"Subros Limited Q1 FY 2026-27 Earnings Conference Call"

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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 Q1 FY 2026-27 Post Results Earnings Conference Call.

As a reminder, all participants' 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 touchtone phone. Please note 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: Thank you. On behalf of 360 ONE Capital Market, welcome to Subros Limited 1Q FY 2026-27 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 now hand over the call to Mr. Parmod Kumar Duggal for the opening remarks to be followed by question-and-answer session. Over to you, sir.

Parmod Kumar Duggal: Thank you, Mr. Jayaraj. Good morning, ladies and gentlemen and very warm welcome to all of you on Investor Conference Call of Subros Limited for Quarter 1 of 2026-27.

The 1st Quarter of FY '27 has been an eventful one. While the Indian economy continued to demonstrate resilience, the global business environment has once again reminded us how quickly the external condition can change.

During the quarter, we witnessed heightened geopolitical tension in the middle age, volatility in crude oil prices, disruption in shipping routes, fluctuation in foreign exchange and continued uncertainty in global trade. These developments have impacted the cost, material availability and supply chain planning across the automotive industry.

Further adding to the volatility, the industry also faced a significant manpower challenge, state election in several regions, seasonal labor migration from Western India and increasing wage expectation leading to shortage of skilled and semi-skilled manpower across the manufacturing sector. The addition of wage increase in UP and Haryana has added people expectation across other regions, further increased employee cost and created pressure on manpower availability. Rising labor costs remain an area that require a continued attention as we move forward. The automation is the only long-term solution to this.

Despite these external headwinds, the automotive industry delivered an impressive performance during the quarter, registering approx. 24% growth with the passenger vehicle segment growing about 23% against the corresponding quarter of last year. Strong rural demand, improving consumer sentiment and continued momentum in utility vehicle and electric mobility continue to be the robust road driver. At the same time, customer expectations continue to rise with the faster model changes, increasing localization requirements and greater emphasis on technology, quality and cost competitiveness. Against this backdrop, our team at Subros responded with agility and commitment. We remain closely engaged with the customer and supplier, strengthening the supply chain coordination, accelerated localization initiative and maintain a sharp focus on operational excellence.

We at Subros have recorded a healthy revenue growth of 17.5% during the quarter, reflecting the confidence of our customer and dedication effort of our team. While our topline performance has been encouraging, the profitability remained under pressure, escalation of commodity prices, industrial gases, logistic costs, manpower expenses have made an adverse impact, approximately more than 1% on our EBITDA margin during the quarter.

Coming to the financial performance:

As we reported the total revenue from operation, Rs. 1,032 crores during the Quarter 1 represented a growth of 17.52 over the corresponding quarter. Share of business of Subros in passenger vehicle stood at 41% in passenger vehicle cars, in truck segment 41% and bus segment it is 16%. Despite elevated commodity price and inflationary pressure during the quarter, the company has improved the profitability through aggressive cost optimization. Although there is impact on EBITDA, EBITDA during Quarter 1 was Rs. 86.99 crores, approx. Rs. 87 crore. Profit before tax is Rs. 55.59 crores, while the profit after tax is Rs. 41.38 crores.

From the strategic perspective:

The company continued to strengthen its presence in emerging mobility technologies. Besides from hybrid, electric and CNG vehicle thermal system, which contributes now around 25% of our total revenue and has grown 9% over last year.

Our Non-Passenger Vehicle diversification strategy is also yielding encouraging results now. Commercial Vehicle business, which is mainly from the Truck Aircon side has grown 77% during the quarter and bus AC also has grown by 6% during the quarter.

The Railway business in particular continues to emerge a significant growth vertical for us. We have increased our investment in railway infrastructure and also the product availability. And we will see the results in coming tenders, which are planned in subsequent period.

Let me now elaborate to you about the ongoing expansion project:

Our Kharkhoda Greenfield project is progressing well. Construction activities are almost at advanced stage of completion. The facility has started taking shape. Machine readiness is underway and we are hopeful now the SOP of this project will be in the third quarter of this financial year.

In addition, we have initiated another Greenfield project at Karsanpura, Gujarat focuses on compression manufacturing. This facility will be supporting the growth of EV and hybrid ecosystem, while we are also expanding the mechanical compressor for ICE engine from this facility. We are happy to inform that in last week only, we have signed a technology assistance agreement for local manufacturing of e-compressor between Denso Corporation Japan, Toyota Industries Corporation Japan and Subros. We have updated this news to the stock exchange as well.

Before I conclude, let me briefly summarize the key financial highlight of Quarter 1:

Revenue from operation should at Rs. 1,032 crores, registering a growth of 17.52%, EBITDA of approx. Rs. 87 crores with a marginal decline of 0.82%, primarily reflecting the impact of cost escalation. Profit before tax is Rs. 55.59 crores with a growth of 2.11% and profit after tax is Rs. 41.38 crores, regarding a growth of 1.76% during the quarter as compared to the previous corresponding year.

While the operating environment continues to remain challenging, particularly due to geopolitical uncertainties resulting into cost pressure, the strong growth in topline provides us the ability to absorb these temporary pressures. As long as we are growing our revenue and maintain operational discipline, we believe this situation will be manageable until and unless there are certain extraordinary events occur.

Thank you very much and now we are happy to take questions.

Moderator: Thank you, sir. We will now begin the question-and-answer session. The first question is from the line of Sucrit D Patil with Eyesight Fintrade Private Limited. Please go ahead.

Sucrit D Patil: Good morning to the team. I have two questions. My first question to Mr. Duggal is, do you want to understand forward guidance from operation point of view, what are the key priorities you are driving in terms of manufacturing efficiency, supply chain strength and compliance? And what risks do you see in global sourcing or industry dynamics and how are you preparing to mitigate them? Just want to understand forward guidance only, thank you. That is my first question. I will ask second question after this.

Parmod Kumar Duggal: Thank you so much. It is an interesting question. So there are 3 key drivers within the organization now. One, to manage the disruptions because these disruptions will be now new normal. So we need to prepare ourselves from three aspects. One, our plant has to be more automated so that the dependency on the human side should come down and there has to be a balance between man and machine efforts, point one. Point two is to push for localization so that we are insulated from global disruptions and that is how the localization push which we did last

3 years has started resulting at least, not significantly becoming a risk element for them. The third element which is more on the global side which is contributed through the foreign exchange or the raw material availability, in that area also we are working aggressively along with the collaborator as well as the OEM to start developing raw material locally so that not only de-risking from the material availability point of view and also there would be substantial saving on the foreign exchange spent which can de-risk us from the economic condition variation. Hope I am able to answer that.

Sucrit D Patil: Yes, thank you. My second question to Mr. Agarwal is, from a financial point of view, what key risks or challenges do you anticipate in the coming quarters and what specific measures are being taken to manage margin, cash flow and strengthen the balance sheet especially in areas like raw material cost, volatility, receivables and again compliance?

Parmod Kumar Duggal: I will answer that also. From financial prudence point of view there are three actions which are very important for us. While this disruption or a volatility in the geopolitical subject is a temporary phenomenon our investment for building up capacity, engaging with the customer for long-term business engagement is ongoing. To insulate the margin side on foreign exchange, we have consistent hedging policy which is not significantly impacting us on day-to-day volatility. Our cash flows are intact. Whatever internal accruals we are doing, we are reinvesting into the business except for the strategic project where we have already taken approvals for a long-term funding for Kharkhoda as well as Karsanpura project so that once these projects will be operational, the cash flow to support the repayment of loans, etc., can be worked out. On receivable side, there is no challenge because all our customers, there is no threat on the cash flow availability and we are getting all our payments as per the agreed term.

Sucrit D Patil: Thank you and best wishes.

Parmod Kumar Duggal: Thank you.

Modertator: Thank you. The next question comes from the line of Mayur Parkeria with Wealth Managers. Please go ahead.

Mayur Parkeria: Good morning, sir. Thank you for taking my question. Sir, if this quarter marks the 4th quarter in a row where our margins have not kept up to what is normally was expected while we understand that there are a lot of global situations which are panning out, when we look at many companies otherwise around, that has not been as severe as what particularly Subros has gone through and surely because of the situation in Haryana and North, the labor cost which we see across sector and across companies is impacting. So a couple of things coming in for us. I just wanted to understand one more detail if it is possible that while global and certain external situations have been not in our favor, is it that the composition, the fact that aircon have also started during the same period, I just wanted to understand that is it possible that the segment growth which we are seeing in that has also, the mix has an impact on the margins which is slightly more structural in nature as we go ahead. Does that have also a role over here?

Parmod Kumar Duggal: I will say partially, but as you said there are four elements which has impacted on the margin and last 3-4 quarters we have seen the upside only and if, for example, we have indexation formula with all our customer for commodity and foreign exchange on a quarter lag. So now, if it is a quarter lag and the trends are up and down in a mix so that means within 2-3 quarters, the impact will be nullified, but last 3 quarters the trends are only on the upside. So whatever recovery we did in subsequent quarter related to previous quarter, the impact of increase is much higher than that recovery. That is why it is not reflected in the ratios which we could see on material and other ratios. On manpower cost, this change was sudden and this change reflected in Quarter 1 of this year only when Haryana first announced increase of waste roughly 30%-32% and followed by UP matched that with around 26%-28%. This was an extraordinary impact and this was not budgeted for or not part of any planning ever because this was more driven from a political side. So still now we are working very aggressively to counter this situation, working on productivity enhancement, cycle time improvement also going for automation in a gradual way so that impact on cash flow as well as investment is not extraordinarily high. But addressing your second part in Aircon thermal business, there would be impact of the model mix, there would be impact of segment mix and also because the raw material for thermal is mostly coming from the import cycle so that would be impacting if the geopolitical issues are not settled or they are becoming more risky.

Mayur Parkeria: I have one request and while again reiterating and clearly understand there are things which are there outside our thing, but from an internal perspective as far as communication and guiding is there, we have been maintaining of a double digit margin from quite some time. Can we clearly say that that is something which is still off the table at least for next 12 months, at least that much can we see because what happens is the expectation continues to remain high because as you rightly said while there is a trending market as far as commodity pressures and other things are going up, the expectation is that we would recover many of those in the next quarter or post that quarter, but it continues to lag the expectation for quite some time now after it has been almost 2 to 2-1/2 years now that our 12% aspiration margins continues to get pushed out. I understand you had mentioned that is a medium to long term, but can we say that that outlook is still, it is pushed out by another 12 months, so that the expectations are quite reasonable in that or do we believe that the worst is behind us and now we should see improvement?

Parmod Kumar Duggal: No, I will say with the current circumstances and the condition what we have as of now, this will take time if the situation recover politically, still it will take time between 3-6 months to streamline the whole ecosystem and the supply chain disruptions get eased out. So of course, we are not seeing in a short term moving to the double digit, whatever aspiration was available, it is slightly pushed out for the period.

Mayur Parkeria: Just small last clarification from my side, sir, when you mentioned the aspect of increase in wages on the Haryana and other side, UP side and your commentary if I am reading it right, does it also mean that the cost indexation understanding which we have, this particular element of such a sharp rise is not getting recovered anytime soon because this was not an even base and this is going to be more structural and now this has to be recovered only by way of our productivity and internal measures. Does that mean that it will not be getting reflected in the pricing for us?

Parmod Kumar Duggal: No, it will be because of our discussion with all our customer to compensate this sharp increase because business cannot absorb this 25%-35% of wage increase in a short term. So our discussion with our customer to compensate that is ongoing and there are certain positive signals to settle this very quickly.

Mayur Parkeria: Thank you and wish you all the best and I will come back if any questions.

Parmod Kumar Duggal: Thank you.

Moderator: Thank you. The next question comes from the line of Mihir Vora with Equirus Securities. Please go ahead.

Mihir Vora: Yes. So thanks for taking my question. So sir, my question basically was on our overall revenue growth if we see. So since the last 4 quarters, if we compare production for the PV industry or production for Maruti which is one of our bigger customers, we have been slightly underperforming on that frontier. So can you just throw some more color whether it is more of because the product mix changing or is it that there is slight shift into the market share here? Sir just some color on that?

Parmod Kumar Duggal: So there are two distinct points which we need to understand. When Maruti announced their results in terms of quantity or the revenue is it is on the sales basis whereas what we respond is on the production basis of our customer. If you follow SIAM data, on the production basis between April-June the overall growth is around 16.8% and from timely the reason is on production basis in June, there was 8 days of shutdown by our largest customer, Maruti. That is on the last week of June for the annual maintenance. So we always track on production basis KPI and also there would be slightly impact of the model mix, model which we are servicing to the customer and model which our competition is servicing to the customer. There would be a slight impact of that as well, but if we see the dealer inventory during the quarter also has come down because of the higher retail sale or wholesale sale which has happened in the market. So this whole impact is a cumulative, say reflection of all these key drivers.

Mihir Vora: Right. Sir, but when I see the SIAM data itself, the production mix for total PVs, so that roughly shows a year-on-year increase of around 20%. Maybe, I will check my data, but that is which is in front of me so that is the reason I was asking this, but that said sir in terms of content what would be the sort of difference between a small car and a SUV right now in the current circumstances?

Parmod Kumar Duggal: Maybe between 8%-10%.

Mihir Vora: Got it. So sir, secondly, it is on the segment wise revenue mix which you give every quarter. Can you share that?

Parmod Kumar Duggal: Yes, sure. I will do that. So over a total of Rs. 1,032 crores, Rs. 695 crores is coming from the AC products which we are supplying to Maruti. ACM products is around Rs. 135 crores and Rs. 200 crores plus is for other segment which is other than Maruti that is Mahindra, Renault and all others. This is on overall revenues pay, but if you talk about the segment part, passenger vehicle has contributed roughly Rs. 930 crores and Rs. 100 crores is coming from other segment which include buses of Rs. 12 crores, trucks of Rs. 75 crores and rest is to other segments.

Mihir Vora: All right. So I think that is all from my side. I will fall back in the queue. Thank you.

Parmod Kumar Duggal: Thank you.

Moderator: Thank you. The next question comes in the line of Annamalai Jayaraj with 360 ONE Capital. Please go ahead.

Annamalai Jayaraj: Yes. Before somebody comes on queue I have one or two questions, sir. So now, Maruti is increasing the capacity, so already they have gone for two new plans and one more they are coming up, I think in 4Q. So whatever our new plan our capacity coming up, we will be able to meet those Maruti requirements?

Parmod Kumar Duggal: So Mr. Jayaraj, two aspect to that. One is Maruti capacity increase one plant coming up are already there in Sonipat which has overall plan of four lines, but right now we are with two lines. So to match this capacity requirement in North side, especially in Sonipat, we are coming up with a new plant at Kharkhoda where we are starting with around 4.75 lakhs of capacity as Phase 1 and then another 4.75 means a total capacity of around 9.5 lakhs in Phase 1 and Phase 2 to match the requirement of Maruti Suzuki in the North side. In the West side, another announcement of Maruti to come up with the new plant of 1 million somewhere in around Sanand area. So we are also in discussion to finalize the timing of the SOP and the line installation in that area and making our plan to set up one more another plant in West side. But this is at a very initial stage, matching it with the customer plan and completing the feasibility and finally taking the necessary approvals. We will let you know as and when this is fixed up.

Annamalai Jayaraj: Very helpful, sir. On the Railways, of course, you briefly touched upon. So can you explain a bit more on, what is our current order and how it is likely to shape up going forward, sir, Railway business?

Parmod Kumar Duggal: So Railway business is our key focus as of now. So we have gradually increasing our footprint in railways. Last year, we completed a large order of around Rs. 32 crores. This year, we already have one firm order of around Rs. 31 crores and in addition Rs. 50 crores of AMC business which will spread into 3 years, 4 years' time. A few large orders are in pipeline right now. So our guidance on railway segment to cross Rs. 100 crores in next 3 years' time, still we are pushing very aggressively on that because this segment, government is also laying down lot of investment on modernizing the railways and also to making Aircon coaches, Aircon driver cabin, etc., so we are very aggressively pursuing this segment.

Annamalai Jayaraj: Thank you, sir. Very helpful.

Parmod Kumar Duggal: Thank you. You can go to the queue, operator.

Moderator: Yes, sir. The next question comes from the line of Mayur Parkeria with Wealth Managers. Please go ahead.

Mayur Parkeria: Thank you for taking my question. Actually, last time, I missed asking this. Sir, this recent, obviously, it was in the pipeline the electric compressor technical assistance which we had just signed, I just wanted to understand and maybe what kind of timeline we are looking for the actual commercial operations to start first? What would be the initial import content which will be there for this or let us say, what would be the localization content over here, second? And thirdly, what would be the broad expectation for this commercial operations to stabilize and start giving us, company level or higher level of margins as we anticipate, the three things on this side if you can?

Parmod Kumar Duggal: Sure. So Electric Compressor business what we got from our largest customer, Maruti for three variants, this would be SOP in phase wise, first SOP would be in November 27, then subsequently February 28 and then the Quarter 1 of 28 subsequently. So as we did mention before also that we are going in 3 phases for this project. First phase would be where we are getting the CKD parts and doing the assembly in India because it is a very highly technological product and in Phase 1, we will go almost. In first phase, our import content would be around 80%-85% and second phase when we will start localizing, this will reduce to around 55% and the final phase what will be establishing would be around 70% of localization. So this is our broad plan. We have our engagement with customer to increase the utilization of this capacity by next 3 years' time so that the product will be stable for India market and we will be able to recover all our investment from this project substantially in next 3-4 years' time.

Mayur Parkeria: So sir, will it be fair to say that FY '29 will be the year from where we will see even this project to come to the current company level margins of close to whatever they are, obviously they might also increase after the current situation stabilize. So around between 9%-101%, will it be fair to say that FY '29 or you believe it is before that?

Parmod Kumar Duggal: No, it would be between FY 2028-FY2029.

Mayur Parkeria: Thank you, sir. Thank you for taking this. Thank you.

Parmod Kumar Duggal: Thank you.

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

Parmod Kumar Duggal: So, thank you once again for showing confidence in.

Moderator: Sorry to interrupt you, sir. There is actually a question. It is from the line of Deepak Ajmera with IGE India. Please go ahead.

Parmod Kumar Duggal: Yes, please.

Deepak Ajmera: Government has mandated the truck required Cabin AC, so what is the growth over there and would like to know how much growth in future we will be projecting?

Parmod Kumar Duggal: So Truck AC mandate has happened on, I think specifically June 8 of FY 2025-26 and after that it is all N2-N3 category of trucks have started using mandatory aircon. If you follow our result last year 2025-26, the total revenue from this segment was roughly Rs. 260 crores and as the growth of truck segment or CV segment if we take a normal growth of 8%-10% in next three times, this segment definitely will contribute substantially to our overall revenue pie. Our first target is to reach to Rs. 300 crore which is likely to happen in this year itself and then to take this to Rs. 400-Rs. 450 crores in next 2-3 years' time.

Deepak Ajmera: And what is our revenue guidance if you can just highlight it?

Parmod Kumar Duggal: For this segment?

Deepak Ajmera: What is our revenue guidance for the next year?

Parmod Kumar Duggal: And that is what I said Rs. 300 crores approximately will go in this year only 2026-27 and Rs. 400-Rs. 450 crores in next 2-3 years' time.

Deepak Ajmera: Yes. I am asking on the company level guidance.

Parmod Kumar Duggal: No that would be difficult to spell out any number as of now in the current geopolitical subject, so we will be aligning to the market growth whatever projection industry is putting up for overall industry growth. Earlier it was in very single digit early single digit, but now I think it would be in moderate single digit, so we will be following the industry growth.

Deepak Ajmera: Yes, and secondly, which are other companies to whom they compete on Cabin AC over the Commercial Vehicle segment?

Parmod Kumar Duggal: In Commercial Vehicle?

Deepak Ajmera: Yes.

Parmod Kumar Duggal: There are companies like MAHLE, Sanden, Air International, there are so many.

Deepak Ajmera: And how much could be, let us say, total addressable market in India for Cabin AC for CVs?

Parmod Kumar Duggal: Right now, our share of business is around 41%. As I said, we clocked around Rs. 260 crores last year. So if you extrapolate that would be around Rs. 600-Rs. 700 crore market as of now and going forward, CV segment growth I think it would be in the range of Rs. 800 crores approximately.

Deepak Ajmera: Good, so we are let us say likely to grow in line with the market?

Parmod Kumar Duggal: Yes, of course.

Deepak Ajmera: Thank you.

Moderator: Thank you, sir. Yes, sir you can go ahead with the closing. There are no further questions in the queue.

Parmod Kumar Duggal: Thank you so much. Thank you so much for showing the confidence in Subros. As we have been constantly mentioning about our alignment with the industry, not only limited to passenger vehicle, but also to bus aircon, EV buses, trucks, railways. These are the segments where we want to grow and establish ourselves as a market leader. These receptions are short term. We are not sure the end time of this, but of course, whenever the market will revive back to its new normal, the things will be much more productive for us because our efforts are ongoing. We are not stopping any effort in terms of investment, in terms of automation, in terms of productivity improvement, whatever is required to keep the business sustained for long term, we are proceeding with that and hopefully when things will be normal you will start seeing the results in the short term on these things. Thank you so much.

Moderator: Thank you, sir. On behalf of 360 ONE Capital Markets Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.