

# Harsha Engineers International Limited

Earnings Presentation – For and upto Q3 of FY24

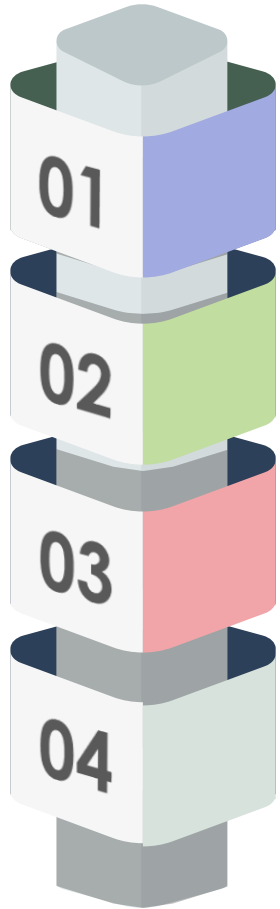


# Disclaimer/ Safe Harbor

## 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 Highlights**

**Business Update**

**Summary on use of IPO Proceeds**

**Company Overview**



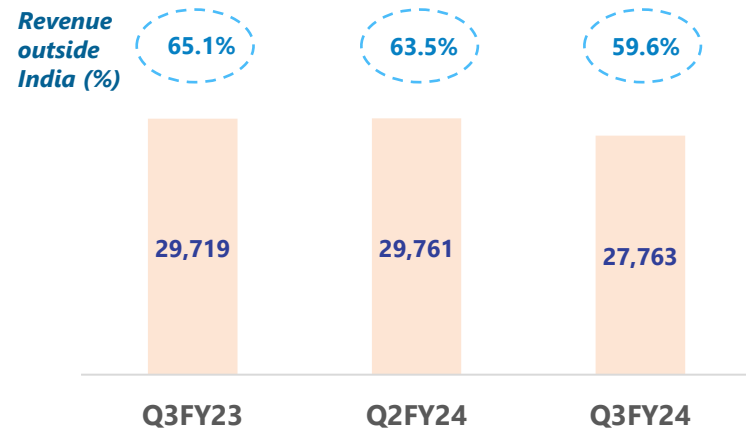
# QUARTER HIGHLIGHTS



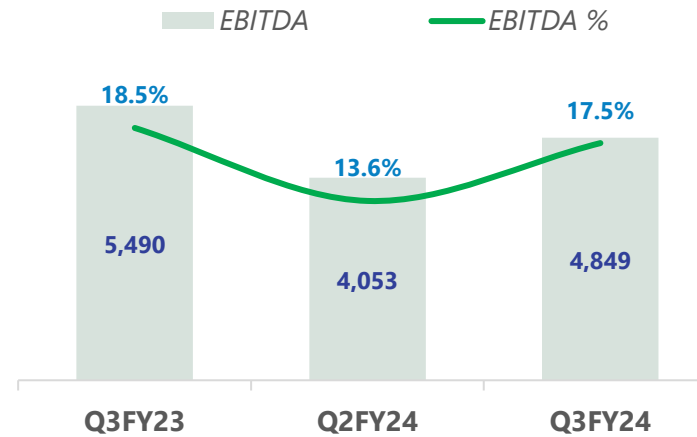
# Financial Highlights

₹ in Lakhs

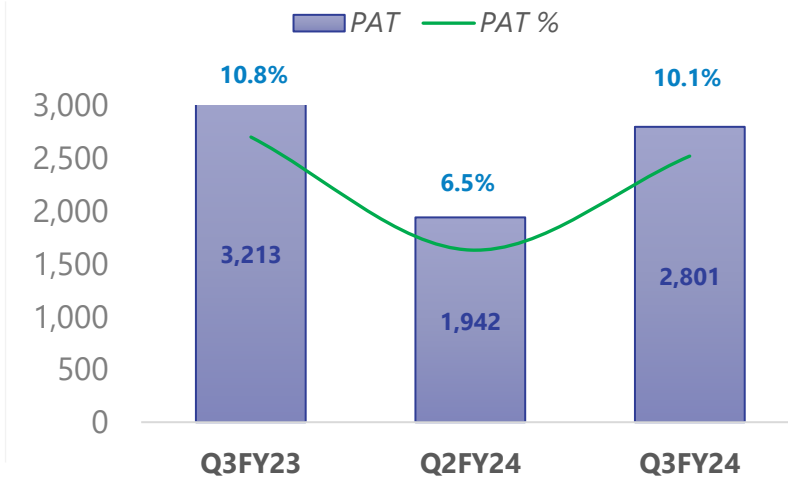
## Revenue - Engineering CONSOLIDATED



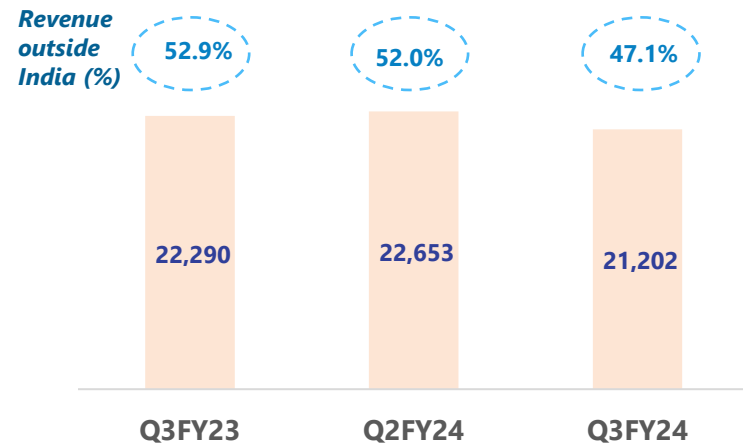
## EBITDA - Engineering CONSOLIDATED



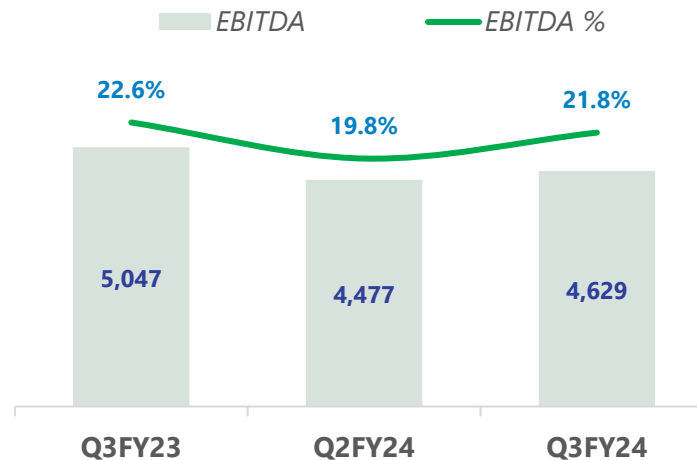
## PAT - Engineering CONSOLIDATED



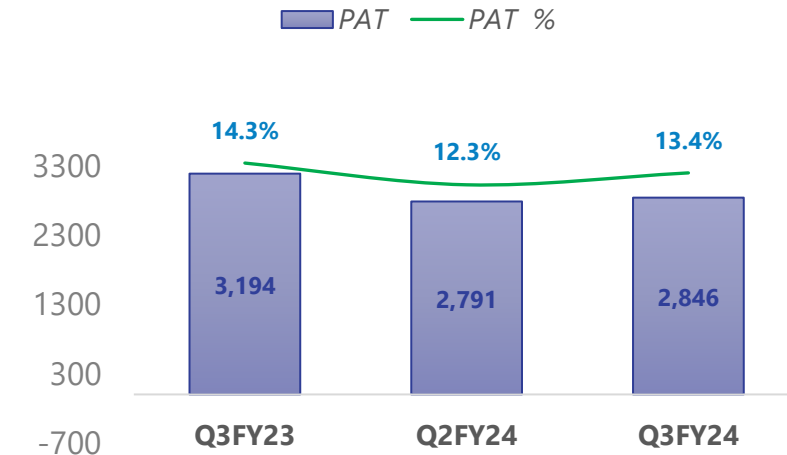
## Revenue - Engineering INDIA



## EBITDA - Engineering INDIA



## PAT - Engineering INDIA



- On a consolidated basis, Q3 FY24 topline is marginally low compared to Q2 FY24, there is a noticeable improvement in the EBITDA and profitability in India as well as in China and Romania mainly owing to cost control measures coupled with improved realisation due to RM passthrough.
- Industrial Bearing Cage demand continues to be weak and calendar year-end inventory pressure lead to partial weakness in revenue.
- Bushings and Stampings showing encouraging performance in 9 Months period. Wind market is showing signs of global revival in Q4 while LSBs as well as Japanese customers growth expected to catch up in FY 2024-25.
- New product development pipeline continues to remain strong with the company while it continues to engage with various customers in Europe, Americas and Asia regions on outsourcing opportunities.
- The Company has commenced the implementation of the First Phase Capex plan of the new Greenfield site. The Company is on track in commissioning this project in Q3 FY 2025.
- Solar Business has shown sustainable positive performance due to focused cost control and favorable Wind-Solar policy of Gujarat .

# Consolidated P & L Statement

	(₹ in Lakhs)				
Particulars	Q3 FY24	Q3 FY23	9M FY24	9M FY23	FY 22-23
<b><u>REVENUE :</u></b>					
Revenue from Operations	32,445	30,068	1,01,190	1,02,033	1,36,402
Other Income	1,109	1,350	2,174	2,397	2,979
<b>TOTAL REVENUE</b>	<b>33,554</b>	<b>31,418</b>	<b>1,03,364</b>	<b>1,04,430</b>	<b>1,39,381</b>
<b><u>EXPENSES :</u></b>					
Cost of Material Consumed	18,592	15,448	56,042	55,525	73,514
Change in Inventories of Finished Goods & Work-in-progress	(1,052)	(238)	416	(307)	73
COGS	17,540	15,210	56,458	55,218	73,587
Employee Benefits Expenses	4,131	3,870	12,618	11,552	15,619
Other Expenses	6,799	6,886	20,433	21,414	28,267
<b>EBITDA</b>	<b>5,084</b>	<b>5,452</b>	<b>13,855</b>	<b>16,246</b>	<b>21,908</b>
<b>Margin %</b>	<b>15.7%</b>	<b>18.1%</b>	<b>13.7%</b>	<b>15.9%</b>	<b>16.1%</b>
Finance Costs	284	230	794	1,328	1,584
Depreciation and Amortization Expense	1,002	920	2,934	2,697	3,612
<b>PROFIT BEFORE TAXATION</b>	<b>3,798</b>	<b>4,302</b>	<b>10,127</b>	<b>12,221</b>	<b>16,712</b>
<b>Tax Expenses</b>	<b>830</b>	<b>1,128</b>	<b>2,662</b>	<b>3,155</b>	<b>4,384</b>
<b>PROFIT AFTER TAXATION (Net)</b>	<b>2,968</b>	<b>3,174</b>	<b>7,465</b>	<b>9,066</b>	<b>12,328</b>
<b>PAT Margin%</b>	<b>9.1%</b>	<b>10.6%</b>	<b>7.4%</b>	<b>8.9%</b>	<b>9.0%</b>
Other comprehensive income	(316)	(943)	252	(979)	(748)
Basic Earnings per Share - In ₹	3.26	3.45	8.20	11.01	14.59
Diluted Earnings per Share-In ₹	3.26	3.45	8.20	11.01	14.59

# Certain Key Parameters and Break Up

(₹ in Lakhs)					
Particulars	Q3 FY24	Q3 FY23	9M FY24	9M FY23	FY 22-23
<b>Revenue from Operations</b>					
- Engineering & Others - Consolidated	27,763	29,719	90,621	97,389	1,29,866
- Engineering & Others - India	21,202	22,290	67,772	50,415	95,936
- Solar - EPC and O & M	4,682	349	10,569	4,644	6,536
<b>EBITDA*</b>					
- Engineering & Others - Consolidated	4,849	5,490	13,777	16,164	21,810
- Engineering & Others - India	4,629	5,047	14,087	10,019	20,654
- Solar - EPC and O & M	235	(38)	78	82	98
<b>PAT</b>					
- Engineering & Others - Consolidated	2,801	3,213	7,439	9,009	12,309
- Engineering & Others - India	2,846	3,194	8,846	5,947	12,820
- Solar - EPC and O & M	167	(39)	26	57	19
<b>Other Income</b>					
- Gain / (Loss) on Exchange Rate Fluctuation	432	910	106	1,751	1,743
- Miscellaneous Income	7	9	67	30	38
- Interest Income	380	232	1,179	404	739
- Share of Profit/Loss from Cleanmax Harsha Solar LLP	47	6	50	19	24
- Share of Profit/Loss from Sunstream Green Energy One Pvt. Ltd.	(2)	-	(1)	-	-
- Gain / (Loss) on Sale of Investment (Mutual Fund)	58	84	274	84	103
- Gain / (Loss) on Fair value of Investments (measured at FVTPL)	187	109	499	109	332
<b>- Total Other Income</b>	<b>1,109</b>	<b>1,350</b>	<b>2,174</b>	<b>2,397</b>	<b>2,979</b>



# Working Capital – Consolidated

Amount ₹ in Lakhs

Sr.	Particulars	9M FY24	9M FY23	FY22-23
<b>1</b>	<b>Inventories</b>			
a.	Raw Material - Amount	7,254	9,340	9,017
	No. of Days	20	24	24
b.	Semi Finished- Amount	2,545	2,700	2,627
	No. of Days	7	7	7
c.	Finished - Amount	11,827	13,303	12,550
	No. of Days	32	34	33
d.	Stores & Spares and Tooling - Amount	14,165	13,005	13,494
	No. of Days	38	34	36
<b>2</b>	<b>Receivables - Amount</b>	26,968	28,494	28,037
	No. of Days	73	74	74
<b>3</b>	<b>Trade Creditors- Amount</b>	11,378	11,277	11,743
	No. of Days	31	29	31

# Utilisation of IPO Proceeds as on 30<sup>th</sup> Sep, 2023

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)	-
<b>Net Proceeds available</b>	<b>42,940</b>

₹ 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	3,662	4,133
3	Infrastructure repairs and renovation of our existing production facilities including office premises in India	712	547	165
4	General corporate purposes	7,433	7,433	-
	<b>Total</b>	<b>42,940</b>	<b>38,642</b>	<b>4,298</b>

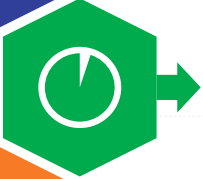


## Company Overview

# 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^



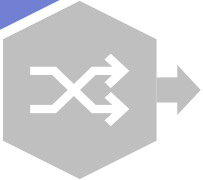
4 strategically located manufacturing facilities with various warehouses at different locations worldwide – supplying products to over 25 countries across 5 continents



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

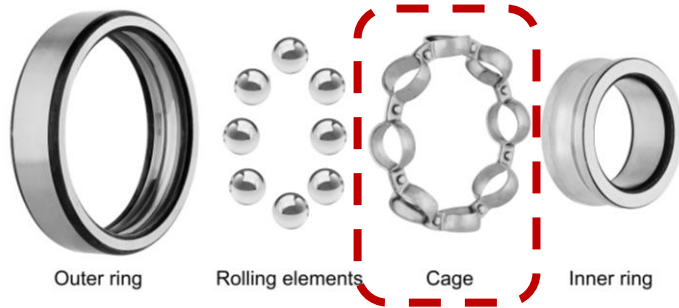
NTN  
SKF

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

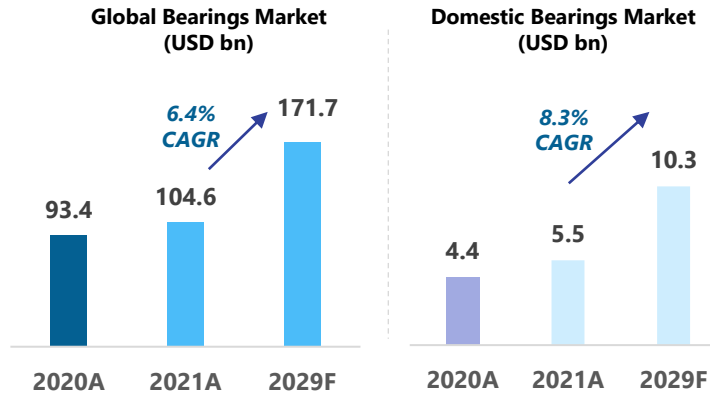


High heat resistant operating conditions










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**



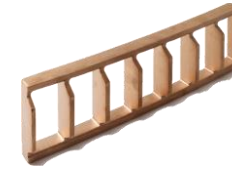
**Thrust Roller**



**Spherical Roller**



**Cylindrical Roller**



**Sand Casting**



**Bronze Bushing**



**Precision Stamping Components**

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

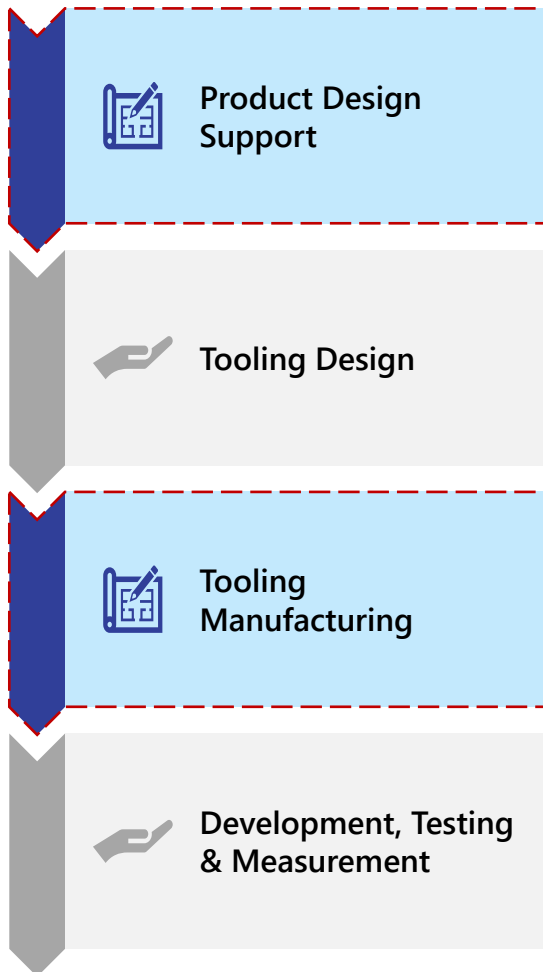
- ✓ *Crushers*
- ✓ *Steel mills*
- ✓ *Thermal turbines*
- ✓ *Windmills*
- ✓ *Agricultural machines*
- ✓ *Automotive parts*

- ✓ *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

