

# Harsha Engineers International Limited

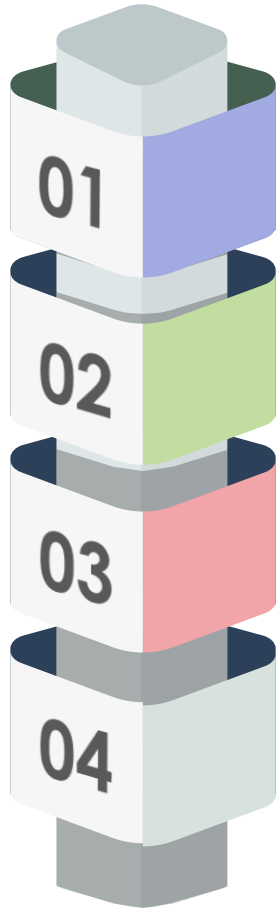
Earnings Presentation - For Q2 / H1 of FY23



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**Quarterly Highlights**

**Summary on use of IPO Proceeds**

**Business Update**

**Company Overview**



# QUARTER

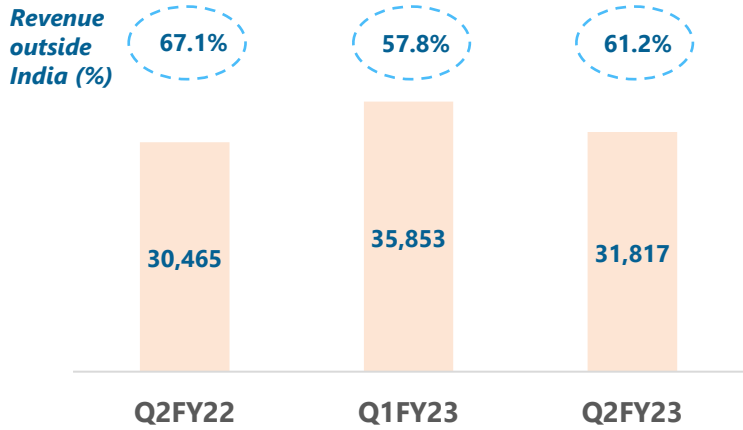
# HIGHLIGHTS



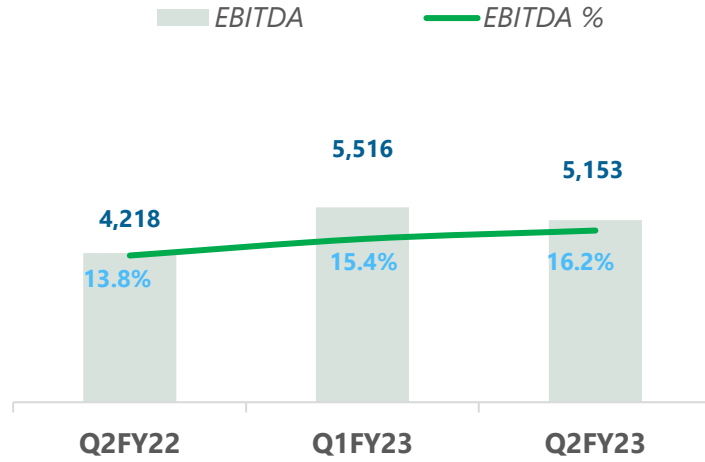
# Financial Highlights

₹ in Lakhs

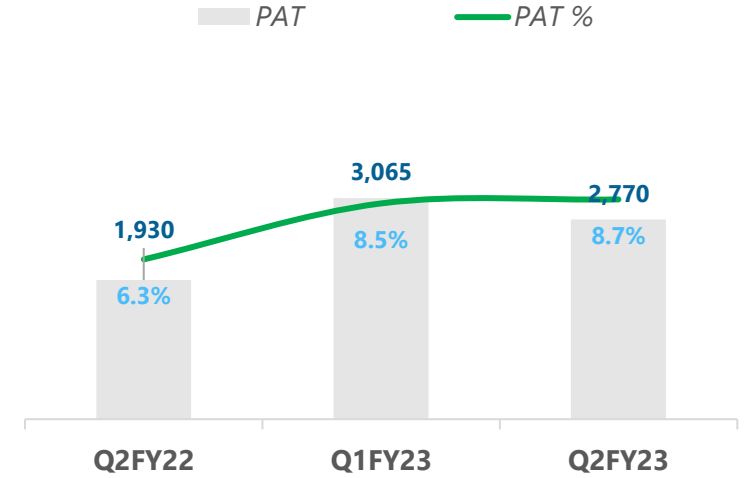
## Revenue - Engineering CONSOLIDATED



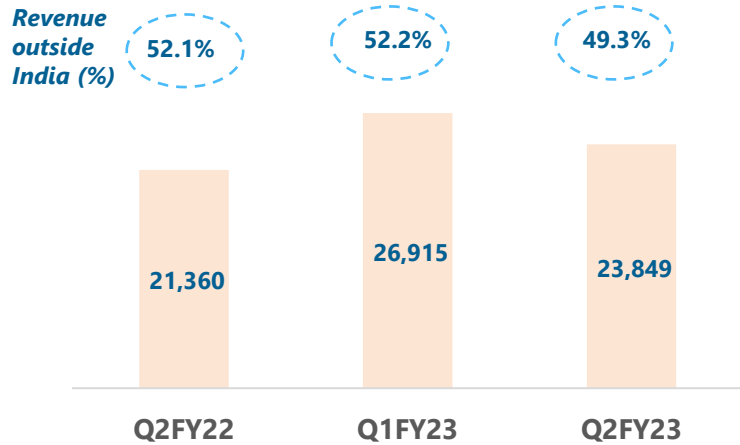
## EBITDA - Engineering CONSOLIDATED



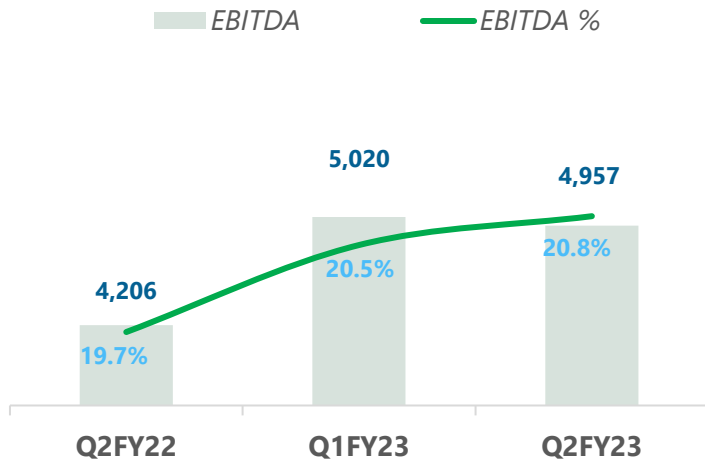
## PAT - Engineering CONSOLIDATED



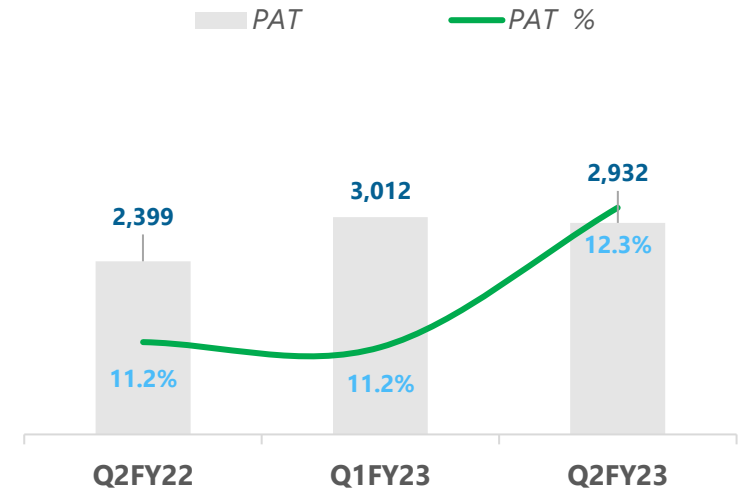
## Revenue - Engineering INDIA



## EBITDA - Engineering INDIA



## PAT - Engineering INDIA



# Consolidated P & L Statement

Particulars	(₹ in Lakhs)				
	Q2 FY23	Q2 FY22	H1 FY23	H1 FY22	31-Mar-22
Revenue from Operations	32,197	32,325	71,965	62,946	132,148
Other Income	427	200	1,047	817	1,752
<b>TOTAL REVENUE</b>	<b>32,624</b>	<b>32,525</b>	<b>73,012</b>	<b>63,763</b>	<b>133,900</b>
COGS	16,666	18,059	40,008	34,858	73,969
Employee Benefits Expenses	4,088	4,215	8,290	8,377	15,803
Other Expenses	6,648	6,147	13,920	11,665	25,473
<b>EBITDA</b>	<b>5,222</b>	<b>4,104</b>	<b>10,794</b>	<b>8,863</b>	<b>18,655</b>
<b>Margin %</b>	<b>16.2%</b>	<b>12.7%</b>	<b>15.0%</b>	<b>14.1%</b>	<b>14.1%</b>
Finance Costs	558	668	1,098	1,241	2,456
Depreciation and Amortization Expense	896	870	1,777	1,737	3,536
<b>PROFIT BEFORE TAXATION</b>	<b>3,768</b>	<b>2,566</b>	<b>7,919</b>	<b>5,885</b>	<b>12,663</b>
<b>Tax Expenses</b>	<b>961</b>	<b>774</b>	<b>2,027</b>	<b>1,513</b>	<b>3,468</b>
<b>PROFIT AFTER TAXATION (Net)</b>	<b>2,807</b>	<b>1,792</b>	<b>5,892</b>	<b>4,372</b>	<b>9,195</b>
<b>PAT Margin%</b>	<b>8.7%</b>	<b>5.5%</b>	<b>8.2%</b>	<b>6.9%</b>	<b>7.0%</b>
Other comprehensive income	59	195	(36)	25	144
Basic Earnings per Share - In ₹	3.08	3.58	6.47	8.74	16.06
Diluted Earnings per Share-In ₹	3.08	2.32	6.47	5.66	11.90

# Certain Key Parameters and Break Up- Consolidated



Particulars	₹ in Lakhs				
	Q2 FY23	Q2 FY22	H1 FY23	H1 FY22	31-Mar-22
<b>Revenue from Operations</b>					
- Engineering & Others - Consolidated	31,817	30,465	67,670	59,371	123,853
- Engineering & Others - India	23,849	21,361	50,764	41,277	87,350
- Solar - EPC and O & M	380	1,860	4,295	3,575	8,295
<b>EBITDA*</b>					
- Engineering & Others - Consolidated	5,153	4,218	10,669	9,021	18,910
- Engineering & Others - India	4,957	4,206	9,977	8,444	18,626
- Solar - EPC and O & M	69	(114)	120	(161)	(251)
<b>PAT</b>					
- Engineering & Others - Consolidated	2,770	1,930	5,835	4,586	9,567
- Engineering & Others - India	2,932	2,399	5,944	4,915	10,980
- Solar - EPC and O & M	37	(138)	57	(214)	(372)
<b>Other Income</b>					
- Interest Income	103	50	172	115	164
- Share of Profit/Loss from Cleanmax Harsha Solar LLP	13	(26)	13	(26)	(30)
- Share of Profit/Loss from Sunstream Green Energy One Pvt. Ltd.	-	1	-	1	-
- Gain / (Loss) on Exchange Rate Fluctuation	483	233	951	528	1,305
- Gain / (Loss) on Exchange Rate Fluctuation-Curr. Revaluation	(189)	(101)	(110)	89	202
- Miscellaneous Income	17	44	21	110	111
<b>- Total Operating Income</b>	<b>427</b>	<b>200</b>	<b>1,047</b>	<b>816</b>	<b>1,752</b>

\*EBITDA=Profit Before Tax + Depreciation and Amortisation + Finance Cost + loss/ (profit) on Sale of Fixed Assets

# Working Capital – Consolidated

₹ in Lakhs

Sr.	Particulars	H1 FY23	H1 FY22	2021-22
<b>1</b>	<b>Inventories</b>			
a.	Raw Material - Amount	9,296	7,568	8,203
	No. of Days	24	22	23
b.	WIP & FG - amount	16,231	14,590	16,893
	No. of Days	41	42	47
c.	Stores & Spares and Tooling - amount	11,863	10,145	10,902
	No. of Days	30	29	30
d.	Project bought-out Components-Solar	604	580	1,574
	No. of Days	2	2	4
<b>2</b>	<b>Receivables - Amount</b>	27,309	24,357	28,275
	No. of Days	69	71	78
<b>3</b>	<b>Trade Creditors- Amount</b>	8,456	13,416	18,279
	No. of Days	21	39	50



# Utilisation of IPO Proceeds as on 30<sup>th</sup> Sept. 2022

Particulars	Amount (₹ Lakhs)
Total IPO Proceeds	45,500
Less: IPO Expenses	-2,560
<b>Net Proceeds as per Prospectus</b>	<b>42,940</b>
Less: IPO Expenses (excess contingencies hold)	-200
<b>Net Proceeds available</b>	<b>42,740</b>

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	23,662	3,338
2	Funding capital expenditure requirements towards purchase of machinery	7,795	-	7,795
3	Infrastructure repairs and renovation of our existing production facilities including office premises in India	712	-	712
4	General corporate purposes	7,433	-	7,233 <sup>^</sup>
	<b>Total</b>	<b>42,940</b>	<b>23,662</b>	<b>19,078</b>

<sup>^</sup> For contingencies, Rs.200 Lakhs is additionally retained by Book Running Lead Manager which is likely to be released in Q3FY23

- Topline reduction in Q2 is partly attributable to reduction in metal prices mainly for Steel, Copper and Zinc in the said quarter.
- In consolidated financial of Q2, there is a negative exchange rate impact on COGS of Rs. 240 Lakhs related to changes in inventories while converting foreign subsidiaries financials in INR.
- Harsha Romania has been able to successfully pass over the energy cost increase to their key customers in H1 FY 2023. However, Romania is facing some short term volume challenges, which has impacted the performance in H1. In Harsha China, there was a technical glitch relating to Slag recovery equipment which has been removed in Q2 FY 2023, and the said company is confident of Normal operations in H2 FY 2023.
- The company is on track in as much as its key Growth areas are concerned- including increased wallet share of Large Sized Bearing Cages, increasing Wallet Share of Japanese Customers and capitalizing on China+1 opportunity for the increasing the overall market share of Bearing cages. The progress on Bronze Bushings segment is satisfactory and the Company is on track in removing the capacity bottleneck in order executions.
- We have signed MOU for 3.71 MW of Hybrid captive power project at Gujarat combining Wind Turbine Generators of 2.7 MW alongwith 1.01 MW of Solar power plant with outlay of around Rs. 2654 Lakhs + GST.



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^



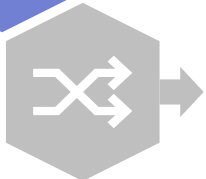
4 strategically located manufacturing facilities with various warehouses at different locations worldwide – supplying products to over 25 countries across 5 continents



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

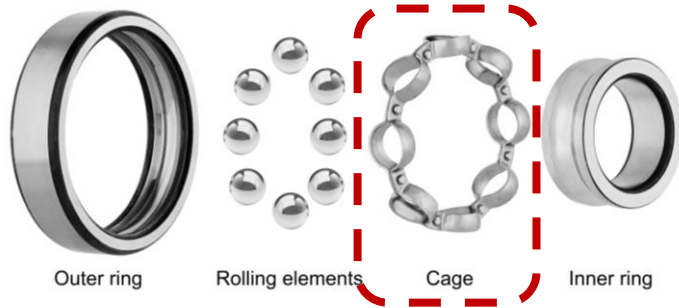
NTN  
SKF

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

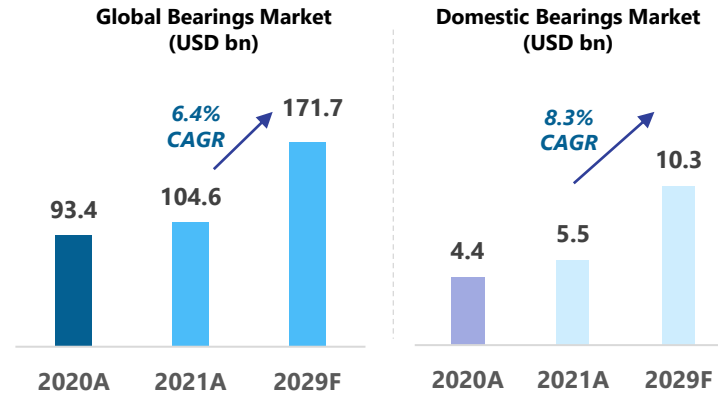


High heat resistant operating conditions



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*

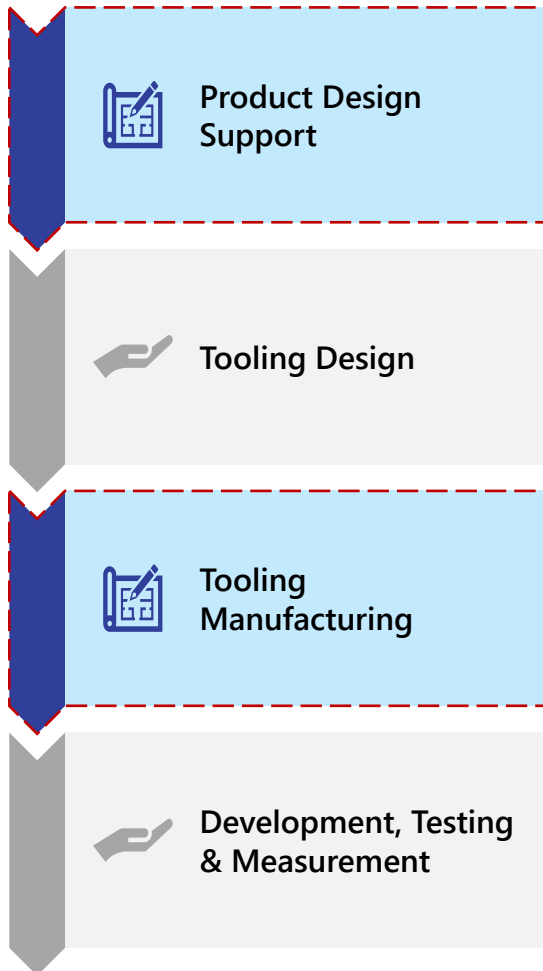
- ✓ *Crushers*
- ✓ *Steel mills*
- ✓ *Thermal turbines*
- ✓ *Windmills*
- ✓ *Agricultural machines*
- ✓ *Automotive parts*

- ✓ *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**



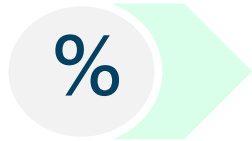
**Increased focus on developing products suited to capture market opportunity in the growing EV segment**



**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

