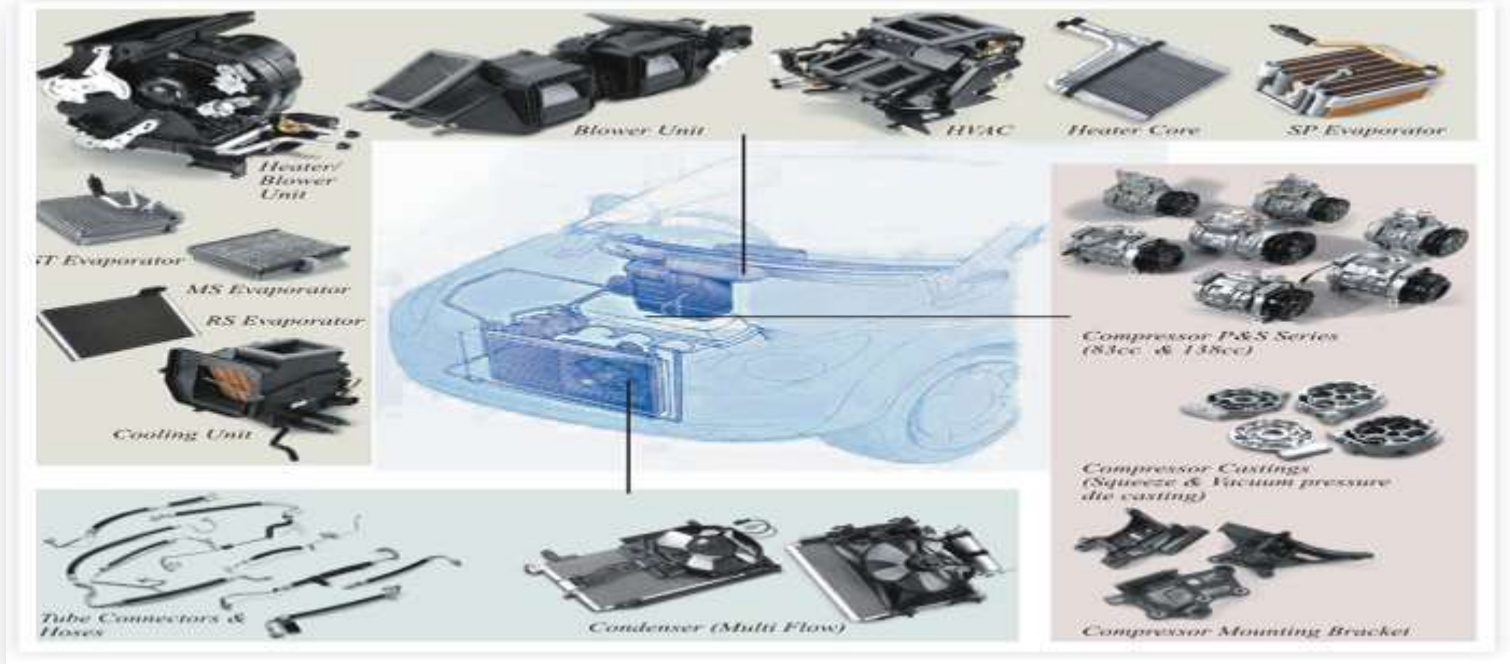


Subros



Investor Presentation

Dec, 2017

1. Company Introduction


2. Business Outlook

2. Subros Business

4. Past Performance and Future Plan



Company Introduction

A photograph of a modern conference room with a long, curved table and several chairs. The room is brightly lit with natural light from large windows in the background.

About
Subros



Established in 1985, Subros is the Largest Air Conditioning company in India.
A Joint Venture company between



Share Capital (nos)	60 Million Shares (Suri's-40%, Denso-13%, Suzuki-13%, Public-34%)
No of Plant Locations	6 Locations
Technical Centre	1 Location(Noida)
Tool Engineering Centre	1 Location (Noida)
Capacity Per Year	1.5Million Units
Certifications	ISO 14001,TS 16949,OHSAH 18001
Market Shares	39% (For Passenger Car AC)

Technical Center



Noida



Die Casting



Tool Engineering Centre



Chennai



Pune



Manesar



Sanand





Plant	Land and Building Area								Total
	Noida Technical Centre	Noida Compr / HX	PDC / Press Shop	STEC	Manesar	Pune	Sanand	Chennai	Total for all Plants
Land (Sq Mtr)	11,840	38,688	8,000	8,940	39,940	24,000	16,000	40,000	187,408
Building (Sq Mtr)	7,000	23,566	5,500	7,000	44,517	11,196	3,031	8,100	109,910

Engineering & Development Centres :

Denso Subros Engineering Services Centre (Design JV) - Noida
 Central Technical Centre – Noida
 Product Engineering Centre – Chennai
 STEC- Tool Engineering and Manufacturing-Noida

Plant wise Product Profile :

Noida – Compressors, Heat Exchangers, Pressure Die Casting , Press Shop, Injection Molding (Small Parts)
 Manesar – Car ACs, ECM products,
 Pune – Car / CV Acs,
 Chennai – Car / CV ACs , Rail ACs , ECM , Off Road ECM / ACs, Bus ACs, Truck Refrigeration Systems, Home AC Condensers



Potential Benefits of Service Network

- Training to OEM dealers
- Service Camp support to OEMs
- Faster reach to attend complaints
- Spare parts support
- 24/7 support for emergency to OEM dealers
- Faster diagnostics and countermeasures
- Avoid wrong diagnostics / claims
- OEM Support to Improve JD Power score



Passenger Car Segment



DENSO



Mahindra



Commercial Vehicle Segment



DAIMLER



DENSO



Railways



Home AC





ACMA

- 6 times Manufacturing Excellence
– 2005, 2008, 2010, 2011, 2014, 2017
- 2 times HR Excellence Award
– 2015, 2017
- 3 times Excellence in Technology
– 2006, 2011, 2017



Frost & Sullivan recognition

- Frost & Sullivan recognition (2011) for Top 5 companies moving in the right direction :- Ranked No.1 in Innovation Adaptation Ranked No.3 in Customer Focus
- Frost & Sullivan recognition (2012) for Top 5 companies moving in the right direction :- Ranked No.1 in Innovation Adaptation Ranked No.3 in Customer Focus
- Frost & Sullivan recognition (2016) Excellence in Supply Chain Management



CII-EXIM bank award for Business Excellence

- Strong commitment to Excel (2013)



IMEA-Economic Times

- 6 times Manufacturing Excellence Award for Noida plant
– 2010, 2011, 2012, 2013, 2014, 2015
- 2 times Manufacturing Excellence Award for Manesar plant
– 2012, 2013, 2015



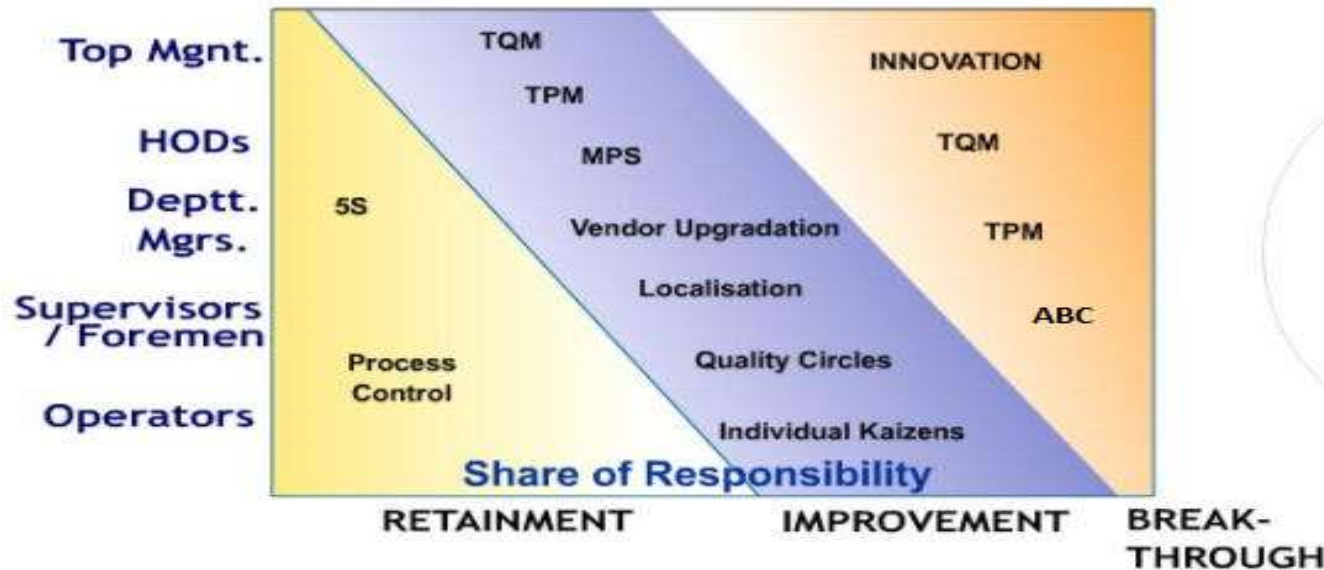
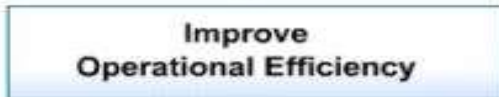
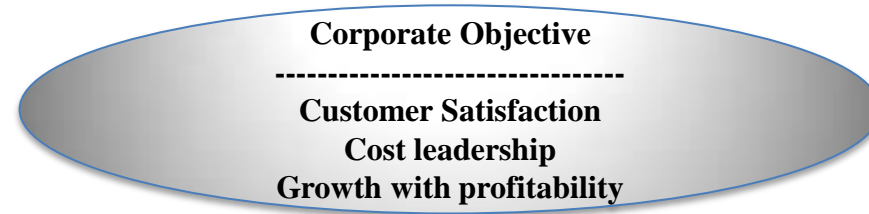
Customer Recognitions

- MSIL Best Supplier Award (9 Times)
- MSIL Focused Cost Down
- MSIL System Audit Rating
- MSIL Inner Part Localisation
- M&M Sustainability & green supply chain - Runners up – Pune
- M&M SBCB – Mentoring Zone
- M&M -MSES – Level B



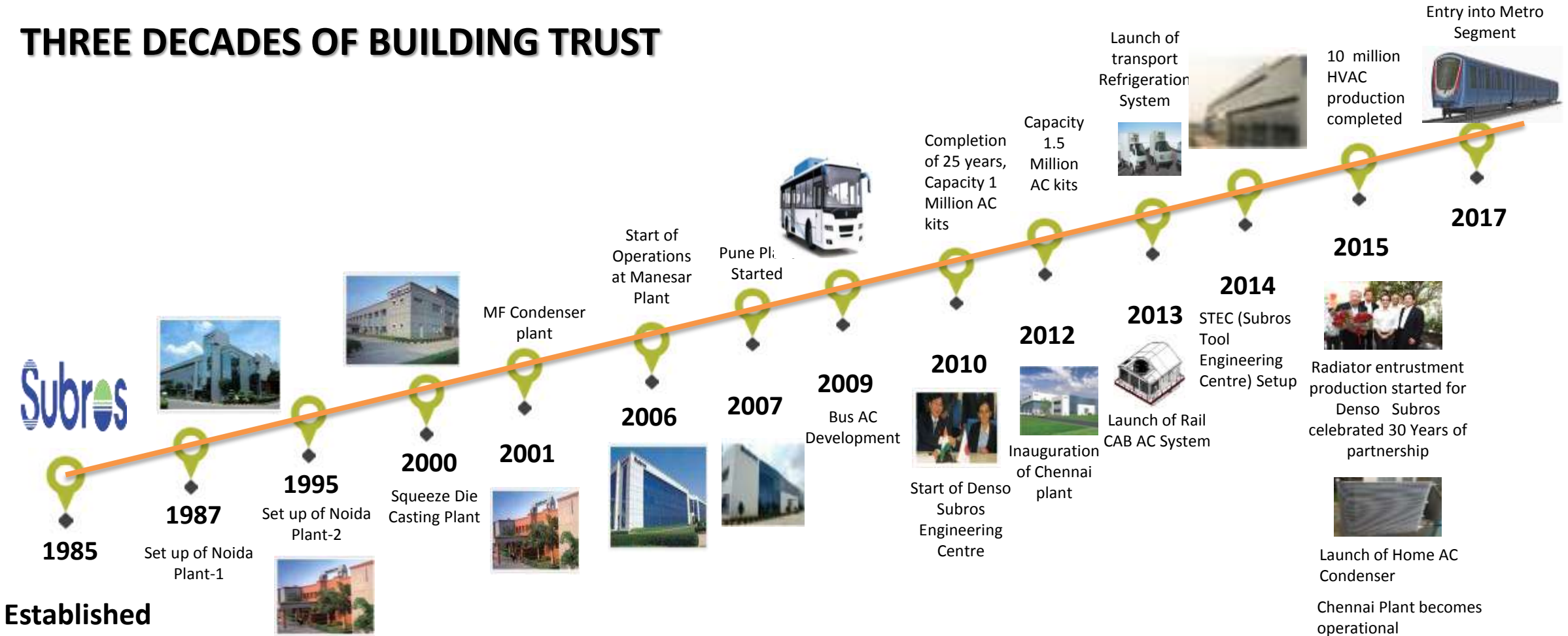
Cost Management

- TCM-CII Level V Ranking (2013,2017)
- TCM-CII Level IV Ranking (2010)
- ICAI-National Award for Cost Management (10)





THREE DECADES OF BUILDING TRUST





Shop Floor



Condenser Assembly



Compressor Assembly
(Clean Room)



Helium leak test machine



Robotic Vision inspection



RS Evaporator Line



Nocloc brazing furnace
for Condenser



Robotic manipulator
extractor



Injection molding machine



Squeeze & vacuum pressure die
casting machine



Robotic surface treatment machine



HVAC assembly line



Tube liquid line

Presence of world class manufacturing infrastructure



Technical Centre & Tool Room



System Calorimeter



Vibration Resistance Testing



CAD-CAM Facility



Die spotting press



Computer aided engineering (CAE)



Environment Test Chamber

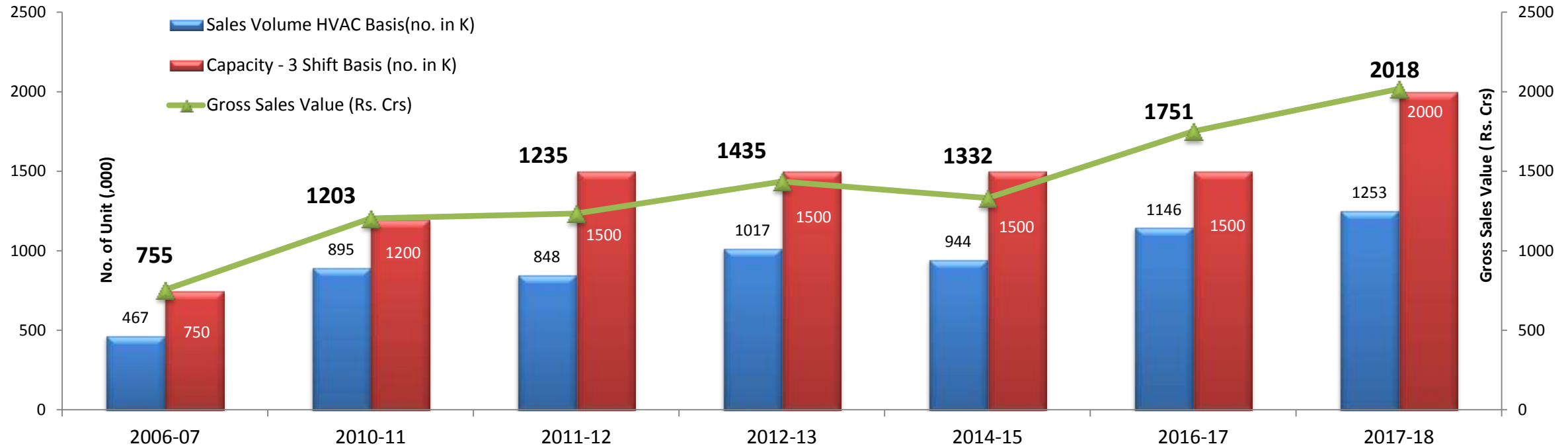


Noise Chamber



CNC VMC VF6

Equipped with all infrastructure required for product design and validation locally



Year	2006-07	2010-11	2011-12	2012-13	2014-15	2016-17	2017-18*
Sales Volume HVAC Basis(no. in K)	467	895	848	1017	944	1146	1253
Capacity - 3 Shift Basis (no. in K)	750	1200	1500	1500	1500	1500	2000
Gross Sales Value (Rs. Crs)	755	1203	1235	1435	1332	1751	2018

Sufficient capacity is buildup to meet customer future demand



Subros follows policies at company level, plant level and Individual level to identify and execute CSR projects

To contribute to a better world, Subros will provide solutions to social issues through its business activities, thus **delivering new value to society.**

As a Company earn the trust and meets the expectations of people thru providing **Cooling Comfort**

Long-term Policy of **"preserving the Earth's environment"** and **"creating a society that ensures security and safety."**

1

Community Development

2

Skilling up of Human Resources

3

Environment Friendly Products and Sustenance



Keep Environment Green Campaign (Delhi, Gurgaon, Noida)



Adoption of Schools



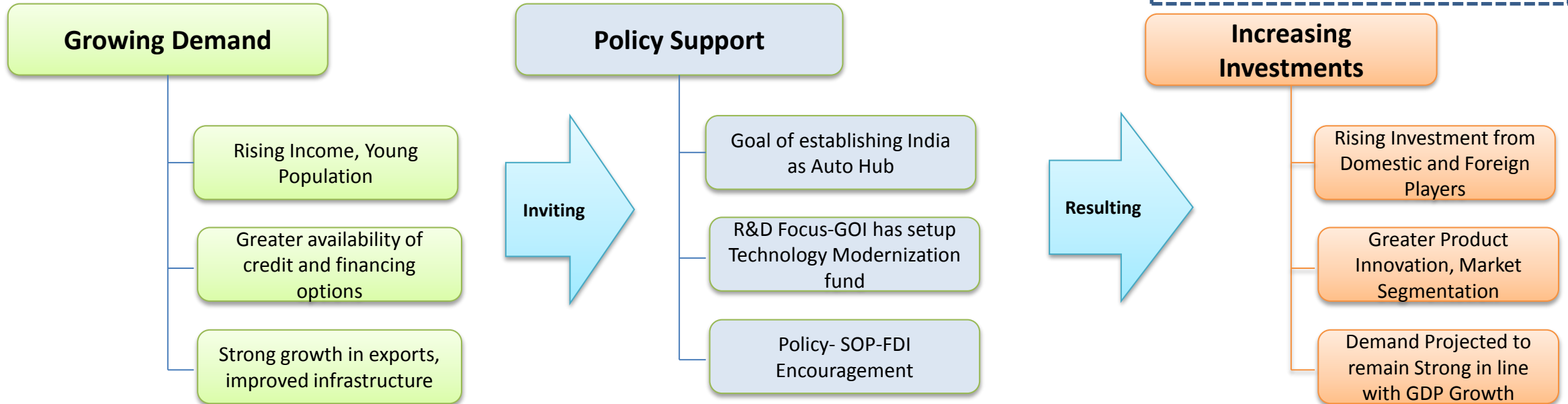
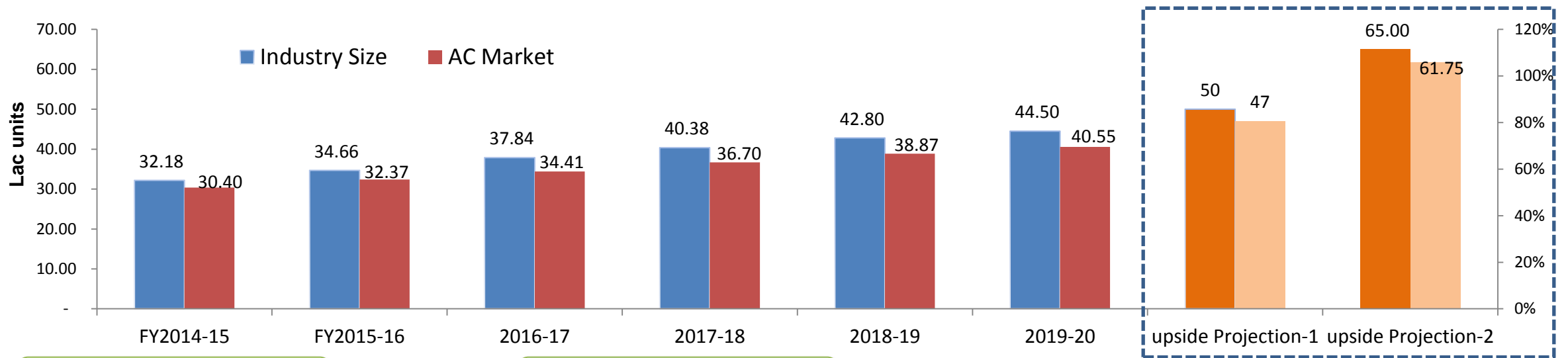
Blood donation camp

Business Outlook





This presentation might contain forward looking statements which involve a number of risks, uncertainties and other factors that could cause the actual results to differ materially from those in the forward looking statements. The Company undertakes no obligation to update these to reflect the events or circumstances thereof. Secondly, these statements should be understood in conjunction with the risks the company faces.





Customer Expectations : High Quality / Low Cost



- *Luxury specs in economy cars*
- *Rapid new launches*

Market Recall Regulations



- *Validation*
- *Traceability*



Human Resource Management



- *IR Issues*
- *Training and Development*

Technology up-gradation in line with OEM Expectations

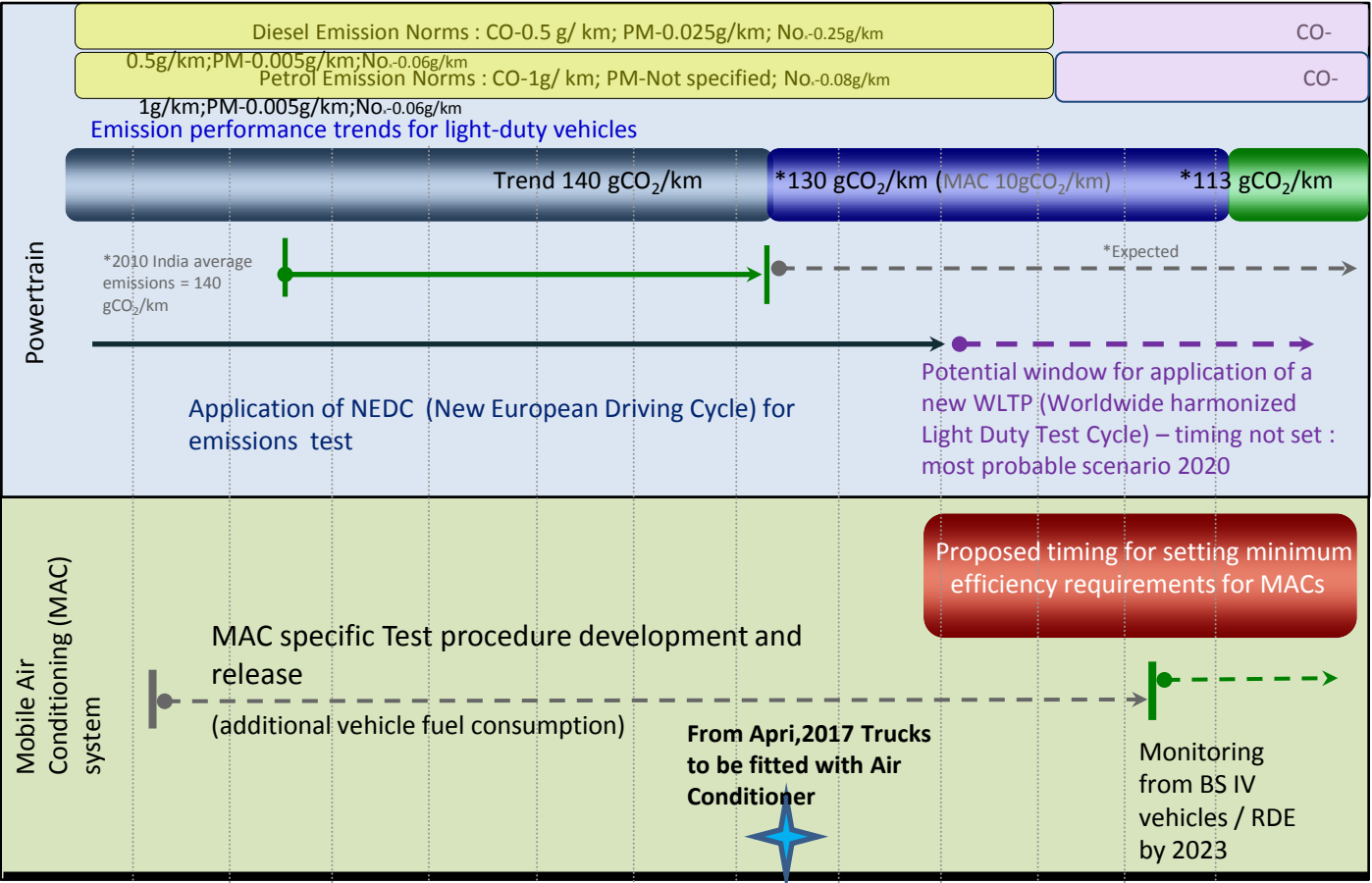


- *Quality built into processes*
- *High productive line setup*

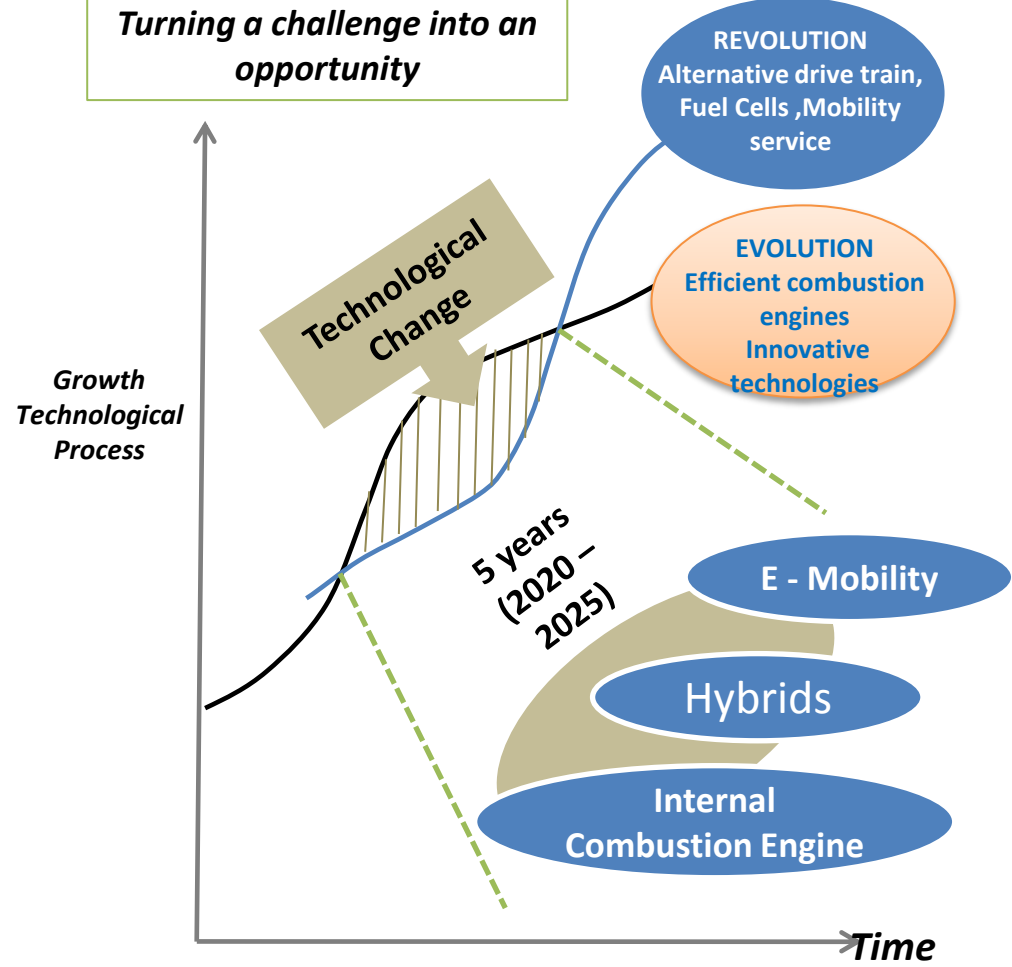


BS IV → BS VI

2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 → 2021 2022 2025



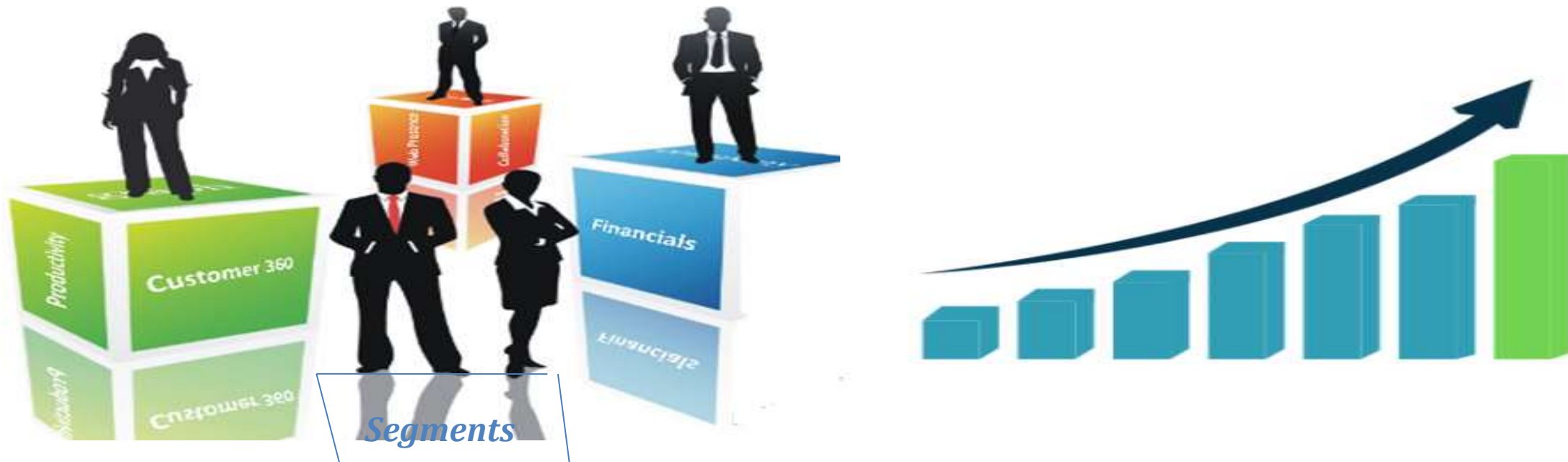
Turning a challenge into an opportunity



Subros is planning Investment in new technologies to remain future proof

Subros Business

Past Performance & Outlook





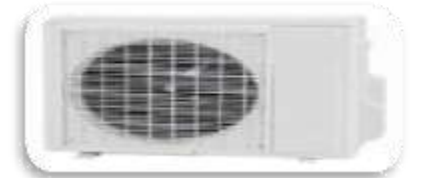
Car Aircon System



Engine Cooling Systems



Commercial Vehicle



Home AC



Compressors



Cooling Module



Bus ACs



Condenser



HVACs & Evaporator



Oil Coolers, CAC



Rail ACs



ODU



Hose & Tubes



Truck ACs
Truck Blower



Condenser

Complete Thermal Product Range for all segments

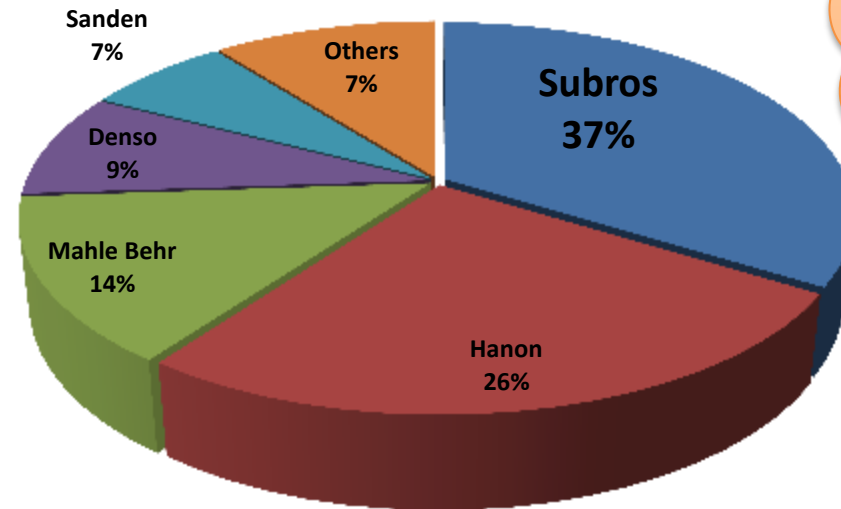


2016-17

Revenue	Rs in Cr	%age
Car Segment	1,527	87.18%
ECM	37	2.10%
Bus	42	2.39%
Railways	10	0.55%
Refer	1	0.08%
Truck	4	0.21%
Tractor	2	0.10%
Home AC	2	0.09%
AM+Others	128	7.31%
	1,751	



Share of Business (by HVAC Qty)

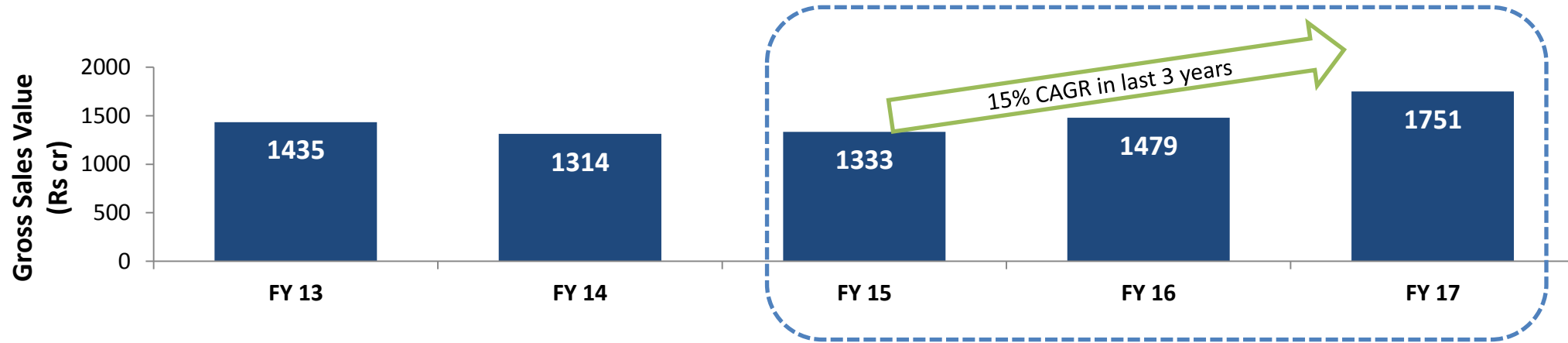


Subros is Market Leader Since Inception

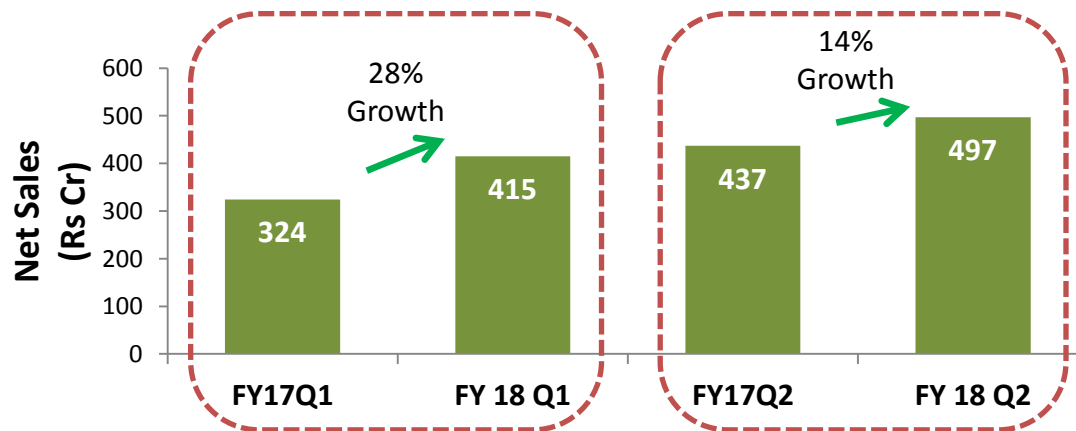
- Subros started diversifying into other segment in recent 2-3 years.
- As Risk Mitigation , Non Car Segment must increase to at least 25% of the revenue.
- ECM segment is under entrustment production with Denso as “Denso” brand
- More Focus on Product localization.



Gross Sales - Reached a new record in FY 2016-17



Net Sales – Quarter on Quarter Growth



Growth Drivers

Performance

The company witnessed revenue growth at CAGR of 15% in last 2 years. Gross sales grew by 28% in Q1 and 14% in Q2 over previous year period

Initiatives

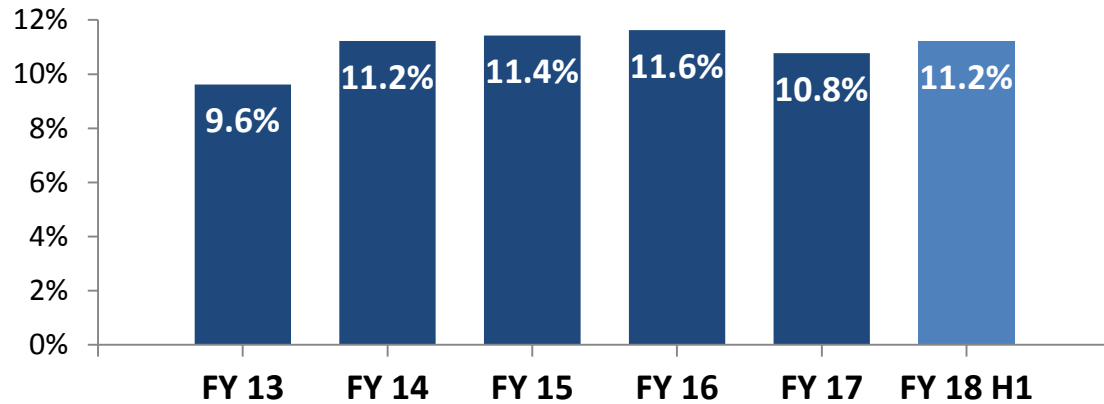
- ☐ Acquisition of new customers in PV and CV segment
- ☐ Entry into new markets like coach AC and Home AC

Outlook

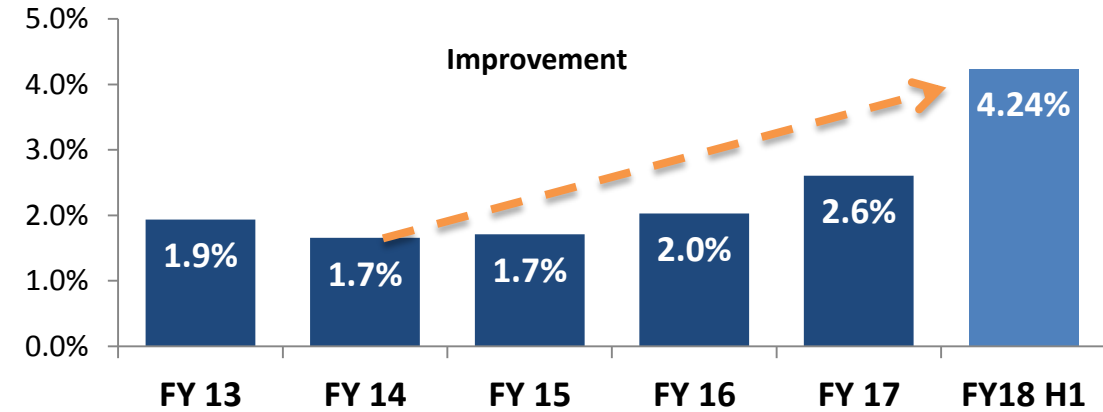
We are targeting CAGR of 15-16 % in next 3-4 year



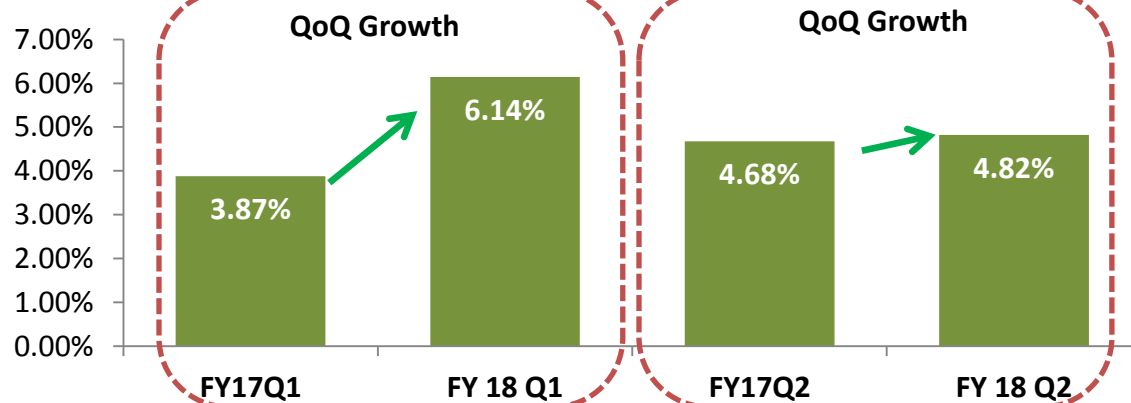
Operating Profit Margin



Profit Before Tax & Extraordinary Items



Quarterly performance – Operating Profit Margin



Growth Drivers

Performance

PBT has increased in FY17 to 2.6% of net sales and 4.24% in H1 FY18. Operating profit has increased to 11.2% in H1 FY18

Initiatives

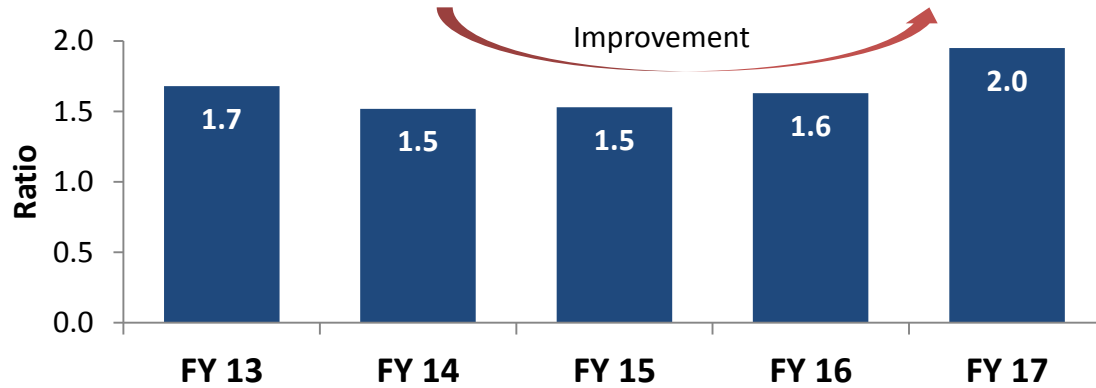
- Cost leadership in all functions / areas
- Complete backward integration
- Strategic locations for manufacturing of every product

Outlook

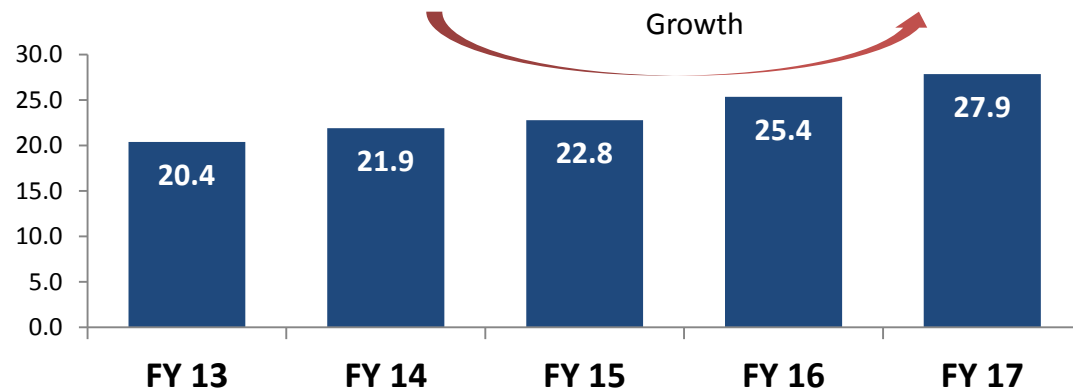
We target EBITDA of **14%** on back of new growth opportunities and cost improvement initiatives aligned strategy roadmap by 2021



Interest Coverage Ratio



Operating Profit Per Share (Rs)



Growth Drivers

Performance

Interest coverage ratio has increased over last 3 years from 1.5 in FY15 to 2.0 in FY17. Capability to pay current interest payment is improved

Initiatives

- Investment in all strategic projects are now getting realized
- Non-Current liabilities have reduced

Outlook

We target to further improve interest coverage ratio

Growth Drivers

Performance

Operating profit per share has improved to 27.9 Rs. This is a 9% improvement from previous year

Initiatives

- Well defined long term strategy roadmap
- Expansion into new markets
- High profitability

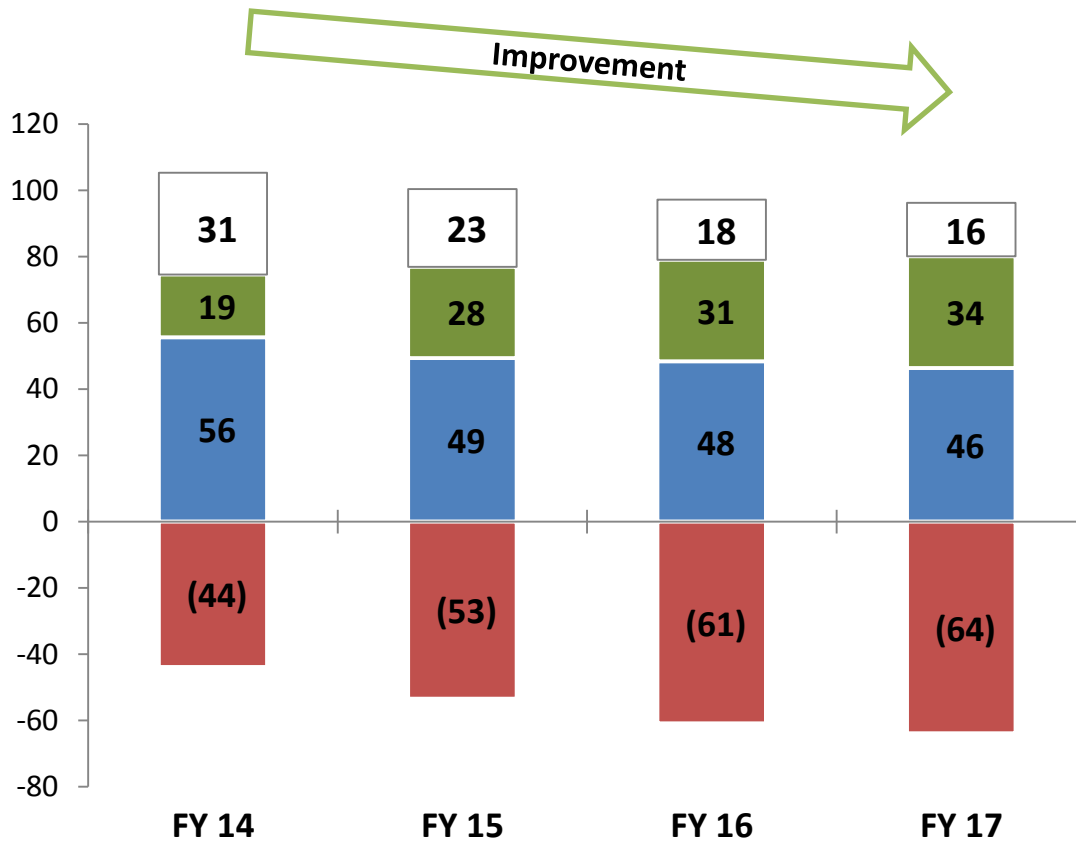
Outlook

Target is to further improve on operating profit by executing long term strategy roadmap



Net working capital days

■ Inventory ■ Debtors ■ Creditors □ Work Cap Days



Growth Drivers

Performance

Working capital days have reduced from 31 days in FY14 to 16 days in FY17. Which implies company is managing working capital more efficiently now than in past

Initiatives

Efficient management of –

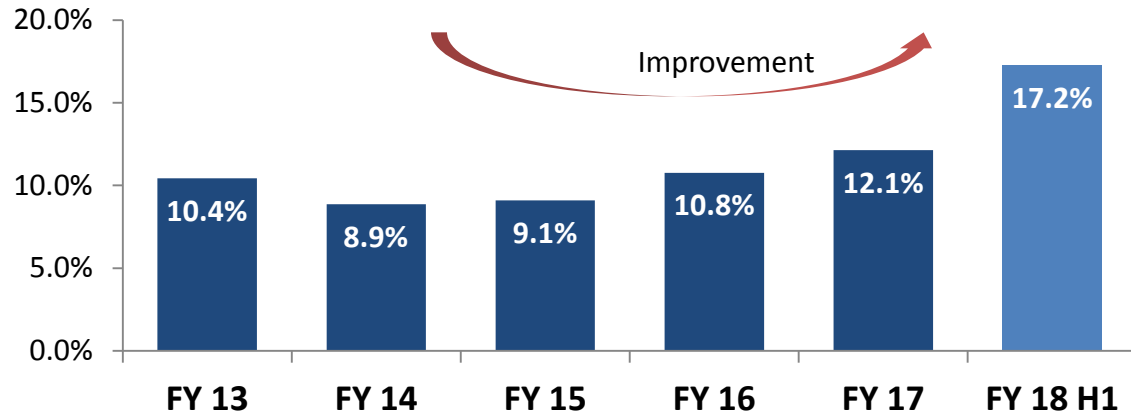
- Inventory,
- Creditor cycle

Outlook

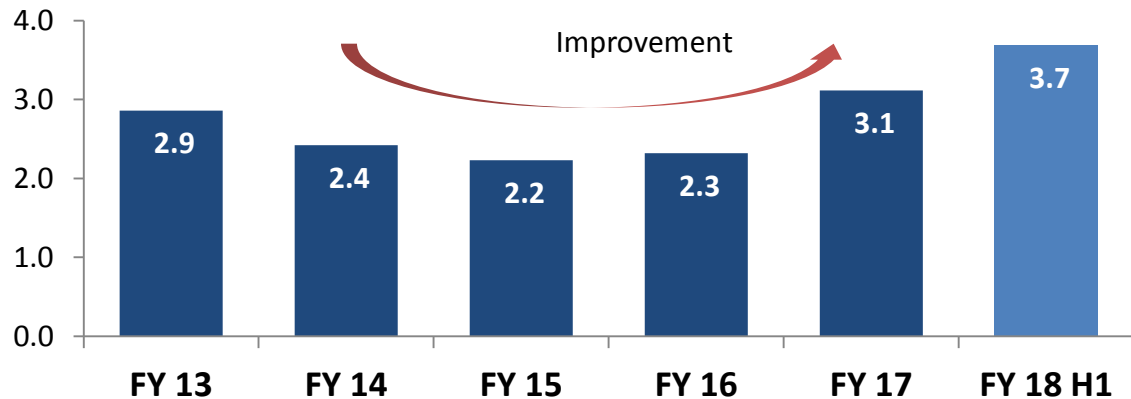
We target to further improve efficiency and further bring down working capital levels



Return on Capital Employed



Assets Turnover (Net block)



Growth Drivers

Performance

Company's ROCE improved to 12.1% in FY16-17. ROCE for H1 FY 17-18 has improved to 17.2% which is significant improvement from previous cycles

Initiatives

- All Investments are based on ROCE
- Market expansion
- Accurate business planning

Outlook

We target ROCE of more than 20% as all past strategic investments are now getting realized

Growth Drivers

Performance

Our asset turnover ratio has increased from 2.3 in FY16 to 3.1 in FY17, which implies assets are more efficiently utilized in generating sales

Initiatives

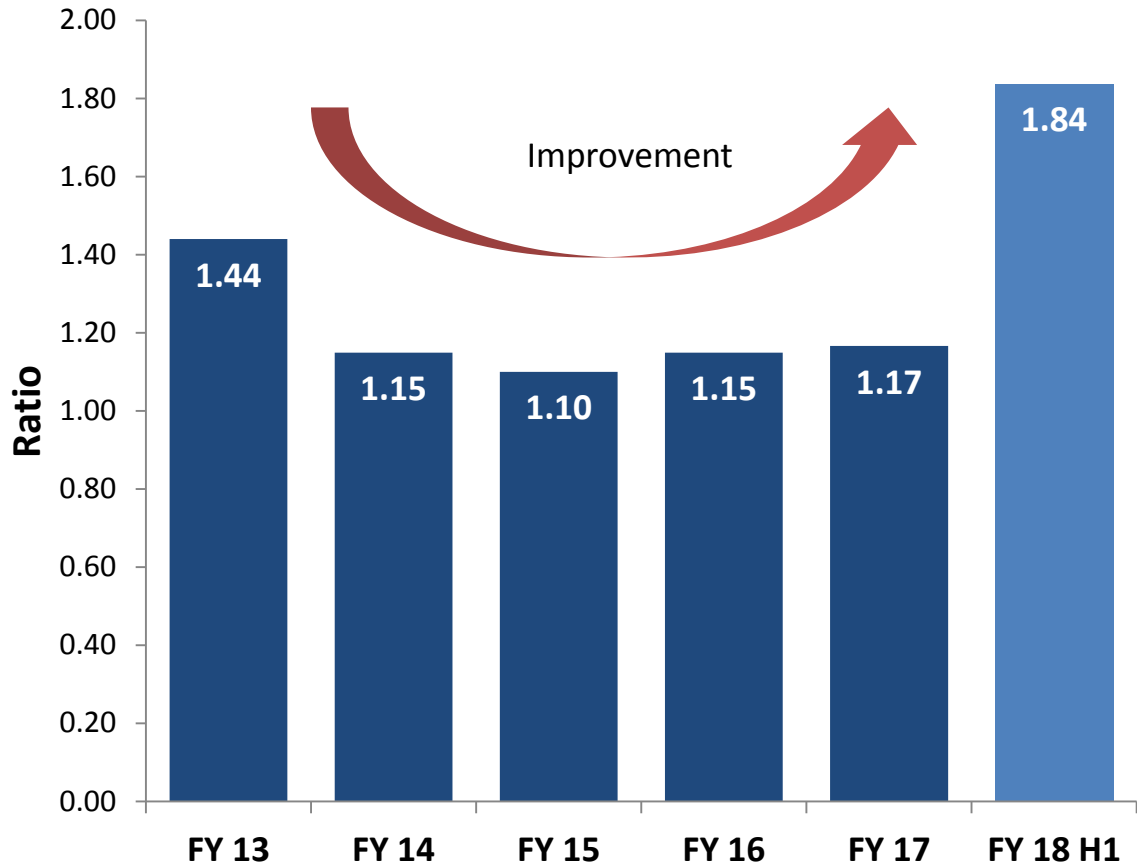
- Effective utilization of fixed-assets
- Increase in sales attributed to new customers & markets

Outlook

Asset turnover will further improve as we target strong growth in coming years



Debts Service Coverage Ratio (DSCR)

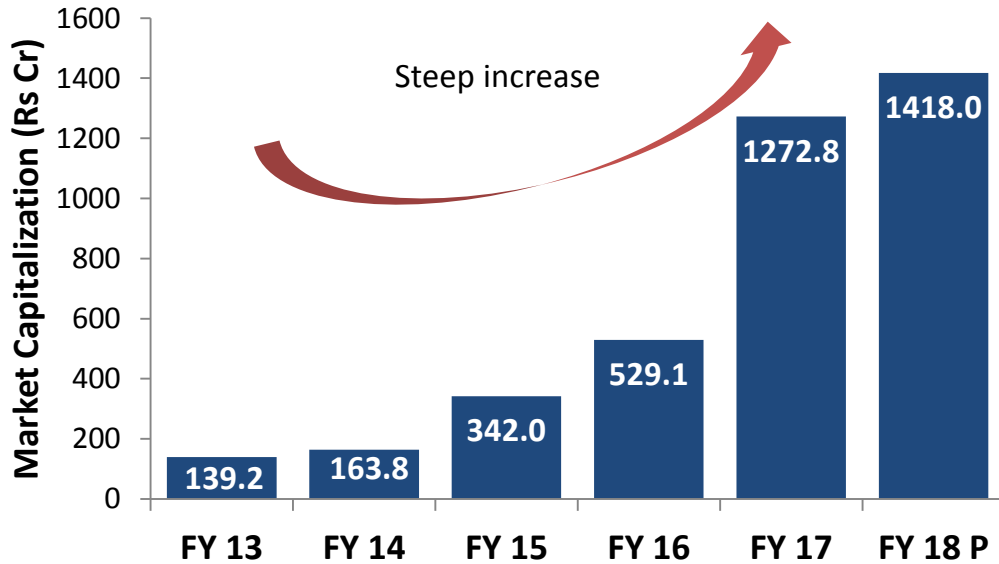


Growth Drivers

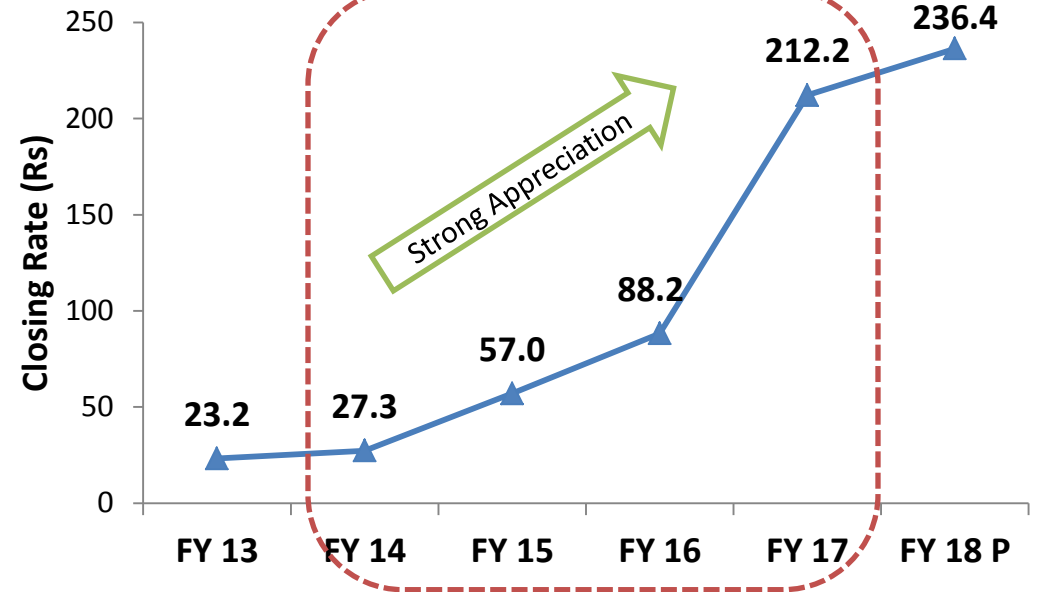
Performance	Initiatives	Outlook
DSCR for FY17 has improved to 1.17. DSCR for H1 FY18 is improved significantly to 1.8	<ul style="list-style-type: none"> Profitability has improved driven by corporate philosophy of growth with profitability Cut down on debt service 	Objective is to continuously focus to improve our ability to cover debt obligations



Market Capitalization



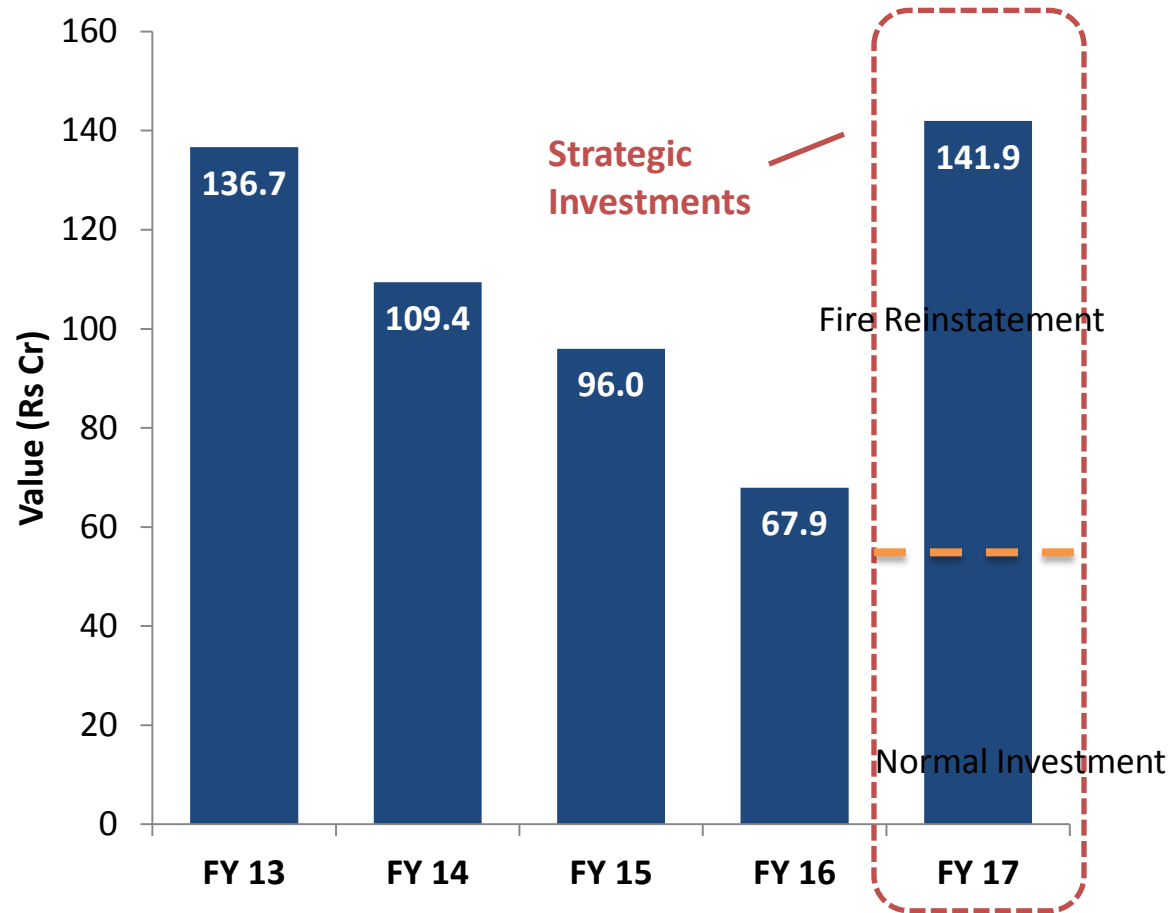
Share Price



Market is receiving Subros well because of strong fundamentals of company



Capital Expenditure for Sustainable Development



Investment Drivers

NPD	Capacity	Technology
<p>Customer specific new product development ,envisaging customer focused approach of company –</p> <ul style="list-style-type: none"> <input type="checkbox"/> New product <input type="checkbox"/> Enhancement of an existing product 	<p>Capacity expansion to realize our strategy roadmap for -</p> <ul style="list-style-type: none"> <input type="checkbox"/> Existing products <input type="checkbox"/> New products for existing markets <input type="checkbox"/> New products for new markets 	<p>Driven by innovation in technology and regulatory changes -</p> <ul style="list-style-type: none"> <input type="checkbox"/> Product specific technology <input type="checkbox"/> Electric Mobility <input type="checkbox"/> New CAFE norms



2016-17

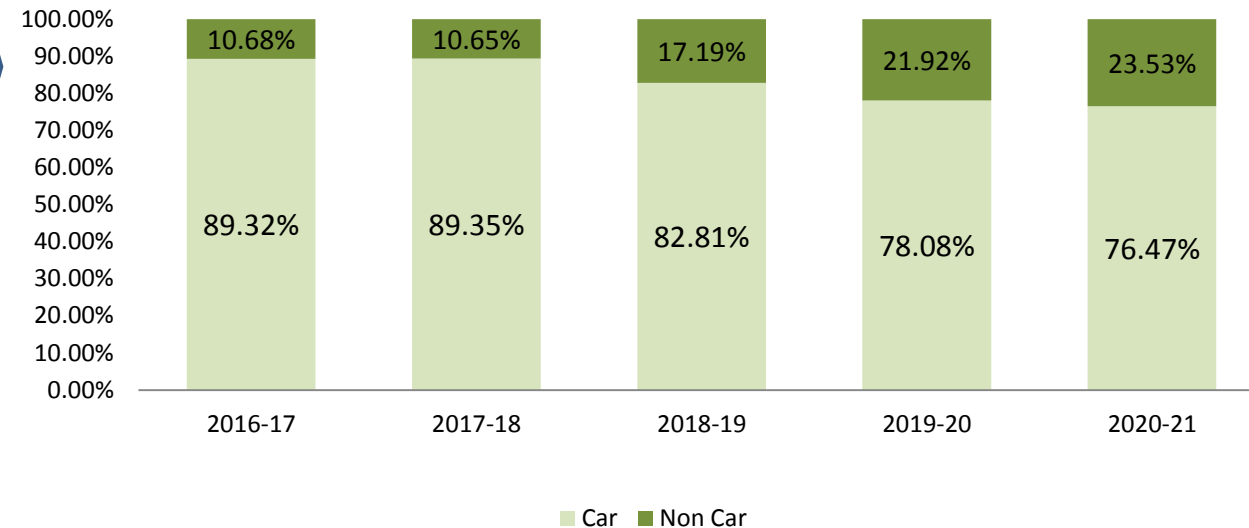
Revenue	Rs in Cr	%age
Car Segment	1,527	87.18%
ECM	37	2.10%
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Refer	1	0.08%
Truck	4	0.21%
Tractor	2	0.10%
Home AC	2	0.09%
AM+Others	128	7.31%
	1,751	

Long Term Target (2021)

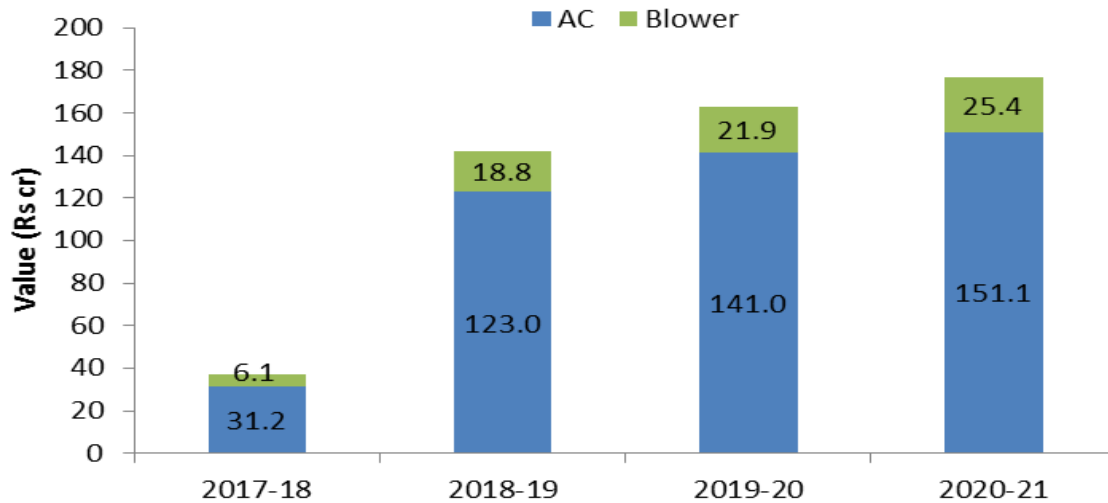
**Car Segment Vs Other Segments
75% vs 25% ratio**



Car vs Non Car Ratio



Target is to achieve Turnover target of 3000 Cr in next 3 Years



Regulatory Requirement

- Government had notified in 2016 that all N2 (3.5 to 12 tonnes) and N3 (above 12 tonnes) category trucks should be equipped with air conditioned cabins w.e.f. April 1, 2017.
- Due to implementation of BS IV on April 1st the deadline was further revised to Dec 31, 2017.
- Now, the ministry has released a draft notification on 8th Aug'17 requiring that all N2 & N3 category vehicles shall be equipped with **air conditioning system or ventilation system** with effective from **1 st Jan 2018**.

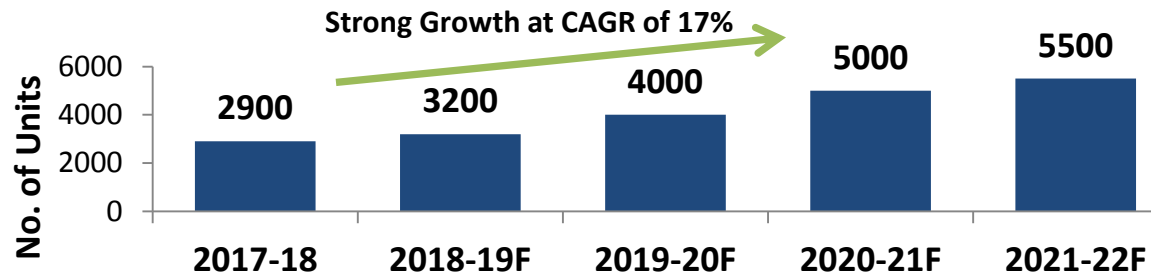
Current Status

- Award of business (Blower only) from :-
 - Ashok Leyland (70% SOB)
 - Mahindra Truck and Bus Dev. (ICV/LCV)- 100% SOB
 - Swaraj Mazda Isuzu-100% SOB
- Award of business (Air Conditioning) from :-
 - Tata Motors Limited (70% SOB)
 - Daimler (30% SOB)
 - Mahindra Truck and Bus Dev for HCV (100%SOB)
- Above business will add approx 176 Cr to top line.
- Since SOP is mandatory on 1st Jan, 2018, hence NPD activities are ongoing to meet time lines



Railway Segment

Approximate production volume



Metro Segment

There will be a demand of 2000 metro trains and 12000 coaches* (2015-2020)



In addition to this there would be replacement market of approximately 10% (leakage rates are around 5-8%)

Strategic Segments

Revenue Streams	1	2	3
COACH AC			
CABIN AC			
AMC			
	Railways	Metro	Army

Growth Drivers

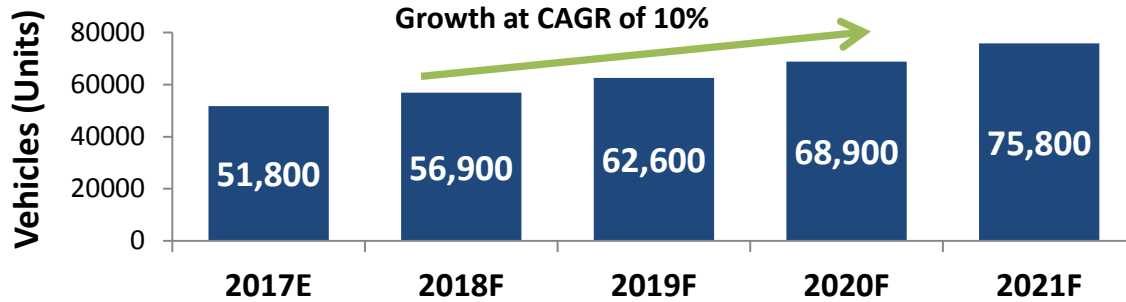
1. The requirement of rail coaches is estimated at 37,000 coaches during the 13th plan period
2. High speed rail projects and Semi-High speed rail projects planned to increase present speed of the existing system
3. Central government has earmarked ~2,544mn Euros for metro projects across the country
4. The defence ministry may fund four railway projects in the areas bordering India and China totalling a railway line of about 1,400 km

Strategy of 25% SOB in Railway and 10% SOB in Metro (Targeting 150 cr in next 3 years)



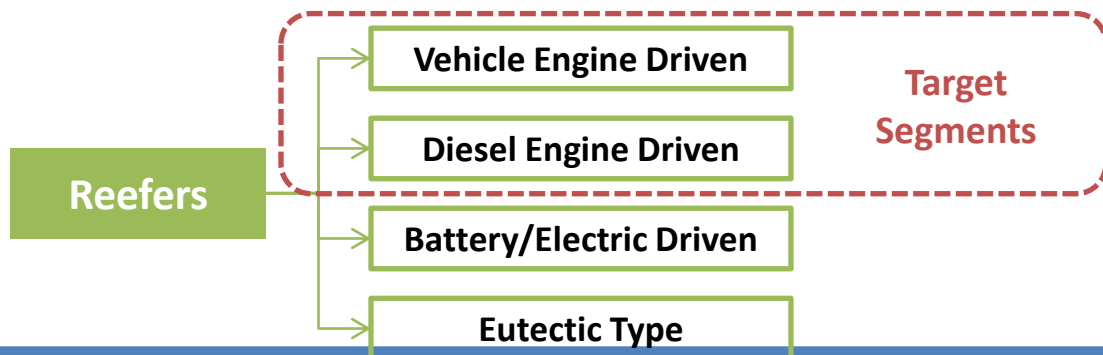
Transport Refrigeration Market

Temperature controlled vehicles*



- ~ 250 reefer transport operators
- ~ 80% transport is for dairy products
- ~ 10,000 vehicles are used for refrigerated transportation
- ~ 40% vehicles are for long haul movement
- ~ 60% vehicles are for short haul movement

Strategic Segments



Growth Drivers

1. Rapid urbanization and evolving food consumption patterns
2. Pharmaceutical cold chain logistics represent an emerging opportunity
3. Strict regulatory compliance and costs, leading to increase in demand for cold chain transport infrastructure
4. Domestic market for refrigerated container services is yet unexploited
5. Upcoming regulation of compulsory air conditioning for driven cabins to boost demand

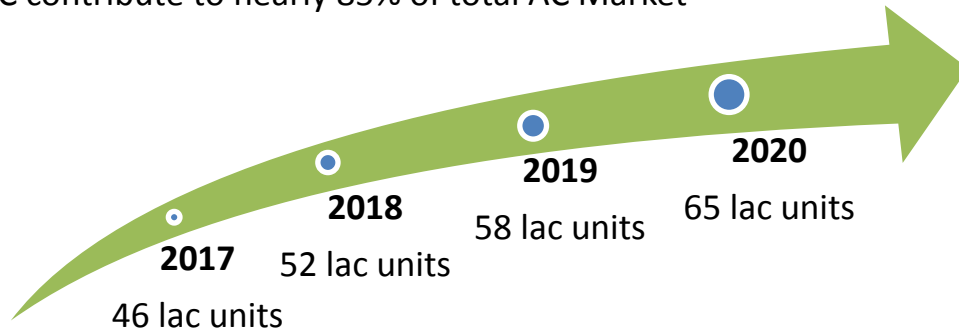
Long term strategy of 10% SOB (Targeting 100 cr in next 3 years)

* Source: Cold chain industry in India report; # CAGR of 2013-17 is 10%. Same has been assumed for 2017-21



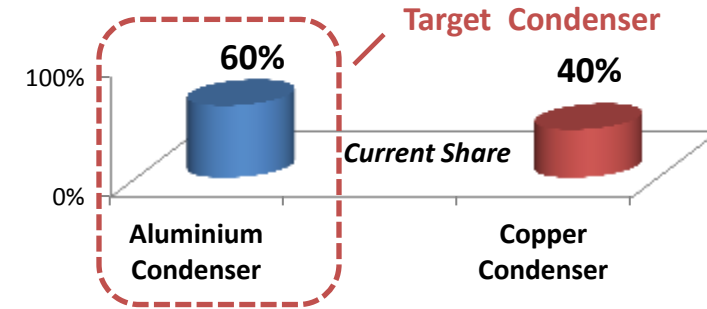
Volume projections of Home AC market

Split AC contribute to nearly 85% of total AC Market

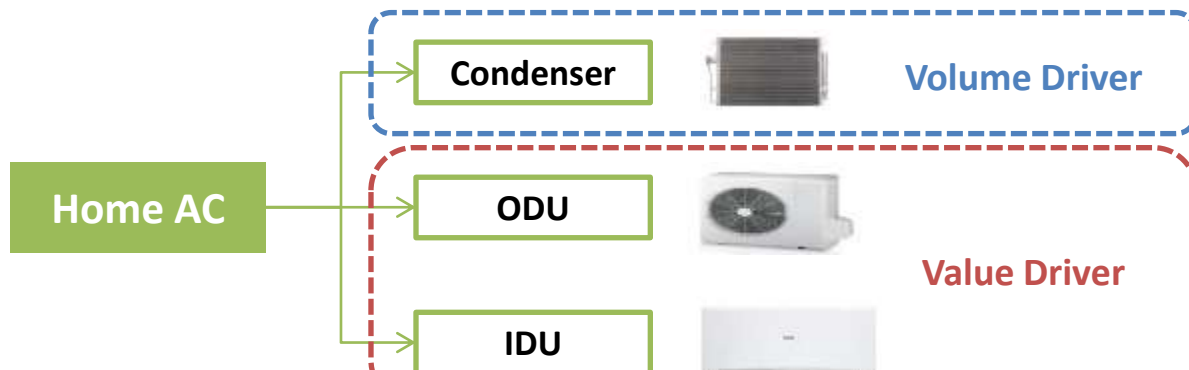


Condenser Type

Aluminium condenser share is further expected to increase



Strategic Products



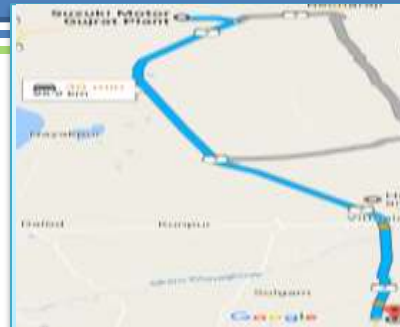
Growth Drivers

1. Market is estimated to reach 65 lac units by 2020 and is growing at 13% annually
2. Very few IDU manufacturers in India
3. Home appliances manufacturers prefer multiple suppliers
4. Price point will be a major factor for customer acquisition
5. Increasing real estate and infrastructure development activities across all major sectors

Long term strategy of 20% SOB among all products (Revenue Potential 100Cr)



Existing Subros (Sanand)



Subros Karsanpura
25 KMs from SMG on Highway

Subros Gujarat New Plant

New Plant
Subros Limited Gujarat (SLG)

Established in	2011
Capacity	400K units
Land Area (Sq Mtr)	16000 sq Mtr
Building Area (Sq. Mtr)	3,031 (Existing) 7,000 (Can be build in future)
Facility	HVAC Assembly ,Condenser Assembly ,Compressor ,Hose and Pipe Line
Model	HVAC YRC (2017) -83K p.a. (Pass thru)
	HVAC YSK-224K p.a. (Manufacturing)
	All Child parts supply from Noida/ Manesar
	Compressor –Noida and Condenser-Manesar

Established in (Planned)	2019
Capacity	500K units (Scalable to 1 Million)
Land Area (Sq Mtr)	64000 sq Mtr
Building Area (Sq. Mtr)	40000 Sq Mtr
Facility	HVAC Assembly, Injection Molding, Evaporator and Heater
Projected Investment of 130Cr in three phases	Condenser Manufacturing (REC)
	ECM (11.5)
	Compressor (Die Casting, Machining and Assy)
	Hose and Pipe



- Market leader in auto air conditioning (40% market share) for Car Market and Commercial Vehicle segment
- Strong lineage, experienced management and strong brand equity.
- Strong partnership with foreign collaborators i.e. Suzuki Motor Corporation (SMC), Japan and Denso Corporation (Denso) each hold 13% stake in Subros Limited.
- Established supplier for Maruti, M&M, Tata Force Motor, Renault Nissan and Indian Railways.
- Strong technical collaboration with global leader in automotive air-conditioning i.e. Denso, Japan. State of art R&D and Testing facilities. Strong local design capabilities with the setup of Denso Subros engineering services center -Subros' design JV with Denso
- High capability for in-house tool manufacturing allowing for vendor up gradation, in house tool development as well as revenue diversification.
- All India integrated infrastructure and network for manufacturing, R&D, New Product Development (NPD) and after sales support
- Excellence in ERP systems (SAP)
- Committed vendor base

Thank You

www.Subros.com