

Harsha Engineers International Limited

Earnings Presentation – Quarter ended Jun'24

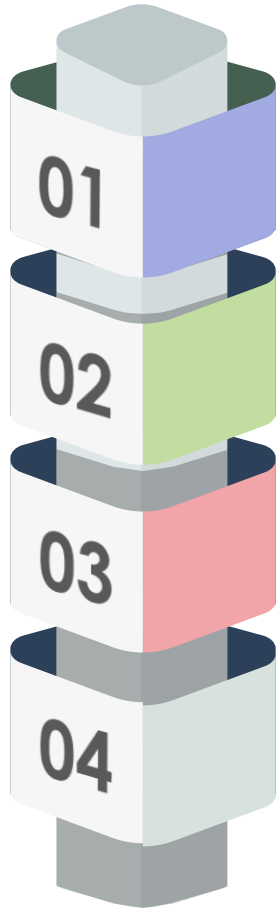


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Quarter and Year End Highlights

Business Update

Summary on use of IPO Proceeds

Company Overview



QUARTER

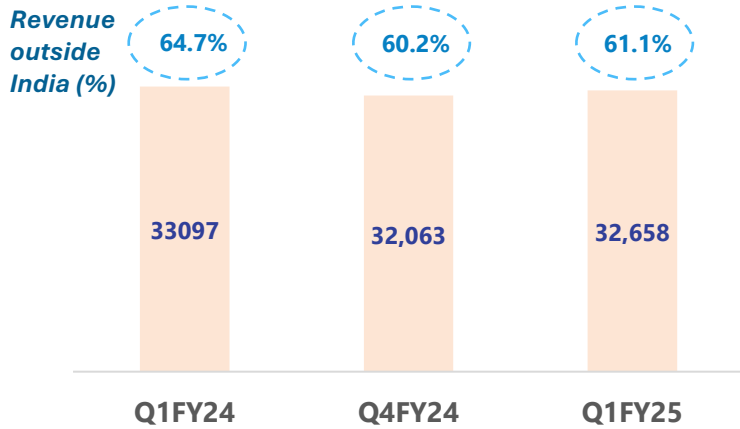
HIGHLIGHTS



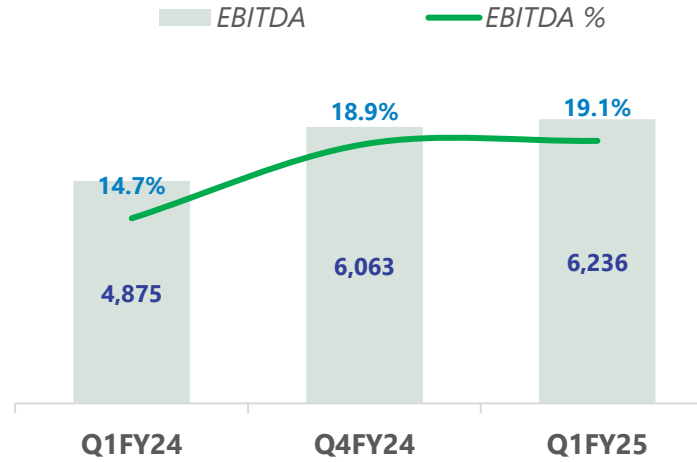
Financial Highlights - QoQ

₹ in Lakhs

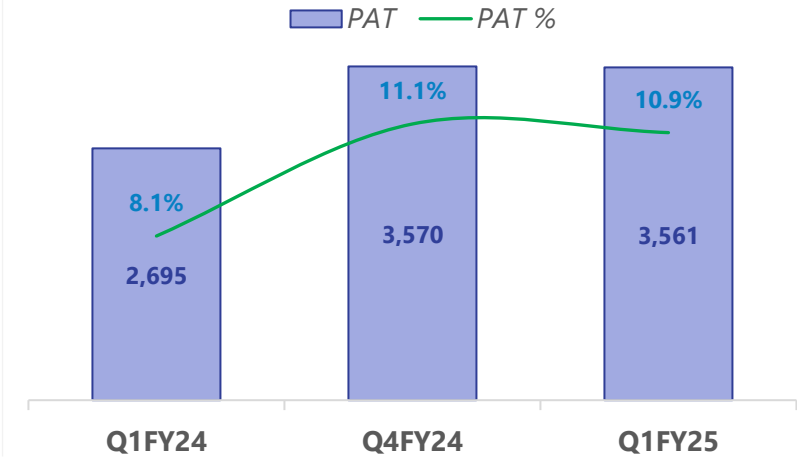
Revenue - Engineering CONSOLIDATED



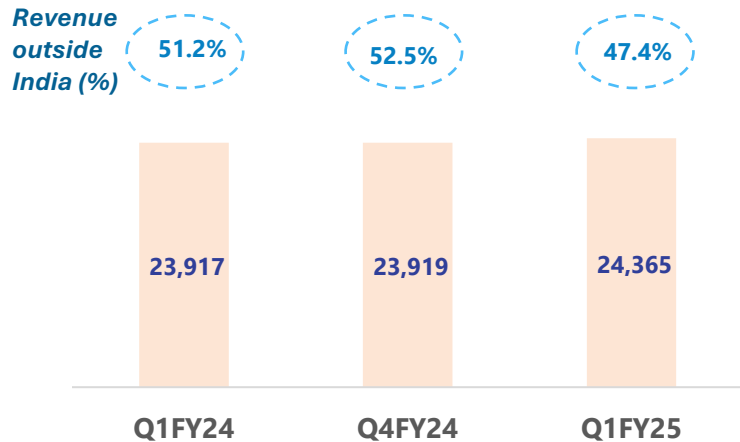
EBITDA - Engineering CONSOLIDATED



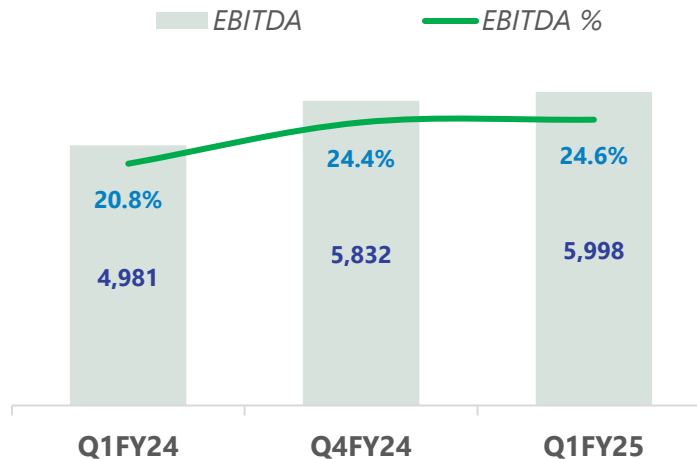
PAT - Engineering CONSOLIDATED



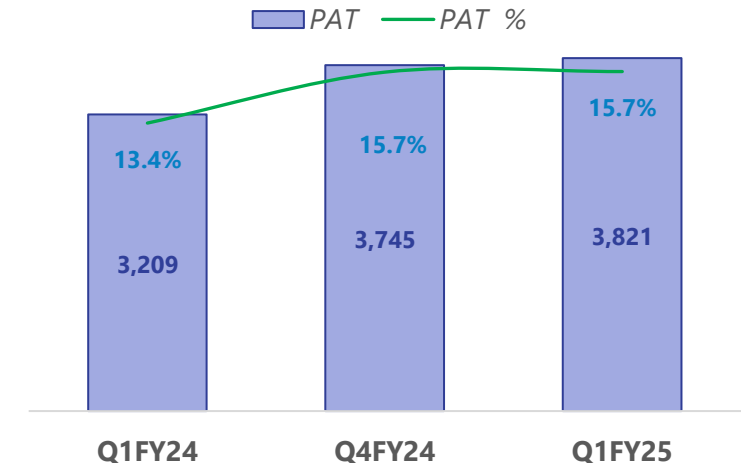
Revenue - Engineering INDIA



EBITDA - Engineering INDIA



PAT - Engineering INDIA



1. On a consolidated basis Q1 FY 2025 results are broadly in line with the management expectations, though consolidated top line shows a minor de-growth as compared to the corresponding Q1 FY 2024 numbers primarily on account of de-growth in top line of Harsha Romania due to current difficult condition in Europe market. However, as compared to Q1 FY 2024 the EBITDA margins of Q1 FY 2025 have reported a robust growth of around 38%.

For Q1 FY 2025, topline, as compared to Q4 FY 2024 has been largely flat for Engineering business and shows some de-growth for Solar Business on account of Capex cycle linked nature of the business. However, the EBITDA margins have shown a moderate improvement in Q1 FY 2025 as compared to Q4 FY 2024.

2. Harsha India Engineering business has continued to perform strongly. While the top line growth remains modest, there is a continued strong growth in EBITDA margins as compared to Q1 FY 2024 as well as Q4 FY 2024 primarily on the back of strong growth in the Bushing business and continued positive contributions coming from Japan based customers, Stampings as well as increased offtake from key domestic customers for their existing as well as new projects. However, contribution from large size bearing cage segment still continues to remain modest but is expected to catch up going forward.
3. The activity of new product development in India continues with full force with almost 100 nos. new products being developed in Q1 FY 2025 reflecting built up of future pipeline.

4. China has reported satisfactory performance with a strong top line growth in Q1 FY 2025 as compared to Q1 FY 2024/Q4 FY 2024 and bottom line is also positive. However, Romania has reported weak performance with continued operating losses resulting into a combined negative PAT contribution between China and Romania in Q1 FY 2025 of around Rs.2.70 crores. However, the efforts of increasing the share of cages with key customers in Romania have started showing positive results and Romania is expected to come in positive operating margin territory from Q4 FY 2025.
5. Progress on our Greenfield project is on track and is targeted to be commissioned by Q4 FY 2025



Consolidated P & L Statement



(₹ in Lakhs)

Particulars	Q1 FY25	Q4 FY24	Q1 FY24	FY23-24
REVENUE :				
Revenue from Operations	34,316	38,040	34,796	1,39,230
Other Income	790	775	400	2,949
TOTAL REVENUE	35,106	38,815	35,196	1,42,179
EXPENSES :				
Cost of Material Consumed	17,667	21,863	19,010	77,905
Change in Inventories of Finished Goods & Work-in-progress	(943)	(597)	202	(181)
COGS	16,724	21,266	19,212	77,724
Employee Benefits Expenses	4,639	4,287	4,341	16,905
Other Expenses	7,436	7,033	7,061	27,466
EBITDA	6,307	6,229	4,582	20,084
Margin %	18.4%	16.4%	13.2%	14.4%
Finance Costs	256	283	262	1,077
Depreciation and Amortization Expense	1,021	998	956	3,932
PROFIT BEFORE TAXATION	5,030	4,948	3,364	15,075
Tax Expenses	1,425	1,270	906	3,932
PROFIT AFTER TAXATION (Net)	3,605	3,678	2,458	11,143
PAT Margin%	10.5%	9.7%	7.1%	8.0%
Other comprehensive income	40	148	347	400
Basic Earnings per Share - In ₹	3.96	4.04	2.70	12.24
Diluted Earnings per Share-In ₹	3.96	4.04	2.70	12.24

Certain Key Parameters and Break Up

(₹ in Lakhs)

Particulars	Q1 FY25	Q4 FY24	Q1 FY24	FY 23-24
Revenue from Operations				
- Engineering & Others - Consolidated	32,658	32,063	33,097	1,22,684
- Engineering & Others - India	24,365	23,919	23,917	91,691
- Solar - EPC and O & M	1,658	5,977	1,699	16,546
EBITDA*				
- Engineering & Others - Consolidated	6,236	6,063	4,875	19,840
- Engineering & Others - India	5,998	5,832	4,981	19,919
- Solar - EPC and O & M	71	166	(293)	244
PAT				
- Engineering & Others - Consolidated	3,561	3,570	2,695	11,009
- Engineering & Others - India	3,821	3,745	3,209	12,591
- Solar - EPC and O & M	44	108	(237)	134
Other Income				
- Interest Income	315	305	426	1,484
- Share of Profit/Loss from Cleanmax Harsha Solar LLP	11	(21)	(3)	29
- Share of Profit/Loss from Sunstream Green Energy One Pvt. Ltd.	-	1	-	-
- Gain / (Loss) on Exchange Rate Fluctuation	132	128	(359)	234
- Miscellaneous Income	12	12	57	79
- Gain / (Loss) on Sales of Investment in Subsidiary Co. /Associates	-	(1)	-	(1)
- Gain / (Loss) on Sale of Investment (Mutual Fund)	70	18	110	292
- Gain / (Loss) on Fair value of Investments (measured at FVTPL)	250	333	169	832
- Total Other Income	790	775	400	2,949

Working Capital – Consolidated – Key Parameters

(₹ in Lakhs)

Sr.	Particulars	Q1 FY25	Q1 FY24	FY 23-24
1	Inventories			
a.	Raw Material - Amount	7,785	8,207	7,154
	No. of Days	21	22	19
b.	Semi Finished- Amount	2,707	2,227	2,061
	No. of Days	7	6	5
c.	Finished - Amount	12,831	12,656	12,793
	No. of Days	34	33	34
d.	Stores & Spares and Tooling - Amount	13,623	13,413	13,358
	No. of Days	36	35	35
2	Receivables - Amount	31,509	29,392	31,893
	No. of Days	84	77	84
3	Trade Creditors- Amount	10,751	12,971	13,293
	No. of Days	29	34	35

Utilisation of IPO Proceeds as on 30th Jun' 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	5,733	2,062
3	Infrastructure repairs and renovation of our existing production facilities including office premises in India	712	697	15
4	General corporate purposes	7,433	7,433	-
Total		42,940	40,863	2,077



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^



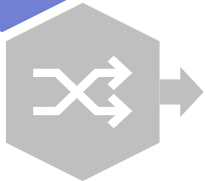
4 strategically located manufacturing facilities with various warehouses at different locations worldwide – supplying products to over 25 countries across 5 continents



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
JTEKT

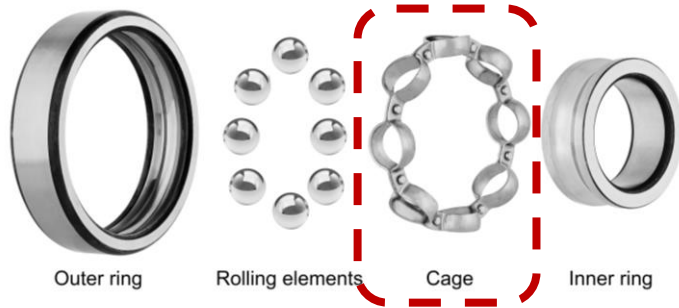
NTN
SKF

NSK
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

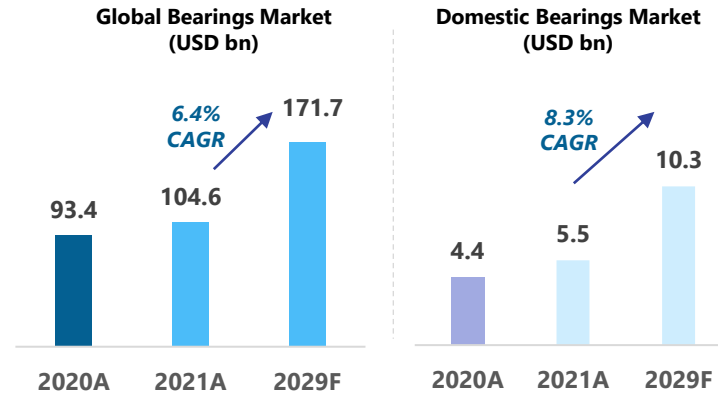


High heat resistant operating conditions



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



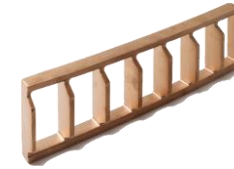
Thrust Roller



Spherical Roller



Cylindrical Roller



Sand Casting



Bronze Bushing



Precision Stamping Components

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

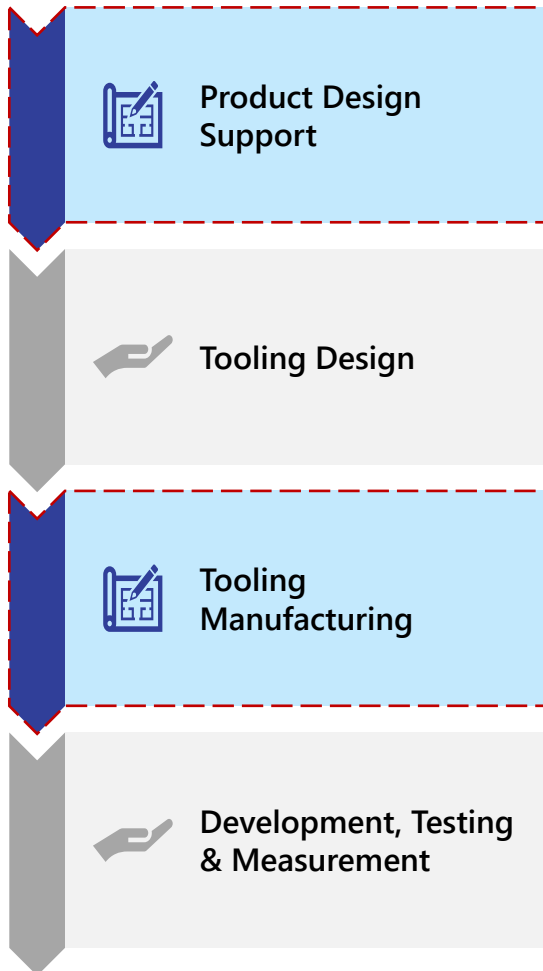
- ✓ *Crushers*
- ✓ *Steel mills*
- ✓ *Thermal turbines*
- ✓ *Windmills*
- ✓ *Agricultural machines*
- ✓ *Automotive parts*

- ✓ *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



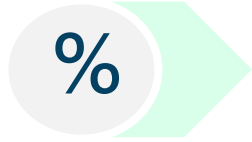
Increased focus on developing products suited to capture market opportunity in the growing EV segment



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

