

INITIATING REPORT

SUBROS LIMITED: Innovation in Mobilty Solutions

Date: March 4, 2026

Analyst: Umesh Matkar



Subros Ltd.(Subros)

Market Cap.
Rs. 4,697 Cr

52 Week H/L
Rs. 1,212/502

CMP
Rs. 720

Target Price
Rs. 902

AUTO

STOCK DATA

Recommendation	BUY	
Reuters Code	SUBR.BO	
Bloomberg Code	SUBR IN	
BSE Code	517168	
NSE Symbol	SUBROS	
Face Value	Rs.2	
Shares Outstanding	6.52 Cr	
Avg. Daily Volume (6m)	181,804 Shares	
Price Performance (%)		
1M	3M	6M
8	(6)	(7)

200 Days EMA Rs. 844

SHARE HOLDING (%)

Promoters	36.8
FII	32.8
FI/MF	11.4
Body Corporate	7.4
Public & Others	11.6

RESEARCH ANALYST

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Industry tailwinds and Regulatory mandates in the commercial vehicle to drive growth

The Indian automotive HVAC (Heating, ventilation, and air conditioning) market is projected to expand significantly, growing from \$1.6 bn in 2025 to \$4.2 bn by 2034, at a CAGR of 11.1%. This growth rate is expected to outpace the general automotive production growth rate due to tech upgrades like auto climate control and thermal management in EVs, thereby increasing the electronic content and value of HVAC kit. Apart from this, The Ministry of Road Transport and Highways (MoRTH) has mandated that all N2 (3.5-12 tonnes) and N3 (>12 tonnes) category trucks manufactured on or after October 1, 2025, must be equipped with air-conditioned cabins. This transforms Subros from a cyclical auto ancillary into a policy-backed structural beneficiary.

Capacity addition and diversification to drive growth

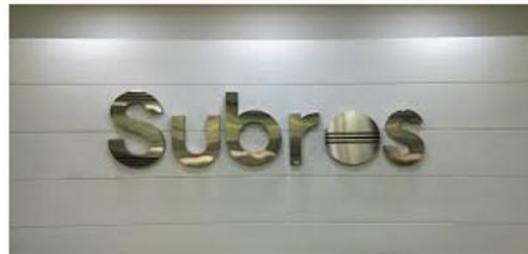
Subros is aggressively expanding its manufacturing footprint to prevent capacity constraints: **Kharkhoda Plant:** The company is investing Rs.150 crore in a new greenfield facility in Haryana, which will add a capacity of 5 lakh units annually by early 2026 and then scalable to 1 million. **Gujarat Plant:** An investment of Rs.175 crore has been approved to add a capacity of 4,00,000 electric compressors per year. The expansion coupled with regulatory tailwinds should drive the growth for the company.

OUTLOOK & VALUATION

Subros is evolving from a localized assembler to a technology-led thermal solutions provider. With a pristine balance sheet (Debt/Equity ~0.04), strong return ratios (ROCE ~20%), and a capex cycle funded primarily through internal accruals, the company offers a favorable risk-reward ratio. We believe the market has yet to fully price in the earnings delta from the truck AC mandate and the railway vertical, presenting a strategic entry opportunity. **We expect EPS of Rs.29 for FY27 and have assigned a P/E multiple of 31x to arrive at a price target of Rs. 902 which provides an upside of ~25% within 18 to 24 months from the current market price of Rs.720.**

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	EBITDA Margin (%)	A-PAT (Rs. Cr)	ROE (%)	EPS (Rs.)	P/E (x)	P/S (x)
FY24	3,070.6	254.2	8.3%	97.6	10.2%	15.0	48.4	1.5
FY25	3,367.6	322.3	9.6%	150.5	13.8%	23.2	31.4	1.4
FY26 E	3,670.7	351.0	9.6%	164.2	13.2%	25.3	28.8	1.3
FY27 E	4,111.1	396.9	9.7%	189.1	13.3%	29.1	25.0	1.1

COMPANY OVERVIEW



Subros Ltd was established in 1985 as a joint venture with a singular mission: to support Maruti Udyog Ltd's localization drive. The genesis of the company lies in the strategic foresight of the Suri family, who secured technology from Denso Corporation (a global leader in thermal systems) and market access from Suzuki Motor Corporation.

•1985-2000: The Foundation Phase:

- o Established the first plant in Noida (Phase-1).
- o Commenced production of AC kits for the iconic Maruti 800.
- o Focus was largely on assembly and gradual indigenization of simple components.

•2000-2010: Expansion and Technology Absorption:

- o Set up the Manesar plant to align with Maruti's expansion.
- o Established the Pune plant to service Tata Motors, marking the first major step in customer diversification.

• 2010-2020: The R&D and Diversification Era:

- o **2012-13:** Inaugurated the Chennai plant to serve Renault-Nissan and Daimler
- o **2014:** Inauguration of the Subros Tool Engineering Centre (STEC) in Noida. This allowed Subros to design and manufacture its own dies and molds, significantly reducing time-to-market for new products

COMPANY OVERVIEW (Cont...)

2020-Present: Future Mobility & Sustainability:

- o **2022:** Operationalized the Karsanpura plant in Gujarat to support Suzuki Motor Gujarat (SMG), minimizing logistics costs.
- o **2023:** Secured breakthrough orders for EV buses and hydrogen fuel cell bus thermal management systems.
- o **2024:** Board approval for the greenfield plant in **Kharkhoda, Haryana**, with a proposed capacity of 500,000 units to support Maruti's massive expansion there.
- o **2025:** Won the Rs. 1,280 cr electric compressor order, cementing its status in the EV supply chain

Historical Context of Ownership

The ownership structure has provided immense stability. The Suri family (36.79%) provides entrepreneurial drive and local execution. Denso (20%) ensures access to cutting-edge technology without the need for high royalty payments to third parties. Suzuki (11.96%) ensures volume predictability. This "Tripartite" strength has allowed Subros to weather industry downcycles that have crippled standalone ancillaries

BUSINESS OVERVIEW

Subros Limited operates on a B2B (Business-to-Business) model characterized by extreme integration with its customers. It functions as a "system supplier" rather than a mere "component vendor." This distinction is critical; Subros engineers work alongside OEM teams 2-3 years before a vehicle is launched, co-designing the thermal management system to fit specific platform constraints. This creates high switching costs for customers and ensures long-term contract visibility

Revenue Streams

- **Passenger Vehicles (PV):** This is the bedrock of Subros's revenue, contributing approximately 85-90% of the topline. The company supplies complete HVAC systems, compressors, condensers, and hoses. While Maruti Suzuki is the anchor customer, Subros has successfully diversified its client base to include Mahindra & Mahindra (M&M), Tata Motors, and Renault-Nissan.
- **Commercial Vehicles (CV):** This segment includes systems for heavy and light commercial vehicles and buses. It is currently the fastest-growing vertical due to regulatory pushes.
- **Railways:** Subros supplies Driver Cabin ACs for locomotives and Roof-Mounted Package Units (RMPUs) for passenger coaches. This segment is distinct for its tender-based procurement and long service tails.
- **Home Appliances:** A strategic diversification into contract manufacturing of window and split AC outdoor units for brands like Voltas and Havells, leveraging its heat exchanger manufacturing capacity to balance automotive cyclicity.
- **Refrigerated Transport:** Offering integrated solutions for cold chain logistics, a sector benefiting from the growth of organized retail and pharmaceutical logistics in India.



BUSINESS OVERVIEW

Product Portfolio Analysis

- **Compressors:** The compressor is the heart of the AC system and the most technically complex component. Subros manufactures both reciprocating (for heavy duty) and rotary (for passenger cars) compressors. The recent addition of Electric Compressors is a technological leap; these units must operate independently of the engine belt, run on high-voltage architecture, and maintain ultra-low noise levels to suit silent EVs.
- **HVAC Modules:** These are integrated units combining the evaporator, heater core, blower motor, and actuators. Subros's ability to design these modules to fit into increasingly cramped vehicle dashboards is a key competitive advantage.
- **Heat Exchangers:** The company produces condensers (which release heat) and radiators (for engine cooling). The shift to "Multiflow" condensers has improved heat rejection efficiency while reducing weight.
- **Tubes and Hoses:** Often overlooked, the piping network is critical for refrigerant circulation. Subros manufactures low-permeability hoses that prevent refrigerant leakage, crucial for meeting environmental emission norms.

Leadership Profile

- **Ms. Shradha Suri Marwah (Chairperson & MD):** Ms. Marwah is a dynamic leader who also serves as the President of ACMA (Automotive Component Manufacturers Association). Her leadership has been instrumental in the company's strategic pivot towards technology and sustainability. With an academic background in Economics from the London School of Economics (LSE), she brings analytical rigor to capital allocation.
- **Mr. Parmod Kumar Duggal (Executive Director & CEO):** A Subros veteran with over 21 years at the company. He has risen through the ranks, managing critical functions like Costing, Marketing, and Operations. His deep institutional memory and understanding of shop-floor dynamics are invaluable assets.

KEY INVESTMENT RATIONALE

Industry tailwinds and Regulatory mandates in the commercial vehicle to drive growth

Subros stands at a defining inflection point in its four-decade history. Long regarded by the street as a proxy for Maruti Suzuki India Limited's (MSIL) passenger vehicle volumes, the company is currently undergoing a structural change. It is transitioning from a manufacturer of commoditized air-conditioning hardware into a diversified provider of sophisticated thermal energy management systems. This transformation is driven by three powerful, converging macro-vectors: regulatory mandates in the commercial vehicle sector, the electrification of automotive powertrains requiring complex thermal solutions, and the modernization of Indian Railways.

The Indian automotive industry is currently experiencing a "Goldilocks" scenario of robust domestic demand, increasing premiumization, and government-led infrastructure support. In FY25, the passenger vehicle market demonstrated resilience, crossing 4.3 million units in sales. The defining trend of this era is the shift towards Utility Vehicles (UVs), which now command over 65% of the market share. This shift is structurally positive for Subros. SUVs and UVs typically have larger cabin volumes than hatchbacks, requiring higher-capacity AC systems (often with rear AC vents and multi-zone climate control). This translates to higher realizations per unit

The Government of India's notification mandating air-conditioned cabins for N2 and N3 category trucks, effective October 1, 2025, is the single most significant near-term revenue catalyst for Subros. The Indian commercial vehicle market produces approximately 250,000 to 300,000 units in these categories annually. Historically, AC penetration in this segment was negligible (<5%). The mandate effectively creates a new, guaranteed market overnight. Subros, which already commands a 54% market share in the truck aircon/blower segment, is uniquely positioned to capture the majority of this value migration.

KEY INVESTMENT RATIONALE

Capacity addition and diversification to drive growth

A common bearish argument against traditional auto-ancillaries is the threat of component obsolescence in the EV transition. For Subros, the opposite is true. An Internal Combustion Engine (ICE) vehicle requires cabin cooling and a radiator. An Electric Vehicle (EV), however, requires cabin cooling, battery thermal management (chillers/heaters), and traction motor cooling. The thermal complexity—and consequently the value of the kit—increases by 2x to 3x in an EV compared to an ICE vehicle. The recent crystallization of this thesis is evident in Subros securing a landmark order worth Rs. 1,280 cr from Maruti Suzuki for electric compressors. This order validates Subros's technological readiness and ensures it remains the partner of choice even as its primary customer pivots to electric mobility. Electric compressors are high-tech components running on high voltage; they must be exceptionally quiet. Winning this against global competition proves Subros's manufacturing maturity

The modernization of Indian Railways is creating a parallel growth engine.

- **Coach AC:** The shift to LHB coaches and distributed power trainsets (Vande Bharat) requires lighter, more energy-efficient Roof-Mounted Package Units (RMPUs). Subros's designs help reduce the haulage energy cost for Railways.
- **Driver Cabin AC:** As locomotives become high-tech workspaces, driver comfort is being prioritized as a safety feature (reducing fatigue). Subros is a key supplier for electric locomotive driver cabin ACs.
- **Service Model:** The recent win of maintenance contracts signals a shift to a "Product + Service" model. Railway assets have lifecycles of 20-30 years. Maintenance contracts provide a steady, inflation-indexed annuity income that balances the cyclical nature of auto component sales.

PEER COMPARISON

Company	Sales (Rs. Cr)	EBITDA Margin (%)	Net Margin (%)	D/E (x)	CMP* (Rs.)	52 Week H/L (Rs.)	Mkt Cap (Rs. Cr)	P/E (x) TTM
Endurance Technologies Ltd	11,561	12.7%	7.2%	0.2x	2,644	3,080/1,675	37,281	40.2
Suprajit Engineering Ltd	3,277	10.0%	3.1%	0.7x	437	518/350	5,990	42.8
Subros Ltd	3,368	10.0%	4.5%	0.02x	720	1,214/502	4,691	28.0
Jamna Auto Ltd	2,270	13.0%	7.9%	0.01x	148	153/69	5,936	29.4
Lumax Industries Ltd	3,400	8.0%	4.1%	1.2x	5,972	6,970/2,100	5,584	32.0

The peers included here may not be directly comparable but have been included here as these or segments of these companies are indulged into similar businesses

Source: Company Data, Sushil Finance

Key Risks

- **Client concentration**

One of the major risk for the company is dependent on one client in the past. Subros was getting majority of the sales by selling to products to Maruti. So if Maruti slows down, Subros used to get impacted. **Mitigation:** The company is aggressively diversifying into Commercial Vehicles (Tata, Ashok Leyland) and Railways to dilute this concentration. The results are already visible, with M&M contributing 20% of the total business.

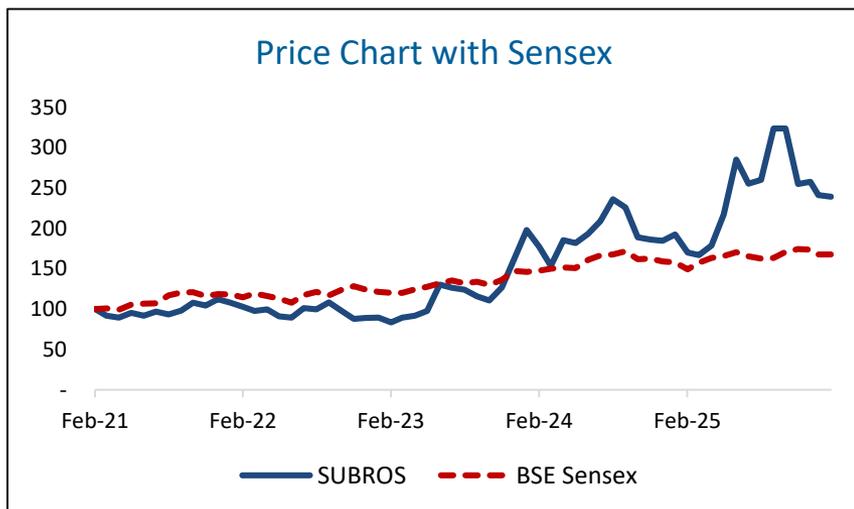
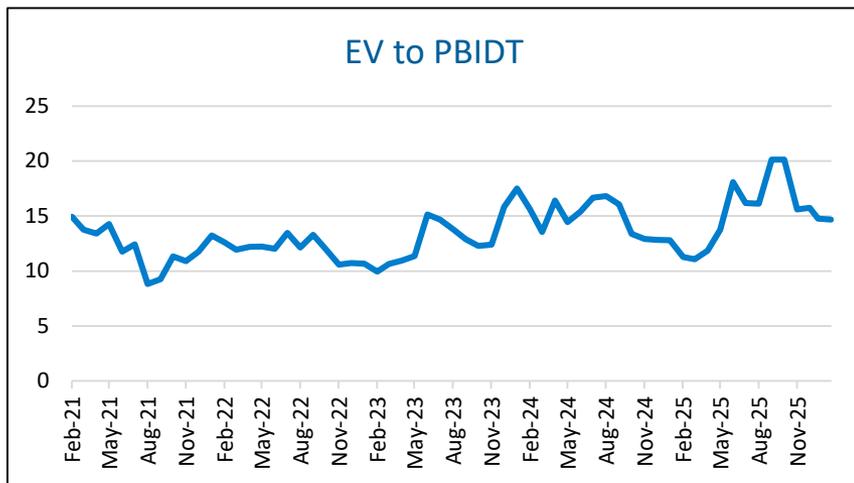
- **Supply chain disruption**

Global geopolitical flashpoints (like the Red Sea crisis) can disrupt the supply of critical electronic components or specific alloys required for compressors. Therefore, company is working on localization of the parts and thereby approved an investment of Rs.175cr to add capacity of electric compressor in the 1st phase. In 2nd phase, it will go for backward integration and has targeted for 12% EBITDA margin in the couple of years. Currently, import content stands at ~16%. The management has a target to reduce this to below 10% over the next 2-3 years. By localizing child parts like valves, sensors, and clutch assemblies, Subros structurally improves its gross margins and reduces forex risk

Upside Scenarios:

- **CV Super-Cycle:** If the Indian economy enters a capex-led boom, commercial vehicle sales could surprise significantly on the upside. Subros, with the AC mandate tailwind, would be a prime beneficiary.
- **Export Hub Status:** Currently, Subros is domestic-focused. If Denso decides to utilize Subros as a global sourcing hub (part of a China+1 strategy), it could open up a massive export market, leading to a significant valuation re-rating.

MARKET INFORMATION



Source: Company, Sushil Finance Research

PROFIT & LOSS STATEMENT

(Rs.Cr)

Y/E Mar.	FY24	FY25	FY26E	FY27E
Revenue	3,070.6	3,367.6	3,670.7	4,111.1
Cost of Materials Consumed	2,267.3	2,432.2	2,636.9	2,953.7
Employee Expenses	284.1	322.4	367.1	407.0
Other Expenses	265.0	290.6	315.7	353.6
EBITDA	254.2	322.3	351.0	396.9
<i>EBITDA Margin</i>	<i>8.3%</i>	<i>9.6%</i>	<i>9.6%</i>	<i>9.7%</i>
Depreciation	116.5	128.2	143.2	160.3
Finance Cost	11.7	11.5	11.0	12.3
Other Income	14.5	20.7	22.0	24.7
Profit Before Taxes	140.7	203.6	218.9	248.9
Tax Expenses	43.0	53.1	54.7	59.7
Profit After Taxes	97.6	150.5	164.2	189.1
EPS	15.0	23.2	25.3	29.1

BALANCE SHEET STATEMENT

(Rs.Cr)

As on 31 st Mar.	FY24	FY25	FY26E	FY27E
PP&E (including WIP)	627	605	683	810
Other non-current	217	240	247	257
Inventories	375	374	406	454
Trade Receivables	283	451	489	548
Cash Balance	122	77	111	135
Other Current Assets	26	110	121	126
Total Assets	1,651	1,859	2,058	2,332
Equity Share Capital*	13	13	13	13
Reserves & Surplus	943	1,081	1,232	1,405
Borrowings (LT & ST)	30	40	48	53
Trade Payables	504	560	599	671
Other liabilities	92	97	133	153
Total Liabilities	1,651	1,859	2,058	2,332

Source: Company, Sushil Finance Research Estimates

CASH FLOW STATEMENT

(Rs.Cr)

Y/E Mar.	FY24	FY25	FY26E	FY27E
PBT	141	204	219	249
Depreciation	117	128	143	160
Interest Expense	12	11	11	12
Changes in Inventories	(36)	1	(32)	(49)
Changes in Trade Receivables	(75)	(168)	(38)	(59)
Changes in Other Current Assets	4	4	(4)	(3)
Changes in Trade Payables	16	56	39	72
Changes in Other Current Liabilities	6	10	(1)	10
Income Taxes Paid	(43)	(53)	(55)	(60)
Cash Flow From Operations	165	175	321	346
Changes in borrowing	(2)	9	2	2
Other Adjustments*	(69)	5	(16)	(18)
Cash Flow From Financing	(65)	(13)	(63)	(28)
Capital Expenditure	(136)	(107)	(220)	(288)
Other Adjustments	16	(61)	0	(3)
Cash Flow From Investing	(92)	(165)	(227)	(297)
Changes in Cash	8	(3)	30	20
Opening Cash Flow	31	39	36	66
Closing Cash Flow	39	36	66	87

FINANCIAL RATIO STATEMENT

Y/E Mar.	FY24	FY25	FY26E	FY27E
Growth (%)				
Revenue	9.4%	9.7%	9.0%	12.0%
EBITDA	51.3%	26.8%	8.9%	13.1%
Net Profit	103.0%	54.2%	9.1%	15.2%
Profitability (%)				
EBITDA Margin (%)	8.3%	9.6%	9.6%	9.7%
Net Profit Margin (%)	3.2%	4.5%	4.5%	4.6%
ROCE (%)	13.4%	16.7%	16.3%	16.3%
ROE (%)	10.2%	13.8%	13.2%	13.3%
Per Share Data (Rs.)				
EPS (Rs.)	15	23	25	29
BVPS (Rs.)	147	168	192	218
Valuation				
PER (x)	48.4	31.4	28.8	25.0
P/BV (x)	4.9	4.3	3.8	3.3
EV/EBITDA (x)	18.6	14.7	13.4	11.8
P/ Sales (x)	1.5	1.4	1.3	1.1
Turnover				
Inventory Days	60	56	56	56
Debtor Days	34	49	49	49
Creditors Days	81	84	83	83
Gearing Ratio				
D/E	0.031	0.037	0.038	0.038

Source: Company, Sushil Finance Research Estimates

Rating Scale : This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)

BUY : Over 12%

HOLD : -12% to 12%

SELL : Below -12%

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Analyst Stock Ownership	No
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No