



Q2 FY25 Earnings Conference Call

October 29, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY '25 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 by pressing "*" then "0" on the 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, Rutuja. Ladies and Gentlemen, good afternoon once again. Welcome you all to the Q2 FY '25 Earnings Call.

May I introduce you to the Management Team from Maruti Suzuki. Today we have with us, our Chief Investment Relations Officer Mr. Rahul Bharti and CFO Mr. Arnab Roy.

Before we begin, 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 audio call and the transcript will be available at our website.

May please note that in case of any inadvertent error during this live audio call, a transcript will be provided with the corrected information. The con call will begin with a brief statement on the performance and outlook of our business by the Chief Investor Relations Officer and Executive Officer Corporate Affairs, Mr. Rahul Bharti, after which we will be happy to receive your questions.

I would now like to invite our Chief Investor Relations Officer – Mr. Rahul Bharti. Over to you, sir.

Rahul Bharti: Thanks Pranav, Good afternoon, ladies and gentlemen and thank you for joining us.

Today, I will share major business highlights in Quarter 2 followed by the business performance of the Company.

Let me share some of the major business highlights for the Company.

1) The manufacturing facility at Manesar achieved cumulative production of 1 crore units. With this, the Manesar facility became the fastest among Suzuki's global automobile manufacturing facilities, to reach the milestone in just 18 years. Just to recall, the Company achieved a cumulative production of 3 crore units in April, earlier this fiscal year.

2) In a constant endeavour to enhance customer convenience, the Company keeps augmenting the sales and service network to reach closer to customers across the country. Recently, the Company inaugurated its 500th NEXA sales outlet. So far, the company has delighted over 2.7

million customers through its NEXA showrooms across 300+ cities. Maruti Suzuki's sales network (ARENA, NEXA and Commercial) now extends to 3,925 outlets covering 2,577 towns and cities.

3) Reaffirming Company's commitment to offer enhanced customer confidence, the company significantly enhanced its warranty programmes for all its vehicles. Additionally, the company has also expanded the scope of its extended warranty packages and has introduced extended warranty option to cover the vehicle for up to 6 years or 1,60,000 km (whichever is earlier).

4) The consumer preference towards CNG vehicles continues to increase. In Quarter 2 of this fiscal year, every 1 in 3 cars sold by the company in the domestic market was a CNG vehicle.

5) Maruti Suzuki introduced S-CNG powertrain in its 4th generation Epic New Swift. With this, Maruti Suzuki offers industry's most comprehensive line-up of S-CNG vehicles with 14 models.

6) Grand Vitara becomes fastest to clock 2 lakh unit sales in the mid-SUV segment since its launch.

7) FRONX SUV has set a new record, reaching the 2-lakh sales mark in just 17.3 months.

8) The Company has commenced export of its 'Made-in-India' FRONX SUV to Japan. Fronx will be the first SUV from Maruti Suzuki to launch in Japan. The landmark milestone celebrates the spirit of 'Make in India' initiative and echoes national pride.

9) The Company reaffirmed its commitment to green logistics by surpassing a landmark of 2 million cumulative vehicle dispatches using railways. This feat makes Maruti Suzuki, India's first automobile company to attain this eco-milestone. Over the last 10 years, this initiative has helped the company to save/avoid 270 million liters of fuel.

Coming to the business performance in Q2 FY 2024-25,

The Company sold a total of 541,550 vehicles during the quarter, of which the domestic market volume was 463,834 vehicles and the export volume was 77,716 vehicles. While the domestic volume declined by 3.9%, the export volume grew by 12.1% compared to the same period of the previous year.

In domestic market, in the 2nd quarter, demand for PVs continued to remain muted. The Company continued to create an excitement in the market by introducing limited editions across segments and significantly increased its efforts to reach-out to the customers. To sweeten the offering for our customers, we raised our discounts, making our products even more attractive. As a result, despite the less-than-ideal market conditions, we could achieve retail sales nearly at par with the same period previous year.

In the ongoing festival season, the demand appears to be quite healthy albeit with higher sales promotion. Seasonally, because of the festive and the year-end phenomenon, the sales effort in

quarter 3 it to maximise retail sales. With customer centric events and initiatives, we are further increasing our focus on improving retail sales.

On the exports, the Company continued to maintain a healthy growth in sales volume. The Company commanded nearly 40% share of India's total passenger vehicle exports in Q2 FY25 and H1 FY25.

Coming to the financial results in Quarter 2 (July-September), FY2024-25,

During the quarter, the Company registered Net Sales of INR 355,891 million against INR 355,351 million in the same period of the previous year.

The Profit Before Tax (PBT) for the quarter grew by 6.3% year-on-year to INR 51,005 million, being its highest ever for the Company.

The Net Profit (PAT) for the quarter declined to INR 30,692 million compared to INR 37,165 million of Q2FY2023-24 due to a provision of INR 8,376 million resulting from the withdrawal of indexation benefit and change in tax rate on long term capital gains on debt mutual funds as per the Finance Act 2024. This impact was intimated earlier to the stock exchanges on 17th August 2024.

Since investors look for a sequential comparison, I will share.

On sequential basis, the operating profit margin, EBIT has come down to 10.3% of net sales compared to 11.1% in Q1FY25.

The adverse commodity prices and higher sales promotion expenses have affected the operating margin performance by 50 bps and 80 bps respectively.

Forex was favourable in the quarter. It is to be noted that the bulk of benefit in forex of about 60 bps is accrued due to hedging gain and because of the nature of the income, this benefit is accounted in non-operating income and is not captured in the operating margin.

As explained in the last quarter there is some seasonality in the employee cost and other operating income. While the employee cost softened by about 50 bps over Q1FY25, the other operating income was lower, thus nearly offsetting the benefit of lower employee cost.

Sequentially, as the volume has increased by about 4%, the benefit of favourable operating leverage is to the tune of about 30-40 bps.

Coming to the Highlights of the financial results in H1 (April-September), FY 2024-25

The Company sold a total of 1,063,418 units during the period, comprising 915,142 units in the domestic market and at 148,276 units in the export market. While the domestic market sales declined by 0.3%, the export sales volume grew by 11.9% year-on-year.

The Company registered its highest ever half yearly Net Sales of INR 694,644 million in H1FY2024-25 as compared to INR 663,803 million in H1FY2023-24.

Net Profit in H1FY2024-25 was at INR 67,191 million as against INR 62,016 million in H1FY2023-24.

Amalgamation of Suzuki Motor Gujarat Private Limited (SMG) with Maruti Suzuki India Limited (MSIL)

Last year, SMG was acquired to become a 100% subsidiary of MSIL. The Board considered the structure after the acquisition and gave an in-principle approval for the amalgamation of SMG with MSIL. The appointed date for the amalgamation is 1st April 2025, subject to all legal and regulatory compliances.

And towards my conclusion, I want to give the confidence to all our analysts and investors that auto business has its ups and downs and has cyclicity, but as a market leader, we have all the enablers in place to generate the best value for our shareholders.

We are now ready to take your questions, feedback, 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 Pramod Kumar from UBS. Please go ahead.

Pramod Kumar: Sir, the first question is on the festive demand outlook what you guys have shared. If you can just provide some color because I pick up in media articles which have got published post the press meet that you are talking about the period ending with Shradh or start of Navratri till Diwali. Could you kindly clarify the time period of festive season? And could you provide a colour on the performance during the on-going festive season based on whatever insight you have on the booking numbers and the scheduled deliveries.

The reason I am asking that is because on Vahan, the cumulative festive retails for the industry is still down to around 4% as of this morning. I understand there is a bit of a lag in reflecting showroom retails to registration on Vahan, but it can't be that the registration on Vahan is still reasonably mid-single-digit negative and we are talking about a double-digit growth.

So, if you can just help us understand the sales period we are looking at and the data you are looking at and also could you put some color on what's the expected retail between today and till the end of Diwali?

Rahul Bharti: So, this time we have reckoned the festive period from the beginning of Shradh till Diwali. And the reason we are doing that is because there was a month-end in between. We wanted to avoid any impact of month-end sales to come into the picture to have a like-to-like comparison. So, from the beginning of Shradh till Diwali, we have grown by 14% year-on-year in our retail sales. Retail sales is relevant because in the festive period, that's what the true customer interest is and

sometimes wholesales clouds the picture. So, against the last year figure of 260,000 units, this year, most likely we will be closing around 297,000 units. . For the full year, April till October, this time we are hoping to close at about 3.9% year-on-year growth in retail sales.

Pramod Kumar: Sorry, sir, can you repeat that. Rahul sir, I lost that. Can you repeat that please?

Rahul Bharti: So, April'24 to October'24 we hope to close at around 3.9% growth in retail sales.

Pramod Kumar: I think till September, in the vahan retail sir, Maruti's retails were down by 0.5% or thereabout.

Rahul Bharti: See, sooner or later we want to switch over to Vahan. It still has some lag and, one state is not still a member. So, sooner or later Vahan will converge with our data. But year-on-year April to October end, we hope to do about 3.9% growth in the retail sales. In festive period, which is beginning of Shradh till Diwali, we are expecting about 14% growth in retail sales. And not only that, we should end the month with a healthy inventory of just about 1 month or even lower.

Pramod Kumar: Given that the inventory is going to be not that high, the typical year end December discounts this year should not see a sharp spike as such, is that the understanding?

Rahul Bharti: To an extent, the pressure on discounts will not be there. Mostly the pressure on discounts comes because of inventory. Fortunately, Maruti is unlike many other companies in the market, we are comfortably placed as far as inventories are concerned.

Pramod Kumar: And on discounting, sir, what is the average discount per car in the quarter?

Arnab Roy: Average discount per car in the quarter, is Rs. 29,300.

Pramod Kumar: And sir, can you add some more color on the demand? Because the demand going into the season for the industry was not looking good. So, what has changed? If you can just help us some color on footfall, inquiry, conversion, regional flavor, urban versus rural, anything which you can share which can help us understand the festive demand which according to you is turning out to be better. So, if you can just help us understand that, that will be great, sir.

Rahul Bharti: I would like to retrace a couple of steps. India is now the third largest car market. It does happen once a while that the market takes a breather. Of course, we would like the market to grow faster, but we are not too overly concerned about it. And the Indian customer does want to buy.

So, there are times when the customer is slightly dormant. There are times when the customer comes forward. This year if you want to understand the outlook, we are hoping to close this year retail sales at about 3% to 4% growth.

Pramod Kumar: Yes, sir. And anything on urban, rural, what is doing better for you, any regions, any segments which are doing well, entry level cars, are they coming back? Sorry, I am kind of pressing on this, but this is actually the most topical thing on passenger car industry demand right now and for Maruti.

Rahul Bharti: Rural is doing better than urban, and we are expanding Nexa outlets in the rural area also, other than Arena. SUVs are growing faster and have grown from 50% to about 54-55% now. The strength seems to continue for a while, and we are yet to see some strength in the small car segment, which is declining. But I can tell you that we were able to arrest the decline in small cars, thanks to a lot of limited editions, creating some excitement in the market. Wagon R is doing quite well.

Pramod Kumar: When do you expect the pay commission benefits to kick in, sir?

Rahul Bharti: See, it does not happen that today the notification comes out, tomorrow the sales increase. Many people would be doing it ahead of the announcement in anticipation. Many would like to defer it or time it according to their family needs. So, there is no direct correlation.

Pramod Kumar: Sir, before I fall back in the queue, just a query. There is a clarification. I am getting messages from clients. They just want to clarify again. The 14% growth what you are referring to is like-to-like, start of Shradh last year to the festive to start of Shradh this year till festive, right?

Rahul Bharti: Start of Shradh to till Diwali in retail sales year-on-year 14% growth.

Pramod Kumar: The confusion was, are you saying end of Shradh last year to festive and start of Shradh this year to festive which gives you addition. So, that's not the case, right?

Rahul Bharti: This time we are seeing the start of Shradh because there was a month end coming in between. So, we had to ignore the effect of that.

Pramod Kumar: Yeah, absolutely. So, even in the base year, you are starting from Shradh, am I right?

Rahul Bharti: Yeah, of course. It has to be a like-to-like comparison.

Pramod Kumar: Yes, that was the conclusion. Sorry for this, but I am getting queries from clients to clarify this. So, I had to do that. Apologies for that, but thanks a lot and I will fall back in the queue.

Moderator: The next question is from the line of Raghunandhan from Nuvama Research. Please go ahead.

Raghunandhan: Congrats on the strong performance in the festive period. Sir, on the festive period, just one question. How did you see the trend in terms of first time and replacement buyers? And are you getting confidence of recovery in hatchbacks, given that there is some recovery in first time buyers and going forward, there could be benefits of expected interest rate cuts, pay commission benefits. How do you see or by when do you see the recovery in hatchbacks? And how much would be the inventory in hatchbacks by end of the month?

Rahul Bharti: So, no major discernible change in trend that I can share at the moment. And total network inventory of models across all segments put together will likely be within one-month inventory at the end of October

Raghunandhan: On hybrids, in press conference, there was indication of 25% road tax rebate. Can you talk about the road tax rebates in Punjab and other states and the benefits you are seeing because of this? On a related note, would you look at further expanding hybrid product portfolio in UVs and hatchbacks in future?

Rahul Bharti: So, some states are giving benefits on hybrids. For example, Haryana is giving a 25% road tax waiver. Chandigarh is giving 50% road tax waiver. Similarly, states such as Rajasthan and Chhattisgarh are also offering some kind of incentives. There are some states which have it in their policy, but they are yet to implement it.

Having said that, I think it's a great technology which saves CO2, and drastically cuts oil consumption, does not have the anxiety of range, and no charging infrastructure requirement. It is extremely customer friendly. And we think in the immediate onwards atleast till the medium term, it is a potent technology for both national objectives, CO2 and oil import cutting. So, we would like to enhance it as much as possible.

Raghunandhan: On electric cars, Maruti's upcoming EV is expected to provide the best cost of ownership in the segment. Can you talk about the differentiating factor or USP of your upcoming electric SUV? I mean, in some of the media interactions, what we understand is that it is based on a new platform. You are working on localization initiatives such as cell manufacturing. You are looking at enabling charging infrastructure, and you also have export plans. So, your thoughts will be very helpful here.

Rahul Bharti: Thanks for this question. Actually, we will now be starting a campaign for our EV. It is a high spec EV because we want to give customers confidence so that we can increase EV adoption without any concern on range, etc. So, it is a freshly designed EV. It is not an IC engine converted to an EV. It is an EV with high range., There are some changes in the government norms on range. so, we will be specifying the range at an appropriate time. But you can assume that it is a high range EV, with approximately 60-kilowatt hour battery. And of course, we will be exporting it. It will be made in India, for the world. So, customers from many advanced markets like Europe and Japan will be benefiting from this EV. And I think there will be many milestones where we will be showcasing it in different markets, in Europe, in India. In India, we will showcase it in the Bharat Mobility Show in January, and you may hear a lot on this in the next few weeks from us.

Raghunandhan: Wishing you all the best on EVs and hybrids. Just a housekeeping question, can you share the exports for Q2 in rupees?

Rahul Bharti: It is about INR 5,261 crores.

Raghunandhan: And retails for Q2 will be 4,20,000?

Rahul Bharti: Approximately.

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

Kumar Rakesh: My first question was on quarter-on-quarter gross margin movement. I noticed most of the key commodities have been largely benign since April-May, such as steel, iron, and copper. Also, in the P&L, the line item changes in inventories of finished goods was positive during the quarter. So, this is probably the first time in the last several years when we saw this to be positive.

Usually there is a factory inventory build-up which happens in this quarter ahead of festival. This year also I think you were building inventory for Dussehra ahead of the launch and hence that shows up as a negative line item in the changes to inventory. So, can you just help us understand this movement in gross margin with whatever granularity you can?

Arnab Roy: See, there are few factors which has contributed towards it. The first one is as you would have seen that the sales promotion expenses is slightly higher this quarter. So, that is contributing on the gross margin impact. Commodity has 50 bps impact as Rahul highlighted in the opening statement. So, these are the two predominant factors which has impacted the gross margin.. On the other hand, we have some favorable impact on the exchange rate.

Kumar Rakesh: I had a second question for you. So, now it's almost a year since you would have joined, and you have experience of working at multiple MNCs in the past. You have handled businesses which were spread across geographies, have seen raw material price volatility as well. So, now, having settled at Maruti, what's your vision? How do you plan to handle the pricing versus margin, all those debates which we have had in the past? I understand Maruti already operates with very rigid cost control measures. But on a big picture basis, how do you plan to handle these debates going forward?

Arnab Roy: I think we have to watch the market closely how it goes. I think none of us have a crystal ball to predict, but we have to keep watching the market closely. I think what we do is between operations, finance, we keep a very close watch on both commodity and Forex, take appropriate hedging decisions as and when it is needed, because there are several factors which have to be kept in mind. All we can say, I can tell you is that we are extremely agile to the market. We are connected to day-to-day movements, the macro things which keep happening and take appropriate calls. Do we get it right every time? We get it right most of the times. Maybe not every time.

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

Binay: Very encouraging to see the 14% commentary that you are seeing at least some signs of demand recovery. My question is on the discount side. Typically, in Q2, what we see is that we put in inventory, retail sales are weak, discounts run on retail sales and the wholesale dispatches are higher. And then in Q3, actually the discounts are paid out. So, when you look at Q2 this year, is it fair to assume that retail number is higher than wholesale, so the actual discount will be

lower? And secondly, any commentary on how do you see this discount number in Q3? Because this has been the big drag in gross margin this quarter.

Arnab Roy: First of all, commenting on your Q2, retail sales are only slightly lower than the wholesales. And Rahul already gave you the, the festival outlook. So, you can see the directional trend, how it is going. Directionally, we are in a position where retail is picking up. And if directionally retail picks up, there is no reason why we should have abnormal behavior on this term.

Binay: So, the discount in a way should be flattish, fair to assume quarter-to-quarter?

Rahul Bharti: Binay, you know, it is not easy to predict, but you know, most manufacturers have cut prices drastically. We have had only a limited amount of discount. The good part is that our inventory will be less than one month, and we want it to be a month. If it is below a month, then some color, some variant will not be available to the customer. Because we have a huge range. We have a portfolio of models. So, that should be sufficient indication.

Binay: And just the second question is two parts. One is that the 14% growth that you are seeing, do you think this is in line with the industry as per your internal insight? Has Maruti gained share? And lastly, incremental commodity pressure. Any commentary on that with the spot prices the way you are seeing?

Rahul Bharti: We won't be able to comment on competition for the festive period. But yes, what we can say is, our retail sale growth in this year from April to October is almost in line with that of the market, maybe slightly lesser. And commodities are a mixed bag. So, it is fairly flattish on an aggregate level.

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

Kapil Singh: I just want to understand for the growth for this full year, we are talking about 3% to 4% in retail. And first half has been flattish. So, is it that we are feeling that demand conditions in second half of the year to be better? Or are there any reasons where Maruti Suzuki would gain share? Also, on the CNG mix, if you could comment, we have seen very good improvement. It's at 33% already. Do you see this rising further? And any thoughts here where it could get to in the medium term?

Rahul Bharti: I will take your second question first. CNG, is a story across multiple factors. One is the distribution infrastructure in the country. Today we are at 7,000. It will go up to 17,000 by the turn of the decade. And the number of models will also keep going up. It has a lower CO2 footprint. So, it's good for the environment also. Customers in upper segments, premium SUVs are accepting it as a quality fuel. It's not supposed to be an economy fuel any longer. So, there are factors going positive for it. We don't have a projection, but it's positive.

Obviously, if you do the math, yes, then somewhere the H2 will be as what we discussed, because we are projecting in retail sales 3% to 4% growth for the whole year. And we did about 3.9% till October. So, that's how we expect it to be.

- Kapil Singh:** No, I was just trying to understand any factor that you feel will be supporting this.
- Rahul Bharti:** Well, it's the overall strengths that you play. The network strengths, the service strengths, the number of models that you have, the number of powertrain technologies that you have. Of course, sometimes we have to sweeten the offer for our customers with some discounts also. So, it's the combined strength of all factors that helps.
- Kapil Singh:** Are the discounts in this festive season higher than they were last year?
- Arnab Roy:** Quarter 2 discount was INR 29,300 but we expect it to be fairly stable in the remaining part of the year.
- Rahul Bharti:** You just have to keep in mind, Kapil, that last year some vehicles were in short supply.
- Kapil Singh:** And just one last thing from my side we have given a long-term target of having 28 models in our portfolio. Just trying to understand from a dealership footprint point of view, how do you think about the sales network to accommodate these models?
- Rahul Bharti:** So, that is a question, we also had when we had come to investors during the time of SMG acquisition, we had mentioned managing scale with complexity is one of our biggest management thinking points. So, of course, we have to do some more thinking on it, and we will keep updating you as we go along.
- Moderator:** Thank you. The next question is from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.
- Chandramouli Muthiah:** My first question is just on the model lineup. I think we have mentioned that we plan to launch one EV per year over the next five to six years
- Rahul Bharti:** On an average. Don't bind us to it. Because we are talking about five to six models till the end of the decade. So, that makes average one a year.
- Chandramouli Muthiah:** Makes sense. So, on average, one EV per year till the end of the decade., five to six potentially, we currently have about 20 Maruti Suzuki branded models in the market and we are selling maybe three more through Toyota. So, just trying to understand that 28 number of models number over time are likely to be mostly EV launches going forward with ICE refreshes, or do we have completely new ICE models also that can surprise and excite the market over the medium term?
- Rahul Bharti:** So, we have 18 now, and we want to reach about 28. 10 is the net additional numbers. But among the 18 also, there will be some refreshments. And we have spoken about five to six EVs. That's how we look at the model lineup in the future.

Chandramouli Muthiah: And just trying to understand for the December quarter, how we are looking at key commodity prices that might affect our P&L, and also what effect we expect from whatever we have seen in on the Japanese yen in our accounts.

Arnab Roy: On the commodity side, as we said earlier, we expect it to be fairly stable. There will be pluses and minuses within a particular commodity, but as a basket, we expect it to be fairly stable. Yen, it's a big question. We have to see several macroeconomic factors, US election being one of them. But we are consciously stepping up our coverage of the hedging because at the end of the day, we are in a business of making cars. So, we have to be conservative in our approach. So, we are stepping up the hedging to see we have less and less volatility on the exchange side.

Chandramouli Muthiah: And lastly, if you could just share the royalty number for the quarter, please.

Arnab Roy: Royalty is about 3.4% of sales.

Moderator: The next question is from the line of Gunjan Prithyani from Bank of America. Please go ahead.

Gunjan Prithyani: I just had a few clarifications on the comments that was made in press conference around the rural and the urban growth. For rural you guys 8% growth was mentioned and for urban minus 2% growth was specified. I assume this is for first half of the year. Is that correct?

Rahul Bharti: Rural is positive. Urban is negative. On the net, it is nearly flattish on wholesale and about 3.9% growth on retail sales on aggregate.

Gunjan Prithyani: I am just trying to connect this. Rural is certainly growing positive for us and at the same time you also sort of alluded to small car still being under pressure. So, I am just trying to understand what are the demand trends that you are seeing in the rural? I would have expected that if rural starts to come back or grow well, then this would mean good for hatches and small cars as well, but it doesn't seem to be the case? It seems like even in rural market, SUVs are the preferred choice or maybe higher ticket price cars are still doing better there. So, if you can share some thoughts on what's happening in the consumption behavior in the rural itself?

Rahul Bharti: The past does not necessarily holds to what it is today. So, rural has changed big time, and in fact, we should change using the word "rural". It is more of "up-country" and there is an increasing amount of convergence in the consumption patterns that we see between the so-called rural and the so-called urban. It's not necessary that rural will buy only small cars or lesser priced cars. In fact, we are opening NEXA showrooms in up-country. So, it means that there is a fair amount of convergence happening.

Gunjan Prithyani: So what really sort of drives the small car recovery? Or is that something we expect when the first-time buyer demand comes back? How do we think about hatches as a category coming back? I know you all had spoken about fiscal '26 is when we see that recovering is there more that you can share, you are seeing green shoots in the market. So, the outlook for next year for the small car segment?

Rahul Bharti: Still nothing new that we can share at this point of time. There is an affordability challenge that we see both from an income point of view and from the cost of cars point of view. But the only thing I can mention is that we have been able to arrest the decline because of some excitement created by some limited edition models in the market.

Gunjan Prithyani: And the other clarification, a quick one, which I had was on the discounts being a drag on the gross margin in this quarter. When I look at ASP and other expenses, the discounts really don't show up in those line items. So, I am just trying to understand is there, how is discount really accounted for? Usually, we have netted it off in ASP, right? So, any change there, or anything that I am reading wrong there?

Arnab Roy: No, you are not reading anything wrong it's basically the mix is richer. So, there is a higher discount.

Gunjan Prithyani: And last one on the capacity, if you can update, are we on track for 300,000 units capacity in quarter 4? Any recalibration there?

Rahul Bharti: So, our 1st plant in Kharkhoda with a capacity of 250,000 units per annum is on track. We hope to commission it within the end of this financial year.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. With this, we conclude today's conference call. On behalf of Maruti Suzuki India Limited, we thank you for joining us, and you may now disconnect your lines.