

Harsha Engineers International Limited

Earnings Presentation – FOR Q2 / H1 FOR FY25

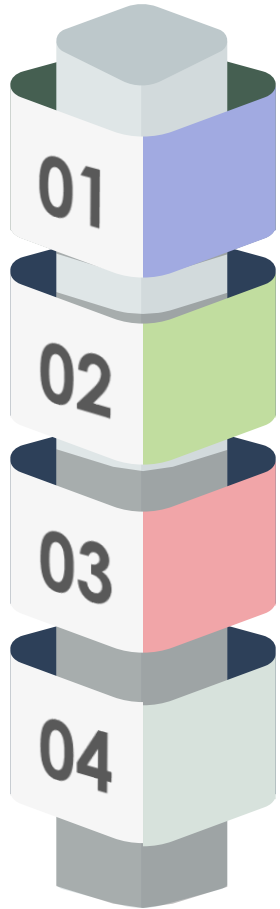


Disclaimer/ Safe Harbor

Cautionary statement regarding forward-looking statements



- This presentation may contain certain forward-looking statements relating to Harsha Engineers International Limited (“HEIL”, or “Company”) and its future business, development and economic performance. These statements include descriptions regarding the intent, belief or current expectations of the Company, its subsidiaries and associates and their respective directors and officers with respect to the results of operations and financial condition of the Company, subsidiary or associate, as the case may be. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties include, but are not limited to (1) competitive pressures; (2) legislative and regulatory developments; (3) global, macroeconomic and political trends; (4) fluctuations in currency exchange rates and general financial market conditions; (5) delay or inability in obtaining approvals from authorities; (6) technical developments; (7) litigation; (8) adverse publicity and news coverage, which could cause actual development and results to differ materially from the statements made in this presentation. Company assumes no obligation to update or alter forward-looking statements whether as a result of new information, future events or otherwise. Any forward-looking statements and projections made by third parties included in this presentation are not adopted by the Company and the Company is not responsible for such third party statements and projections.
- This presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this presentation. This presentation may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of, or any omission from, this presentation is expressly excluded.
- This presentation does not constitute a prospectus, offering circular or offering memorandum or an offer, or a solicitation of any offer, to purchase or sell, any shares and should not be considered as a recommendation that any investor should subscribe for or purchase any of company’s securities in any jurisdiction. Neither this presentation nor any other documentation or information (or any part thereof) delivered or supplied under or in relation to the shares shall be deemed to constitute an offer of or an invitation by or on behalf of company. No part of it should form the basis of or be relied upon in connection with any investment decision or any contract or commitment to purchase or subscribe for any of company’s securities.
- HEIL assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events, or otherwise. Unless otherwise stated in this document, the information contained herein is based on management information and estimates. The information contained herein is subject to change without notice and past performance is not indicative of future results. HEIL may alter, modify or otherwise change in any manner the content of this presentation, without obligation to notify any person of such revision or changes.
- No person is authorized to give any information or to make any representation not contained in and not consistent with this presentation and, if given or made, such information or representation must not be relied upon as having been authorized by or on behalf of HEIL.
- This presentation and its contents are confidential and should not be distributed, published or reproduced, in whole or in part, or disclosed by recipients directly or indirectly to any other person.



Quarter and Year End Highlights

Business Update

Summary on use of IPO Proceeds

Company Overview



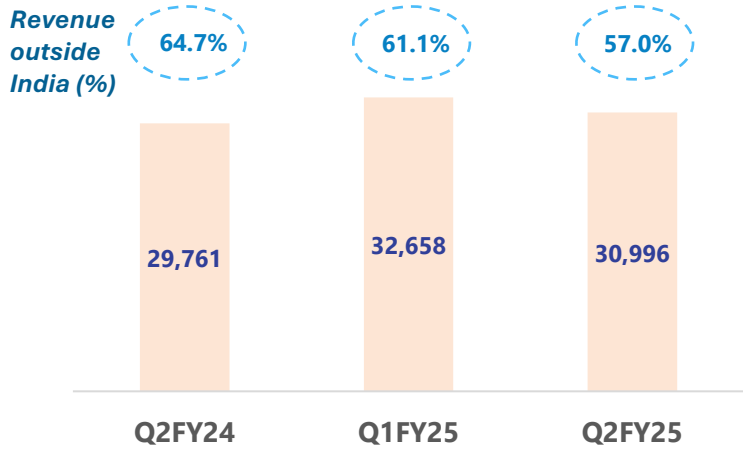
QUARTER

HIGHLIGHTS

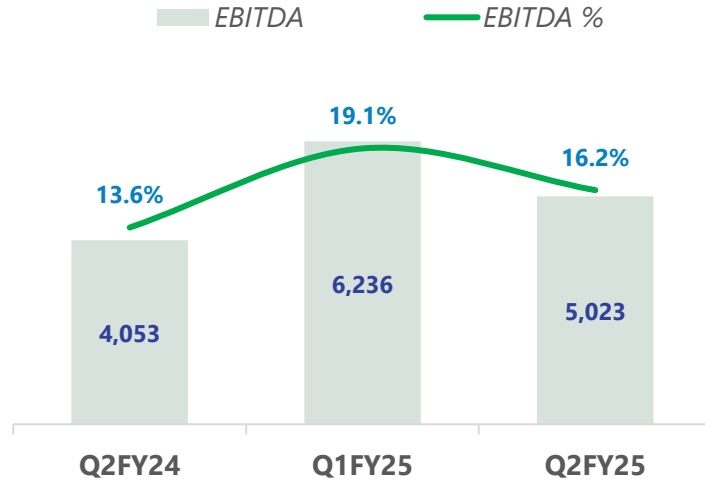


Financial Highlights - QoQ

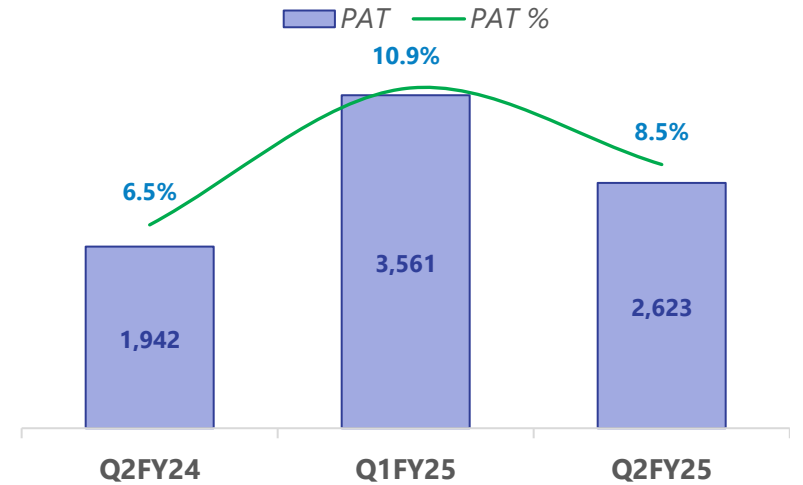
Revenue - Engineering CONSOLIDATED



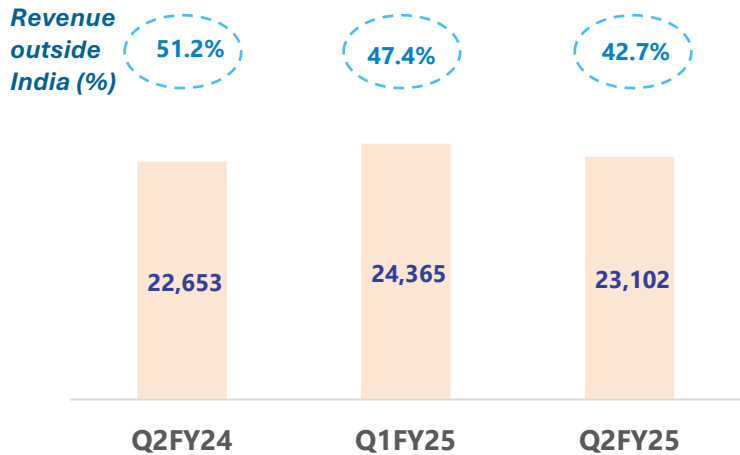
EBITDA - Engineering CONSOLIDATED



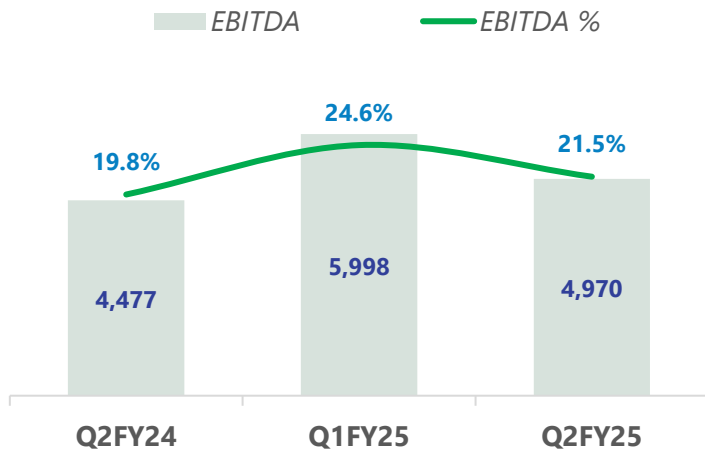
PAT - Engineering CONSOLIDATED



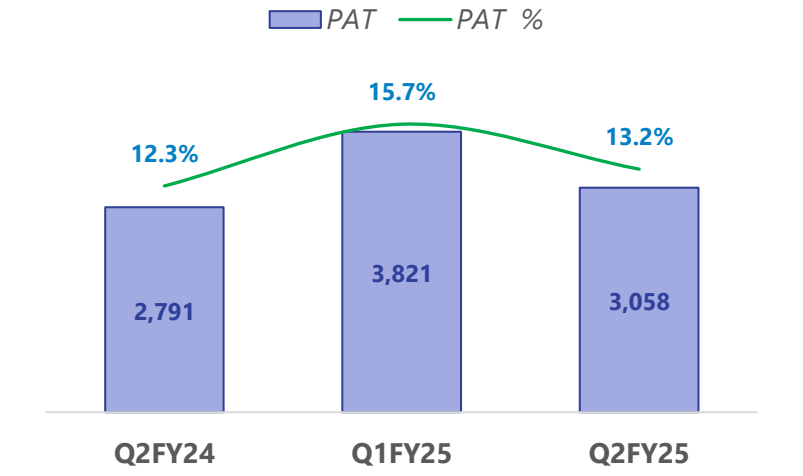
Revenue - Engineering INDIA



EBITDA - Engineering INDIA



PAT - Engineering INDIA



- On a consolidated basis, the performance of the Company in Q2 FY 25, though slightly lower than the management expectations, is still broadly in line, considering the past historical trend of Q2 performance being generally subdued.
- In Q2 FY 25, at a consolidated level, revenue from operations shows a modest growth of 3.9% over the corresponding Q2 of FY 24 and also a modest growth of 2.7% over Q1 FY 25. However, there is a slight compression in Q2 FY 25 margins as compared to Q1 FY 25, primarily driven by a reduction in the operating margins in the Engineering business. Similarly, H1 FY 25 topline is almost flat, as compared to H1 FY 24 top line, whereas the H1 FY 25 PAT is showing around 45% growth over H1 FY 24 PAT.
- The Q2 FY 25 top line of Harsha India Engineering business has remained more or less flat as compared to Q2 of FY 24 and shows a slight degrowth as compared to Q1 FY 25. While YOY margin has grown significantly in Q2/H1 FY 25, there is a reduction in the margin on QOQ basis in Q2 FY 25 primarily attributable to the impact of price pass through and continued slowdown in key markets of Europe and Americas.
- The Bronze Bushing business reported a continued strong growth in Q2/H1 FY 25. However, the business from Japan based customers, Stampings and in the large size Bearing Cage segments remained subdued.

- Performance of China in Q2 FY 25 continues to be satisfactory in line with the expectations showing positive trend. While Romania continues to reel under pressure owing to continued softness in demand from Wind and Industrial Sector, resulting into a degrowth in top line in Q2 FY 25 and continued operating losses. Thus, in Q2 FY 25, there is a combined net loss of around Rs. 4 crores in the overseas subsidiaries.
- New product development at India level continues to be strongly positive. Further, the positive impact of “China + 1” factor in India is expected to be more prominent in Q4 FY 25.
- The Greenfield project implementation is on track and is targeted to be commissioned by Q4 FY 25.
- In Q2 FY25, Solar has continued giving positive results and it included revenue of O&M services for past period after receiving necessary qualification and approval.

Consolidated P & L Statement



(₹ in Lakhs)

Particulars	Q2 FY25	Q2 FY24	H1FY25	H1FY24	FY23-24
REVENUE :					
Revenue from Operations	35,258	33,949	69,574	68,745	1,39,230
Other Income	1,208	665	1,998	1,065	2,949
TOTAL REVENUE	36,466	34,614	71,572	69,810	1,42,179
EXPENSES :					
Cost of Material Consumed	18,098	18,440	35,765	37,450	77,905
Change in Inventories of Finished Goods & Work-in-progress	633	1,266	(310)	1,468	(181)
COGS	18,731	19,706	35,455	38,918	77,724
Employee Benefits Expenses	4,544	4,146	9,183	8,487	16,905
Other Expenses	7,799	6,573	15,235	13,634	27,466
EBITDA	5,392	4,189	11,699	8,771	20,084
Margin %	15.3%	12.3%	16.8%	12.8%	14.4%
Finance Costs	262	248	518	510	1,077
Depreciation and Amortization Expense	1,039	976	2,060	1,932	3,932
PROFIT BEFORE TAXATION	4,091	2,965	9,121	6,329	15,075
Tax Expenses	1,195	926	2,620	1,832	3,932
PROFIT AFTER TAXATION	2,896	2,039	6,501	4,497	11,143
PAT Margin%	8.2%	6.0%	9.3%	6.5%	8.0%
Other comprehensive income	(379)	221	(339)	568	400
Basic Earnings per Share - In ₹	3.18	2.24	7.14	4.94	12.24
Diluted Earnings per Share-In ₹	3.18	2.24	7.14	4.94	12.24

Certain Key Parameters and Break Up

(₹ in Lakhs)

Particulars	Q2 FY25	Q2 FY24	H1FY25	H1FY24	FY 23-24
Revenue from Operations					
- Engineering & Others - Consolidated	30,996	29,761	63,654	62,858	1,22,684
- Engineering & Others - India	23,102	22,653	47,467	46,570	91,691
- Solar - EPC and O & M	4,262	4,188	5,920	5,887	16,546
EBITDA*					
- Engineering & Others - Consolidated	5,023	4,053	11,259	8,928	19,840
- Engineering & Others - India	4,970	4,477	10,968	9,457	19,919
- Solar - EPC and O & M	369	136	440	(157)	244
PAT					
- Engineering & Others - Consolidated	2,623	1,942	6,184	4,638	11,009
- Engineering & Others - India	3,058	2,791	6,879	6,000	12,591
- Solar - EPC and O & M	273	97	317	(141)	134
Other Income					
- Interest Income	269	373	584	799	1,484
- Share of Profit/Loss from Cleanmax Harsha Solar LLP	4	6	15	3	29
- Share of Profit/Loss from Sunstream Green Energy One Pvt. Ltd.	-	1	-	1	-
- Gain / (Loss) on Exchange Rate Fluctuation	573	33	705	(326)	234
- Miscellaneous Income	(1)	3	11	60	79
Other Income-Non -Operating	-	-	-	-	-
- Gain / (Loss) on Sales of Investment in Subsidiary Co. /Associates	-	-	-	-	(1)
- Gain / (Loss) on Sale of Investment (Mutual Fund)	37	106	107	216	292
- Gain / (Loss) on Fair value of Investments (measured at FVTPL)	326	143	576	312	832
- Total Other Income	1,208	665	1,998	1,065	2,949

Working Capital – Consolidated – Key Parameters

(₹ in Lakhs)

Sr.	Particulars	H1 FY25	H1 FY24	FY 23-24
1	Inventories			
a.	Raw Material - Amount	7,583	7,379	7,154
	No. of Days	20	20	19
b.	Semi Finished- Amount	2,273	2,131	2,061
	No. of Days	6	6	5
c.	Finished - Amount	12,599	11,387	12,793
	No. of Days	33	30	34
d.	Stores & Spares and Tooling - Amount	14,095	13,759	13,358
	No. of Days	37	37	35
2	Receivables - Amount	31,028	28,898	31,893
	No. of Days	81	77	84
3	Trade Creditors- Amount	9,861	12,229	13,293
	No. of Days	26	32	35

Utilisation of IPO Proceeds as on 30th September' 2024



<i>₹ in Lakhs</i>	
Particulars	Amount
Total IPO Proceeds	45,500
Less: IPO Expenses	(2,560)
Net Proceeds as per Prospectus	42,940
Less: IPO Expenses (excess contingencies hold)	-
Net Proceeds available	42,940

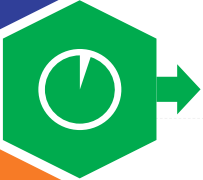
<i>₹ in Lakhs</i>				
Sr. No	Particulars	Amount as proposed in the Offer Document	Amount Utilised	Unutilised Amount
1	Pre-payment or scheduled repayment of a portion of the existing borrowing availed by the Company	27,000	27,000	-
2	Funding capital expenditure requirements towards purchase of machinery	7,795	6,245	1,550
3	Infrastructure repairs and renovation of our existing production facilities including office premises in India	712	712	-
4	General corporate purposes	7,433	7,433	-
Total		42,940	41,390	1,550



Company Overview



Largest manufacturer of precision bearing cages in India*



6.5% of the market share in the global organized bearing brass, steel and polyamide cages market^



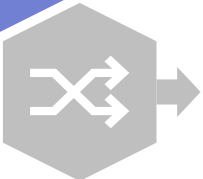
4 strategically located manufacturing facilities with various warehouses at different locations worldwide – supplying products to over 25 countries across 5 continents



Supplies products to each of the top 6 global bearing manufacturers^^



Capability to manufacture bearing cages with diameters between 20mm to 2,000mm with >7,500 products manufactured since incorporation



Diversifying into complex and specialized precision stamped components



50-60% of domestic market share



India



China



Romania

Schaffler AG

NTN

NSK

JTEKT

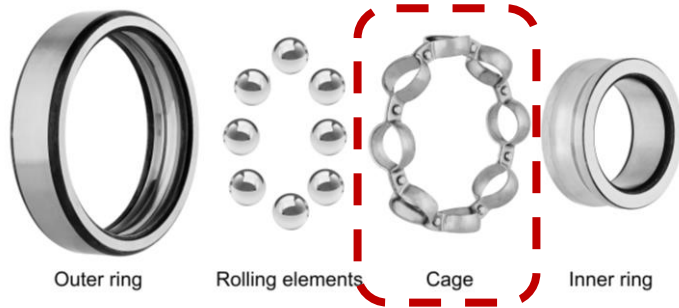
SKF

TIMKEN



Bearing cages | ~US\$5.2bn market expected to grow at ~6.4%

Bearing cages form an important component within Bearings



Bearing Cages are critical components requiring highest lead time, technical & tooling expertise



Separate rolling elements, reduce friction & heat generated in bearing



Keep the rolling elements evenly spaced optimizing load distribution on the bearing



Cages offer high rigidity, strength

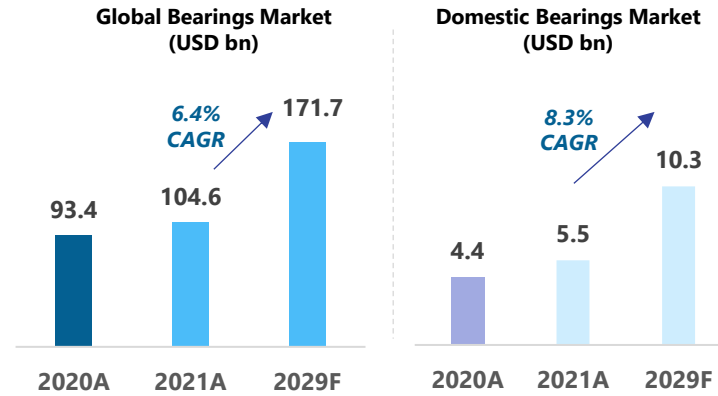


High heat resistant operating conditions



Small portion of total cost of bearing - The global bearing cages is estimated at about 5% of the global bearings market

Bearing cages have increasing usage across key fast-growing end user industries



Breakup of Bearing Market based on Application (USD bn)

Segment / Market Size	2022 F	2029 F	% share 2021	CAGR %
Automotive	24.8	37.0	22.5%	5.8%
Aviation & Aero	21.9	34.0	19.7%	6.5%
Railways	19.5	30.9	17.6%	6.7%
Construction	15.2	24.2	13.6%	6.8%
Mining	12.3	19.3	11.1%	6.6%
Electronics	10.0	15.5	9.0%	6.5%
Agriculture	6.2	9.5	5.6%	6.3%

High growth bearing cages market

Global Bearing Cages Market (USD mn)



India market is expected to grow at a **CAGR of 8.3% during 2021 to 2029.**



Supplies to each of the top 6 global bearing manufactures



Global bearing companies have **steadily increased outsourcing** manufacture of bearing cages



Given the **complexity of bearing cages production**, customers prefer continuing with **reliable vendors** for a long period for **consistency of quality**

Different designs of bearing cages with diverse applications



Taper Roller



Deep Groove



Angular Contact Ball



Thrust Roller



Spherical Roller



Cylindrical Roller



Sand Casting



Bronze Bushing



Precision Stamping Components

- ✓ *Railways*
- ✓ *Industrial machines*
- ✓ *Pumps*
- ✓ *Compressors*
- ✓ *OEMs*
- ✓ *Engine applications*

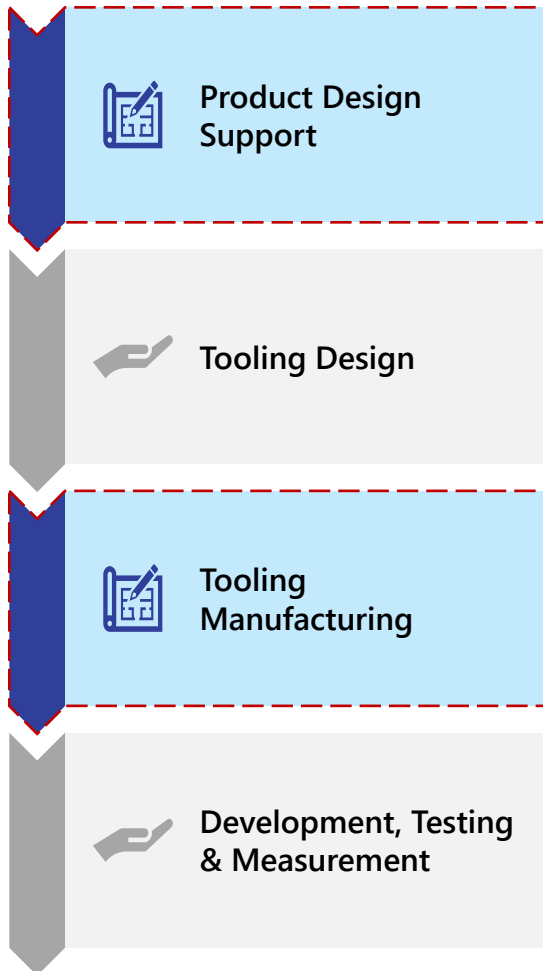
- ✓ *Crushers*
- ✓ *Steel mills*
- ✓ *Thermal turbines*
- ✓ *Windmills*
- ✓ *Agricultural machines*
- ✓ *Automotive parts*

- ✓ *Chemical machinery*
- ✓ *Utilities*
- ✓ *White appliances*
- ✓ *Chemical machinery*
- ✓ *General industries*
- ✓ *Blowout preventers*

- ✓ *Extruders*
- ✓ *Gearboxes*
- ✓ *Offshore drilling*
- ✓ *Oil rigs*
- ✓ *Traction motors for railways*

- ✓ *Railway Seal*
- ✓ *AC Compressor Head*
- ✓ *Bronze Bushing for Wind Gear Box*
- ✓ *Chassis Parts*
- ✓ *Engine Drive*
- ✓ *Clutch Components*
- ✓ *Gear Shifter Assembly Parts*

Full-service capabilities under one roof



Tooling Design

- Expertise to design and develop **advance tooling** inhouse which enables HEIL to manufacture **precision products**
- Engaged with customers to in product development process from **design stage**

Tool Manufacturing

- Comprehensive tooling, testing and measurement infrastructure
- **Dedicated tool production facilities** at Changodar have strengthened HEILs ability to meet customer demands

Process Design & automation

- **Decades of experience** – technologically driven manufacturing process enables HEIL to provide solutions in a **cost-effective manner**
- In-house automation has helped to **optimize O&M expenses, reduce production cycle time** and **minimize capex**
- *Indigenously designed vision camera system detects defects that are not possible to detect with naked eye*

Product Development

- Expertise in product development - product development cell and innovation centre



Key Strategies going forward

-  **Enhance market leadership in bearing cages and customer base expansion**
-  **Growing bronze bushings and specialised component segment**
-  **Increased focus on developing products suited to capture market opportunity in the growing EV segment**
-  **Retain and strengthen technological leadership through continued focus on development and automation**
-  **Focus on growth by partnerships with customers and opportunistic inorganic acquisitions**
-  **Focus on increasing operational efficiencies to improve returns**



THANK YOU

