Q4 FY '25 Post Results Earnings Conference Call"

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MANAGEMENT: **MR. PARMOD K. DUGGAL–EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER –SUBROS LIMITED**
MR. HEMANT K. AGARWAL–CHIEF FINANCIAL OFFICERAND SENIOR VICE PRESIDENT-FINANCE – SUBROS LIMITED
MR. SUKHBINDER SINGH GILL – ASSISTANT VICE PRESIDENT, FINANCE–SUBROS LIMITED

MODERATOR: **MR. ANNAMALAI JAYARAJ–BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day. And welcome to the Q4 FY '25 Post-results Earnings Con Call of Subros Limited, hosted by Batlivala & Karani Securities India Private 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 operatorby pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited. Thank you. And over to you, sir.

Annamalai Jayaraj: Thank you, Andre. Welcome to Subros Limited 4Q FY '25 and FY '25 Post-results Conference Call. From Subros Limited management, we have with us today Mr. Pramod Kumar Duggal, Chief Executive Officer; Mr. Hemant Agarwal, Chief Financial Officer and Senior Vice President, Finance and Mr. Sukhbinder Singh Gill, Assistant Vice President, Finance.

I'll now hand over the call to Mr. Pramod Kumar Duggal for the opening remarks, to be followed by the question-and-answer session. Over to you, sir.

P K Duggal: Thank you, Jayaraj. Good morning, ladies and gentlemen. Welcome to Subros' Investor Call for Quarter 4 FY '25. The Indian automobile industry showed a resilient and broadly positive performance in FY '25. Passenger vehicle achieved all-time-high sales driven by the growing performance and preference of utility vehicles. However, the commercial vehicle segment faced headwinds and recorded a slight decline due to the financial constraint and uneven fleet demand.

Overall, automotive sector grew by 5.14% during the quarter 4 and 9.21% in 12 months period. Passenger vehicle segment has grown by 4.11% in quarter 4 and 3.71% in 12 months period. It is the first time that PV sector has crossed 5 million vehicle production as well as sales in one fiscal year, with a robust growth of 14.66% in SUV segment.

Electric vehicle continued their upward trajectory, gaining greater market penetration, especially in two-wheeler and passenger vehicle categories. Electric vehicles, EV, sales in FY '25 reached 1.97 million units, marking a 17% year-on-year growth.

CV segment industry, including truck and buses, have also registered a growth of 4.42% in quarter 4 and 0.3% growth in 12 months period. However, CV segment has registered 1.5% growth in domestic market and 56% growth in export market during quarter 4.

Subros has stayed committed to driving innovation and growth, which are crucial for us driving the future. Subros has registered a sales growth of 9.3% in quarter 4 and 9.7% in 12 months basis. In this growth journey, CV segment truck has again played a key role, which is 35% sales growth in quarter 4 and 38% in 12 months basis, due to new emerging sector of air con in last-mile connectivity trucks.

There is 36.49% improvement in quarter 4 profitability and 44.61% profitability improvement in 12 month basis, as against the performance of corresponding period of last year. The results are mainly because of aggressive push in our improved internal efficiencies and localizations, which are consistently reflecting in our results.

The results of quarter 4 FY '25 shared yesterday with the stock exchange and posted on our website also. Let me elaborate the summary of results one-by-one. Subros has performed better than the industry in quarter 4 FY '25. A revenue growth of 9.25%, with a significant improvement in margin, is a result of aggressive push of our operational efficiencies and cost-down effort. The company has achieved a revenue of INR908 crores during quarter 4 and INR3,368 crore during 12 month of this year.

Our share of business in passenger vehicle air conditioning market is 42% in the quarter. And share of business in truck AC and blower segment is also 43%, which is recasted based on the new definition of N1, N2, N3 categories based on the new regulation. And in the bus AC segment, it is 16% in this quarter.

Now I'll talk about the operational performance specifically. The company has realized EBITDA of INR 99.22 crores in quarter 4 of FY '25, which is 10.96% of the net sale, as against EBITDA of INR 80.86 crores, which is 9.76% of the net sale, in corresponding quarter of the last year. The EBITDA realized in the year is INR 343 crores, which is 10.22% of the revenue. There is an improvement in EBITDA by 22.72% as corresponding quarter; and 22.61%, as compared to the annual results.

Profit before tax in quarter 4 is INR61.83 crores, which is 6.83% of the net sale. And annual profit before tax is INR203.45 crores, which is 6.06%. Profitability before tax with corresponding quarter for the last year is improved by 36.49%. And annual growth is 44.60%.

Profit after tax in quarter 4 FY '25 is INR46.19 crore, which is 5.10% of the net sale. And profit after tax for the year is INR150.39 crore, which is 4.48%. PAT margins, with the corresponding quarter of the last year, is improved by 50.57%; and 53.98% for the year.

Now I'll talk about the business update. Over the past few quarters, we have been delivering a consistent improvement in the financial performance, including the robust growth in EBITDA, PBT as well as PAT. All is backed up by the steady rise in sales as well as our internal efficiencies and our aggressive push on the localization. Our focus is now to further improve this by managing internal efficiency better and optimizing on the capacity utilization.

We are also expanding our product portfolio and investing into advanced technologies to meet the rapidly evolving the need of automotive sector, especially in electric and hybrid vehicles space. Our alternative fuel initiative, including CNG, hybrid and EV components, are gaining traction. And we are expecting that this will grow further. Right now almost 20% of the turnover is contributed through these kind of products.

In alignment with the ministry of road transport and heavy industries regulation mandate for AC cabin in all new trucks from October '25 in N2, N3 category, we are actively working on capturing the large share of this segment. We have almost secured businesses which are now in the ramp-up stage for start of production. The railway segment has also appeared as a robust growth driver for Subros. We have almost 35% growth in this segment. Our large tender which we have secured last year, 50% of that is delivered during this year.

Looking ahead, we are excited about the projects on the horizon, particularly in upcoming plant of Kharkhoda, which marks a key milestone for our journey towards sustainable manufacturing. We already updated you about the investment proposal which we have already approved from the Board in last 2 quarters. The land acquisition is already completed and we have started construction activity on the site. This would be a key strategic project for us in terms of expanding our capacities and also in terms of automation.

Before I conclude, let me summarize the overall financial results once again revenue from operation INR 908 crores with an growth of 9.25%; annual revenue of INR3,368 crores, growth of 9.67%; EBITDA of INR 99.22 crores in quarter, with a growth of 22.72%, INR343 crores for the year, with a growth of 28%; PBT of INR 61.83 crores in quarter, with a growth of 36.49%, and INR 203.45 crores with annual growth of 45%; PAT of INR 46.20 crores in quarter, with a growth of 50.57%, and INR150.39 crores with a growth of 54%.

Based on the above results, the Board has recommended dividend of 130% to the shareholders, subject to the shareholder approval.

Thank you very much. Now we are ready to take questions.

Moderator: The first question comes from the line of Arjun Khanna from Kotak Mahindra Asset Management.

Arjun Khanna: Congratulations, sir. A very good set of numbers. Sir, the first question is on the AC cabin mandate. So by now, we would have won orders which we would have started putting into production, so could you just help us understand? What would our market share be at this point in time? And how do you look at profitability from this segment?

P K Duggal: Thank you, Arjun. So this segment, we have been pursuing for last almost 1.5 years to pursue for order booking in this segment. We have already booked almost orders worth INR150 crores. And we will be crossing share of business in this particular segment more than 50% in coming year.

So from the margin perspective, they are more comparable as compared to the passenger vehicle overall business domain, so there is no differential as such, but of course, overall revenue will substantially increase even though industry is muted. But since AC penetration would be now, N2, N3 category, would be 100%, so that would be a growth driver for us.

Arjun Khanna: Right. So, this product ramping up will not dilute margins per se. And we had earlier stated our goal, over a period of time 3, 4 years, to reach 12%. This should help us in that journey.

P K Duggal: Of course. That will help us because that will also contribute to operational efficiencies as well.

Arjun Khanna: Sure. Sir, the second question is regarding our margins. I think we have now crossed 10% very well. Is there any forex impact or onetime element? Because in employee costs seemingly are lower. So are there any one-offs for this quarter, the fourth quarter.

Hemant Agarwal: So there is no hedging impact. So there is no impact due to the reinstatement of the forex liabilities or foreign currency exposure...

Arjun Khanna: Sure. And on the other line items of employee and other expenses

Hemant Agarwal: So employee and other expenses what is your question? Is it higher? Or it is lower.

Arjun Khanna: No. It's seemingly lower as a percentage of sales, so is that operating leverage playing out for the company? Is that the right way of reading it? Or there is no onetime impact.

Hemant Agarwal: So it is not a onetime impact. With the increase in the revenue, in terms of the percentage, employee cost seems to be lower. And also due to the operational efficiencies and relayouting, the manpower cost also has come down.

Arjun Khanna: Sure. Sir, my last question. After this, I'll come back to the queue so please go ahead, sir.

Hemant Agarwal: Go ahead...

P K Duggal: Go ahead, Arjun.

Arjun Khanna: Sir, in our Kharkhoda project. So we had mentioned that we are probably going to be spending 150 crores for this year. Are we on track with the project at this point in time?

P K Duggal: Yes, we are on track on this project. So construction activities are in progress now. So we have a plan to start of production next year first quarter, so at this moment, everything is in place.

Arjun Khanna: So this year, our capex would be roughly INR270 crores: INR150 crores plus the INR100 crores, INR120 crores which we spend per year. Is that the right way of looking at it?

Hemant Agarwal: Yes.

P K Duggal: Yes, that's right.

Moderator: The next question comes from the line of Abhishek Jain from Alfaccurate Advisors.

Abhishek Jain: Congrats for the strong set of numbers. Sir, as the EV penetration is gaining momentum right now so how much you are ready to leverage the benefit of it, if you can throw some more light over there.

P K Duggal: Thank you, Abhishek. So EV penetration for us, it is commonly for strong hybrid as well as EV, with respect to our product application is concerned. So we are focusing on green mobility or green fuel per se. That is an important parameter for us. Almost 20% of the total revenue is now contributed from these kind of green mobility segment per se. And we are now gearing up for more product range to be introduced in this segment so that, in next 2 to 3 years, when this EV penetration is much more aggressive, at that time, we will have long-term benefit.

Abhishek Jain: So as the content per vehicle will increase significantly in the EVs and Maruti is also going to launch also launched with e VITARA. So I just wanted to understand how much you are ready for supplying the products for them and how much increase in the content per vehicle is expected over there.

P K Duggal: So we are ready for the Maruti's EV project also. I think the small SOP elements have already been seen now in this quarter. And it will ramp up now further. So content per vehicle, for sure, will increase now because, in EV vehicle, content per vehicle is higher than the ICE-based PV vehicle. So I'll not be able to quantify exactly, but yes, around 1% to 2% of overall vehicle contribution will increase.

Abhishek Jain: 1% or 2%, or 1x or 2x

P K Duggal: No, no. That is without the electric compressor. That's why I'm referring to without electric compressor. Because if it is electric compressor, then it would be more than 2x. So right now I'm excluding the electric compressor.

Abhishek Jain: Okay, sir. And sir, in home AC business, basically you have slowed down your business, but it can provide a good scale to you, so do you have any plan for the medium term in the home AC business?

P K Duggal: Yes. We are focusing on that, but right now we have muted because right now the whole action is to improve the margins because, if we mix that segment, of course, there will be impact on overall margin. It will be slightly lower, but if we have to -- as an organization, if we have to drive top line, then that segment growth would be a key contributor, but right now we are trying to stabilize our margins first.

Abhishek Jain: Okay. And in CV business, basically you had done, I think, 35% growth. So last year, it was around INR130 crores. This year, it is expected to be around INR175 crores, in FY '25. So in FY '26, as the order book is INR150 crores, so can we surpass the INR300 crores kind of the revenue from the CV and the buses segment?

P K Duggal: So Abhishek, the SOP is happening in the midyear, so in FY '26, we will have only half year impact only, but FY '27, when we see the full year and if industry grow because this year we expect this industry would be muted. And the growth driver for us will be only the AC penetration becoming 100%, but if growth also and AC penetration 100%, we see, I think, substantial growth in this segment. So I'm not confirming INR300 crores as a number, but of course, from the current level, it may be around 50% to 60% growth coming in.

Abhishek Jain: Okay, sir. And my last question, on the passenger vehicle AC segment. what is the revenue in this year in passenger vehicle AC segment? And how do you see growth? Where the industry participants are saying that 3%, 4% growth on the overall volumes in the domestic side, although that's going to be better. So I just wanted to understand how you would be able to outperform. What are the new business wins which can give you a substantial outperformance versus industry?

P K Duggal: So the PV segment. AC product, we have done last year roughly 2,700 crores. And ECM is almost 480 crores or so. So our growth in this segment is 8%, as against industry performance of around 4%, so we have done a double of the industry. There are 2 reasons to that. One is that, of course, the content per vehicle is increasing now because a lot of auto ACs are getting introduced, as against the manual ACs.

So there the content per vehicle is increasing. That is one. Second is our EV penetration. And a third important point is the share of business in a few OEMs, where we are substantially progressing. So that is also a contributor, but as you said, that in FY '26 the industry growth is not expected as the earlier trend are. So we are expecting 1% to 3% growth, subject to the market condition and geopolitical condition, but still we will be doing better than the industry performance. That's how we have been striving for last 4, 5 years.

Moderator: The next question comes from the line of Aashin Modi from Canara Robeco.

Aashin Modi: Congrats on good set of numbers. Sir, my first question was: So you said you are supplying for the new EVs of Maruti. Could you tell us, which are the components which you are supplying? And going forward, which are the products which you are developing? So there are 3, 4 key elements which are there as a part of the AC. Currently what we are supplying and what we plan to develop going forward.

P K Duggal: So in electric vehicle, we will be supplying HVAC, hose and pipe and shroud fan module.

Aashin Modi: Okay. And any plans on the compressor side of things.

P K Duggal: That is still in pipeline. As I mentioned before also, compressor require a minimum break-even point of 0.5 million of capacity. Still that volume in India EV passenger vehicle is not available, and we need to be watchful of that because large investment is required. Once this industry will be projected to almost 1 million of EV vehicle, in that case, 50% share of business with 0.5 million, we will definitely kick off this project for localization in India.

Aashin Modi: Got it. And sir, my second question is regarding the margin trajectory. So we have reached decent 9.5% margin for the full year. Now going forward, how do you see I mean so we are doing this capex which in almost 150 crores of capex next year. And also, in the last cycle, we saw that, when there was some issue in the global supply chain, there was some cost -- some elements which are not price pass-through. Their costs increased. So any impact which we expect going forward of these 2 things which will be there?

P K Duggal: So 2 question you have asked. One is on the margin. I think I need to correct you. Margin is 10.22% in the financial year. So we are now continually improving on that, and our efforts are now to reach to the next milestone. As against your second question, of global supply chain impact.

Yes, it was very high in FY '24, slightly muted down or slightly on a declining trend in FY '25. Right now whatever we could negotiate with customers as onetime settlement for all these impacts has already been done now. And since the trends are now softening, it will not be a major impact as of now. In case Irrespective of the fact that right now whatever costs have already been factored is part of our normal cost now. So we are watchful on that situation.

Moderator: The next question comes from the line of Mihir Vora from Equirus Capital.

Mihir Vora: So basically, sir, if I see the working capital cycle, it seems to be a bit stretched over last 2 years. And if you compare it over last 4, 5 years, the working capital cycle has been a bit stretched. Even in this year, we see debtors have slightly increased higher, so any reason to this? is it because of the new segments we are entering into or some changes with the company agreement? Can you throw some light on that, the working capital cycle?

Hemant Agarwal: Working capital cycle is higher because of the realignment of the credit terms with a customer. So earlier, we were taking payment with a shorter period. Now it has been restated for a normal credit period. That has resulted in an increase in the receivable of more than INR100 crores. That's how the working capital cycle is higher. If you see the other elements of the working capital, that is more or less same.

Mihir Vora: Right. And this will continue going ahead as well, at the similar levels.

Hemant Agarwal: From this financial year, if you benchmark '24, '25 for future years, it will continue in the same direction.

Mihir Vora: All right, okay. And my another question is on, sir, basically, during the Kharkhoda approval, you had mentioned in that, that you would be taking around 75% of the debt for investment into the Kharkhoda project. So does the stance currently also remain same, we would be taking around INR100 crores, INR120 crore-odd debt going ahead? Or we will prefer using our internal cash. Or investments have also increased in the year. So how do we look at the capex allocation?

Hemant Agarwal: So Kharkhoda investment is INR150 crores, which company intends to avail 75% through the term loan borrowings, which is INR112 crores. As of now, we have not taken any loan, but during the financial year, we company, we intend to go up to INR112 crores term loan. Or it may be lower also, based on our internal cash accruals.

Mihir Vora: All right, but up to 75...

Hemant Agarwal: INR 112 crores as a term loan for this project. And all the rest of the capex, we'll make out of the internal accruals.

Mihir Vora: All right. And just a follow-up to previous participant's question on the -- like sir mentioned, that the auto AC penetration is slightly increasing now. Sir, just some light on that. What would be a broader penetration number now? And what would be the -- how much would be the content per vehicle increase here in terms of from manual AC to an auto AC?

P K Duggal: So normally, manual AC I mean specifically the impact is only in the HVAC side. So HVAC pricing differential between auto to manual is around 5% to 7%. So if auto AC penetration is increasing, that much incremental revenue per vehicle will come to us. So that's how we are expecting now. Much more auto air con will be in the market. And especially, when you're exporting more vehicle export is almost 90% with auto air con only.

Mihir Vora: Okay. And in domestic, sir, any idea in terms of any number here?

P K Duggal: I don't know the percentage, but I think earlier it was around 25% to 30%. It has already crossed 40% now.

Mihir Vora: Okay, okay. So auto AC, okay. And sir, my last question would be on what would be the import content as a percentage of RM cost in this year, in FY '25.

P K Duggal: So import content would be, I think, 16% to 18% of the total revenue as of now. We are consistent in that. And as I mentioned before also, that -- our effort now for more localization because of many supply chain disruptions are happening across the globe now. So right now we are at this level, but going forward, I think we will push much more aggressive on localization.

Moderator: The next question comes from the line of Punit Jhaveri, an individual investor.

Punit Jhaveri: Yes. I just wanted to understand in terms of comparison with EV specifically. You mentioned 20% share of alternate fuels. So is there -- you mentioned about like certain parts, which has a difference essentially between realizations of an ICE versus an EV. Could you just elaborate a little bit on that?

And how should we see this percentage of 20% going forward. Because the CNG share has been increasing for all players. So that will be, I think, the fastest growth, but could you just elaborate a little bit on your products specifically for ICE versus the alternate fuels?

P K Duggal: Okay. Thank you, Punit. So I'll a little bit elaborate this subject for better understanding. So in green fuel, there are 3 elements. One is CNG. Second is strong hybrid or mild hybrid. And third is on EV side. So our product between ICE and CNG is not differentiating because finally CNG is driving the engine. And finally, from engine, all the thermal products will get driven from. So main difference is coming from strong hybrid and EV.

So key differentiator in strong hybrid and EV is engine cooling module, which will have a battery-cooling element also HVAC, which will be more for battery cooling as well as for the cabin side also. And third major element is compressor, which is in ICE is the engine drive. And in EV, it is battery drive. So these are the key differentiator.

So when we say we are penetrating more on EV or strong hybrid side. So major contributor for us, what's product we already have, is ECM and HVAC. And accordingly, hose and pipe also is differentiating because the scope is almost double, 4 pipe for cabin AC and 4 pipe for battery cooling also. So these are the 3 key differentiator. And of course, compressor is also a big one, but compressor, we are not supplying for these 2 category of vehicle. So these are key differentiator, what I said before, on the value differential.

Punit Jhaveri: Got that. And compressor, I think you did mention that you need the market to expand a little bit with other points. One other question I had was in terms of both for commercial vehicles and railways. So for commercial vehicles, now that the new regulation has come for ACs, I think you are expecting orders.

You already start to incur as well. Based on these orders currently, as of FY '25, what would be the company's market share? And who do we compete with, your -- because it's still a very new segment for ACs within trucks. So who would be the actual competition here for us?

P K Duggal: So I already replied partially this question before, that we are intending to have more than 50% market share in truck air con market as such. And as you also mentioned about, that this segment is going to grow as the AC penetration is increasing. We secured most of the business now and we are in the phase of preparing for start of production. The official date for this rollout is October '25, but OEMs may start production slightly before that.

With respect to the competition, there are many other players also. There are MAHLE is there. international is there. Sanden is there. So there are competition available in this market, but we are insulating ourselves with respect to the technology. And the product and the availability closer to the customer facility, that's the key advantage what we have.

Punit Jhaveri: Understood. And one last question, specifically on railways, and please pardon me for not knowing, is what is the current products that we give for railways specifically. Is it air conditioning product itself? And is that specifically for modes like Vande Bharat or something like that. Because we also see a lot of EMS players who work in that space as well. So if you can just elaborate a little bit on your opportunity for railways. Because still a and how much is it currently in percentage of revenue? If there's anything that you can quantify.

P K Duggal: So railways. When we started this segment, it was mainly for driver cabin air con. And that was the drive at the time. Government wanted all the driver cabins to be air con as the first preference. And after that, we developed product for coach air con. We started this segment of coach air con last year. Now we are progressing for product application by Vande Bharat and for metro coaches as well, so that is in pipeline now.

So last year, we have done a railway business of around INR17 crores, which is not significant in terms of overall contribution to the revenue, but with respect to the orders in pipeline, we have almost around INR40 crores of tender business what we got. Out of that, INR17 crores is delivered. And balance INR 23 crores will be delivered in maybe first 3 quarters or so.

Punit Jhaveri: And any aspiration that you have for this business? Is this also because when you go into coach ACs, that of course gets a little bit more competitive with other players from the cool impact. So will that business be in is more of a medium-term opportunity. Anything that you can tell us about that?

P K Duggal: So we are going very aggressive on this railways segment expansion, not only limited to AC but beyond also, but since it is a tender-based business, you will not have consistency of business month-on-month. It would be one tender to be delivered in a period of 2 quarters and then subsequently waiting for next quarter, but major part is on the product development side. So that's where our aspiration now are basically to expand the product range beyond coach AC, for high application for high value addition.

Moderator: The next question comes from the line of Mihir Vora from Equirus Capital.

Mihir Vora: Sir, my question was basically can you share the segment revenue mix for the FY '25.

P K Duggal: Segment-level revenue, you are expecting...

Mihir Vora: Yes, yes.

P K Duggal: Okay. So as I mentioned, around INR 2,700 crores from PV AC product, INR480 crores from ECM. Truck, we have done around INR 125 crores. Railway, I mentioned, INR17 crores. And the balance is roughly INR 50 crores from other segment, including truck, home air con and some other elements.

Moderator: The next question comes from the line of Raaj from Arjav Partners.

Raaj: Sir, how much growth are we expecting in FY '26, looking at the compulsory government guideline from October 2025?

P K Duggal: Overall growth at Subros or in the segment...

Raaj: Overall at the company level.

P K Duggal: So I did mention I think I replied this question before also, that industry growth, we are not expecting this year will go substantially. And since these AC penetration will increase, irrespective of the growth in CV segment, will be a key driver for us for Subros growth -- so if market is growing between 1% to 3% overall, I think we will be doing much better than the industry growth.

Raaj: Can we expect a 10% to 12% growth?

P K Duggal: I'll not be able to quantify specifically, but rest assured we will be doing much better than the industry.

Raaj: Much better than industry, all right, yes, all right.

Moderator: The next question comes from the line of Mayur Parkeria from Wealth Manager.

Mayur Parkeria: Congratulations on the very stable effect and expected and unexpected lines. Congratulations on a good set of numbers. Sir, I just had one question. Over the last 6 to 7 quarters, we have been saying that our long-term margin guidance will be in the region of 12% plus. Now that we have crossed the threshold of 10% on at least a quarterly basis, and also on an annual basis now it's close to that, would you be in a better position to say that now the 12% margin range is within the visible guidance?

And do you think we can achieve that in FY '27 instead of a very qualitative comment of saying just this long, because we have already crossed certain milestones that come a long way from where we were in the last few years back?

P K Duggal: So Mayur, we have been very consistent in terms of our efforts for improving the margin. We were around 8%, 8.5% or 8.75% till last year. We have crossed annual of 10.22%; and in the quarter 10.76%, precisely. So our efforts are ongoing. And that 12% guidance which we have given before, still we are on that. The timing is only issue. Unless there is a big disruption geopolitical or in supply chains, we are still very sure that we'll be able to realize that target.

Mayur Parkeria: Yes. So in the so FY '27 will be a good time line to achieve that. It's not...

P K Duggal: Hopefully, everything goes well.

Moderator: The next question comes from the line of Anish Rankawat from UTI Mutual Funds.

Anish Rankawat My question is on the truck and bus AC regulation. And apologies if I've missed this. Could you please remind us, what is the addressable market? And what would be the content per vehicle for Subros?

P K Duggal: So I'm just repeating this answer once again. So there is no regulation in bus. It is regulation in only trucks. N2, N3 category will have mandatory AC requirement from October onwards. So overall market, if I say, would be around 400 crore to 450 crores. That's the market size we have as of now. So that's what we are striving for, that we are targeting more than 50% share of business in this segment to be a market leader going forward.

Anish Rankawat: Got it. And as you said, some of the OEMs might start applying it before the deadline, so what kind of ramp-up would you be expecting to reach this 450 crores kind of a market?

P K Duggal: So INR450 crores is the overall market. Out of that, whatever business we have tied up -- but definitely we will be securing that, but an important point is that sales from October is the notification requirement. Based on the dealers' pipeline, based on the OEMs' stock level, they may start something before.

So we have got very small schedule for the month of June, but maybe July, August, September, there would be some pipeline built up by the OEMs. We are waiting for the schedules to come from the OEMs. And based on that, the ramp-up will be very steep because, after October, all AC has to be only sold. So I think ramp-up will not have a big issue in that.

Moderator: The next question comes from the line of Annamalai Jayaraj from Batlivala & Karani Securities India.

Annamalai Jayaraj: Sir, I have 2 questions. One is on the tractor side. I think we got some business with OJA tractors for supplying the radiators, sir. So what is the traction there? And is there any scope for expanding to other customers, sir?

P K Duggal: So Jayaraj, in OJA, initially we were supplying the radiator, but subsequently we started the air con also; now this OJA export to Japan as well as to U.S., also using the air con tractor. Last year, we have sold air con product for tractor, around INR4 crores. Going forward, if this market expand, it will grow substantially.

Now we are in discussion for other OEMs also because still domestic market is not very popular with AC cabin of tractor. So that's what once the interest is generated and based on the competition product rollout, other OEMs will also pursue for that, so we are since product is already available so it is only the market development we have to do now.

Annamalai Jayaraj: But radiators, we can work on, sir, or other tractor...

P K Duggal: Yes, yes. Radiator, also we are in discussion for other 2 OEMs to include.

Annamalai Jayaraj: Okay, yes. Then the second question is on AC buses, sir. Is there any opportunity for us on the thermal solution for AC buses, sir?

P K Duggal: So in AC buses, we are already supplying the air con. So thermal solutions are already there now with that, so AC penetration in buses is increasing. Earlier, it was between 9% to 12%. It has already crossed 15% to 18% buses are now air con. With EV coming in, it would be almost 100% AC because battery cooling is also required.

So our content per bus will increase substantially as more and more EV buses are coming on the road since large tenders have already been agreed by the large OEMs. So we are preparing for first products introduction in that EV buses and also for battery cooling. So of course, this is a very promising sector for us to grow substantially.

Annamalai Jayaraj: Currently EV buses are importing these solution, sir...

P K Duggal: EV buses right now are importing, yes, from other geographies. There are 1 or 2 players who have started local production. We also started local production, but ramp-up is not very sharp because still tenders are yet to be delivered.

Annamalai Jayaraj: Okay, okay. That's all from my side, sir. If you have any closing comments, sir. There are no more questions, sir.

P K Duggal: I see. Thank you so much. And thank you for keeping trust and belief in Subros.We -- definitely, as I mentioned before, the business opportunities at Subros are encouraging for us. The next 3 to 4 years are quite good business opportunities. With business with geographical expansion and capacity expansion, we'll be able to leverage better. We'll be able to satisfy customer demand not only for domestic and also for export of their vehicle to different geographies. So thank you very much for your time today.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Batlivala & Karani Securities India Pvt. Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.