

Company Name: Harsha Engineers International

BSE CODE: 543600

NSE CODE: HARSHA

Sector: Auto Ancillaries

Industry: Auto Ancillaries

CMP (Rs): 552 | Buy Range: 540-550 | Target Price: 635 | Potential Upside: 15%
Duration of Recommendation: 12 months

Company Data

Market Cap (Rs Cr)	20,367
Enterprise value (Rs Cr)	19,785
52-Week High/Low (Rs)	1137/618
EPS (TTM) (Rs)	77.50
P/E Ratio (x) TTM	14.7
Industry PE (x)	31.4
EV/EBITDA (x) TTM	10.5
P/PB (x) TTM	3.49

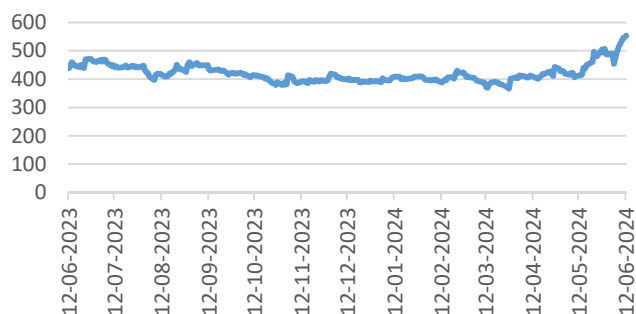
Shareholding %	Q2FY24	Q3FY24	Q4FY24
Promoters	74.61	74.61	74.61
FII's	1.86	1.61	1.61
DII's	9.19	8.14	7.43
Public	14.33	15.62	16.36
Others	0.00	0.00	0.00
Total	100.0	100.0	100.0
Pledged	0.00	0.00	0.00

Financial Performance (Consolidated)

INR (Cr)	FY23	FY24	FY25E	FY26E
Revenue	1,364	1,392	1,532	1,715
Growth (%)	3.2%	2.1%	10.0%	12.0%
EBITDA	190	171	207	240
EBITDA growth	11.0%	-9.7%	20.6%	16.1%
EBITDA margin	13.9%	12.3%	13.5%	14.0%
Net Profit	123	111	138	163
Profit growth	10.4%	10.4%	23.7%	18.2%
Profit margins	9.0%	8.0%	9.0%	9.5%
EPS	13.5	12.2	15.1	17.8
BVPS	117.8	129.2	134.0	152.0
P/E (x)	24.8	33.4	37.0	31.3
P/BV(x)	2.8	3.2	4.2	3.7
ROE (%)	15.4%	9.9%	11.0%	12.0%
RoCE	12.2%	9.7%	10.0%	11.0%
EV/EBITDA(x)	14.20	18.00	24.46	21.06

Source: Company, Share India Securities

Price Performance



Our Recommendation: The increasing trend of leading global bearing players outsourcing bearing cages offers a steady growth opportunity. The company anticipates a revenue growth of 10-15% and a PAT growth of 20-25% in FY25. Additionally, it aims to achieve a return on equity (ROE) of 17-18% over the next three years. At CMP, the stock is trading at at 31x its FY26 EPS. We value the stock 35.5x of FY26E EPS. **We recommend BUY in price range of 540-550 with target price of 635 (based on 3.5x FY26E EPS) with potential upside 15%.**

About Company: Harsha Engineers manufactures brass, steel, and polyamide cages and stamped components with production facilities located in Asia (India & China) and in Europe (Romania). Company's market share is 50-60% in the Indian bearing cages market. Company is the largest manufacturer of precision bearing cages in the organized sector in India. Company has 6.5% share in the global organized bearing brass, steel, and polyamide cages market.

Investment Rationale:

Domestic Outlook is Positive: The company's domestic outlook is positive, anticipating strong demand from the auto, industrial, and railway sectors for bearing cages. Harsha is optimistic about the medium-term domestic demand prospects.

Strengthened overseas performance: In Q4FY24, Harsha achieved an EBITDA of Rs 32 million in its subsidiaries, up from Rs 22 million in Q3FY24. This improvement resulted from rigorous cost management, enhancement of the product portfolio, downsizing certain facilities, reducing fixed costs and overheads, and passing through material costs.

Financial Performance: Revenue/EBITDA/ PAT have grown at CAGR of 17%/12%/35% respectively over FY21-24 period. EBITDA margins are hovering around 14%. Company's leverage position is also very good with D/E ratio of

Healthy Financial Performance In Q4FY24:

- ❖ Consolidated Revenue/EBITDA/PAT up by 10.7%/7.4%/13% YoY to Rs. 380/55/37 crores respectively.
- ❖ EBITDA margins decreased by 44 bps to 14.3% YoY from 14.8%.
- ❖ On QoQ basis, Revenue/EBITDA/PAT increased by 17.2%/37.2%/24%.

Key Risks: Subdued demand in Europe region could impact sales growth.

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