

Harsha Engineers International Limited

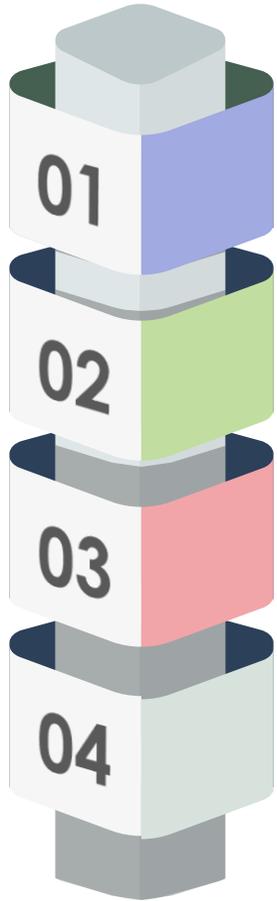
Earnings Presentation - For and Upto Q3 of FY23



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Quarter Highlights

Summary on use of IPO Proceeds

Business Update

Company Overview



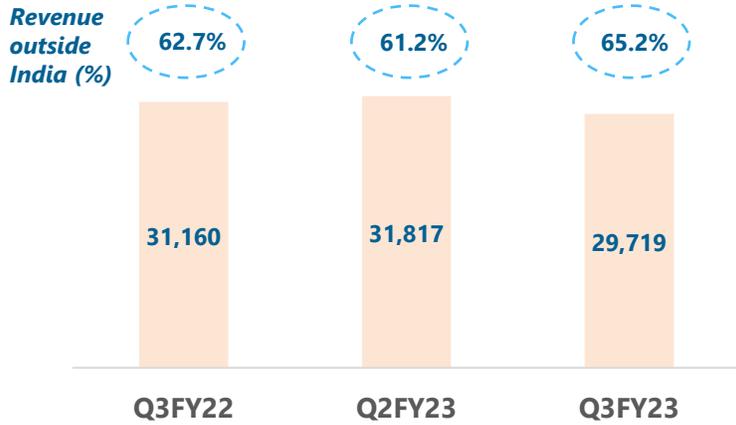
QUARTER HIGHLIGHTS



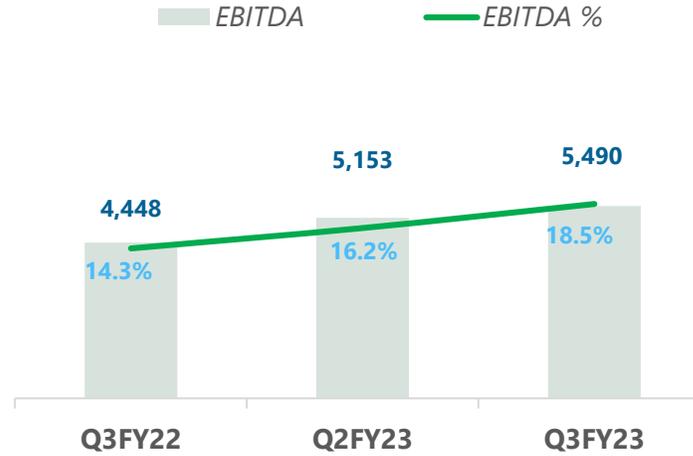
Financial Highlights

₹ in Lakhs

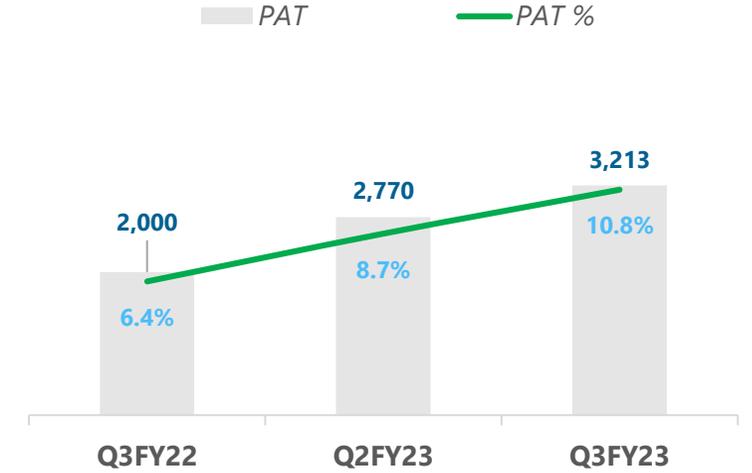
Revenue - Engineering CONSOLIDATED



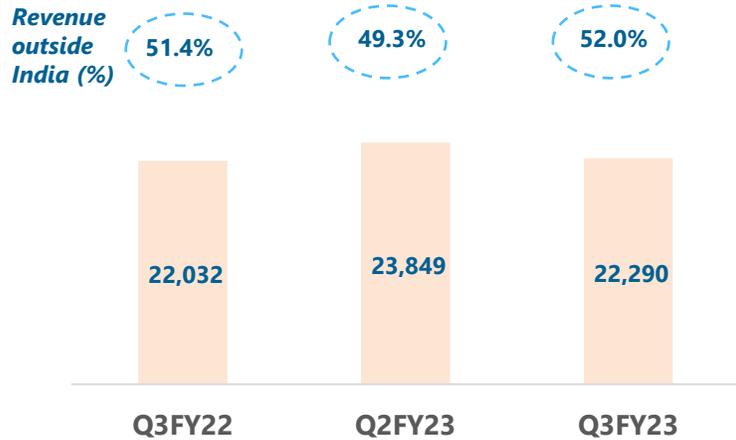
EBITDA - Engineering CONSOLIDATED



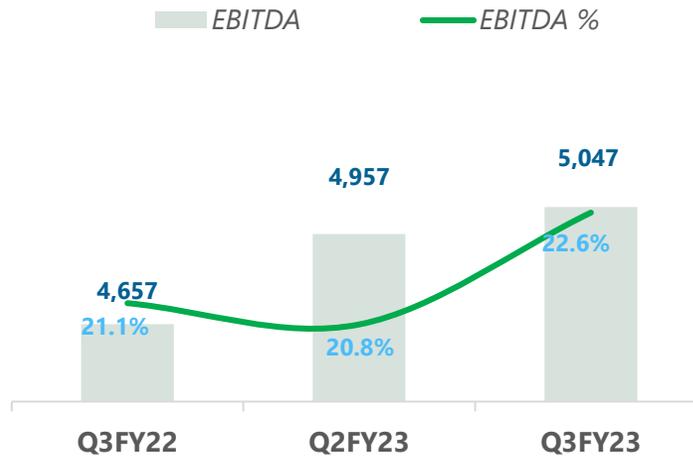
PAT - Engineering CONSOLIDATED



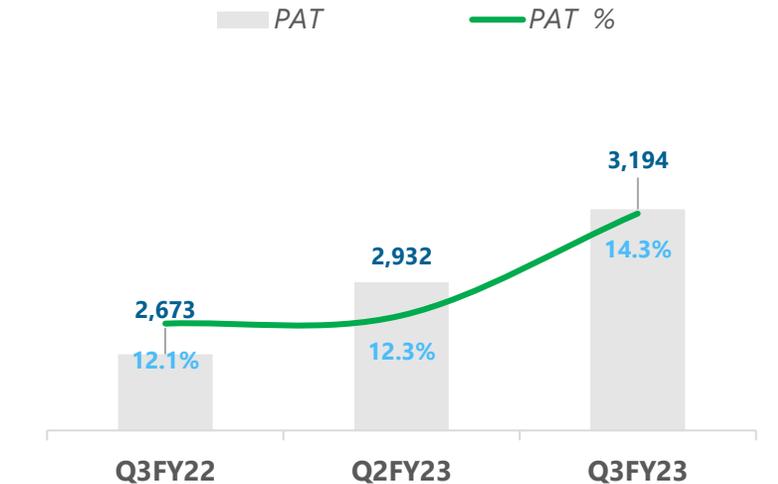
Revenue - Engineering INDIA



EBITDA - Engineering INDIA



PAT - Engineering INDIA



Consolidated P & L Statement

	(₹ in Lakhs)				
Particulars	Q3 FY23	Q2 FY23	Q3 FY22	9M FY23	9M FY22
<u>REVENUE :</u>					
Revenue from Operations	30,068	32,197	32,314	102,033	95,260
Other Income	1,350	427	259	2,397	1,076
TOTAL REVENUE	31,418	32,624	32,573	104,430	96,336
<u>EXPENSES :</u>					
Cost of Material Consumed	15,448	17,785	19,507	55,525	57,380
Change in Inventories of Finished Goods & Work-in-progress	(238)	(1,119)	(1,158)	(307)	(4,173)
COGS	15,210	16,666	18,349	55,218	53,207
Employee Benefits Expenses	4,174	4,088	3,650	12,464	12,027
Other Expenses	6,582	6,648	6,276	20,502	17,941
EBITDA	5,452	5,222	4,298	16,246	13,161
Margin %	18.1%	16.2%	13.3%	15.9%	13.8%
Finance Costs	230	558	663	1,328	1,904
Depreciation and Amortization Expense	920	896	902	2,697	2,639
PROFIT BEFORE TAXATION	4,302	3,768	2,733	12,221	8,618
Tax Expenses	1,128	961	912	3,155	2,425
PROFIT AFTER TAXATION (Net)	3,174	2,807	1,821	9,066	6,193
PAT Margin%	10.6%	8.7%	5.6%	8.9%	6.5%
Other comprehensive income	(943)	59	112	(979)	137
Basic Earnings per Share - In ₹	3.45	3.08	3.47	11.01	12.22
Diluted Earnings per Share-In ₹	3.45	3.08	2.36	11.01	8.02

Certain Key Parameters and Break Up

Particulars	₹ in Lakhs				
	Q3 FY23	Q2 FY23	Q3 FY22	9M FY23	9M FY22
Revenue from Operations					
- Engineering & Others - Consolidated	29,719	31,817	31,160	97,389	90,531
- Engineering & Others - India	22,290	23,849	22,032	73,054	63,309
- Solar - EPC and O & M	349	380	1,154	4,644	4,729
EBITDA*					
- Engineering & Others - Consolidated	5,490	5,153	4,448	16,159	13,468
- Engineering & Others - India	5,047	4,957	4,657	15,024	13,101
- Solar - EPC and O & M	(38)	69	(148)	82	(309)
PAT					
- Engineering & Others - Consolidated	3,213	2,770	2,000	9,048	6,586
- Engineering & Others - India	3,194	2,932	2,673	9,141	7,588
- Solar - EPC and O & M	(39)	37	(179)	18	(393)
Other Income - Consolidated					
- Interest Income	232	103	13	404	128
- Share of Profit/Loss from Cleanmax Harsha Solar LLP	6	13	0	19	(26)
- Share of Profit/Loss from Sunstream Green Energy One Pvt. Ltd.	-	-	0	-	1
- Gain / (Loss) on Exchange Rate Fluctuation	524	483	368	1,475	896
- Gain / (Loss) on Exchange Rate Fluctuation-Curr. Revaluation	386	(189)	(121)	276	(32)
- Miscellaneous Income	9	17	(1)	30	109
- Total Operating Income	1,157	427	259	2,204	1,076
Other Income-Non -Operating					
- Gain / (Loss) on Sale of Investment (Mutual Fund)	84	-	-	84	-
- Gain / (Loss) on Fair value of Investments (measured at FVTPL)	109	-	-	109	-
- Total Non-Operating Income	193	427	-	193	-
- Total Other Income	1,350	427	259	2,397	1,076

Working Capital – Consolidated

₹ in Lakhs

Sr.	Particulars	9M FY23	9M FY22	2021-22
1	Inventories			
a.	Raw Material - Amount	9,340	8,492	8,203
	No. of Days	25	24	23
b.	WIP & FG - Amount	16,003	15,644	16,893
	No. of Days	43	45	47
c.	Stores & Spares and Tooling - Amount	12,381	10,278	10,902
	No. of Days	33	30	30
d.	Project bought-out Components-Solar - Amount	624	1,476	1,574
	No. of Days	2	4	4
2	Receivables - Amount	28,494	25,166	28,275
	No. of Days	76	72	78
3	Trade Creditors- Amount	11,277	14,400	18,279
	No. of Days	30	41	50

Utilisation of IPO Proceeds as on 31st December 2022

Particulars	Amount (₹ Lakhs)
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

Sr. No	Particulars	(₹ Lakhs)		
		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	473	7,322
3	Infrastructure repairs and renovation of our existing production facilities including office premises in India	712	153	559
4	General corporate purposes	7,433	7,433	-
	Total	42,940	35,059	7,881

- The top line of Q3 is primarily impacted due to continued reduction in metal prices; impact of Europe slow down in Harsha Romania (due to energy crisis) and also to some extent in Harsha India. The Harsha China top line was also impacted in Q3 due to strict zero Covid policy implementation in China during the said Quarter, which was withdrawn only in January 2023.
 - The Company has also witnessed a temporary slow down in the offtake of Bronze Bushes in wake of softening of wind market in Europe.
 - The company is on track in as much as its long term key Growth areas are concerned including increased wallet share of Large Sized Bearing Cages, increasing Wallet Share of Japanese Customers, capitalizing on China+1 opportunity for the increasing the overall market share of Bearing cages and focusing on new business vertical namely Bronze Bushes and precision stamped components.
 - Actual Capex (including WIP) for Q3 is INR 2562 Lacs and 9 months is INR 5102 Lacs.
 - Harsha Engineers B.V. -Netherland has been merged with the Company effective from 14th November 2022. Further the minority shareholding of Harsha Romania has also been acquired by the Company and thus, Harsha Romania is now a direct WOS of the Company.
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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^



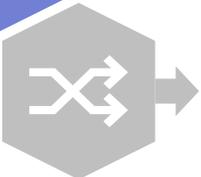
4 strategically located manufacturing facilities with various warehouses at different locations worldwide – supplying products to over 25 countries across 5 continents



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

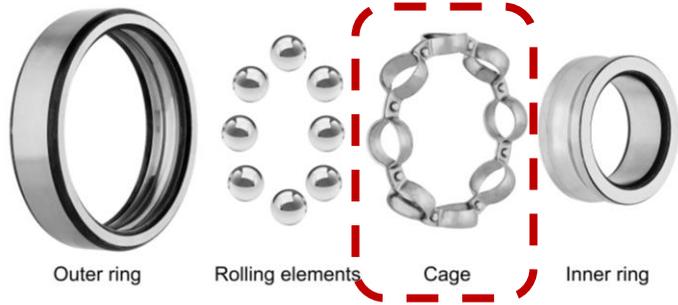
NTN
SKF

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

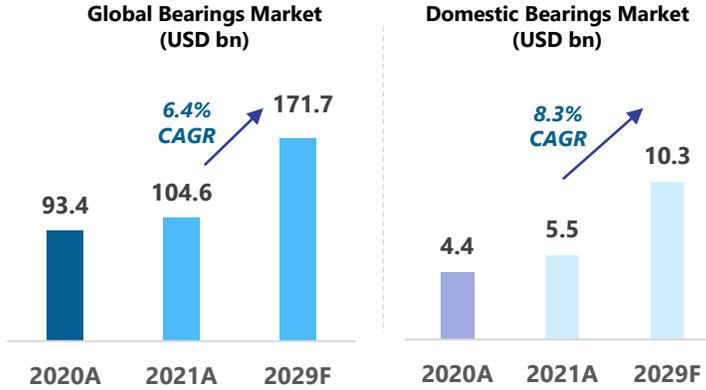


High heat resistant operating conditions



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*

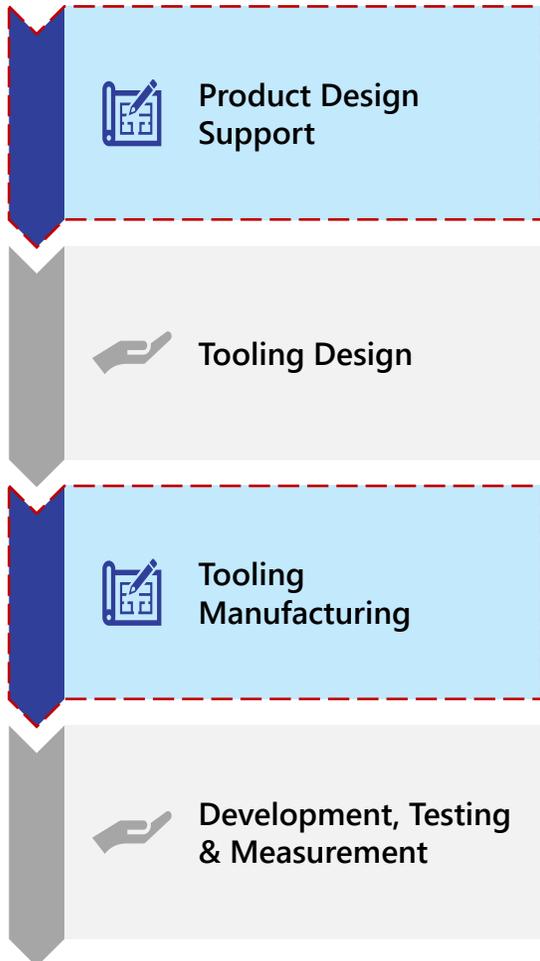
- ✓ *Crushers*
- ✓ *Steel mills*
- ✓ *Thermal turbines*
- ✓ *Windmills*
- ✓ *Agricultural machines*
- ✓ *Automotive parts*

- ✓ *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

