

IPO TIMELINE

Events	Date
IPO Opening Date	Sept 14, 2022
IPO Closing Date	Sept 16, 2022
Basis of Allotment	Sept 21, 2022
Initiation of Refunds	Sept 22, 2022
Credit of Shares to Demat	Sept 23, 2022
IPO Listing Date	Sept 26, 2022

IPO LOT SIZE

Application	Lots	Shares	Amount
Minimum	1	45	14,850
Maximum	13	585	193,050

IPO KEY DETAILS

Opening Date	Sept 14, 2022
Closing Date	Sept 16, 2022
Price Band	Rs 314 to Rs 330
Issue Size	755 crores
Face Value	10
Market Lot	45 shares
Reservation	QIB 50%, Retail 35%, NII 15%

FINANCIAL PERFORMANCE (Rs. Cr)

Y/E March	FY20	FY21	FY22
Net Sales	886	874	1321
Other income	21	7	18
Total Income	907	881	1339
Expenses	808	756	1153
EBITDA	99	125	186
EBITDA margin	10.9%	14.2%	13.9%
PAT	22	45	92
PAT margin	2.4%	5.1%	6.9%
EPS (Rs)	4	9	12
RoE (%)	12.66	12.2	19.95
RoCE (%)	14.18	11.63	18.04

PEER COMPARISONS

Company Name	Sales	EPS	P/E
Timken India	2203	43.5	65.12
SKF India	3,666	79.92	55.32
Rolex Rings	1,017	48.43	35.42
Harsha Engineers	1321	12	32.67

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Our Recommendation: Harsha Engineers maintains dominant position in precision bearing cage manufacturing in India. The company has diversified portfolio of precision engineering products in different regions around the globe and end-user industries. The company has 50% market share in bearing cages market in India and 6.5% in global market. IPO is valued at 32.67x FY22 P/E. The company is better positioned to capture the growing bearing cage demand across industries. The company is also focusing on other specialized precision components that step may boost margins in coming quarters. Investors may consider to subscribe this IPO for listing gains.

About Company: Harsha Engineers International Ltd is India's largest precision bearing cage manufacturer in terms of revenue, and one of the world's leading precision bearing cage manufacturers. It accounts for 50-60% of the Indian bearing cages market and 6.5% of the global organized bearing brass, steel, and polyamide cages market. Under engineering segment, company manufactures bearing cages complex and specialized precision stamped components, welded assemblies, and brass castings and cages & bronze bushings. Under Solar EPC Business, company offers complete turnkey solutions for all solar photovoltaic requirements.

IPO Objectives: Net proceeds will be used for following purposes:

- Up to 270 crore will be used for prepayment of existing borrowing.
- Up to 78 crore will be used for Capex for the purchase of machinery.
- 7 crore will be used for infrastructure repairs and renovation of existing manufacturing facilities, including office space in India.
- Rest will be used for general corporate purposes.

Key Customers: Shaeffler AG, JTKET, NTN, SKF, TIMKEN, NSK.

Industry Outlook: As the automobile industry shifts its focus to electric vehicles, the demand for more silent and lighter bearings and their components will be felt, and the demand is likely to shift toward precise dimension and dirt free bearing, steel and polyamide cages as a possible solution at a premium price.

Business Growth Potential:

- Long-standing relationships with high-profile clients. Customers include leading global bearing manufacturers in the automotive, railways, aviation & aerospace, construction, mining, agriculture, electrical and electronics, and renewables sectors.
- Plans to expand further into the Japanese bearing market. The company intends to expand further into the Japanese bearing market by supplying directly to Japanese customers at their Japanese locations. Previously, the company supplied Japanese customers through its locations in India and outside of Japan.
- Increased emphasis on developing products to capitalize on market opportunities in the growing electric vehicle segment.
- Domestic and international production facilities and warehouses are strategically located. Company has four strategically located manufacturing facilities spread across three countries in India, China, and Romania.

Key Risks:

- Revenue is dependent on a limited number of customers.
- High exposure to foreign currency exchange rate fluctuations.
- Recent corporate reorganization may cause administrative and operational issues.
- Depend on third parties for the supply of raw materials and delivery of products.

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Disclosure:

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