

Harsha Engineers International Limited

Earnings Presentation – For Q2 / H1 of FY24

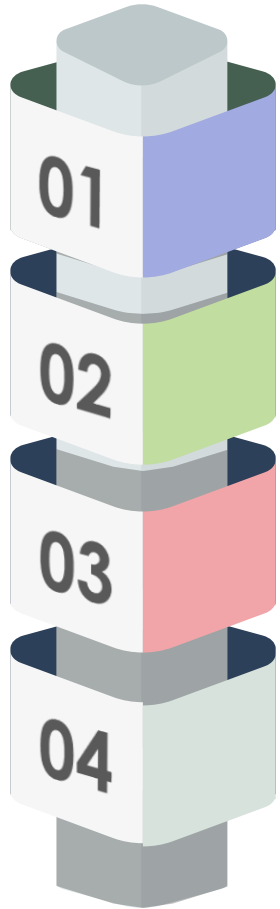


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Quarter Highlights

Business Update

Summary on use of IPO Proceeds

Company Overview



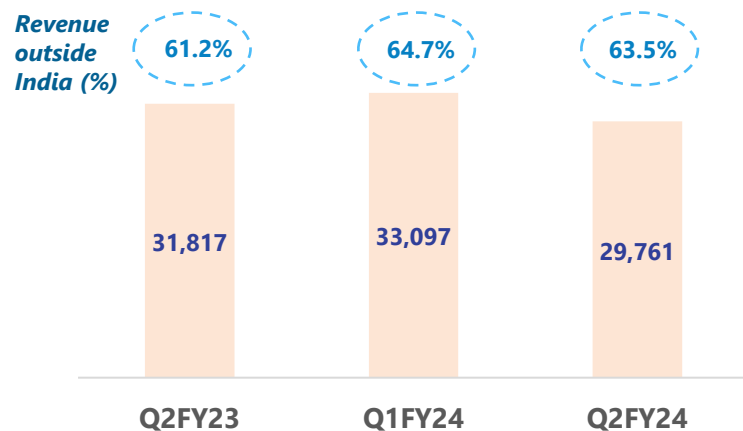
QUARTER HIGHLIGHTS



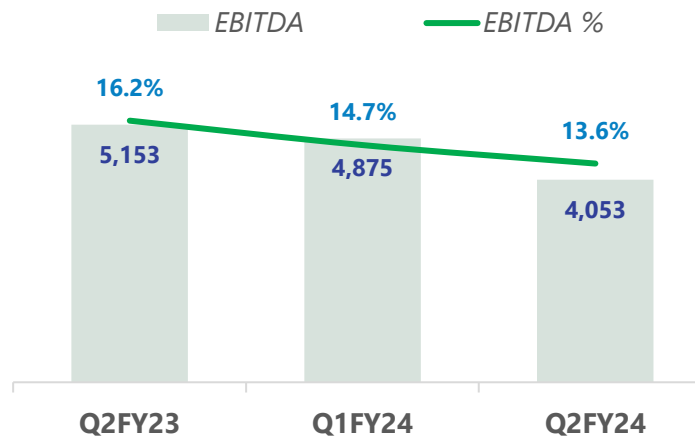
Financial Highlights

₹ in Lakhs

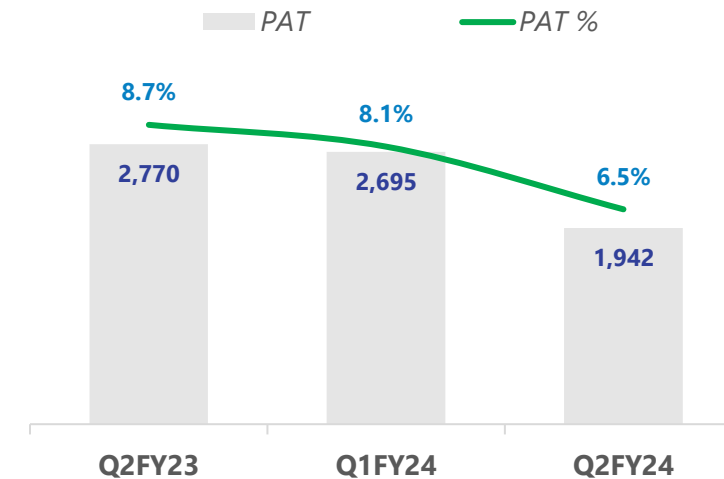
Revenue - Engineering CONSOLIDATED



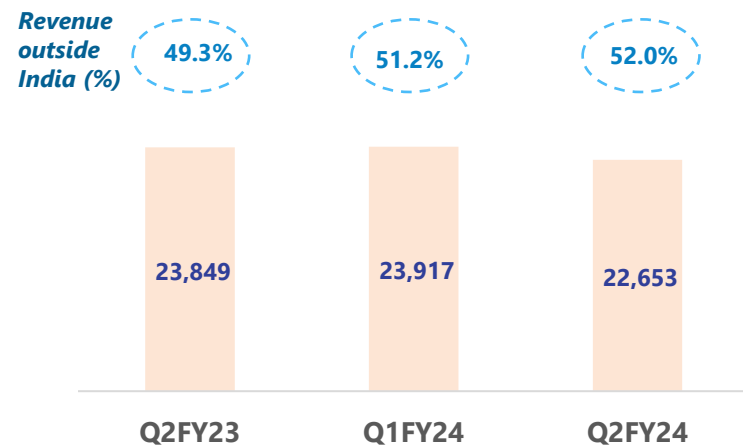
EBITDA - Engineering CONSOLIDATED



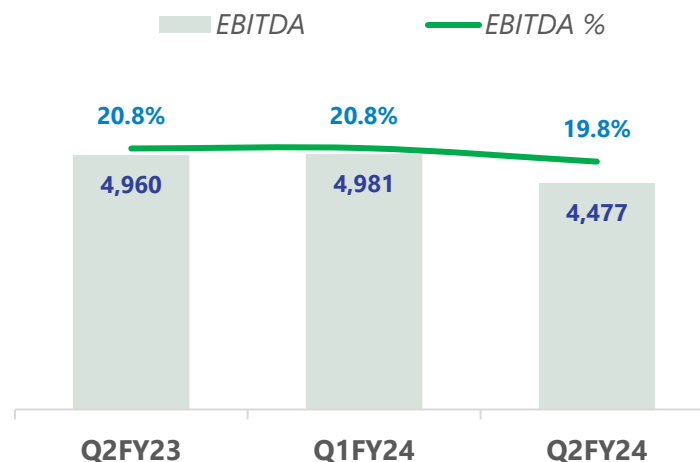
PAT - Engineering CONSOLIDATED



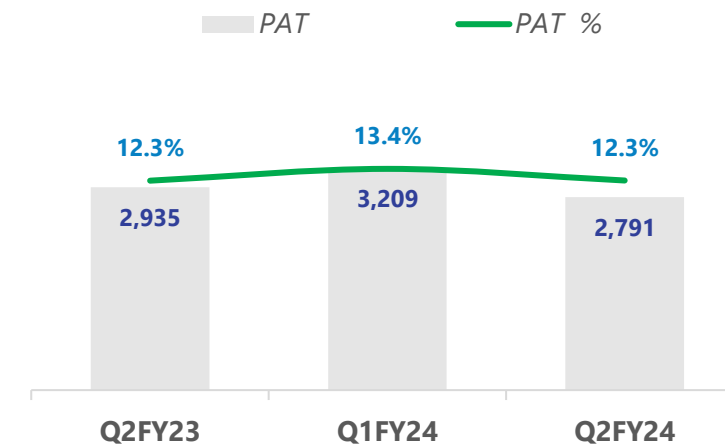
Revenue - Engineering INDIA



EBITDA - Engineering INDIA



PAT - Engineering INDIA



- Sustained market in India & Americas is the only positive for demand in Q2. Europe and China are showing weak demand resulting in degrowth.
- Between Harsha China and Harsha Romania combined negative bottom line impact in H1 2023 is negative EBITDA of around (Rs. 4) crores and negative PAT of around (Rs.13.5) crores.
- With improved demand conditions expected in the Wind market in Europe from Q4 FY 2024 onwards and with early signs of revival coming from Chinese customers, an improvement in the operations in Romania and China is expected in the second half of FY 2024 particularly in Q4 FY 2024 which should reduce the overall impact of negative EBITDA and PAT considerably at Harsha Romania and Harsha China level, on full year basis.
- The company continues to remain bullish on all its key long term growth drivers including the business of Bushings and Stampings; as well as aggressive growth in large size Bearing Cages and Japanese customers, with all these segments continue showing encouraging results and prospects.
- The company has firmed up the First Phase Capex plan of the new Greenfield site involving setting up of a dedicated facility for Bushings, large size steel bearing cages and stamping components which is expected to go on stream by Q3 of FY 2025.



Consolidated P & L Statement



(₹ in Lakhs)

Particulars	Q2 FY24	Q2 FY23	H1 FY24	H1 FY23	FY 22-23
<u>REVENUE :</u>					
Revenue from Operations	33,949	32,197	68,745	71,965	1,36,402
Other Income	665	427	1,065	1,047	2,979
TOTAL REVENUE	34,614	32,624	69,810	73,012	1,39,381
<u>EXPENSES :</u>					
Cost of Material Consumed	18,440	17,785	37,450	40,077	73,514
Change in Inventories of Finished Goods & Work-in-progress	1,266	(1,119)	1,468	(69)	73
COGS	19,706	16,666	38,918	40,008	73,587
Employee Benefits Expenses	4,146	3,784	8,487	7,682	15,619
Other Expenses	6,573	6,952	13,634	14,528	28,267
EBITDA	4,189	5,222	8,771	10,794	21,908
<i>Margin %</i>	12.3%	16.2%	12.8%	15.0%	16.1%
Finance Costs	248	558	510	1,098	1,584
Depreciation and Amortization Expense	976	896	1,932	1,777	3,612
PROFIT BEFORE TAXATION	2,965	3,768	6,329	7,919	16,712
Tax Expenses	926	961	1,832	2,027	4,384
PROFIT AFTER TAXATION (Net)	2,039	2,807	4,497	5,892	12,328
<i>PAT Margin%</i>	6.0%	8.7%	6.5%	8.2%	9.0%
Other comprehensive income	221	59	568	(36)	(748)
Basic Earnings per Share - In ₹	2.24	3.56	4.94	7.55	14.59
Diluted Earnings per Share-In ₹	2.24	3.56	4.94	7.55	14.59

Certain Key Parameters and Break Up

(₹ in Lakhs)

Particulars	Q2 FY24	Q2 FY23	H1 FY24	H1 FY23	FY 22-23
Revenue from Operations					
- Engineering & Others - Consolidated	29,761	31,817	62,858	67,670	1,29,866
- Engineering & Others - India	22,653	23,849	46,570	50,764	95,936
- Solar - EPC and O & M	4,188	380	5,887	4,295	6,536
EBITDA*					
- Engineering & Others - Consolidated	4,053	5,153	8,928	10,674	21,810
- Engineering & Others - India	4,477	4,960	9,458	9,981	20,654
- Solar - EPC and O & M	136	69	(157)	120	98
PAT					
- Engineering & Others - Consolidated	1,942	2,770	4,638	5,835	12,309
- Engineering & Others - India	2,791	2,935	6,000	5,947	12,820
- Solar - EPC and O & M	97	37	(141)	57	19
Other Income					
- Gain / (Loss) on Exchange Rate Fluctuation	33	294	(326)	841	1,743
- Miscellaneous Income	3	17	60	21	38
- Interest Income	373	103	799	172	739
- Share of Profit/Loss from Cleanmax Harsha Solar LLP	6	13	3	13	24
- Share of Profit/Loss from Sunstream Green Energy One Pvt. Ltd.	1	-	1	-	-
- Gain / (Loss) on Sale of Investment (Mutual Fund)	106	-	216	-	103
- Gain / (Loss) on Fair value of Investments (measured at FVTPL)	143	-	312	-	332
- Total Other Income	665	427	1,065	1,047	2,979

Working Capital – Consolidated

Amount ₹ in Lakhs

Sr.	Particulars	H1 FY24	H1 FY23	FY22-23
1	Inventories			
a.	Raw Material - Amount	7,379	9,296	9,017
	No. of Days	20	24	23
b.	Semi Finished- Amount	2,131	2,892	2,627
	No. of Days	6	7	7
c.	Finished - Amount	11,387	13,339	12,550
	No. of Days	30	34	33
d.	Stores & Spares and Tooling - Amount	13,759	12,467	13,494
	No. of Days	37	32	35
2	Receivables - Amount	28,898	27,309	28,037
	No. of Days	77	69	73
3	Trade Creditors- Amount	12,229	8,456	11,743
	No. of Days	32	21	30

Utilisation of IPO Proceeds as on 30th Sep, 2023

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

₹ in Lakhs

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	3,211	4,584
3	Infrastructure repairs and renovation of our existing production facilities including office premises in India	712	515	197
4	General corporate purposes	7,433	7,433	-
Total		42,940	38,159	4,781

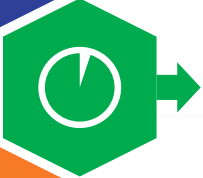


Company Overview

Harsha At A Glance



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^



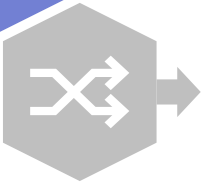
4 strategically located manufacturing facilities with various warehouses at different locations worldwide – supplying products to over 25 countries across 5 continents



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

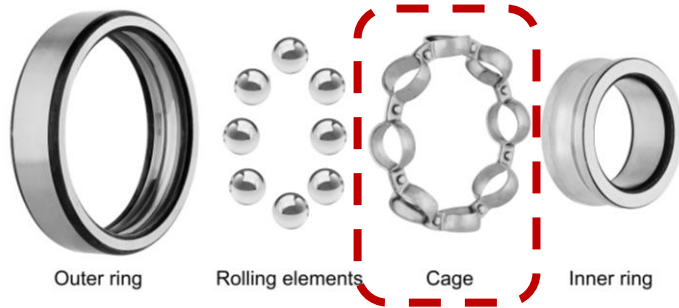
NTN
SKF

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

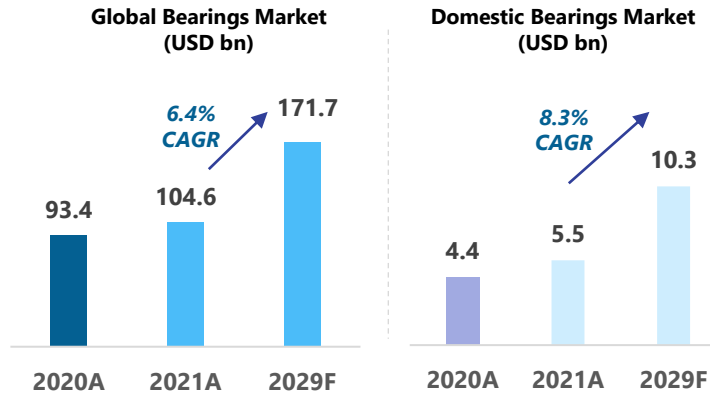


High heat resistant operating conditions










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 Grove



Angular Contact Ball



Thrust Roller



Spherical Roller



Cylindrical Roller



Sand Casting



*Bronze
Bushing*



*Precision Stamping
Components*

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

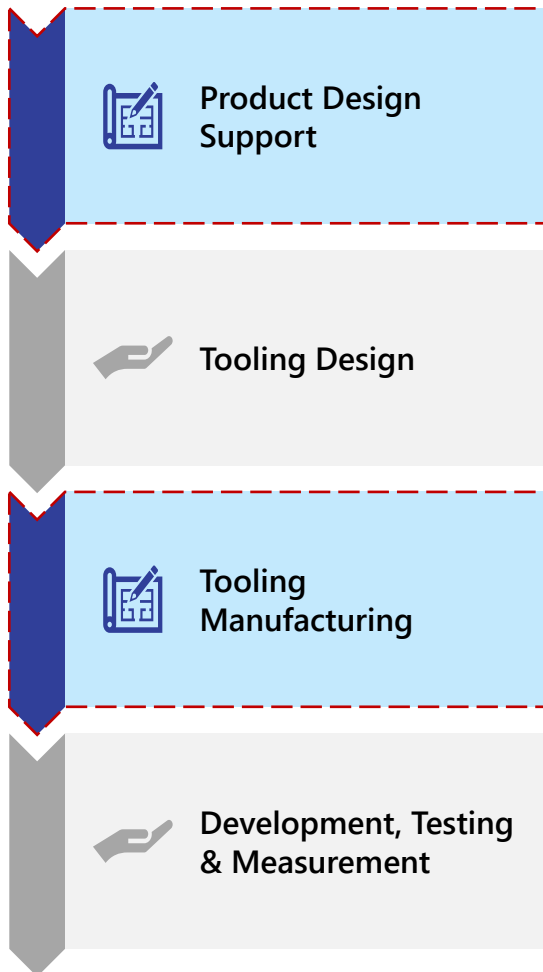
- ✓ *Crushers*
- ✓ *Steel mills*
- ✓ *Thermal turbines*
- ✓ *Windmills*
- ✓ *Agricultural machines*
- ✓ *Automotive parts*

- ✓ *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

