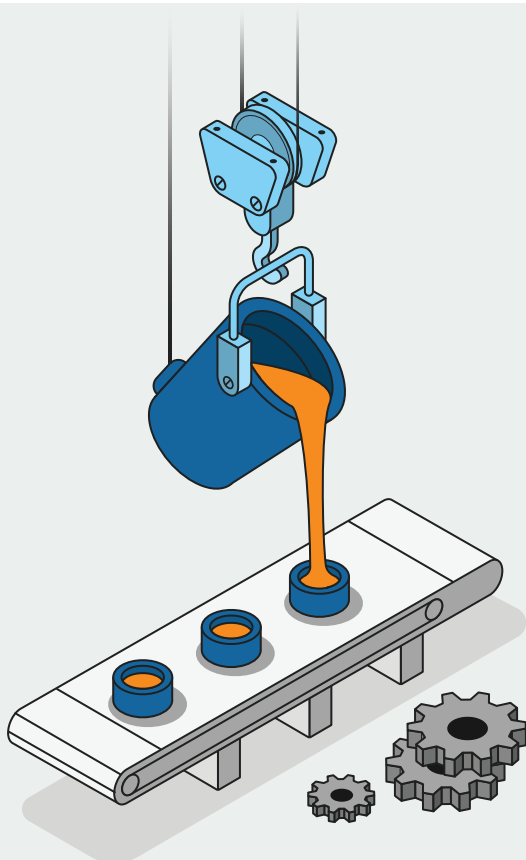




IPO DETAILS

#IPOlogy

Harsha Engineers International Limited



Issue Opens

14th Sep 22, Wed

Issue Closes

16th Sep 22, Fri

Min. Lot Size

45 Shares

Issue Price Band

₹314 - ₹330

Industry

Precision Engineering

Issue size

Fresh Issue:

13.79 Mn Equity Shares
(₹4,550.00 Mn)

OFS:

9.09 Mn Equity Shares
(₹3,000.00 Mn)

Face Value

₹10

Listing at

NSE, BSE

Rationale

Considering the FY22 EPS of Rs.10.10 on a post issue basis, the company is going to list at a P/E of 32.67x with a market cap of Rs.30,042 mn whereas its peers namely SKF Ltd and Timken India Ltd are trading at P/E of 55.5x and 65.8x respectively.

We assign "Subscribe" rating to this IPO as the company is the largest manufacturer of precision bearing cages in India. Also, it is available at reasonable valuation as compared to its peers.

Objectives of the Issue

Pre-payment or scheduled repayment of a portion of the existing borrowing availed by the company

Funding capital expenditure requirements towards purchase of machinery

Infrastructure repairs and renovation of the existing production facilities including office premises in India

General corporate purposes

Rating

SUBSCRIBE

APPLY NOW

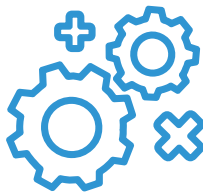


Harsha Engineers International Limited

Company Overview

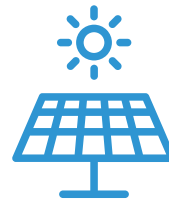
Harsha Engineers International Limited is the largest manufacturer of precision bearing cages, in terms of revenue in India and amongst the leading manufacturers of precision bearing cages in the world. The company offers diversified suite of precision engineering products across geographies and end-user industries.

Business Model



Engineering Business

Manufactures bearing cages complex and specialized precision stamped components, welded assemblies and brass castings and cages & bronze bushings



Solar EPC Business

Provides complete comprehensive turnkey solutions to all solar photovoltaic requirements

7,205+

Bearing cages
manufactured as per customers
requirements
As of March 31, 2022

295

Other products
manufactured as per customers
requirements
As of March 31, 2022

1,200+

Products developed by
product development and innovation
center of the company
As of March 31, 2022

Manufacturing Facilities

Changodar

Moraiya

Changshu

Ghimbav Brasov



Company's Market Share

The company has approximately 50-60% of the market share in the organized segment of the Indian bearing cages market and 6.5% of the market share in the global organized bearing cages market for brass, steel and polyamide cages in 2021.



Catering Various Sectors

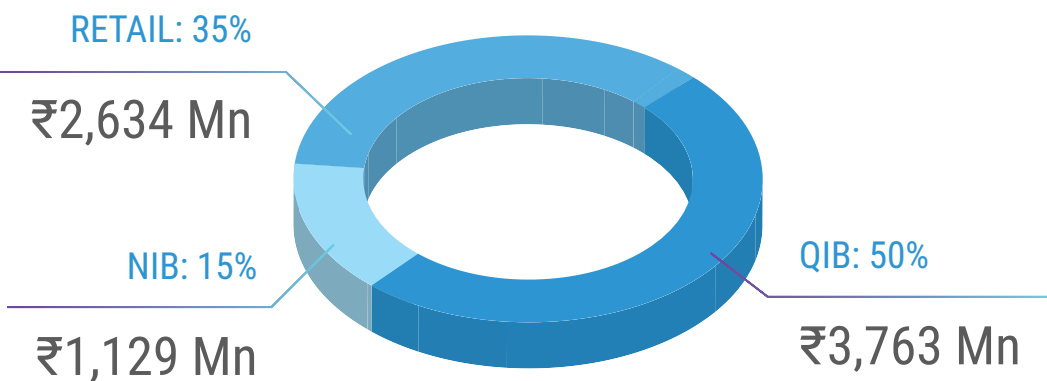
The company offers a wide range of bearing cages starting from 20 mm to 2,000 mm in diameter and the bearing cages find its application in the automotive, railways, aviation & aerospace, construction, mining, agriculture, electrical and electronics, renewables sectors.



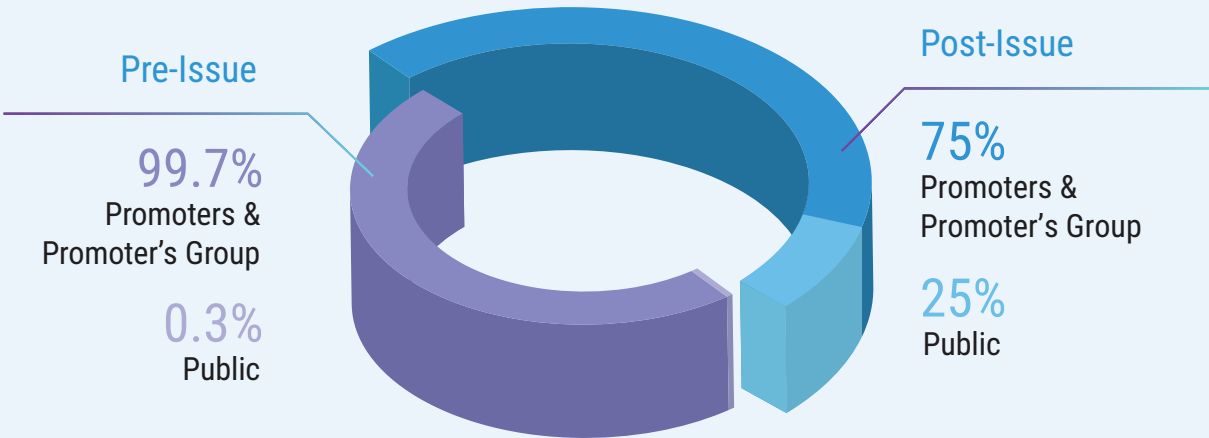
Harsha Engineers International Limited

Issue Details

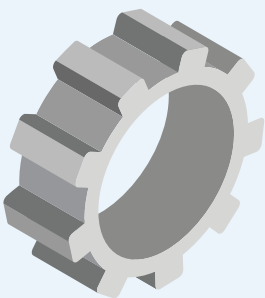
Issue Break-Up



Shareholding Pattern



Capital Structure (in ₹)



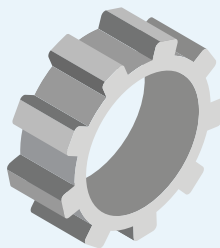
1,000 Mn

Authorised Equity
Share Capital



772 Mn

Paid-Up Capital
(Pre-Offer)



910 Mn

Paid-Up Capital
(Post-Offer)



Harsha Engineers International Limited

Valuations and Peer Comparison

Market Cap
₹30,042 Mn

P/E Ratio

32.67x

Harsha Engineers
International Ltd.

Market Cap
₹242,620 Mn

55.5x

SKF India Ltd.

Market Cap
₹252,770 Mn

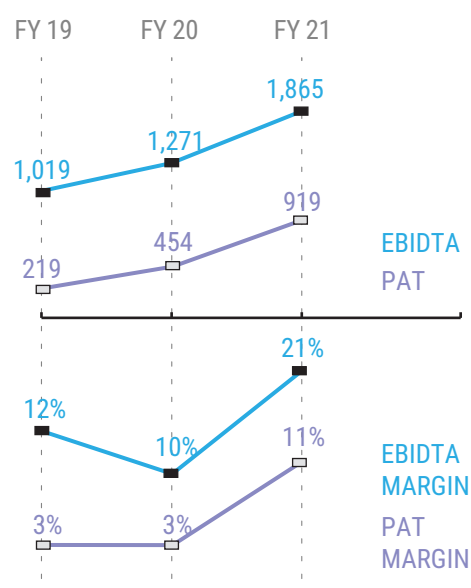
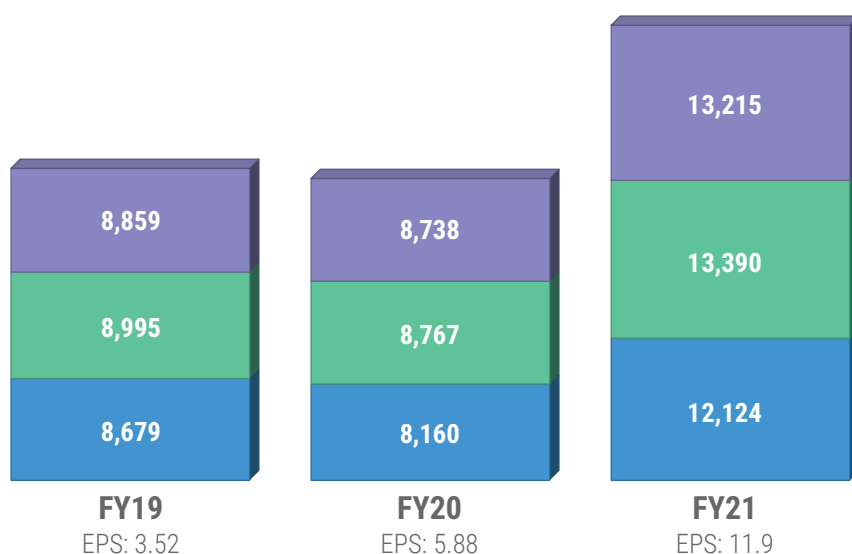
65.8x

Timken India Ltd.

Market Cap data of listed securities as on September 9, 2022

Financial Snapshot (in ₹ Mn)

Revenue
Total Income
Total Expenses





Harsha Engineers International Limited

Business Insights



Competitive Strengths

- Comprehensive solution provider offering diversified suite of precision engineering products across geographies and end user industries
- Long standing relationships with leading clientele
- Strategically located domestic and international production facilities and warehouses
- Expertise in Tooling, design development and automation
- Consistent track record of growth and financial performance
- Strong, experienced and dedicated senior management team and qualified workforce



Business Strategy

- Enhance market leadership in bearing cages and expanding customer base
- Retain and strengthen technological leadership through continued focus on development and automation
- Growing stamping and specialized component segment
- Focus on increasing operational efficiencies to improve returns
- Increased focus on developing products suited to capture market opportunity in the growing electric vehicle segment
- Focus on growth by opportunistic inorganic acquisitions and partnerships with customers



Risks

- The company depends on a limited number of customer groups for a significant portion of its revenue from engineering business contributing 70.55%, 72.28%, and 72.54% for Fiscal 2022, Fiscal 2021 and Fiscal 2020 respectively.
- The company is dependent on third parties for the supply of raw material and delivery of products. The top five raw material suppliers for Fiscal 2022 together contributed to 43.93% of the company's total raw material consumption.

Promoters and Management Details

Rajendra Shah - Chairman and Whole-time Director

Harish Rangwala - Managing Director

Vishal Rangwala - Chief Executive Officer and Whole-time Director

Pilak Shah - Chief Operating Officer and Whole-time Director