid to the masses and one should expect more of this technology even on the existing models and not necessarily restricted only to new launches in the premium category?

Rahul Bharti: Depending upon market response, we would like to maximize this to the extent possible.

Pramod Kumar: And final question on the Haryana CAPEX. Just curious, given that for the last several years now, Suzuki has been kind of doing the heavy lift on CAPEX or new incremental capacity. So, I just wanted to understand the reason or the thought process for doing the Haryana CAPEX on our books. Or was there no discussion with Suzuki or offer from Suzuki to do the CAPEX on that count as well on their books? I just want to understand the thought process there.

Rahul Bharti: Pramod, the way we think about running our operations is slightly different from what the narrative goes on. Books is a very virtual description. We work in the real world where we have to operate factories, we have to look at operations, logistics, what suits us in terms of real factories, real dispatches, etc. So, it made all sense to do it in Haryana. So, we did it in Haryana.

Pramod Kumar: No. Rahul San, the question was why is the CAPEX being incurred by Maruti and not by Suzuki.

Rahul Bharti: Exactly. That is what I'm answering. Our considerations are real. In the real world, they are more about running factories with good operational efficiencies, with logistics, with proximity to our current manufacturing ecosystem, including the supply chain. It is not so much about placing it in one company's books or the other company's. So, Haryana suited us, in the overall scheme of things, that's why we decided to locate it in Haryana. And if it is in Haryana, it has to be on Maruti's books.

Pramod Kumar: That's the understanding. Okay. Sorry, I wasn't aware about that. And sorry for this, but there are some concerns that are exports to Africa in the 2-wheeler category because of demand weakness in Africa, and particularly in Africa and other EMs, because of the high inflation and all of that. So, how should one look at your export outlook for, say, fiscal '23 or the remainder of this fiscal? And even longer term, given the kind of growth that we've had over the last 2 years. So, should one expect double-digit growth on the export front to continue?

Rahul Bharti: As you have seen, we had a significant jump in exports in the recent past. Last year, we almost doubled our exports, although on a low base. And this year also, the momentum is fortunately quite strong. This kind of uncertainty of one market or one country having some kind of economic cycle always exist in exports. But the only strategy is that you have to spread yourself across more such markets and gain from more. So, as of now, we are bullish on our exports, and it's going quite well. The distribution network of our parent is helping us. And so far, fortunately, there is no such signal of inflation or any economic cycle affecting it.

Moderator: Next question is from Pramod Amthe from Incred Capital. Please go ahead.

Pramod Amthe: Two questions, again, with regard to Grand Vitara. So, one, I wanted to know how are you looking at the segment opportunity in terms of the way you have priced it, the product and offering which you have on table, including the fuel efficiency? What's the market size there? Do you plan to expand exponentially with the new offerings which you have? Can you give some color on it?

Rahul Bharti: I missed the first part of your sentence.

Pramod Amthe: No, I was saying the way you have positioned Grand Vitara, what's the market size opportunities available for that model based on your price points and also the variants which you are positioned.

Rahul Bharti: See, today, the SUV segment is about 40% of the market. And if we divide it into 3 parts, compact SUV, mid SUV and premium SUV, the mid SUV segment is about 50% of SUV segment. So, another phenomena is that if there is a good product, the segment also expands. They say supply creates its own demand. So, we think it's a very powerful product. And this is just our second product in the SUV space. We have a further pipeline of products in the overall market, and we would like to maximize. In terms of pricing, I think the features, the styling, and the technologies employed are cutting edge. So, we think we will get a commensurate price for that.

Pramod Amthe: And how do you look at the fuel options there, petrol versus diesel split up? And have you been able to attract some of the diesel customers to you because you are providing hybrid options?

Rahul Bharti: So, this is an expectation. The earlier precedence says that in the entry SUV segment, as I had mentioned earlier, there was 80% diesel, 20% petrol a few years ago. When the Brezza (BS6) entered, it just reversed from 80-20% to 20-80%. So, if customers see a good product, we expect the same in this segment also, something similar. Diesel also has other disadvantages. I mean, the regulatory part is quite difficult. And still, it is perceived as an unclean fuel. So, we expect customers to have a good pull for strong hybrid gasoline along with all its advantages.

Pramod Amthe: And the last question related to the way the revenue and expenses recognition for this product. Will it be directly a Toyota plant selling to Maruti Suzuki or it will go to Suzuki Gujarat and then it will then be accounted into Suzuki as sales and expenses?

Rahul Bharti: It has nothing to do with SMG. It is with Maruti. So, Maruti Suzuki will be selling it to its dealers and exporting to many countries of the world.

Pramod Amthe: So, is it fair to know that the treatment will be similar to the Gujarat plant sourcing you do in terms of expenses and sales? Or will there be any key differentiator the way the accounting is done? Just curious to know in case if there are any differences.

Rahul Bharti: One thing unique about the SMG contract manufacturing arrangement is that SMG is an exclusive contract manufacturer for Maruti Suzuki. They cannot supply to anybody else, whether in India or abroad. And they will supply to us at cost ie. no profit. This is a unique arrangement. This may not be replicable across

Moderator: Next question is from Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: A couple of questions from my side. First is, can you share the export revenues for the quarter and the March quarter as well?

Rahul Bharti: Rs. 3,640 crore.

Jinesh Gandhi: Rs. 3,640 crore, okay. This is for the current quarter?

Rahul Bharti: Q1 of this year.

Jinesh Gandhi: And what would you be for the fourth quarter of last year?

Ajay Seth: Rs. 3,511 crore.

Jinesh Gandhi: Secondly, with respect to when you mentioned about JPY benefit in this quarter, it could be hardly anything, right, because of the lag effect and the large benefit will come only in 2Q?

Ajay Seth: That is correct. It's not very significant. The bulk of the impact, as I mentioned, will come in subsequent quarters.

Jinesh Gandhi: Got it. And with respect to Brezza's 70,000 bookings, Rahul San mentioned about the top variant getting the maximum bookings. Is that understanding right or I misunderstood that?

Rahul Bharti: Yes, that is right. The top 2 variants, the Zxi+ and Zxi. They contribute more than 50% of the total bookings.

Jinesh Gandhi: And this is despite the pricing of those products, right. That's very good. I mean, despite prices have increased materially because of the features which you are offering, so that is what is attracting customers.

Rahul Bharti: Right.

Jinesh Gandhi: That's what we happen to see. And lastly, a couple of data points on Gujarat production and royalty for the quarter.

Ajay Seth: Already the royalty continues to be at the same level of 3.7%. And as we have already mentioned, and all these models have now moved to a rupee-based formula. So, royalty is pretty much fixed. There's no impact that we have now on any exchange risk that we earlier carrying. So, that's on the royalty. And what was the other question that you asked?

Jinesh Gandhi: The Gujarat production, SMG production.

Ajay Seth: 31% volume that you see is produced by Gujarat.

Moderator: Next question is from Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: Two questions. Firstly, when we look at the ASPs of the business with the Brezza top-end variant selling and the Grand Vitara coming in. Clearly, the business is going in a very different manner. Actually, the first question is when we look at the business, Maruti seems to be at a very interesting point that your Brezza top-end variant has strong bookings and even in Grand Vitara, you have a sizable hybrid order book. So, my question is on the hybrid side, how to think of profitability for that segment for Maruti? It's very clear that the ASP jump will be quite sizable that the business will see. But how to think of profitability because it's a Toyota technology, Toyota is manufacturing the car. So, how to think of EBIT per car or margins? Any indication you could give.

Rahul Bharti: Binay, we have to see it in a larger light and a slightly longer-term way. If a technology succeeds and picks up volume, then automatically, economies of scale will pick up and the customers will be willing to pay more for it. So, any new technology, whenever we have launched, we had kept a larger purpose in mind. And along with that, we localize, we do cost reduction. We do innovations and improvisations, and we achieve our desired margins. So, at the moment, we are far more focused and concerned about the growth of this technology in India and the benefits that it will bring. And along the way, obviously, if the volumes pick up, it will be healthy on bottom line also.

Binay Singh: And just linked to that, what percentage of Vitara portfolio would you aspire to come from strong hybrids? Just trying to understand that how big of an opportunity is Maruti looking at this powertrain as because your peers don't have this, right? So, it's a great decarbonization technology, which Maruti sort of starting the journey with. Like what percentage of Grand Vitara would you sort of aspire that could come from hybrid? What will be like a target percentage of hybrid?

Rahul Bharti: As of now, the bookings are about 45%.

Binay Singh: And is that above your expectations or that's broadly in line with what you are targeting for?

Rahul Bharti: The potential is good. But yes, we are happy to see this response.

Binay Singh: And my second question is on the sales promotion expense. Mr. Seth mentioned that they went up during the quarter and that was a hit to margin. Could you talk a little bit about what parts of the portfolio saw those increases? And now when we look at the coming quarters, we will see to like the launch costs will also come in. So, do we directionally see them further rising from here on as a percentage of sales?

Ajay Seth: So, they are 2 different parts. Sales promotion really are the discounts that we offer, and discounts will keep varying depending on the type of mix that you are selling and also depending on demand and supply at any given point in time for each of the categories or models that you are selling. Overall discounts are much lower than what they used to be typically a couple of years ago, and we have seen a significant fall. But yes, quarter 4 was Rs. 11,000 or thereabouts. And this quarter, the average discount has gone up by Rs. 1,500. And I mentioned, the reasons are largely to do with that of the mix or situation of a particular market or particular territory where you have to offer some schemes. The second question that you asked about launches etc. That is more of marketing cost. And marketing costs, obviously, will depend on what promotions you are doing and what launches you are doing at a given point in time. Last year, typically, we had virtually very negligible activity on marketing side. So, we had mentioned also in our earlier calls that the marketing cost, obviously, will go up this year because of various launches and other promotions. The physical conferences that we were not having earlier, we have started having now. So, all that will count towards marketing expenses. So, there will be some increase. But hopefully if overall volumes go up, then you will get that operating leverage also, which was not available last year.

Moderator: We take the next question is from Ashish Jain from Macquarie. Please go ahead.

Ashish Jain: Sir, my first question was on the 6 airbag norms, which is now pretty much seem it's effective from first of October. So, can you speak a bit about what is the cost implication? And also, if you go by media articles and Maruti will have to do a lot more designing in all, especially on the entry-level of the car. So, any update on that would be very helpful.

- Rahul Bharti:** It's a draft notification, and we believe the government is also studying and the auto industry body, SIAM, is in discussion with the Government. It has many facets. The overall safety, factors of safety involved, the cost, affordability, the semiconductor feasibility, etc. So, we are in discussion with the Government. And the moment we have some concrete idea, we'll let you know.
- Ashish Jain:** And sir, second question was going ahead, can you speak a bit about what is the lag impact of both commodity and price hikes that could come through in Q2 based upon how the way commodities are trending today?
- Ajay Seth:** So, commodities, we mentioned that, definitely, it looks to be going down from these levels. And then we have more certainty for quarter 2 because they come with a quarter lag. So, we know quarter 1 situation. So, we see downward trend in commodities. In the future also, we believe commodities should not go up from these levels. But, again, it is very uncertain to say how much will it go down by or if there is any geopolitical situation or anything, any sudden shortage, then we'll have to oversee. But overall direction of commodities seems to be going down. Quantum, difficult to explain at this point in time. It will depend on how the markets behave at a given point in time.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. And with this, we conclude today's conference call. On behalf of Maruti Suzuki India Limited, we thank you all for joining us and you may now disconnect your lines.