

Subros Ltd.

Nifty	11844
Sensex	39,530

Key Stock Data	
CMP	₹260
Market Cap (Bn)	₹14.9
52W High/Low	381/206
Bloomberg	SUBR@IN

Shareholding Pattern	Dec 2018
Promoters	36.79%
Public & Others	63.21%

Key Result Highlights – Q4FY19

Subros reported Q4FY19 results. Following are the key highlights:

- Subros reported weak set of numbers with sales declining by 6% (YoY) to ₹5181mn.
- EBITDA Margins contracted by 92bps on a YoY basis to 10.6%
- PAT decreased by 12% (YoY) to ₹162 mn

Concall and Earnings Highlights

- **Revenue Mix** – Subros generated ~74% of revenue from Maruti. Segment wise Car AC contributed ~80% to the revenue, while radiator/ CV/others contribution were 11%/5%/6%.
- **Double digit growth guidance for FY20** – Management expects its revenue to grow by lower double digits in FY20 predominantly led by growth in non passenger car AC segments and marginal contribution from Maruti.
- **Improved market share in FY19** – Despite the ongoing pain in the PV sales, Subros was able to increase its market share from 40% to 42% in the PV segment. The increased share was on account of new business from Maruti and M&M. Client wise Subros market share stood at Maruti (74%), Tata motors (35%), M&M 30%, Renault 25% and Nissan 25%. The company expects its market share to improve further on account of Maruti Suzuki's decision of banning diesel vehicles.
- **Capex plans** – Subros has planned a capital expenditure of ₹600-700mn in FY20E. It plans to utilize this towards maintenance capex and new product development.
- **Zamil Air Conditioners deal** – During the quarter, Subros entered home AC business by acquiring certain assets of ZAMIL. The acquisition will help Subros to get business from Voltas and Havells and generate revenue of ~₹2500-3,000mn in next 3 years.
- **Reduction in Debt** – The Company's total borrowing has reduced by ₹1250mn during FY19.
- Other expenses are higher due to increase in freight, packing material, legal expenses, and write offs.
- **Preferential Allotment to Denso Corporation** – Subros has allotted 5,247,150 shares at a price of ₹400/share to Denso Corporation during FY19. It has received ₹~210Cr from the said allotment and the company proposes to utilise the funds towards debt repayment, capex and general corporate purposes.
- **Tax Rate** – Tax rate is likely to be 32% in FY20.

Views and Valuations

Subros is supported by strong lineage and is well-equipped to ride the next wave in the automobile industry in India. Apart from its core business of Car AC the Company has successfully forayed into a) Radiators business to Maruti b) Driver Cabin AC and coach AC for Railways c) Condenser supply to Whirlpool d) Blower Application for Trucks starting January 2018 and e) air conditioning (AC) systems. Based on these initiatives we believe the company is poised for profitable growth over the medium to long term. Despite the weak auto environment, Subros expects to post double digit revenue growth in FY20E aided by Non Car AC business. **At the CMP of ₹260, the stock trades at a PE of 13x and EV/EBITDA of 6.1x FY20E. We advise investors to HOLD the stock.**

Tausif Shaikh

Tel: +9122-66638974

tausifshaikh@way2wealth.com

Quarterly Results

(₹ mn)								
Particulars	Q4FY19	Q4FY18	YoY	Q3FY19	QoQ	FY19	FY18	YoY
Net Sales	5,181	5,522	-6.2%	5,107	1.4%	21,249	19,129	11.1%
Cost of materials consumed	3,627	3,739	-3.0%	3,448	5.2%	14,850	13,345	11.3%
Purchases of stock-in-trade	-	-	-	-	-	-	-	-
Changes in inventories	(3)	77	-104.3%	71	-104.7%	(10)	(5)	117.8%
Staff Cost	489	543	-9.9%	514	-4.8%	2,066	1,882	9.7%
Other expenditure	518	526	-1.5%	506	2.3%	2,057	1,799	14.4%
Total Expenditure	4631	4885	-5.2%	4,539	2.0%	18963	17021	11.4%
EBITDA	550	637	-13.7%	568	-3.3%	2286	2108	8.5%
Depreciation	206	242	-14.7%	195	5.6%	789	920	-14.3%
EBIT	343	395	-13.1%	373	-7.9%	1497	1188	26.1%
Interest	68	115	-40.5%	80	-14.9%	422	412	2.4%
Other Income	19	(4)	-570.7%	(16)	-224.5%	41	65	-36.8%
PBT	294	276	6.6%	277	6.2%	1116	841	32.8%
Tax	132	90	46.5%	105	25.6%	378	218	73.9%
PAT	162	186	-12.9%	172	-5.8%	738	623	
Extraordinary						(33)	(18)	
Reported profit	162.0	185.9	-12.9%	172	-5.8%	771.4	605	27.6%
EPS	2.5	3.1	-19.9%	3	-5.8%	11.3	10.4	8.9%

Margins	Q4FY19	Q4FY18	YoY(Bps)	Q3FY19	QoQ(bps)	FY19	FY18	YoY(bps)
Gross margins	30.1%	30.9%	-84.16	31%	-104.53	30.2%	30.3%	10
EBITDA	10.6%	11.5%	-92.44	11%	-51.75	15.4%	11.0%	-437
PAT	3.1%	3.4%	-23.98	3%	-23.90	5.0%	3.3%	-171
Tax Rate	45%	32.7%	1225.48	38%	696.34	33.9%	25.9%	-801

Team

Analyst	Designation	Sector	Email	Telephone
Alok Ranjan	Head – Research		alokranjan@way2wealth.com	+9122-6146 2902
Jayakanth Kasthuri	Research Analyst	Logistics & Capital Goods	Jayakanthk@way2wealth.com	+9122-6663 8956
Ashwini Sonawane	Research Associate	FMCG, Consumer Durables	ashwinisonawane@way2wealth.com	+9122-4019 2956
Tausif Shaikh	Research Associate	Pharma	tausifshaikh@way2wealth.com	+9122-6146 2974
Institutions	Designation		Email	Telephone
Kaushal Jaini	Vice President		kaushaljaini@way2wealth.com	+9122-40278919
Neelam Vivek Nagvekar	Institutional Sales Trader		neelamnagvekar@way2wealth.com	+9122-2575 8931
Manisha Panchal	Institutional Dealer		manishapanchal@way2wealth.com	+9122-40278984

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Disclosure of Interest Statement in Subros Ltd. as on June 06, 2019

Name of the Security	Subros Ltd.
Name of the analyst	Tausif Shaikh
Analysts' ownership of any stock related to the information contained	No
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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