



**“Subros Limited
Q2 FY ‘2025-26 Post Result Earnings Conference Call”
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MANAGEMENT: **MR. PARMOD KUMAR DUGGAL –EXECUTIVE
DIRECTOR & CEO, SUBROS LIMITED**
**MR. HEMANT KUMAR AGARWAL – CHIEF FINANCIAL
OFFICER AND SENIOR VICE PRESIDENT FINANCE,
SUBROS LIMITED**
**MR. SUKHBINDER SINGH GILL – VICE PRESIDENT
FINANCE, SUBROS LIMITED**

MODERATOR: **MR. ANNAMALAI JAYARAJ – B&K SECURITIES INDIA
PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Subros Limited Q2 FY26 Post Result Earnings Conference Call hosted by B&K 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 operator by pressing ‘*’ then ‘0’ on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Annamalai Jayaraj. Thank you and over to you, sir.

Annamalai Jayaraj: Thanks, Nisha. Welcome to Subros Limited Q2 FY25-26 Post Result Conference Call.

From Subros Limited Management, we have with us today Mr. PARMOD Kumar Duggal – Chief Executive Officer, Mr. Hemant Kumar Agarwal – Chief Financial Officer and Senior Vice President Finance, and Mr. Sukhvinder Singh Gill – Vice President Finance.

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

PARMOD Kumar Duggal: Thank you, Mr. Jayaraj. Good evening, ladies and gentlemen, and welcome all of you for Subros Investor Call for Q2 FY26.

The Indian automotive industry exhibited a mixed yet promising trend in Quarter 2. The passenger vehicle segment observed a sale of 1.04 million units, reflecting a marginal 1.5% year-on-year decline, primarily due to inventory correction and high base effect. However, September 2025 marked a 4.4% increase in PV sales, driven by early festive demand and improved customer sentiment, and also a GST rate reduction.

Export performance was particularly strong, achieving an all-time high of 2,42,000 units, up by 23% year-on-year. Even October sales are more encouraging than September, showing more than 11% growth as compared to last year's October. From a microeconomic lens, the government's 2025-2026 Union Budget and GST rationalization has provided a favorable backdrop for the industry. The cut in GST rates on small cars, motorcycles from 28 to 18 coupled with the exemption on lithium battery components has strengthened these demands at the domestic level. As a result, passive-driven retail momentum is positioning Quarter 3 for a robust growth.

Subros has consistent performance in Quarter 2. We have achieved a growth of over 6% during the quarter and in half-year, more than 7%, despite PV and CV segment is marginally or negatively in H1. There is 12% improvement in profitability due to consistent push for cost optimization. In addition, the company has realized a long-awaited incentive from the Gujarat government as part of the investment promotion scheme launched by the Government of Gujarat during the setup of Karsanpura project. This amount is accrued as an eligibility criteria. In the quarter, we have accounted for 13.39 crores in other income against these incentive accrues. There is an impact of commodity price increase during the quarter as against the last quarter. Due to this, there is a period lag of compensation from our customers. This has impacted our MSR during the quarter.

During the Quarter 2, truck AC notification of mandatory AC in N2 and N3 category of truck got implemented. It implemented on June 8, but the impact in Quarter 2 is a full-quarter impact. Now the volumes are at ramp-up stage. This is a big growth opportunity for Subros to expand our business in CV segment. The result of Quarter 2025-2026 has been shared with the stock exchange, and it is posted on the website also.

Let me elaborate on the summary of the results one by one:

- Subros has performed better than the industry in Quarter 2. Revenue growth is 6.22% with a significant improvement in margin in the result of aggressive push towards operational efficiencies and cost-on-efforts.

- The company has achieved a revenue of 879.83 crores during Quarter 2025-2026. Our share of business in passenger vehicle AC market is 41% which is almost consistent to our past trend. And in commercial vehicle, truck AC/blowers is 44% and in bus AC segment, it is 15% during the quarter.
- The company has realized an EBITDA of 87.98 crores in Quarter 2, which is 10.04% of the net sale, as against the EBITDA of 82.82 crores, which was 10.03% of the net sale in the corresponding quarter of the last year. There is an improvement in EBITDA by 6.24% as compared to the corresponding quarter.
- Profit before tax in Quarter 2 is 54.49 which is 6.22% of the net sale. EBITDA margin with the corresponding quarter of the last year is improved by 11.96%.
- Profit after tax in Q2 is 40.59 crores which is 4.63% of the net sale and there is an improvement of 11.36%.

Now on the business update side:

Our financial and business performance is consistent in few quarters and at our improvement path. In our H1 growth for CV Truck due to this notification impact and also on the Railway business execution, the growth is 70% and 26% respectively. Our business growth in hybrid cars further strengthens Subros position as a leading manufacturer of automotive thermal product in India. This marks a significant step in our continued growth and participation is rapidly evolving EV and strong hybrid segment. The contribution of hybrid, electric, CNG-based vehicle thermal product is 24% of the total revenue. This has grown by 30% in the first half as compared to the previous year.

Our Railway business segment continues to emerge as a strong growth vertical. With accelerated investment in railway infrastructure, electrification, and deployment of high-speed and semi-high-speed trains, we see ample opportunity to expand our footprint. Our capabilities are being realigned to support this momentum and ensure we play a meaningful role in India's next-gen mobility landscape.

As we informed to the Stock Exchange, we bagged a new tender of Rs. 27 crore recently concluded, and business awarded to us. A major milestone in our growth and sustainability roadmap is the upcoming green manufacturing plant at Kharkhoda. We are ahead as per the plan, and our facilities will be rolled out as per the customer-aligned milestone.

Before I conclude, let me summarize the financial results once again:

- Revenue from operation Rs. 879.83 crore with a growth of 6.22%.
- EBITDA of Rs. 87.98 crore with a growth of 6.24%.
- PBT of Rs. 54.49 crore with a growth of 11.96%.
- And PAT at Rs. 40.59 crore with a growth of 11.36%.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mayur Parkeria from Wealth Managers (India) Private Limited.

Mayur Parkeria: I had two questions, one on the growth and the other on the margin. While we understand that the PV industry growth in the 2nd Quarter was almost flattish to negligible, whereas we have grown by almost 6%. But given the fact that our CV business has grown sharply and also railway would have contributed to some extent, isn't the impact much lesser or shouldn't the growth have been much better overall for us given that our share in hybrids and other things are also improving and Maruti as a customer is also relatively doing now stable. So, given all this, isn't the growth much lesser or is there something which is one-off which we need to consider in Q3? Has there been any delay or any postponement

PARMOD Kumar Duggal: So, there are two questions. One is that as you said that PV segment growth overall is sluggish or flattish, but our growth is overall 6% and within PV segment we have grown in H1 almost by 4.46%. There are programs from customer side on electric vehicle or in strong hybrid where we have got the business, but the ramp up is not as expected. Still, the large OEM is in the stage of ramping up to start with it, it started with export, but domestic market soon it will start. So, there is some delay in that ramp up. So, hopefully in end of Quarter 3 or Quarter 4, there will be a full impact coming in. Second aspect on the CV segment, CV segment growth is majorly because of content per vehicle, because if you remember in the truck segment N2, N3 category, the blower was introduced, now the AC is introduced. So, the numbers may remain same, but the content per vehicle may have gone to 2x or 3x or 4x based on different combination by each OEM. Railway segment has grown during the quarter, and it has grown in H1 as compared to H1 of last year because we executed a large order. We are hopeful now, this GST impact in October has resulted positively to the industry and so far, the trends are there in first 10 days of November also, that Quarter 3 would be better with these positive sentiments.

Mayur Parkeria: The question was that only that if we exclude the CV growth, which because of this change from blower to cabin in the cabin segment, if we exclude the railway growth, then isn't our growth much sluggish, that was what I was trying to understand.

PARMOD Kumar Duggal: That's what I answered, that minus that only PV segment our growth is 4.46% whereas on production basis, the industry has grown lesser than that and as these two reasons which I cited is definitely a reason why we are not at even better than this number.

Mayur Parkeria: Second on the margin, if we exclude the impact of this Gujarat incentive, which is 13 crores, then our EBITDA percentage remains lower than last year in percentage terms. Any reason why would it be? And to add, if you look at the material cost as a percentage of sales, that has remained largely flattish. So, what I am trying to understand is while our gross margins are relatively stable, but our EBITDA margins are lower if we exclude the impact of this incentives.

PARMOD Kumar Duggal: This was the precise answer I wanted to give that if you see EBITDA of Quarter 2, this is around 10.04 as against the last quarter of 10.02. But if you compare the material sales ratio, which was 71.8 has increased to 73.08. So, 1.28% is the impact of commodity and foreign exchange because that has impacted negatively in Quarter 2. So, since there is a quarter lag or a period lag, some OEMs are compensating on six monthly basis, some OEMs are compensating these commodity impacts on quarterly basis. So, there would be a quarter lag. So, impact of Quarter 2 will come in Quarter 3, provided these commodity impacts are softening in Quarter 3. So, this is a major reason. So, if we exclude this incentive amount, the impact of around 1% would be because of these two elements.

Mayur Parkeria: Are we on track for FY27 12% margins?

PARMOD Kumar Duggal: Still hopes are there, unless there is a disruption in the market, but still, we are hopeful.

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

Mihir Vora: My question is basically on the EBITDA margin ex of your other income. So, basically the margins are around that 8% odd level, which last year was around 9%. And we have seen a sharp jump into the employee cost as such and other expenses. So, any color on it that why the employee cost has now gone up to around 91 crore kind of a run rate versus an 83-crore odd in the last year?

PARMOD Kumar Duggal: Two elements. As I mentioned in my previous answer, EBITDA margin has impact of one material cost. If you compare six-month basis as compared to six-month basis, there is an impact of 0.37% on the material cost. Whereas, in terms of staff cost from 9.98%, it has increased to 10.3%. This is nothing but only the annual salary correction inflationary impact which we have given to the employees that has contributed to the increase of staff cost. So, these two reasons are there for EBITDA segment.

Mihir Vora: And the Kharkhoda facility is on track to be commissioned on time or are there any delays?

PARMOD Kumar Duggal: Yes, Kharkhoda facility is at the construction stage. Equipment are at order stage. It is aligned to the program which OEM is supposed to launch in the month of June or July of next year. So, it is as per track.

Mihir Vora: Finally, I missed on the incentives part. So, basically, we have around 13 crores or 14 crores kind of other income from the incentives. And this will continue in the going quarters as well or how can we see that?

PARMOD Kumar Duggal: Hemant, can you answer that please?

Hemant Kumar Agarwal: The incentive, if you see from the P&L perspective, definitely around 3 crores per year will definitely get accounted for. Rest is the exceptional income for this quarter.

- Moderator:** The next question comes from the line of Puneet Javeri from Javeri&Co.
- Puneet Javeri:** Could you give us the revenue share in terms of category for this quarter, PV, ECM, trucks, buses, railways?
- PARMOD Kumar Duggal:** Overall revenue from passenger vehicle segment is 787 crore against total of 877. The truck business has contributed 62 crore in the quarter. Railway has contributed 12 crores, and rest is from bus, aftermarket or other segment. So, within the PV segment, sale of ECM is approximately 140 crores.
- Puneet Javeri:** Out of the 787, 140 crores is ECM, right?
- PARMOD Kumar Duggal:** Correct.
- Puneet Javeri:** One follow-up, in terms of the earlier participant also asked you about growth in the auto segment. Did you see an impact because of GST rollout in this quarter? So, from 15 August to September 22, you had the delay in actual purchases of vehicles. But the commentary from most OEMs has been that production wasn't hampered for a lot of car makers. So, did you have any kind of lag in terms of loss especially in terms of business because of the delayed production? Any impact in this quarter with respect to clients?
- PARMOD Kumar Duggal:** No, not at all. Because they are true that each OEM started building up stock because of this anticipated rationalization of GST impact starting from 22nd of September. So, everybody was anticipating. So, stocking was happening. So, from a production side, there was no major impact of that.
- Puneet Javeri:** Please correct me if I am wrong. Your last year's stocks business was roughly about 125 crores given what you've done in Quarter 1 as well as in Quarter 2 as well. Do you expect that there should be any upside risk to your earlier target of roughly about 150 crores in terms of revenue? Because you are already at, I think, and please correct me if I am wrong, almost 100 crores, right? So, do you expect that the earlier target will be crossed quite handsomely given what you've done in H1 already?
- PARMOD Kumar Duggal:** That's right. In FY25, we have done 125 crores from truck business. H1, we have done 105 already. So, we are expecting we will be crossing 200 crores in this financial year.
- Puneet Javeri:** The margins for buses will be quite comparable to the passenger vehicle side, right?
- PARMOD Kumar Duggal:** Margin statement will be almost comparable whether it's a truck or a passenger vehicle. So, both are more or less similar.
- Moderator:** The next question is from the line of Annamalai Jayaraj from B&K Securities.

Annamalai Jayaraj: I have one or two questions. First one is, now all the OEMs are indicating some growth in volumes going ahead because of GST. Generally, whatever indication we are getting from our customers, are we seeing some sense of improvement in the run rates?

PARMOD Kumar Duggal: For the volume for passenger vehicle segment because of GST, that's what you are asking?

Annamalai Jayaraj: Yes, that's what, sir.

PARMOD Kumar Duggal: Yes, that's true because the projections have slightly gone upside. But I will say that overall annual volume against our plan will not have much significant variation because in the month of June, July or August, because of this anticipated GST, the sales were less than the projection. So, maybe in the H2, there would be a recovery of whatever shortfall we had in the month of these June, July, August. So, of course, H2 should be better than H1.

Annamalai Jayaraj: Then second one is, with the GST cut, the expectations are this entry-level vehicles may recover from whatever it has gone down. So, with our major customer, do we have more exposure? Our market share in the entry-level will be more than the company average market share or it will be similar. For example, if Maruti has some 'x' market share as a company, the entry-level market share will be high, or it will be similar?

PARMOD Kumar Duggal: GST rationalization is giving a positive trend to the small car, especially in the A segment. And A segment of all the OEMs, whether it is Renault, Nissan or Maruti or maybe A-plus segment of Hyundai will have a growth. So, we are seeing a positive trend now coming in from Maruti also as part of the projection of six months. So, we will be better off in terms of our market share for A segment car with OEM.

Annamalai Jayaraj: What you are saying is our market share in the entry-level will be more than the normal?

PARMOD Kumar Duggal: Yes, slightly better.

Moderator: The next question comes from the line of Mayur Parkeria from Wealth Managers (India) Private Limited.

Mayur Parkeria: A financial question. Our cash from operating activities is a negative for this half. What we see is we did not get the same support from the payable side. Increase in payables have been much lesser compared to what we saw in the last year and that is why the OCF is also negative. So, how do we see this scenario in the light of... In the same light, if you can also indicate the total CAPEX for this year and anything we need to read on from funding the CAPEX.

PARMOD Kumar Duggal: There are two questions from your side. One is that operating cash flow is negative, mainly because of inventory increase as compared to the last year. So, if you see the balance sheet, the inventory has increased by more than 75 crores during this period. And that is a strategic call taken because of the geopolitical disruption which is happening. The containers which are

stuck up in the ports, especially congestion, especially the lead time taken for the container to reach is slightly more than the normal. Just to run the customer line, we have built up stocks to de-risk ourselves for that. So, that's why our cash flow is stuck into inventory. And this is a strategic call, but it will get liquidated as everything will get set along. This is part one of your question. Second part is on the CAPEX side. So, as we reported, our normal CAPEX for our routine business for replacement and for de-bottlenecking is around 120 crores per year. So, we are still on that spending only. There is no change in that. Of course, the Greenfield project of Kharkhoda, where we plan for 150 crores as overall investment, that is intact. So, there is no change point in our previous statements.

Mayur Parkeria: How much we would have spent by now on that, on the Greenfield?

PARMOD Kumar Duggal: Right now, we have spent against 120 crores, maybe around 80 crores.

Mayur Parkeria: This will have some spillover in the next year again, right?

PARMOD Kumar Duggal: From cash flow perspective, yes, there would be some payments which will be coming in next year. This is based on commitment basis.

Mayur Parkeria: Slightly longer term, just the previous question which was there on the outlook growth based on the GST cut and some uptick in the entry-level segment. What kind of top-line growth should one try to model and expect for the next year, given that there can be some improvement as we go ahead? What do you think would be... Now, we are fairly closer to the mark, so you would have some understanding of the next year. So, what kind of growth should we start building in for FY27?

PARMOD Kumar Duggal: Very precise guidance would be difficult because we are not yet closer to the mark. We are just closer to the half-line. So, one, of course, GST has so far, a very positive impact on the overall. But we have to wait for some more time because almost two months there was a negative sale just because people paused their buying because of GST coming in. Now, since GST has come and festive season has also come, so we need to watch whether this is a genuine demand increase, or this is a compensation to that drop. So, that is what we need to be watchful of. So, real picture will come in December or January. What will be the delta we are getting through the GST rationalization? This is part one of your question. Part two, next year, of course, there are a lot of new initiatives which I think will result positively to us. One business may be ramp-up of Maruti's electric vehicle, which is going to be ramp-up for full year, ramp-up of Victoris which has started last month. That will also see a full year volume growth coming in. So, we are expecting next year growth would be slightly better than the current year growth, whatever way we will close. But it would be better than this year. How much exact quantification We'll let you know in maybe subsequent calls.

Mayur Parkeria: But, sir, double digit would be a least fair, at least that much surely, we think it will be there.

PARMOD Kumar Duggal: We have to be very optimistic. And, of course, if you ask me as a management, we have to strive for double digit growth, but we have to see the realistic one.

Moderator: Our next question comes from the line of Annamalai Jayaraj from B&K Securities.

Annamalai Jayaraj: One more question. You just now touched upon this electric vehicle. For the electric vehicle, currently the compressors, Maruti will be directly importing from Denso. Is that understanding correct

PARMOD Kumar Duggal: Yes, as of now, correct.

Annamalai Jayaraj: If you leave the compressor aside, the other content there will be increase compared to our normal light vehicle or it will be similar, leaving the compressor aside?

PARMOD Kumar Duggal: It will be better because HVAC of normal car versus HVAC of EV car is having around 1.6 times of revenue. Same way, hose and pipe, condenser or radiator, if we put all these four elements other than compressor together, it would be almost 2x of a conventional ICE thermal product.

Annamalai Jayaraj: That e-compressor localization, what can be the scale in which we can look at EV compressor localization

PARMOD Kumar Duggal: As I mentioned before also, EV market is evolving and we have seen now hybrid and EV together are, I think, the major transformation going forward. That's how our strategy for electric compressor, even to discuss with our collaborator for these both variants, hybrid as well as EV, is ongoing. And we are at a very advanced stage of our discussion. Maybe next three months or six months' time, we will be able to elaborate with very specific plan for localization, timing or whatever we decide.

Moderator: The next question is from the line of Puneet Javeri from Javeri & Co.

Puneet Javeri: One quick question in terms of your customers as well. I think last time you spoke about your progress with Mahindra in terms of your share with the company with almost being one-fifth of their vehicle sales in ICE. Has that gone up as well in this particular quarter given your runway already with the client?

PARMOD Kumar Duggal: In this quarter, we are almost consistent with Mahindra PV, but Mahindra CV segment, there is a major change point because that Pick-Up vehicle which Mahindra has launched is having an aircon now that is Pick-Up Bolero. That business has grown. Mahindra PV in this H1, we have done almost 15% better than the corresponding H1 and Mahindra CV also we have done slightly better here. That is positive here. But we have tied up a few businesses with Mahindra for their future program which would be operational next year. We are hopeful that from our

current level of 20% share of business of total thermal product buying of Mahindra, we will progress to around 25% going forward.

Puneet Javeri: Any update with the other passenger vehicle makers as well because I think you were in conversations with a couple of them over the last few months. Any wins that you have had, any progress that you can give us in that aspect?

PARMOD Kumar Duggal: Our engagement with all customers on their future program is a kind of an ongoing subject for us. We do Tech Shows, we do technology discussion with the OEM for their forthcoming projects and wherever we find that technology is comparable to their expectation, we get into our RFQ process and get into a negotiation process. So, there are many, many fronts which are open right now, but unless we conclude on business, we will not be able to share right now with the market.

Puneet Javeri: The bus revenue in this quarter was 18 crores. Could you confirm that number?

PARMOD Kumar Duggal: For bus?

Puneet Javeri: Buses in Quarter 2, yes.

PARMOD Kumar Duggal: Buses in H1 is 18 crores. In Quarter it is 6 crores.

Puneet Javeri: Any progress that you have on the bus side as well? Because I think the last time we had spoken, you were in conversations because we are also seeing players like Ashok Leyland also now increase their bus build capacity completely in terms of their planning that they mentioned. Any update that you see? Could this be a business that we need to look at maybe next year in terms of transformation?

PARMOD Kumar Duggal: Our engagement right now with the two major OEMs on bus side is at a very advanced stage. And one of them is migrating into hydrogen bus, that also thermal system packaged by Subro. So that is at a field trial stage as of now. I am sure that within next three months, we'll be able to conclude the specification, and the field trial will be okay. Next year on EV side, on hydrogen thermals, I think we will see a very, very positive trend coming in.

Puneet Javeri: One final question in terms of your view, you mentioned about EVs essentially having 1.6x HVAC of EV cars, basically being 1.6x. You also mentioned another key point of 2x of conventional ICE product. Could you mention the product? I think it was on the previous question.

PARMOD Kumar Duggal: In total thermal business, we have five aggregates basically. One is HVAC, second is condenser, third is radiator, fourth is hose and pipe, and fifth is compressor. The question being asked was, minus compressor, how is the delta per vehicle which is coming in from

conventional to EV? That's what my answer is that cumulatively for all four products other than compressor, it is 2x.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

PARMOD Kumar Duggal: Thank you very much to all of you to join so late. We were hard pressed for the time today. Although we tried to answer all your queries, but industry as of now, especially PV, CV segment is at a very positive based on the last month, October, November basis performance. We are hopeful that Quarter 3 would be better in terms of overall sales performance. But we are still concerned about the microeconomic indicators, whether they will get stabilized or they will be more aggressive push to the overall performance. So, we are watchful to that situation. Thank you very much for your confidence in Subros. Thank you.

Moderator: Sir, can you take one last question?

PARMOD Kumar Duggal: Okay.

Moderator: The next question is from the line of Nilesh from Anantnath Skycon Private Limited.

Nilesh: Can you please give us the revenue share of Maruti Suzuki of quarter-on-quarter and top two other OEMs that you are working with. Next question is about truck business.

PARMOD Kumar Duggal: I have already answered that in the previous question, but still, I can answer that. With Maruti PV, we have done around 594 crores in Quarter 1 and around 580 crores in Quarter 2. ECM business, we have done around 120 and 140 in Quarter 1 and Quarter 2 respectively. Mahindra, as I mentioned, that it is around 31 crore in Quarter 1 and around similar amount in Quarter 2. PV segment, I did mention Quarter 2, we have done overall 787 against Quarter 1 of 800 crores. Buses, we have done 6 crore. Last quarter was 12. Truck business, we have done 62 crore in Quarter 2 and 43 in Quarter 1.

Nilesh: Can you also give a guidance for this financial year?

PARMOD Kumar Duggal: Financial year, we are seeing a growth which should be better than the overall industry. So, industry is now expected based on the new trend, maybe between 3% to 4% positive. So, we will be able to do better than the industry performance.

Moderator: Thank you. On behalf of B&K Securities India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.