"Subros Limited

Q3 FY '25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Subros Limited Q3 and FY '25 Earnings Conference Call, hosted by B&K Securities. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all the participants' line 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 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 B&K Securities. Thank you, and over to you, Mr. Jayaraj.

Annamalai Jayaraj: Thanks, Renzo. Welcome to Subros Limited 3Q FY '25 Post Results Conference Call. From Subros Limited management, we have with us today Mr. Parmod Kumar Duggal, Executive Director & Chief Executive Officer; Mr. Hemant Kumar Agarwal:, Chief Financial Officer and Senior Vice President, Finance; and Mr. Sukhbinder Singh Gill, Assistant Vice President, Finance.

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

Parmod Duggal: Thank you, Jayaraj. Good morning, ladies and gentlemen. Since we are meeting first time in this year, so first of all, I wish you all a very happy and prosperous New Year 2025, and welcome to all of you for Subros investor call for quarter 3 FY '24-'25.

Just brief about the industry. The auto sector has had a very busy quarter 3. On the global front, we have seen a steady recovery despite our changing economic environment. EVs continue to be dominating in conversation, not just as a trend, but as a future of mobility. In India, the story has been one of the resilience and growth. The festive season gave a solid push to the passenger vehicle sales, while the rural market bounced back, driven by the better agriculture income.

Overall, automotive sector has grown by 6.5% during quarter 3 and approx 10% in 9-month period. Passenger vehicle segment has grown by 3.56% in 9 months, and PV industry has posted a moderate growth in calendar year '24 and is expected to touch around 4.3 million units. This is based on the strong growth in SUV segment and sustained traction of emission-friendly powertrains. CV segment, including truck and buses, also facing a major disruption during this quarter, and it has grown around 1.8% as compared to previous year. However, the industry overall is showing a mixed trend, including domestic and export market.

Subros has stayed committed to drive innovation and growth, which was crucial and challenging, given these industry shifts. Subros has registered a growth of 12.11% in quarter 3 and 9.8% in YTD 9 months. In this growth journey, CV segment has again played an important role with a growth of 26% due to new emerging sector and also introduction of Aircon in last-mile connectivity trucks.

There is around 35% improvement in quarter 3 profitability and 48.46% profitability improvement in 9-month period. This is a result of our aggressive push on improved internal efficiency and localization. The results for quarter 3 '24-'25 has been shared with the Stock Exchange and posted on our website also.

Let me elaborate the summary of the results. Subros has performed better than the industry in quarter 3 with a growth of over 12%, with a significant improvement in the margins as a result of our aggressive push on localization and internal efficiency improvements. We have achieved a revenue of INR 821 crores during the quarter. And in 9 months, INR 2,459 crores. Our share of business in passenger vehicle air conditioning market has been steady, 42%, during the quarter, and in truck and blower segment, it is around 53%, and in bus AC, it is 16% during the quarter.

The company has realized EBITDA of INR80.64 crores in quarter 3, which is 9.85% of the net sales as against EBITDA of INR 66.15 crores, which was 9.06% of the net sales in the corresponding period of last quarter. There is an improvement of EBITDA by 21.91% as compared to the last year same period. Profit before tax in the quarter is INR 45.80 crores, which is 5.60% of the net sales. PBT margin has also improved by around 35%. PAT during quarter 3, INR 32.84 crores, which is 4.01% of the net sales, and this has also shown a significant improvement.

Now on the business update. Over the past few quarters, we have seen a consistent improvement in our key financial KPIs, including EBITDA, PBT, PAT, supported by the growth in sales. We are committed to maintain this momentum and targeting better growth than industry going forward. Our focus on aggressive cost cutting, both in fixed and variable costs, has been strengthened quarter-on-quarter, and we are making all our efforts to maximize our efficiency during the forthcoming quarters as well.

We are expanding our product range, advancing into technologies to meet our major customer needs, especially in the electric and hybrid vehicle. Our ongoing developments in alternative fuels, such as CNG, hybrid, electric components is expected to contribute more than 20% of our revenue in the next 1 to 2 years.

Further in line of new notification announced by the Ministry of Road and Transport, Heavy Industries, mandate of AC cabin in N2, N3 categories from October '25. We have blocked all the businesses now, and we are now in a development phase, and we see a substantial improvement in our truck segment growth going forward.

Looking ahead, we are also now working on capacity expansion in our Kharkhoda project, which is a major milestone for our journey on sustainable manufacturing. A new facility has already been planned, and the construction work at the Kharkhoda side is going to start soon. In Last quarter Board meeting, we have already taken approval of approx INR150 crores for Phase 1 investment in Kharkhoda, and we are as per plan as of now.

Now just to conclude our financial results, revenue from operations INR 821 crores with a growth of 12%, EBITDA of INR 81 crores with a growth of 22%, PBT of INR 46 crores with a growth of 35%, PAT of INR 33 crores with a growth of around 22%.

Thank you very much. And now we are ready to take questions.

Moderator: Thank you very much. The first question comes from the line of Mitul Shah with DAM Capital. Please go ahead. All right. We have lost the line of Mr. Shah. And we have the next in line that is Mayur Parkeria with Wealth Managers Private Limited.

Mayur Parkeria: I hope I'm audible. If there is some disturbance, please allow me that since I'm traveling, on way, so please allow sorry for the disturbance, if any.

Parmod Duggal: No problem.

Mayur Parkeria: Sir, 2 questions I had, sir. Firstly, a little broader side. When we started the year, we had our broad intent that over the next 3 years, we wanted to get our EBITDA levels to around 12% kind of range. So where are we in that journey and when you highlight that in terms of product mix as well as in terms of localization benefit, which is expected to accrue. Where are we in that journey? And do you believe that over the last 2 quarters, we have slowed down on that journey by some aspect because the relative improvement as much is not coming as much as I thought. So can you just throw some light on that firstly?

Parmod Duggal: Okay. So you have 2 questions. One is on the EBITDA level growth journey. And second is the progress on last 2 quarters. So yes, we did mention about the EBITDA improvement. And if you follow our result for last 4 to 6 quarters, there has been steady growth in EBITDA improvement. And due to the supply chain disruptions in last 8 quarters, there was a huge impact on commodities, foreign exchange and all other sourcing strategies, which has impacted and EBITDA dropped to 8% level ranging around 8% level.

We have reached to almost 9.75% to 10% level. And going forward, it is going to improve because now all the characterization for sourcing, localization and also for the neutral impact on foreign exchange, to some extent, the negotiation with our customers has already been done. So we are very hopeful that this 12% level will be realizable, but it will take a few quarters. So we need to work on that.

Second part is last 2 quarters, steady performance. So if you see quarter 1, quarter 2, quarter 3, there is improvement. Between quarter 2 to quarter 3, there is slight segment performance in terms of profitability because of the financial impact of the foreign exchange because if you understand, last quarter, the impact of foreign exchange was very steep, although the impact is not significant on our financials, but still there is some part of that. Going forward, it may stabilize, if there is no further disruption, and you will see a slightly better improvement from going forward.

Moderator: Next question comes from the line of Mitul Shah with DAM Capital.

Mitul Shah: Congratulations for a reasonably strong performance on the margin side, reaching close to 10%. Sir, my question is on this new EV Vitara launch. So how are we placed in terms of the production schedule? And what is the expected time line to start the commercial production? And secondly, in terms of, if at all, you can highlight broader number in terms of kit value per vehicle compared to existing average kit value per vehicle.

Parmod Duggal: I could not understand your second question. Can you just repeat, please.

Mitul Shah: Sir, second question is the existing vehicles kit value for ICE vehicles or like this Vitara compared to that, what would be the change in this EV in terms of the maybe 2x, 3x of the value of our kit, whatever we are supplying.

Hemant Agarwal: So Mitul is trying to understand average realization of EV vehicle vis-a-vis ICE, right.

Mitul Shah: Right, of whatever parts we are supplying that value.

Parmod Duggal: So first question is on e Vitara launch. So in e Vitara, we have HVAC business. We have hose and pipe business and also some part of the ECM assembly in addition to hose and pipe. So the kit content as against to e Vitara normal to this, there would be almost 1.8x delta, which will be coming in. The timing of launch customer has not been still officially announced, but we are expecting that this would be in the first quarter of FY '25-'26.

So far, I think some volume has already been produced that is only for export. So maybe domestic market, they will be launching during that time. So we have to wait for the final confirmation of customers.

On second question, as I mentioned, other than compressor, the content per vehicle minus compressor, ICE engine versus EV engine, would be between 1.8x to 2x because of the scope increase of frozen pipe going up to the battery cooling, also because of the brushless motors and some technology upgradation for EV.

Compressor is a separate subject because we are not supplying compressor for EV as of now. But once it will come, it would be almost 3x from the existing compressor value. So overall, between ICE to EV would be around 2.5x to 3x of content per vehicle.

Mitul Shah: Yes. Just a follow-up on that. In this, would that be a meaningful import content or it is produced mainly through the localized material commodities and localized.

Parmod Duggal: There would be slightly increase in the import content, minus compressor, because all other components are more or less extension of the scope, not on the component side. So it will be mostly localized. But of course, in compressor, right now, it is all imported, but gradually, when we localize, maybe in near future, that would be to start with some higher import content and then subsequent localization. We have not yet concluded that subject.

Mitul Shah: With this higher import content, would there be any material change in the margin profile of this, or would it be similar to what we are doing more or less in that range.

Parmod Duggal: No, there will not be any impact on the margins because these are high technology items, and we don't want to sacrifice on the margin on that.

Moderator: Next question comes from the line of Arjun Khanna with Kotak Mahindra Asset Management.

Arjun Khanna: Sir, just on the previous question itself. So on the margin profile, so not looking at the near term, maybe 1 or 2 years, but say, FY '28 onwards, when possibly we do look at localization of all parts, when you look at the EV piece, we are currently hearing that possibly margins are lower for ancillary providers. But given that we have expertise here, so on an even case basis, when you look out, do you see margins for this possibly being higher than the current margins that we are enjoying over a steady state.

Parmod Duggal: So first, I appreciate your understanding on this subject because EV definitely will struggle in the next 2 to 3 years in terms of the pricing competitiveness by most of the OEMs. So there would be some pressure on localization. There would be some pressure on the volume, scale. Definitely, we need to counter that. But based on our experience so far, pushing aggressively on localization, improving our operational efficiencies, we don't see it will stress our margin. It would be comparable. It would be relevant. Whatever we are doing now, there would be slightly improvement, but I don't see any deposition from there.

Arjun Khanna: So let me ask it a different way, sir. So I get in terms of margins, you may not be higher, but for us, more relevant is return on capital employed, given that the components are a lot more costly. You mentioned content increase maybe 2.5 to 3x on an even state once we indigenize the compressor. So in terms of return on the capex we put, would that be considerably higher?

Parmod Duggal: I'll say that if I talk about HVAC, there is no major technology change. All the existing capacities or production technologies can be utilized for production of EV compressed kit also. Only the bought-out parts cost will be different, not on the manufacturing part. So I don't see a major investment other than compressor. Again, every time I'm just discounting compressor because it's a separate manufacturing technology. Other than that, there will not be any extraordinary investments, which will impact the return on capital employed.

Arjun Khanna: Sure. Very helpful, sir. Sir, the next question is on our other businesses, such as railway, et cetera, and EV buses. If you could just talk about these 2 in terms of order wins tendering, any other color you could share on this?

Parmod Duggal: So railway, we have been talking on this for last 2 quarters. We are very aggressively pushing there. Now we had secured a large tender of railway, which is around INR 40 crores of business. Out of that, we have already serviced around INR 7 crores, and the balance will be in quarter 4 and quarter 1 of the next year. This is the first major tender in coach Aircon, which was under development for a few quarters before. That is one. We are now going very aggressive on railway to secure the forthcoming tenders maybe in quarter 2, quarter 3 of the next year.

On the EV bus side, bus business is steady for us for ICE. EV buses, a lot of iteration is happening in terms of technology adoption. So we already started our EV bus with Ashok Leyland. We supplied a few kits for their hydrogen bus. That business is going on. Now for

EV adoption by other OEMs, products are almost concluded for adoption. Application engineering is all done. Now we are waiting for official SOP of these products. So maybe next financial year, we will see much traction on bus EV as well as railway coaches.

Arjun Khanna: Sure. Sir, in terms of names, apart from Ashok Leyland, is there any other name you could disclose for bus OEMs?

Parmod Duggal: Wherever we have started business officially, I did mention the name of the OEM, but those are still under POCs. So it will not be appropriate to mention the name.

Arjun Khanna: Just the last question. In terms of the value you mentioned INR 40 crores for railways order. Just to understand per unit, what is the content, say, per coach? And secondly, for an EV bus, what would be the content per vehicle.

Parmod Duggal: So normally per coach, there are 2 units required to be supplied, which is roughly INR1.5 million to INR1.7 million. This is in this range. So this is very high-value products. So that's how the realization per coach is very high. What was your second part of the question.

Arjun Khanna: Sir, for EV buses, what would be the content per vehicle.

Parmod Duggal: So EV buses are not substantially different other than a few elements, which are added for the battery cooling. So if normal ICE AC kit is around, say, INR 4 lakhs, it would be around 4.5 lakhs. So impact will be max 10% on the base.

Moderator: Next question comes from the line of Aditya Shah with Arrowhead Capital.

Aditya Shah: So I just had one question regarding the refrigeration trucks that is mentioned in your investor presentation. Is there any update on this. Please correct me if I'm wrong because as far as I understand, these refrigeration trucks, the refrigeration part is installed after the truck is there, correct. And it is not done by the truck manufacturer. It is installed afterwards. So how do we go about this business if we have anything going there.

Parmod Duggal: So this is really a concerned point for us because we had this refrigeration kits validated, rolled out to the market. But this market, as you said, is not OE fitted kits or the cabin. So it is actually done on bodybuilder shop. So that has become an unorganized market. So we are still very hopeful that this market in the near future will grow, where a lot of equipment will come through organized players or even bodybuilders will also have some level of quality requirement or a standard for body code.

So we are hopeful. But from a development perspective, our all product lines are complete, and they are ready to roll over. We are just waiting for the market opportunity to grow.

Moderator: Next question comes from the line of Mayur Parkeria with Wealth Managers India Private Limited.

Mayur Parkeria: Sorry, I got dropped out. And just to repeat on that margin question, just a little more color. Sorry to harp that on that again. Sir, on the margin, when we just look at the journey upward, just 2 things I wanted to understand more was, should we look at it more as a function of operating leverage where because of higher scale, will we get more fixed cost benefit?

Or we should also look at the function of operating leverage along with gross margin improvement. And within gross margin, again, a function of 3 things, whether it is a product mix, whether it is localization benefit or whether it is improvement in the raw material and supply chain.

The supply chain and raw material benefits I believe would have been largely already done with because it's been there for some time now, couple of quarters. So how do we look at all the 3 components and if there is anything? So is it a function of gross margin we should look at or even the operating leverage, how do we look at that, sir? Some understanding and color would be helpful.

Parmod Duggal: So your question has your answers. It is a cumulative impact of all because as an organization, when we are scaling up, we are growing, definitely, there would be impact of product mix. That is one. Two, when we're increasing our scale, the benefit of fixed cost absorption and the variable cost optimization will also be as part of the operational efficiency, which will contribute to the higher margin.

But importantly, our focus is to improve gross margin through localization as well as sourcing optimization because this is where we need to derisk ourself also. Sourcing optimization will come when localization will be more, our dependency on imports will be minimum, the fluctuation on foreign exchange or on the duties, custom duties will be less, then we'll be more competitive and that will add to a certain margin.

And also that would be a growth opportunity for us because we will be more price competitive. So it is all cumulative impact of all the parameters, as Subros, we are driving all these as a long-term strategy. So that's where we are confident that we will succeed in achieving the margin targets.

Mayur Parkeria: So sir, big lever will come from localization, and all others will follow with the smaller components as well. So we need to watch main will come from the gross margin. And within that, the localization will be the big lever, right.

Parmod Duggal: Correct.

Hemant Agarwal: So in a nutshell, all the initiatives for cost reduction is at place. All the efforts for manpower optimization with this shift alignment is there and the modernized investment in the machines in the new plant. Those are the initiatives will definitely drag on the higher operating margins.

Mayur Parkeria: Okay. Sir, I missed, you given any understanding of the kind of capex for the next FY '26 also, if I missed that.

Parmod Duggal: No, we have not. So FY '26, we will be consistent in our regular capex that would be in the range of INR 100 crores to INR 125 crores, that would be our regular maintenance capex as well as for the product development, technology development. This would be other than the new plant setup capex, which is already separately approved that is INR 150 crores. That would be for the greenfield project. So there will be 2 set of investments.

Mayur Parkeria: Right. And sir, out of that INR 120 crores normal. Sorry, sir, please. Yes, sir, please go ahead.

Parmod Duggal: Please ask this question, please.

Mayur Parkeria: No, no. I was trying to understand that apart from that INR 150 crores, the INR 120-odd crores, which is a normal capex, how much of that will actually go into capacity expansion and how much of that would be go into product development and normal maintenance capex?

Parmod Duggal: So again, I'm clarifying, INR 150 crores is a separate that is for greenfield project, INR 120 crores is additional capex, which will go into the regular capex of maintenance, product development and technology development. So normally 60% goes into new product development capexes, also for localization and 40% goes for maintenance and bottleneck capacity improvement in the existing plant.

Mayur Parkeria: So normal INR 120 crores will not have a large component of capacity expansion kind of capex, that is not there largely.

Parmod Duggal: So only, as I mentioned, 40% because all our existing plants are almost tied up with all the existing capacities. Some improvement will happen through the bottleneck machines, where we can increase 10% to 12% capacities in the existing plant. But that's why for our bigger capacity expansion, we are going for a greenfield project.

Hemant Agarwal: So basically, what Duggal sir is trying to say whenever there is a limitation on some machines, those machines get replaced or new machines are purchased, that is part of our regular capex. So that capacity alignment always takes place on a regular basis.

Secondly, on margin improvement, you must appreciate that what company has committed is that already our operating margin has gone up by 1.2% as compared to the financial year '23-'24, and we have an endeavor whatever we are committed to improve to 12% is at place, for which we are regularly working on the same.

Moderator: Next question comes from the line of Mihir Vora with Equirus.

Mihir Vora: So sir, my question was on the e-compressor side i.e. compressor for the EV Aircon. So currently, you would be importing that. So what would there be a pass-through kind of a product, where we don't do anything and just pass-through? Or how is it plays.

Parmod Duggal: So right now, we are importing this compressor. It is directly procured by Maruti or any other customer, but whenever we will decide to localize this project, it will have some base level localization, which we have not yet concluded. We are just watchful for the volume, which are more relevant for our capacity setup. So we will decide based on that.

Mihir Vora: Okay, sir. And second, sir, you mentioned that the content value increased in terms of EV cost to a normalized vehicle would be around 2.5 to 3x, overall content. What would be that in case of the hybrid vehicles.

Parmod Duggal: So hybrid vehicle also require electric compressor. So more or less, EV, thermal system and hybrid thermal system, there is not much change. So it would be more or less in the same range.

Mihir Vora: All right, sir. And finally, sir, in fourth quarter, there was a mention that Maruti may start a hybrid production in Kharkhoda plant. So whether does that still currently also stands, whether we are looking at that only right now. Or is the plant safe, how is it.

Parmod Duggal: So that business is already tied up for the new models, which will be launched in Kharkhoda. So that is as per our development plan.

Moderator: Next question comes from the line of Avinash Nahata with Parami Financial Services.

Avinash Nahata: Yes. So in response to the previous participant's question on the kit value of coach. You had mentioned that 2 units are required per coach. And you had mentioned INR 15 lakhs to INR 17 lakhs, INR 1.5 million to INR 1.7 million per coach. So just a clarification, whether it is 1.5 lakhs x 2 or 7.5 lakhs x 2 units per coach.

Parmod Duggal: This is for the coach, INR 1.5 million is for the coach. That means for 2 units.

Avinash Nahata: For 2 units. Okay. And secondly, can you give a range for the commercial vehicle, the entire kit size for our commercial vehicle for, I mean, a typical size commercial vehicle.

Parmod Duggal: For truck application.

Avinash Nahata: Yes.

Parmod Duggal: So normally, truck application is driven by the capacity of the truck, whether it's N1, LCV, MCV, SCV. So it is 4-kilowatt kit, 5-kilowatt kit or 3-kilowatt kit based on the size and cabin size of the truck. So it ranged between around 10,000 to 12,000 for a smaller truck between 12 to 14 middle-range truck and between 14,000 to 16,000 for high-range truck.

Avinash Nahata: So when we are saying 10 to 12 or 14 to 16, this is you're talking about the entire kit value, if we are doing the entire kit.

Parmod Duggal: That's true.

Moderator: Next question comes from the line of Nishant Chauhan with Geojit.

Nishant Chauhan: Sir, my question is regarding your revenue mix currently. So could you just broadly tell us what is your revenue mix at this current juncture?

Parmod Duggal: So our revenue mix, as of now, in total turnover of INR 821 crores, roughly INR 640 crores is coming from passenger vehicle in quarter 3, that is relevant for quarter 3, around INR 125 crores from ECM, that is radiator business. Trucks are going around INR30 crores, buses are doing around INR 10 crores, and rest is all other segments.

Nishant Chauhan: Okay. And a follow-up to that would be, since we've been talking a lot on the railways, e-buses and also the truck segment. So how do you see this mix tilting towards the other segment apart from PVs of maybe, say, 2, 3 years down the line, sir.

Parmod Duggal: So we have been talking on this subject that we need to have more derisking moving away from the more dependency on PV segment. So that's why we are growing our business in railway, buses, trucks, tractors, all these segments. So next 3 to 5 years, we want more than 10% to 15% business coming from these segments so that the dependency on passenger vehicle segment should be lesser from the current level because these all segments are very destructively moving year-on-year.

So sometimes, the commercial vehicle segment is growing larger than other segments. Sometimes passenger vehicle is growing larger than other segments. So we want to have a balanced approach. That's why we want to grow this businesses much aggressively.

Nishant Chauhan: Understood. And sir, just one clarification. Sir, the INR 1.5 billion that you spoke about for the new greenfield project, is this going to be spread across maybe coming years? Or it's just the amount earmarked for FY '26.

Parmod Duggal: That is what new investments you are talking about.

Nishant Chauhan: Yes, the INR 150 crores new investments.

Parmod Duggal: Yes, that would be for the commercialization of production from that plant. So that plant would be operational in somewhere middle of FY '26, '27. So this investment is for that project greenfield period.

Nishant Chauhan: Okay. So INR 150 crores for that in FY '26.

Parmod Duggal: Yes.

Moderator: Next question comes from the line of Mayur Parkeria with Wealth Managers India Private Limited.

Mayur Parkeria: Sir, there is a lot of expectation that the FY '26 automobile growth is also going to be in low single digits given the consumption which are weaker. So in that light, what do you think would be a reasonable way to look at our growth in FY '26 on the top line, given the fact that we have also that there can be a mix in SUVs and other things, which we are gaining a little bit more. So can we grow higher than industry on the OEM side, along with that, the efforts and the initiatives which we have taken for railways and trucks and other things. So how should we look at the top line growth for FY '26, sir.

Parmod Duggal: So it would be very difficult to give a very precise number, but one thing, which I'm maintaining for last 3 years in all the investor calls, and I still maintain that, that whatever will be the industry growth, we will do better than that. So Subros growth in even FY '26 also will be better than the industry growth. So whatever assumption you want to take on EV or commercial or for buses or for railway, please count on better performance from Subros.

Mayur Parkeria: Sir, on the Tata Motors call, sorry to name that, but just they were indicating that CVs might see some tailwind because the freight rates have started to improve and utilization. So is there a chance that we'll see a little more tailwind along with the regulatory and other aspects of CV aspect are positives, which we are going to see. But in general, are we seeing any better outlook for the CV according to your talking or discussions with OEMs.

Parmod Duggal: So basically, in CV market, particularly, our growth is not dependent on the growth of number of vehicles because the major change, which is happening from October, the second half of the year, would be that truck will have an AC cabin. So that means AC sales will start from the blower, which right now we are supplying. So there would be a delta between INR8,000 to INR12,000, even with the same truck. So kit value per truck will increase from the second half of the year. So that would be a growth for Subros, but may not be a growth for the industry.

Moderator: Next question comes from the line of Khusha.

Khusha: Congratulations on a good set of numbers. I had a few questions on the EV segment and the hybrid. So we're seeing some demand trends shifting towards SUVs and hybrid vehicles. So how are we transitioning that for our business.

Parmod Duggal: So hybrid business is already planned and whatever hybrid vehicles are there by the OEMs, our kit development and our product development is already ongoing, because we are supplying already 2 or 3 hybrid program. So there is no different things, which we have to do, it's only the question of scale and the OEMs plan to expand SUV sales, hybrid sales.

On EV side, as I mentioned, that we already now will be starting our business with Maruti. Mahindra EV, we've already started our business. SOP has already started. And that is mainly for frozen pipe going through cabin cooling as well as for battery cooling. So from product development side, there is no challenge for us. It is only the scale we are looking at now.

Khusha: All right, sir. And coming to the commercial vehicle and construction equipment segment, how are we positioning ourselves in this segment.

Parmod Duggal: So in commercial vehicle trucks, we are already supplying our AC kit as well as blower. Now as I mentioned in my previous question, truck AC will start now. So we are also positioning for that. Off-road truck Aircon, we already started with Mahindra, now OJA, that is being exported to U.S. as well as to Japan. Tractor radiator also, we started in Mahindra. So now for off-roader also for truck application also, the product is also in the market.

Khusha: All right, sir. Got that. And last quarter, we had seen some yen impact. So will we see any more impact in the coming quarters.

Parmod Duggal: Hemant, can you reply, please.

Hemant Agarwal: Yes. Can you repeat, please.

Khusha: Yes. So in the last quarter, we saw a yen impact. Will we be seeing the same for the coming quarters. Or is there a pass-through for that.

Hemant Agarwal: So this quarter, we had a currency impact in the quarter 3 because of the adverse movement of the currency and the depreciation of the dollar, both currencies. Since we have a prudent hedging policy, we hedge our foreign currency exposure, there will be MTM impact at the quarter end. So this is around 0.2% of the turnover. And if you recast quarter 4, there will be no impact in the quarter 4 rather it would be positive impact in the quarter 4.

It is a one quarter lag from the customer side also. So now we'll get a higher rate from the customer, and cost is more or less in the same range. There is no change. So from the MTM perspective, from the customer perspective, both will be the same. That will offset the impact of the quarter 3.

Khusha: Understood, sir. And one last question on localization. Would you be putting a number to the localization rate or how much of the components are locally sourced?

Parmod Duggal: So right now, the import content is roughly in the range of 16% to 18% of the total revenue. So that's where we are right now, and our target is to bring it to around 10% in next 2 to 3 years' time. We are consistent on our actions.

Moderator: Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Parmod Duggal: So as closing remarks, I will say that thank you very much for having confidence on Subros. We have been interacting with each other with a lot of anxiety, a lot of questions, a lot of assumptions. So far, we are very consistent in terms of whatever we are saying to the stock exchange or to the investors. All our plans are intact. Growth is happening over the last period, 8 quarters. We are consistent in terms of top line growth, also on margin side.

And we want to be sustaining this journey going forward, improving from here onwards. Those who have visited us during the Bharat Mobility show must have seen the capability of Subros in terms of launching new technologies, the products which are in pipeline. So we see a very bright future for the organization and also for the investors. Thank you.

Moderator: Management we have a question, do you want to take it?

Parmod Duggal: Of course.

Moderator: All right. It's from the line of Vignesh Iyer with Sequent Investment.

Vignesh Iyer: And sir, I just wanted to understand the room AC part of the segment, how much revenue did we do in this quarter? And also the fact that lot of, I mean, the industry leaders as well as the second and third in line, they all are still projecting for a good growth for this year as well as the coming year. And so I just wanted to understand on that part.

Parmod Duggal: So Home AC business, so far we have done around INR 6 crores. And as I did mention before that we are going slow on Home AC business because there is a lot of stress on the margin because of a very high competitive market as well as the impact of commodities is extraordinary high, which is not reimbursed by the OEMs there. So we are going slow. We are only addressing those business, which has good reasonable margin for us. That is point one of your question.

Second, you said that OEMs are showing a very high assumption of growth in next year, which is contrary to the previous question, which I hear that most OEMs are saying that next year is not going to be very high growth. It would be in the early single-digit growth. So need to watch because the industry is going to be disruptive. We don't know how the trade war or how the tariff war will be there, so we need to be watchful. Maybe in another 1 month or so after post budget, there will be much more clarity about how the next phase is going to be shaping up.

Moderator: On behalf of B&K Securities, that concludes the conference. Thank you for joining us. You may now disconnect your lines.