

March 27, 2026

Subros Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based – Term loan	-	40.00	[ICRA]AA (Stable); assigned
Short-term – Non-fund based Facilities	50.00	50.00	[ICRA]A1+; reaffirmed
Long-term/Short-term – Fund based limits	80.00	80.00	[ICRA]AA(Stable)/[ICRA]A1+; reaffirmed
Long-term/Short-term – Fund based/Non fund based limits	100.00	100.00	[ICRA]AA (Stable)/ [ICRA]A1+; reaffirmed
Long-term/Short-term – Unallocated limits	35.00	35.00	[ICRA]AA(Stable)/[ICRA]A1+; reaffirmed
Total	265.00	305.00	

*Instrument details are provided in Annexure I

Rationale

The rating action for Subros Limited (Subros) continues to factor in an expectation of steady operational performance, aided by its strong market position in the thermal products segment, supported by established relationships and a healthy share of business (SOB) with leading original equipment manufacturers (OEMs). The company reported a healthy YoY revenue growth of around 10% in FY2025 and 9M FY2026, driven by sustained demand in the passenger vehicle (PV) industry. Further, the Government of India's mandate for air-conditioned fitted cabins in N2 and N3 trucks (gross vehicle weight more than 3.5 tonnes), effective June 2025, is expected to generate incremental revenue opportunities going forward. The company has significantly muted its sales in the home AC segment due to thin margins amid inflationary pressure arising from the fixed-price nature of contracts. However, higher contributions from other segments, such as commercial vehicles (CVs) and Indian Railways, are expected to support its earnings growth prospects.

The company's operating profitability margin, however, remained impacted in FY2026 (8.6% in 9M FY2026 compared to 9.7% in FY2025) due to commodity and currency inflation, delayed pass-through to OEMs, and higher employee costs. The profitability remains susceptible to commodity and logistics costs owing to any adverse geopolitical situation. Nevertheless, the margins are expected to gradually improve over the medium term, aided by operational efficiencies and sustained reduction in imports (around 16% of revenues at present). The ratings for Subros continue to factor in its integrated manufacturing operations and strong product development capabilities, supported by technical collaboration with Denso Corporation, Japan. Its healthy financial risk profile, characterised by strong debt coverage indicators (total debt/OPBDITA of 0.1 times and interest coverage of 28.3 times as of March 31, 2025) and a robust liquidity profile (cash and liquid investments of Rs. 160-165 crore as of March 31, 2025 and Rs. 90-95 crore as on September 30, 2025), provide further comfort.

ICRA notes that the company is setting up a greenfield facility in Kharkhoda at an estimated outlay of around Rs. 150 crore, which is planned to be operational by June-July 2026. This capex will be funded through a mix of debt and internal accruals. In addition, the company has announced two major capex programmes to expand both electric vehicles (EVs) and internal combustion engine (ICE) compressor capacities at Karsanpura, Gujarat. The company plans to invest Rs. 175 crore (75% debt-funded) to set up a new 4,00,000-units-per-year electric compressor line in a phased manner, to be commissioned by FY2028, driven by increasing localisation requirements of EV and hybrid OEMs. In parallel, the company will also invest Rs. 90 crore (through internal accruals) to add 5,00,000 units per year of ICE compressor capacity, to be completed within 24 months. Additionally, the company continues to have capex requirements of Rs. 100-120 crore per annum towards routine

maintenance, to be largely funded through internal accruals. Despite the said capex plans, an expectation of improved cash accruals is likely to help the company maintain its strong financial risk profile and liquidity position.

The above strengths are partially offset by its high customer and segment concentration risk, with sales to Maruti Suzuki India Limited (MSIL) accounting for 80-85% of revenues in FY2025 and H1 FY2026. The same is mitigated to an extent by its strong SOB with MSIL and the OEM's market leadership in the PV segment. Moreover, business gains from new segments are expected to gradually reduce client concentration risks going forward.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company to continue maintaining a conservative financial risk profile with healthy cash accruals, despite its capex plans.

Key rating drivers and their description

Credit strengths

Strong market share of thermal products in PV industry; supply ramp-up for other businesses to aid sector diversification over medium term – Subros is a leading automotive thermal system manufacturer in the domestic market. Despite intense competition, it has successfully maintained a strong market position (an estimated market share of 40-42% in the addressable product range in the PV industry), benefitting from its integrated manufacturing operations and strong product development capabilities. It also enjoys a strong SOB of around 80% with MSIL. Over the last few years, it has expanded its product range to cater to other segments such as CVs and Railways and has recently secured a tender of Rs. 52 crore (three-year execution period i.e. FY27-FY29) for supplying ACs for railway coaches. Further, the mandated usage of AC cabins in N2/N3 category vehicles would provide the company with incremental revenue opportunities. Accordingly, its dependence on the PV segment is expected to reduce over the medium term as supplies for other business segments scale up.

Technical collaboration with Denso Corporation strengthens product development capabilities and competitive positioning – Subros has a technical collaboration with Denso Corporation, a leading automotive manufacturer in the global market. The company's strong product development capabilities, coupled with its considerable scale of operations and low-cost structure, have enabled it to sustain a strong market position over the years. Its strong parentage (Suzuki Motor Corporation and Denso Corporation hold 11.96% and 20% equity stakes, respectively) has also helped it maintain strong business relationships with its primary customer, MSIL, while aiding in establishing relationships with new customers.

Healthy financial risk profile, characterised by conservative capital structure and strong debt coverage indicators – Subros received an equity infusion of Rs. 209.9 crore from Denso Corporation, Japan, in December 2018, which was utilised for part repayment of its debt and creditors, leading to a significant improvement in the entity's capital structure. It continues to maintain healthy cash and liquid investments (Rs. 90-95 crore as on September 30, 2025) and is characterised by a net negative debt position and strong debt coverage indicators (total debt/OPBDITA of 0.3 times and interest coverage of 33.2 times in H1 FY2026). Despite significant capex requirements going forward, an expectation of strong cash accruals is likely to help the company maintain its strong financial risk profile and liquidity position.

Credit challenges

High client and segment concentration risks, with MSIL driving more than 80% of sales – The company remains exposed to customer concentration risk, with sales to MSIL accounting for 80-85% (including indirect sales) of its revenues in FY2025 and H1 FY2026. Although this results in high client concentration risk, the same is mitigated to a large extent by the OEM's market leadership in the PV segment and Subros' strong SOB across various MSIL models. Even as the PV segment is likely to remain the mainstay of the company's business, this dependence is expected to reduce over the medium term as supplies for other business segments materially scale up.

Moderate operating profitability – The operating profitability moderated over FY2020-FY2023 (from earlier levels of 10-11%), led by multiple factors such as a change in product mix (with an increase in contribution from the home AC segment, which entailed relatively lower margins), high commodity prices, an increase in diesel prices, and elevated logistics and packaging

costs. While operating margins improved to 8.4% in FY2024 and 9.7% in FY2025, it softened to 8.6% in 9M FY2026 owing to commodity and currency inflation with delayed pass-through, an adverse model mix (higher small-car sales post GST rationalisation), and higher employee costs. Nonetheless, margins are expected to gradually recover over the medium term, supported by economies of scale, cost-rationalisation initiatives, and increased localisation. However, if the ongoing geopolitical conflict persists, the company may face margin pressures due to an increase in logistics and manufacturing costs, which remain a monitorable. Although the company’s ability to pass on higher raw material costs to OEMs, provides some comfort.

Liquidity position: Strong

The liquidity position of the entity remains strong, supported by sizeable cash and liquid investments (Rs. 90-95 crore as on September 30, 2025), low utilisation of working capital facilities, and an expectation of strong cash accruals (more than Rs. 250 crore per annum in the near term). The entity has capex plans of Rs. 250-300 crore in FY2027 towards maintenance and capacity expansion, which are planned to be funded through a mix of debt and internal accruals. Despite significant capex planned over FY2027-FY2028, the entity is expected to maintain comfortable liquidity and healthy cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade the long-term rating in case of a sustained improvement in the company’s revenues and earnings while maintaining healthy liquidity and credit metrics. An improvement in its business profile through material diversification of the automotive segment mix will also be a credit positive.

Negative factors – ICRA could downgrade the ratings in case of a significant deterioration in Subros’ operational profile led by a decline in business with key customers, especially MSIL. The ratings could also be downgraded in case of a deterioration in its profitability indicators or a higher-than-expected capital expenditure/ acquisition outlay, which may adversely impact its credit profile. Specific credit metrics that may lead to a downgrade include total debt/OPBDITA greater than 1.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto components
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Subros Limited. As on March 31, 2025, the company had one joint venture, which is enlisted in Annexure II.

About the company

Incorporated in 1985, Subros Limited is a leading thermal system manufacturer of compressors, condensers, hoses and tubes. The company is promoted by the Suri family, whose business interests are spread across diverse industries, such as education, hospitality and telecom access products. While the company was initially focused on providing cooling solutions for the PV segment, over the years, it has gradually expanded its product portfolio to include thermal systems for homes, bus cabins, truck cabins, railway coaches and driver cabins.

The company’s manufacturing plants are located in Noida (Uttar Pradesh), Manesar (Haryana), Pune (Maharashtra), Chennai and Karsanpura (Gujarat). It also has a manufacturing and assembly unit for residential and commercial cooling products at Nalagarh (Himachal Pradesh). Subros has a technological agreement with Denso Corporation, Japan, a leading automotive manufacturer in the global market. Denso Corporation currently has a 20% ownership interest in Subros. Suzuki Motor Corporation, Japan, also holds a ~11.96% share in the listed entity, with ~36.79% held by the Suri family.

Key financial indicators (audited):

Subros Limited (consolidated)	FY2024	FY2025	9M FY2026*
Operating income	3,073.2	3,369.9	2,705.8
PAT	97.5	150.3	115.9
OPBDIT/OI	8.4%	9.7%	8.6%
PAT/OI	3.2%	4.5%	4.3%
Total outside liabilities/Tangible net worth (times)	0.7	0.7	-
Total debt/OPBDIT (times)	0.1	0.1	-
Interest coverage (times)	22.1	28.3	-

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *Limited results

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)			Chronology of rating history for the past 3 years						
Instrument	Type	Amount rated (Rs. crore)	Mar 27, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	40.0	[ICRA]AA (Stable)	Feb-17-25	-	Jan-31-24	[ICRA]AA (Stable)	Jan-31-23	[ICRA]AA- (Positive)
Non Fund-Based Facilities	Short term	50.00	[ICRA]A1+	Feb-17-25	[ICRA]A1+	Jan-31-24	[ICRA]A1+	Jan-31-23	[ICRA]A1+
Fund Based Limits	Long term/short term	80.00	[ICRA]AA (Stable)/[ICRA]A1+	Feb-17-25	[ICRA]AA (Stable)/[ICRA]A1+	Jan-31-24	[ICRA]AA (Stable)/[ICRA]A1+	Jan-31-23	[ICRA]AA- (Positive)/[ICRA]A1+
Fund/Non Fund-based Limits	Long term/short term	100.00	[ICRA]AA (Stable)/[ICRA]A1+	Feb-17-25	[ICRA]AA (Stable)/[ICRA]A1+	Jan-31-24	[ICRA]AA (Stable)/[ICRA]A1+	Jan-31-23	[ICRA]AA- (Positive)/[ICRA]A1+
Unallocated Limits	Long term/short term	35.00	[ICRA]AA (Stable)/[ICRA]A1+	Feb-17-25	[ICRA]AA (Stable)/[ICRA]A1+	Jan-31-24	[ICRA]AA (Stable)/[ICRA]A1+	Jan-31-23	[ICRA]AA- (Positive)/[ICRA]A1+
Commercial Paper	Short term	-	-	Feb-17-25	-	Jan-31-24	[ICRA]A1+; Withdrawn	Jan-31-23	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Short-term – Non-fund based Facilities	Simple
Long-term/Short-term – Fund based Limits	Simple
Long-term/Short-term – Fund based/Non fund based limits	Simple
Long-term/Short-term – Unallocated limits	Not applicable
Long-term – Fund based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	FY2026	NA	FY2031	40.0	[ICRA]AA (Stable)
NA	Non Fund-Based facilities	NA	NA	NA	50.00	[ICRA]A1+
NA	Fund Based limits	NA	NA	NA	80.00	[ICRA]AA (Stable)/ [ICRA]A1+
NA	Fund/Non Fund-based limits	NA	NA	NA	100.00	[ICRA]AA (Stable)/ [ICRA]A1+
NA	Unallocated limits	NA	NA	NA	35.00	[ICRA]AA (Stable)/ [ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	Subros ownership	Consolidation approach
Subros Limited	100.00% (rated entity)	Full consolidation
Denso Subros Thermal Engineering Centre India Limited	26.00%	Equity Method

Source: Subros Annual Report FY2025

ANALYST CONTACTS

Jitin Makkar

+91 124 4545 368

jitinm@icraindia.com

Srikumar Krishnamurthy

+91 44 4596 4318

srikumar.k@icraindia.com

Rohan Kanwar Gupta

+91 124 4545 808

rohan.kanwar@icraindia.com

Astha Bansal

+91 124 4545 342

astha.bansal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



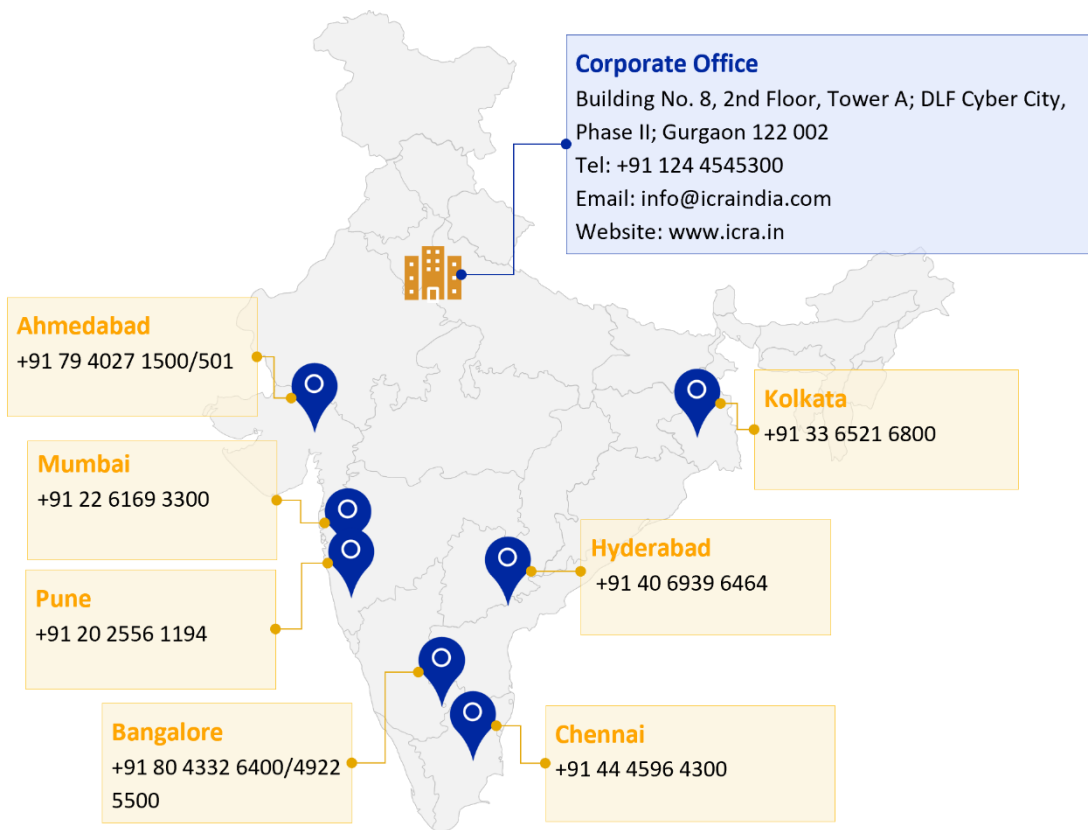
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2026 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.