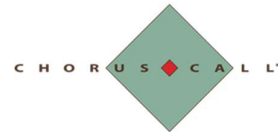




“Subros Limited
Q4 FY2025-26 Post Earnings Conference Call”

May 19, 2026



MANAGEMENT: **MR. PARMOD KUMAR DUGGAL – EXECUTIVE DIRECTOR AND CEO – SUBROS LIMITED**
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MODERATOR: **MR. ANNAMALAI JAYARAJ – 360 ONE CAPITAL MARKET PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Subros Limited Q4 FY26 Earnings Conference Call hosted by 360 ONE Capital Market 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Annamalai Jayaraj from 360 ONE Capital Market Private Limited. Thank you, and over to you, sir.

Annamalai Jayaraj: Thanks. Swapnali. Welcome to Subros Limited 4Q FY26 and FY26 Post Results Conference Call. From Subros Limited management, we have with us today, Mr. Parmod Kumar Duggal, Executive Director and CEO; Mr. Hemant Kumar Agarwal, Chief Financial Officer and Senior Vice President Finance; and Mr. Sukhbinder Singh Gill, Vice President Finance.

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

Parmod Kumar Duggal: Thank you, Mr. Jayaraj. Good morning, ladies and gentlemen, and a very warm welcome to all of you to the investor conference call of Subros Limited for quarter 4 and financial year FY26.

A little bit about the industry. The Indian automotive industry is currently witnessing one of the strongest growth pace in the recent year. After a period of moderation in the early part of the financial year, the industry demonstrated a sharp recovery beginning quarter 3 and momentum has continued through quarter 4 as well.

The revival has been supported by the robust demand, also the improved customer sentiment, positive impact of GST 2.0, resilient export and sustained infrastructure investment. India continue to strengthen its position as a global automotive and manufacturing hub. Passenger vehicle and commercial vehicle both have reported very healthy traction during the quarter.

While export remains strong across multiple categories during quarter 4 of FY26, the overall automotive industry recorded a growth of 23.6% with passenger growing at 13.2% and commercial vehicle, 18.9%. And overall, in the financial year, the industry has grown by 10.4% with a PV growth of 7.9%.

As I said, the key growth drivers for the industry continue to be premiumization of passenger vehicles, rising preference of SUV, increasing penetration in hybrid and electric mobility and government's focus on localization and manufacturing competitiveness.

Against this backdrop, Subros has delivered another quarter of consistent and resilient performance. During quarter 4, the company achieved a revenue growth of 15.55% while the annual revenue stands at 11.52%, outperforming several underlying industry segments.

One of the key highlights for the year has been a strong growth in commercial vehicles segment. Following the implementation of mandatory AC norm for N2, N3 categories, our sales in truck AC segment recorded an impressive growth of 168% in quarter 4 and 111% for the full year. This reflects both the strength of our product portfolio and strategic focus on diversified mobility solutions.

While the industry outlook for the next 2 quarters remain cautiously optimistic, we continue to closely monitor geopolitical developments, particularly tension in West Asia. These developments could potentially impact commodity prices, freight costs, supply chain stability and working capital cycle across the automotive value chain. However, we believe our localization initiatives, diversified manufacturing and operational agility position us well to navigate such uncertainties.

Coming to our financial performance. As I said, company reported a revenue from operation of INR 1,049.76 crores during quarter 4, representing a growth of 15.55% for the corresponding quarter last year.

Our market position continued to be strong. We have secured a share of business of 41% in passenger vehicles segment. Truck AC and Blower segment, right now it is truck AC, it is 41%. And bus AC segment, our share of business is 16% during the quarter.

Despite elevated commodity prices and inflationary pressure during the quarter, the company achieved improved profitability through aggressive cost optimization, value engineering, productivity enhancement and operational efficiency measures. Certain raw material cost impacts continue due to the timing difference in customer compensation mechanism. Still we are protecting our margins.

EBITDA for the quarter 4 stood at INR100 crores. Profit before tax is INR 66.69 crores, while the profit after tax stood at INR 49.69 crores. Our profitability performance is majorly contributed by localization, cost competitiveness, product mix improvement and also expansion into higher-growth technology-led segments.

From a strategic perspective, the company has continued to strengthen its presence in emerging mobility technologies. Business from hybrid, electric and CNG vehicle thermal systems has contributed 25% of the total revenue.

The railway business in particular continued to emerge as a significant growth vertical for us. With the increased investment in rail infrastructure, this segment is going to grow. We also concluded a new tender of INR 52 crores in FY 2026, which will be executed in next subsequent quarter.

Our Kharkhoda greenfield project is progressing well. Construction activities are advancing at a full pace now. The facility started taking shape. Machinery readiness is underway now, and SOP will be scheduled by end of quarter 2. The supplies to customers will also be starting aligned to the customer milestones for the new program launches.

In addition, we have initiated another expansion of our plant in Karsanpura, which is mainly focusing on e-compression manufacturing. This facility will support the EV and hybrid ecosystem through our compression product. Also, we'll be expanding the ICE compressor capacity in this location because Noida is now fully utilized with their existing capacity.

So just to summarize our final -- financial highlights for quarter 4 and for the year. Revenue from operation is INR1,049.76 crores, for the year, INR3,755 crores with a growth of 11.52%. EBITDA for the year is INR 362.93 crores with a growth of 5.77%.

Profit before tax for the quarter, INR66.69 crores with a growth of 7.86% and INR228 crores with a growth of 12.24%. And profit after tax, INR49.69 crores with a growth of 7.56% in the quarter and INR165 crores with a growth of 10.22% for the year.

So going forward, we will remain focused for our technology-led growth, localization, import substitution and margin improvement. With our strong customer relationship and expanding opportunities in hybrid and EV thermal management, our strategic investment in capacity expansion and also on the operational excellence, we remain confident that long-term growth trajectory for the company is sustained.

Now thank you very much. We are happy to take your questions. Thank you.

Moderator: Thank you very much. We have the first question from the line of Prakash Kapadia from Kapadia Financial Services. Please go ahead.

Prakash Kapadia: Yes. Thanks for the opportunity. A couple of questions from my end. You alluded in the opening remarks commodity prices are elevated and that could cloud the near-term outlook. So if I look at aluminum prices, they are more than \$3,500 per ton. Copper is still elevated, steel, polypropylene. So these are the key commodities for us.

So typically, based on my understanding, the material settlement rate with OEMs happens with a lag. So in the near-term or, say, in FY27, what kind of EBITDA margins would the company be targeting in the near-term? And what is the order book of truck AC systems and railways as on date? These are my two questions. Thank you.

Parmod Kumar Duggal: Thank you. So you have three questions, so I'll answer one by one. So commodity prices, as you said, is currently on a escalation basis. So all aluminum, copper, steel, polypropylene which we normally consume, so the only change point where our current compensation is based on quarter lag basis. So that is the previous quarter which will be applied to the next quarter.

In view of the current emergent situation, we could negotiate monthly indexation instead of quarterly so that the impact is not substantial. But because of the compensation is matching with the cost, definitely the ratios will get impacted. Because if INR100 is spent and INR100 is received, of course, the markup will not be available.

So EBITDA margin will be under stress. But of course, we are trying to optimize that through some other efficiency improvements. The third question, you asked about the order book for truck and railway. So order realization for truck, because the notification was activated on 8th of June and June month was in the ramp-up only, so this year, it definitely it would be the full year impact.

So last year, we did truck aircon worth INR263 crores. This year, we are expecting some growth in the market, roughly in the range of INR325 crores to INR350 crores or so. And on railway, we have order book of around INR52 crores in hand, which will be executed in subsequent quarters.

Prakash Kapadia: Okay. Now if I look at slightly longer-term margin, obviously, you have an aspiration of growing the EBITDA margin. But last few quarters, it has been in the 9% to 10% kind of operating range. And we've seen at times because of mix as well as commodity inflation going, EBITDA margin is going to 6%, 7% also.

So how does one look at EBITDA margins in the near-term, FY27 for the year as a whole? Is it possible to maintain margins with some of the cost control initiatives which you said, depending on the mix or order book? Or it is fair to expect there will be some moderation in EBITDA margins from here on?

Parmod Kumar Duggal: So I'll say that FY27 will be more a pressed year for us because we don't see the geopolitical situation is likely to improve very instantly. It will take time. And it will take time -- even post resolving the issue, stabilization will take time. So commodity prices will be the key challenge throughout the year. However, as an organization, we are still very confident to maintain the current level of EBITDA, whatever we have, with some moderation improvement or rationalization.

But going forward, once the situation will be normalized, we have plans to improve this EBITDA margin through the model mix, through the product mix, new technology products with some premiumization, also through the localization. Our aspiration to get into two digit, whatever target we have set for the long-term, still are intact.

Prakash Kapadia: Fine. That's helpful. I'll join back the queue for more questions. Thank you.

Moderator: Thank you. The next question is from the line of Arjun Khanna from Kotak Mutual Funds. Please go ahead.

Arjun Khanna: Sir, thank you for taking my question. The first question is just a while we talked of raw material and commodities. Could you talk on the labor aspect? So we are hearing that post the settlement, there has been a substantial jump in labor costs. So a, has that impacted us? And b, are we in a position to pass that on in our agreements?

Parmod Kumar Duggal: So yes, there would be impact of labor wage settlement, for sure, not only limited to the geographies where the minimum wages have been revised, but in other geographies also as a benchmark.

As far as the compensation is there, since the impact is huge, we are in discussion with the customer for compensation. There is the indexation concept available on the wage settlement also. So a substantial part of this increase will get compensated from customers. This is why we are very confident.

Arjun Khanna: Sure. And second bit on the forex. Since we continue to import products from Japan and the currency has moved adversely for us, so assuming our payouts have increased, historically, that's been a pass-through. So that continues to be the case?

Parmod Kumar Duggal: Yes, of course. Foreign exchange compensation, commodity price indexation is part of our pass-through arrangements with customers.

Arjun Khanna: Sure. The last bit in terms of our absolute EBITDA. So if I look at this quarter, while our top line has grown, absolute EBITDA and as you have mentioned, it's not fair to look at percentages because of the base impact. But absolute EBITDA growth has not been as strong. So is this because of the lead lag nature of pass-throughs? Is that the right way of understanding?

Parmod Kumar Duggal: Yes, it is because of two reasons. One is that in the last year, up to even quarter 4, the lag was there because 1 quarter lag is there. Second, the increase within the quarter was also very steep. Post 28th of February, in the month of March itself, the prices have shot up, and that is absorbed in the cost. So there is a substantial impact. But this is extraordinary, we cannot control on that.

- Arjun Khanna:** The last question is that for the Kharkhoda facility, there seems to be a movement for our OEM in terms of bringing out production. So in terms of the ramp-up of this facility, what kind of ramp-up do we anticipate for this year and next year?
- Parmod Kumar Duggal:** So our facility will start in the second half of the year, so that means early second half. So the models which we have planned from this facility would be the Brezza and also the Victoris and all subsequent models, which are lined up in Maruti to be rolled out from Kharkhoda.
- So our expectation is that the one line of HVAC and one line of hose and pipe and other products which we have set up, within maybe 2 years, we'll be able to realize 100% of the capacity which is set up there.
- Arjun Khanna:** Sure. Thank you very much and wishing all the best, sir.
- Parmod Kumar Duggal:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Mayur Parkeria from Wealth Managers India Private Limited. Please go ahead.
- Mayur Parkeria:** Good morning, sir. Thank you for taking my questions. In a challenging environment, a stable set of numbers. Sir, just had a couple of questions on again, just harping on this margin aspect. From Q1, Q2 of FY26, we had seen the impact of material costs and the currency movements you had highlighted from where our EBITDA margins actually started coming down, with a downward bias, stable with a downward bias.
- So is it fair to say that the cost impact, the cost increases, even in this quarter, we saw material cost as a percentage continue to rise, which you already highlighted, too. But will it be fair to say that until December, all the increases and the forex impact has been absorbed in rupee terms? It is just that the March quarter impact remains to be adjusted as we go ahead.
- Parmod Kumar Duggal:** I'll say it's a fair assumption because, as I said before, the indexation before was on a quarterly basis. So that means up to December, all impact in foreign exchange commodities have been factored in, in quarter 4. But quarter 4 impact will be compensated in subsequent quarter, that is quarter 1 of this year. So your assumption is right.
- Mayur Parkeria:** Okay, okay. So sir, that means since now we have moved to the rupee, fairly so that the rupee value will get compensated rather than the markups in the percentage, I just got one clarification to understand it. When you said that we will endeavor to keep the EBITDA stable, is it in margin terms, close to 9% Or is it rupee terms for the FY27?
- Parmod Kumar Duggal:** We will moderately improve from the absolute values because we don't know how the impact is going to shape up in the next 3 quarters. Right now, it's completely uncertain of geopolitical development. So through the compensation formula, whatever is agreed, and it will further strengthen to support the supplier base or the ecosystem. So right now, we can talk only on absolute term, not on a percentage.

- Mayur Parkeria:** Right, right, right. Sir, you mentioned that from the Truck AC segment, we are expecting around INR350 crores for the next year. So I believe this will be largely in H1 it will be done, right, the base Because it started from 2 quarters. So the second half, we will see the growth moderating substantially. Will it also be a fair assumption?
- Parmod Kumar Duggal:** So truck market last year has grown by around 10% or so. So of course, the impact of AC is only to the extent of not fully 3 quarters, maybe 2.5 quarters or so. This year, we'll have full quarter impact if overall industry right now which is a trend on a positive growth trajectory. So benefit of full year will come starting from quarter 1 as well.
- Mayur Parkeria:** Right. So H1 will be a much stronger growth, right, as we see? Because the base also is lower, and then we will have a normal organic growth for the industry?
- Parmod Kumar Duggal:** Yes. H1 versus H1 of truck, definitely, it will be much larger.
- Mayur Parkeria:** Okay, okay. And sir, from a milestone perspective on the capacity and on the utilization, just some clarification. The electric compressor facility will be operational since when? In FY27?
- Parmod Kumar Duggal:** No, it would be by middle of '27, '28 because it is aligned to the customer vehicle SOP targets. So our facility will be ready with all equipment by January '27 or maybe March '27, in that quarter. So after that, the validation process and the customer trials for the vehicle will start and it would be operational in most likely third quarter of FY27, FY28.
- Mayur Parkeria:** Okay, third quarter. The current 25% share of the hybrids as well as the electric which we have currently in the overall revenues, post this, once we start this facility and as more ramp-ups happen in SOPs, we believe that in next 2 years, this number can substantially undergo a meaningful change, right?
- Parmod Kumar Duggal:** Of course, because compressor is a high-value commodity. So definitely, it will have substantial impact on overall revenue from the alternative fuels as compared to ICE as of now.
- Mayur Parkeria:** Okay, okay. Sir, what will be the total potential of this at a peak capacity?
- Parmod Kumar Duggal:** Of electric compressor?
- Mayur Parkeria:** Yes, sir.
- Parmod Kumar Duggal:** It is around. As of now, the visibility is around INR 250 crores per year.
- Mayur Parkeria:** Revenues?
- Parmod Kumar Duggal:** Yes.
- Mayur Parkeria:** Thank you sir. I will come back in the queue, for subsequent questions. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Mihir Vora from Equirus Securities Private Limited. Please go ahead.

- Mihir Vora:** Thank you for taking my question. So sir, just my question was on the current scenario where multiple issues in terms of freight, container availability, freight cost and such kind of issues. So are we facing any kind of issues in terms of supplies on our imports Or are our OEMs facing some kind of supply chain challenges? Some colour on that front?
- Parmod Kumar Duggal:** So yes, as part of the disruption, container prices are going up. The availability and the cycle of import from Japan to India, between China to India and Europe to India has increased. The lead time has increased. And that's why if you see, our stocks have increased. It means the inventory has increased because we built up some inventory to offset these kind of disruptions so that there is no impact finally to the OEM in terms of our supplies to them.
- But yes, we are keeping a close watch on them. Even though the lead time is more, but we have improved our ordering cycle to get aligned to our customer requirements.
- Mihir Vora:** Okay. So it will be more of a lead time problem rather than availability of components?
- Parmod Kumar Duggal:** Correct. That's true.
- Mihir Vora:** Okay. And in terms of OEM side also, like in terms of their dispatches and stuff, those things are on track right now. So nothing to note of there?
- Parmod Kumar Duggal:** I cannot comment on behalf of them. But of course, whatever forecast we have received for next 3 or 4 months, there is no much change compared to the past.
- Mihir Vora:** Okay. Sir, and second point on the capex which we had announced for the e-compressor and I think other capexes as well. So what kind of inflation are you seeing on the capex cost right now?
- Parmod Kumar Duggal:** So we already announced that e-compressor, we will be spending around INR175 crores odd. And for Kharkhoda, we proposed an investment of INR150 crores. So these will be our investments for greenfield project or project expansion other than our routine replacement capex.
- Mihir Vora:** Yes, sir. But these were the costs which we had announced, last quarter. But here, basically, are we seeing any inflation because of the current scenario?
- Parmod Kumar Duggal:** No, not exactly because orderings were done much before so commitments have already been included in this. So we don't see a much bigger variation.
- Mihir Vora:** All right. Okay. And sir, lastly, on the e-compressor part, once we commission the plant, it will be a sort of higher import content there and then that will be localized? Or there is some localization plan on that front, on the components of vehicles?
- Parmod Kumar Duggal:** So it is planned in three phases. Our phase 1 will be more of spare part component imports with the assembly here because it's a very highly technical product. But phase 1 and phase 2, and our final aim is to do localization to the extent of 70% of the total component being used.
- Mihir Vora:** Okay. Thanks that's all from my side.

- Moderator:** Thank you. We will take the next question from the line of Naman from Shanghvi Family Office. Please go ahead.
- Naman:** Hi. Actually, majorly all the questions have been answered. I just wanted to understand one thing, that recently the government announced a ban on the consumer AC. So is there a policy uncertainty for us also in the near future Or we think we are well equipped even if there is any adverse regulatory change? So just wanted some clarity on that.
- Parmod Kumar Duggal:** You're referring to consumer AC for home usage?
- Naman:** No, no, no. So can some regulation of that sort come even for the ACs that we put in the car. So from the compressor angle?
- Parmod Kumar Duggal:** No, no, no, there is nothing. There's no such regulation expected as of now.
- Naman:** Okay. And we are well equipped with indigenous production itself, right?
- Parmod Kumar Duggal:** Yes, of course.
- Naman:** Okay. Thanks.
- Moderator:** Thank you. We will take the next question from the line of Mukul from Autocar. Please go ahead.
- Mukul:** Thank you. Sir, I just wanted to understand, among when we look at the future, there's a lot happening in terms of geopolitical as well as energy crisis in India and elsewhere. I wanted to understand where exactly would you be investing and where would you be exactly focusing in terms of powertrain, especially from energy point of view for the next 3 fiscals?
- Parmod Kumar Duggal:** So very complex question. Geopolitical situation is uncontrollable at our end, but what we can do to align our focus and investment into technologies which are required for the future cars. So there are two elements to that. One, of course, the ICE engine will remain. It is not going to be wiped off completely.
- We are investing to upgrade our products to make more efficient thermal solutions provided to ICE cars with lower fuel consumption and lighter weight products so that it can optimize on the mileage part of that. The second aspect is on the electrification, where the electric car or hybrid penetration is going to increase rapidly.
- So our product alignment is to provide thermal solutions for these cars, which will increase the scope of thermal supply per car because the system is much elaborated, including the battery cooling as well. So our focus is right now on the technology which is suitable for powertrain, whatever can be dominating the future market in the next 5 to 10 years.
- Mukul:** Thank you. Sir, just a small add-on to this. Are these technologies that you're working on would be agnostic to what are being called now as plug-in hybrids and/or range extender electric vehicles as well? Do you see some potential there for these technologies?

Parmod Kumar Duggal: So these technologies, whatever we are going to launch, or right now in the pipeline will be agnostic to any powertrain switch.

Mukul: Thank you sir.

Moderator: Thank you. We will the next follow-up question from the line of Prakash Kapadia from Kapadia Financial Services. Please go ahead.

Prakash Kapadia: Thanks for the follow-up. Just one clarification I had. On the operating cash flow, you alluded there is some build up due to the supply disruption due to the West Asia war. But operating cash flow has declined substantially from INR175 crores to INR105 crores this year. And even if I look at over a period of time, say, last 5, 6 years, our sales have almost doubled but operating cash flow has not kept up pace.

So post COVID, we were like roughly INR 2,000 crores. Today, we are INR 3,756 crores. Then operating cash flow is INR 239 crores. Today, it is INR 105 crores. So how will this ratio improve from here on?

Because the OCF to EBITDA is actually declining from around 130% to around 55%. Or is it a blend of margin and cash flow we are targeting? How do we look at this ratio in the near term?

Parmod Kumar Duggal: Hemant, will you take this question, please?

Hemant Agarwal: So whatever figure you are referring, where from you have these figures?

Prakash Kapadia: These are all reported figures.

Hemant Agarwal: INR175 crores, you have read from where?

Prakash Kapadia: Last year's operating cash flow.

Hemant Agarwal: So last year, operating cash flow is INR231 crores or INR174 crores, now INR105, right?

Prakash Kapadia: Yes, yes, absolutely.

Hemant Agarwal: So the major contributor to this is that earlier we were having a discount facility with our customers, where we were taking early payments from them. So if you see, the trade receivable has gone up by INR124 crores. So now we have moved to the normal cycle of the credit terms, one.

Number two, with the increase in the volume in the quarter 4 and increased raw material prices, inventory and receivables both have gone up further. So that's how it has changed drastically. The ratio is changed, which in the ordinary course of business. So nothing extraordinary. So now it is based on the credit cycle agreed with the customers.

And inventory is definitely a little on higher side now because of the global scenario, the late delivery of the containers and dispatches from Dubai were stuck. So that cycle, which was earlier of 25 to 28 days, is taking 45 to 60 days. So that's how when the container was stuck on the way,

all containers received at one point of time. That has resulted our increase in inventory also. So all those have contributed to this.

Prakash Kapadia: So maybe the current cash flow from operations to EBITDA is looking depressed because of some of these things, but it could definitely be better from here on, maybe not 55%, but 70%, 75%. Is that the ratio ideally we should look at once things stabilize?

Hemant Agarwal: Yes. On the contrary, by virtue of these reasons, by drawing this cash discounts I feel our margins has gone up because it was at a cost. So that is added to the bottom line also in the P&L.

Prakash Kapadia: Okay, okay. So maybe this is depressed, but definitely it should improve from here on is what directionally we should look at, right?

Hemant Agarwal: Yes.

Prakash Kapadia: Thank you.

Moderator: Thank you. We will take the next question from the line of Umesh Matkar from. Please go ahead.

Umesh Matkar: Thank you for the opportunity. I would like to know what sort of capacity increase are we expecting from this new Kharkhoda plant that will come up and the revenue that we are expecting for this year and next year. That is the first question.

Parmod Kumar Duggal: Okay. So capacity increase, by virtue of this expansion of greenfield project, we'll be adding roughly 0.5 million of HVAC and hoses and tubes capacity in this location. And as I said that in the next 2 years' time, after the SOP start, we will be able to utilize this plant capacity to the extent of 90% to 95% or so. And of course, the revenue will be aligned to this. It would be roughly INR200 crores to INR250 crores delta revenue which will be coming in once we have the full utilization of this plant.

Umesh Matkar: Right. So currently how much would be the capacity for HVAC and the pipe that you mentioned?

Parmod Kumar Duggal: So current capacity we have for HVAC is roughly 2.6 million all across other plant locations, 9 plant locations. And hoses and tubes is around 2.3 million. Compressor, we have around 2.2 million. And heat exchangers, we have readily in the range of around 2.4 million to 2.5 million.

Umesh Matkar: Okay. And sir, you mentioned that you are looking out for a localization going ahead and also the e-compressor would also come up. So for the next year, how much of the incremental margins are you looking at considering the status quo, means whatever situation that remains the same?

Parmod Kumar Duggal: So electric compressor commercialization will not happen in this financial year. This will go to the third quarter of the next financial year. So it is not relevant to include any revenue from e-compressor, at least for the short term right now. But of course, our effort on localization is aggressively being pursued.

Right now, whatever projects are there next financial year, most of them will get realized, which will impact the import substitution for sure. But margin guidelines, right now, we'll try to

moderately improve the current margin situation, but right now to spell out any exact number would not be appropriate.

Umesh Matkar: Okay thank you so much sir and wish you all the best.

Parmod Kumar Duggal: Thank you.

Moderator: Thank you. We will take the next question from the line of Kush Shah from 360 ONE Capital. Please go ahead.

Kush Shah: Thank you so much for taking my question. I just had a couple of questions on the INR1,200 crores order which you won from Maruti. So when do we expect the ramp-up to happen? And how much annual revenue contribution we can expect over the next 2 to 3 years.

Parmod Kumar Duggal: So this INR1,200 crores business was for e-compression, and I also spelled out that e-compression will be commissioned in third quarter of FY27, FY28. Roughly, the potential of this business per year is around INR 250 crores or so, and the total program life is roughly 7 years or so. So that's how the ramp-up will happen as and when Maruti's programs are commercialized. So it will be aligned to that.

Kush Shah: Sure, sir. And on the content per vehicle, how much do we expect this to go up from the conventional AC one?

Parmod Kumar Duggal: So content per vehicle with the EV versus ICE normally is 2.5x or, in some cases, it is 3x. But compression, per se, it is between 3.5x to 4x if you only substitute compressor versus compressor from ICE to this. So that's how the content per vehicle will be multiplying if you take a reference of compressor.

Kush Shah: Understood, sir. And so we can expect a similar margin profile or higher margin profile from this?

Parmod Kumar Duggal: Margin will be, initial phase when we are importing components and doing the assembly to supply would be different. But of course, when the localization, as I mentioned, phase 1, phase 2, the final target is to 70% localization, then these margins will be definitely better than the existing.

Kush Shah: Understood sir. Okay that's it from my end. And wish you all the best.

Parmod Kumar Duggal: Thank you.

Moderator: Thank you. We will take the next follow-up question from the line of Naman from Shanghvi Family Office. Please go ahead.

Naman: So sir, just wanted to understand your view from a 3-year horizon. There are so many OEMs expanding their capacities targeting export markets, right? So not so much short term but from a 3 year to 4 year point of view, how do you see the step-up? Or how do you see Subros taking centre stage with other major OEMs as well? What is the strategy? Could you highlight that?

Parmod Kumar Duggal: So you're right that most of the OEMs are adding capacity in the next 5 years horizon, from now until 2031. We're also aligning to add capacities in our multiple plant locations. And as I said before, this Kharkhoda phase 1 is only adding 0.5 million of capacity and phase 2 will have another 0.5 million of capacity.

As OEMs will set up facility in the different parts of the country, wherever we have already plant location available, our expansion in our existing capacities will be aligned to that. And if there are substantial new development happening, the greenfield project will be initiated.

As a strategy, we are the market leader right now, more than 40% share of business, and we intend to keep this leadership position intact for not short term but for long term also. And whatever is required to keep this position, Subros is committed for that.

Naman: Okay. And sir, just in line with that, are we in process of on-boarding other new OEMs as well apart from, like how do we?

Parmod Kumar Duggal: This would be more strategic answer, but I will not spell out exactly. But yes, we are in discussion with many OEMs who are expanding their capacities, and we are aligned to their future programs. Right now it would be inappropriate to spell out because they are at the initial stage only.

Naman: Okay. Thank you sir all the best.

Parmod Kumar Duggal: Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as the last question, and with that, concludes the question-and-answer session. I now hand the conference back to the management for the closing comments.

Parmod Kumar Duggal: So thank you so much for your continued support and confidence in Subros. Two things which I want to summarize here. Of course, the current situation which is beyond anybody's control, geopolitical tensions, of course, it has an impact on the business. The whole value chain is getting impacted because of that.

We need to keep the positivity alive so that whatever actions we had initiated, they should result for the betterment of margins, revenue as well as our customer engagement and so.

As a long-term vision, minus this geopolitical tension, our progression in terms of technology advancement, in terms of segment advancement, in terms of margin improvement and our consistent growth is intact. And that's where our confidence is to remain our market leadership position. Thanks so much. Good luck.

Moderator: Thank you, members of the management. On behalf of 360 ONE Capital Market Private Limited, we conclude this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.

Parmod Kumar Duggal: Thank you.