



## MORNING FARSIGHT

Tuesday, May 29, 2018

**SUBROS**

**CMP:RS 325**

**TRGT:RS 500**

**TIME HORIZON: 1 YEAR**

Subros Ltd, having dominant market share of over 40% in domestic PV AC business, and supplying 60/50/30% of the total AC requirement of Maruti / Tata Motors / M&M, is looking a good buy, with excellent Q4FY18 earnings posted by the company, with an income of Rs. 552 cr against Rs. 453 cr QoQ and Rs. 467 cr YoY, a growth of 22% QoQ and 18%YoY. EBITDA has come in at Rs. 63.3 cr against Rs. 52 cr QoQ and Rs. 49.6 cr YoY (+22% QoQ, +13%YoY), with EBITDA margin of 11.5%,an expansion of 60 bps QoQ and 90 bps YoY. PBT is placed at Rs. 27.6 cr against Rs. 17.9 cr QoQ and Rs. 7.47 cr YoY. However, higher tax of Rs. 9.04 cr against Rs. 1.47 cr QoQ and Rs. (1.59) cr YoY, made PAT of Rs. 18.6 cr look flat against Rs. 16.43 cr QoQ, though more than doubled from Rs.9.06 cr. YoY.. Company has ended FY18 with PAT of Rs. 60.6 cr against Rs. 13.2 cr of FY17, leading to an EPS of Rs. 10.10 for FY18 against Rs. 2.20 of FY17. FY18 Cash EPS is seen at Rs. 28 against Rs. 15.70 of FY17. Going ahead, recently launched Maruti's refreshed version of Swift and recently completed capacity expansion (1.5 mn to 2 mn units) will aid strong growth ahead. Company is also undertaking a greenfield expansion of its 7th plant in Gujarat, with an annual capacity of 5 lakh units, expected to be operational by H2FY19. Another positive trigger going forward is the Government mandated of NC cabins / ventilation in all trucks, with a gross vehicle weight (GVW) of 3.5 tonne and above, with effect from 1.1.18, which is expected to be a Rs. 175 crore opportunity for the company, given its domain expertise and healthy relationship with leading CV makers like Ashok Leyland, SML, Tata Motors, Mahindra & Daimler. In addition to auto, company's presence extends to home AC segment (serving Whirlpool) and Indian Railways. Company's current M cap and EV stand at Rs. 1,950 cr and Rs. 2,100 cr respectively, translating into EV/sales multiple of just 1x,with EV/EBITDA of 9.7x. PE multiple, based on FY19 e EPS of Rs. 13 is at 25x, which is encouraging for a company enjoying leadership position, multi-location presence, expanding capacity, advanced technological partners and rising end-user demand. Share ruling at Rs. 325 can move to Rs. 500 in 1 year.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

**Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.**