



Harsha Engineers International Limited

IPO NOTE

ISSUE KEY HIGHLIGHTS			
PRICE*:	Rs. 314 – Rs. 330	ISSUE OPENS:	14 th Sep 2022
ISSUE SIZE:	Rs. 755 Crores	ISSUE CLOSSES:	16 th Sep 2022

Particulars	No. of Shares @ Lower Band (Cr)	No. of Shares @ Upper Band (Cr)	Rs. In Cr. @ Lower Band	Rs. In Cr. @ Upper Band	% Of Issue
QIB	1.198	1.139	376.25	376.25	50%
NIB	0.359	0.342	112.88	112.88	15%
Retail	0.839	0.798	263.38	263.38	35%
Employee	0.008	0.008	2.50	2.50	-
Shareholder	-	-	-	-	-
Total Issue	2.404	2.287	755	755	100%

Employee Discount of Rs. 31/- Per Share

Issue Details:

Industry: Engineering Company

Promoters: Rajendra Shah, Harish Rangwala, Vishal Rangwala and Pilak Shah

Selling Shareholders :

Rajendra Shah, Harish Rangwala, Charusheela Rangwala, Nirmala Shah & Pilak Shah

Capital Structure:

Fresh Issue (@Higher Band)	Rs. 455 Cr.
Offer for Sale (@Higher Band)	Rs. 300 Cr.
Total Issue as % of total capital (Post-Issue) (@Higher Band)	25.12%
Post Issue No. of Shares @ Higher Band (Cr.)	9.10
Post Issue Market Cap @ Higher Band (Rs. Cr.)	3,005
Face Value	10
Issue Route	Book Build Issue
Bid Lot (Shares)	45

Lead Managers : Axis Capital, Equirus Capital, JM Financial

Registered Office: Ahmedabad

Registrar: Link Intime India Pvt Ltd

Listing: BSE and NSE

Key Investment Details for Retail Investors: (UPI or ASBA)

Min No. of Shares - Application	45
Amount on the Min. Application (Rs.)	Rs. 14,850

An Indicative timetable post issue closing:

Particulars	On or about
Finalization of Basis of Allotment	21-Sep-2022
Refunds/un-blocking of ASBA Accounts	22-Sep-2022
Credit of Equity Shares to DP Ac	23-Sep-2022
Trading Commences	26-Sep-2022

Shareholding %:

Particulars	Pre-Issue	Post Issue
Promoters & Promoter Group	99.70	74.61
Public	0.30	25.39
Total	100.00	100.00

Issue Highlights:

Harsha Engineers International Limited (“HEIL”) was incorporated on December 11, 2010. The part of Harsha Group, HEIL is a leading engineering company that offers diversified suite of products across geographies and end-user industries. It manufactures brass, steel and polyamide cages and stamped components with production facilities located in Asia (India & China) and in Europe (Romania).

HEIL’s market share is estimated to be around ~50-60% in the Indian bearing cages market making it the largest manufacturer of precision bearing cages in organized sector in India in terms of revenues and amongst the leading manufacturers of precision bearing cages in the world. HEIL accounted for a share of 6.5% in the global organized bearing brass, steel and polyamide cages market in CY2021.

Company’s business comprises:

- Engineering business**, under which HEIL manufactures bearing cages (in brass, steel and polyamide materials), complex and specialised precision stamped components, welded assemblies and brass castings and cages & bronze bushings; and
- Solar EPC business**, under which HEIL provides complete comprehensive turnkey solutions to all solar photovoltaic requirements

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

HEIL has also been providing comprehensive complete turnkey solutions to all Solar Photovoltaic requirements.

HEIL has 4 strategically located manufacturing facilities for their engineering business with one of their principal manufacturing facilities at Changodar and one at Moraiya, near Ahmedabad in Gujarat in India, and one manufacturing unit each at Changshu, China and Ghimbav Brasov in Romania.

Brief Financial Details*:

(Rs. In Cr.)

Particulars	As at Mar’31		
	2022	2021	2020
Equity Share Capital	77.25	50	50
Reserves	444.61	377.18	321.98
Net worth as stated	527.90	433.22	378.02
Revenue from Operations	1,321.48	873.75	885.85
Revenue Growth (%)	51.24%	(1.37%)	-
EBITDA	186.58	124.96	100.06
Net Profit for the period	91.94	45.44	21.91
EPS Basic (Rs.)	16.06	9.09	6.26
RONW (%)	17.42%	10.49%	5.80%
Net Asset Value (Rs.)	68.34	86.64	75.60

*Restated Consolidated Statement, Net profit % on Total Income

Source: RHP

For additional information & risk factors please refer to the Red Herring Prospectus.

OBJECTS 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.

SHAREHOLDING PATTERN

Shareholder	Pre-offer		Approx. No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Total - Promoter & Promoter Group					
Promoter	4,43,60,749	57.43%	47,95,449	3,95,65,300	43.46%
Promoter Group	3,26,56,684	42.27%	42,95,451	2,83,61,232	31.15%
Public	2,30,977	0.30%	-	2,31,17,572	25.39%
Total Equity Shares	7,72,48,410	100.00%	90,90,900	9,10,44,105	100.00%

OFFER DETAILS

The Offer	No. of Shares	
Fresh Issue (Rs. 455 Cr.)	Approx. 1,44,99,135 – 1,37,95,695 Shares	
Offer for Sale : Name of Selling Shareholder	Amount (Rs. In Cr.)*	Weighted Average Cost of Acquisition per Equity Share on a fully diluted basis (Rs.)
Selling Shareholder:		
<i>Harish Rangwala</i>	75.00	10.85
<i>Rajendra Shah</i>	66.75	6.04
<i>Pilak Shah</i>	16.50	14.32
<i>Charusheela Rangwala</i>	75.00	1.85
<i>Nirmala Shah</i>	66.75	3.10
TOTAL	300.00	
*Calculated on Higher Price Band		
TOTAL		

BUSINESS OVERVIEW

Harsha Engineering International Limited (“HEIL”) is the largest manufacturer of **precision bearing cages**, in terms of revenue, in organised sector in India, and amongst the leading manufacturers of precision bearing cages in the world. HEIL offers diversified suite of precision engineering products across geographies and end-user industries.

Company’s business comprises:

- **Engineering business**, under which HEIL manufactures bearing cages (in brass, steel and polyamide materials), complex and specialised precision stamped components, welded assemblies and brass castings and cages & bronze bushings; and
- **Solar EPC business**, under which HEIL provides complete comprehensive turnkey solutions to all solar photovoltaic requirements.

HEIL has approximately 50-60% of the market share in the organised segment of the Indian bearing cages market and 6.5% of the market share in the global organised bearing cages market for brass, steel and polyamide cages in CY 2021. They offer a wide range of bearing cages starting from 20 mm to 2,000 mm in diameter and their bearing cages find its application in the automotive, railways, aviation & aerospace, construction, mining, agriculture, electrical and electronics, renewables sectors etc.

HEIL is a technology driven company with a strong focus on quality, design and tool development, which has allowed them to develop products suited to their customers’ requirements. They have the expertise to design and develop advance tooling in-house which enables them to manufacture precision bearing cages and complex and specialised precision stamped components. Bearing cages are critical parts of a bearings and it requires high precision technology to manufacture them.

HEIL, which housed a team of 253 qualified engineers (including solar EPC business) as of March 31, 2022, along with their decades of experience in bearing cages engineering, enable them to develop specialized products and solutions. Their ability to develop products suited to their customers’ requirements has fostered strong and long-term customer relationship which in turn has helped them gain higher margins for their products and better navigate competition.

Further, they have been successful in diversifying their product portfolio and improve their current processes in different types of bearing cages mainly due to their design, development and technological capabilities. As of March 31, 2022, they have been able to manufacture more than 7,205 bearing cages and more than 295 other products for customers in the automotive, railways, aviation & aerospace, construction, mining, agriculture, electrical and electronics, renewables sectors, allowing them to meet changing customer requirements.

In addition, over the past 3 years their product development and innovation center has developed more than 1,200 products in different bearing types.

HEIL supply products to customers in over 25 countries covering 5 continents i.e., North America, Europe, Asia, South America and Africa. To help them meet ‘just in time’ requirements of their customers, they have entered into arrangements to stock inventory in warehouses spread across more than 20 locations across the world including in, Europe, US, China and South America. Their multinational presence has also allowed them to diversify their revenue geographically.

Company Background

HEIL is part of the Harsha Group which was established in 1986 and has over 35 years of operating history in the engineering business. The company, Harsha Engineering International Limited, was incorporated in 2010 as Harsha Abakus Solar Pvt Ltd. In order to consolidate the Harsha Group's India engineering and solar EPC business, and to get the benefits of synergies, a corporate reorganisation was recently completed effective from the appointed date of April 01, 2020. Pursuant to the Corporate Reorganisation, the engineering business of the Harsha Group housed in Aastha Tools Pvt Ltd, Harsha Engineers India (Pvt) Ltd and Harsha Engineers Ltd was amalgamated into the company.

Company's founder Promoters, Harish Rangwala and Rajendra Shah, have more than 35 years of experience in the precision engineering and bearing cages manufacturing sector and have played a pivotal role in their innovation, success and growth. Additionally, their second generation Promoters, Vishal Rangwala and Pilak Shah, are also involved in the overall operations, strategies and business of the company.

HEIL has 3 wholly owned subsidiaries, one in China - Harsha Precision Bearing Components (China) Co. Ltd, one in the United States of America - HASPL Americas Corporation and one in the Netherlands - Harsha Engineers B.V., and a step-down subsidiary in Romania - Harsha Engineers Europe SRL.

The company also has a 50% interest, as a partner, in Clenmax Harsha Solar LLP and 26% equity interest in Sunstream Green Energy One Pvt Ltd (formerly known as Eirene Naval Systems Pvt Ltd).

HEIL has a total of four production units for their engineering business. Their production units in India have availability for water and electricity by way of connections with local municipal facilities. Additionally, in order to maintain steady flow of electrical power and to protect against power surges, their production facilities are equipped with stand-by electricity facilities in form of external generators. Their production units in Changodar and Moraiya are equipped with roof top solar plant in addition to a separate windmill and ground mounted solar.

INTERNATIONAL REACH (GLOBAL LOCATIONS)



COMPETITIVE STRENGTHS

- Comprehensive entity offering diversified suite of precision engineering products across geographies and enduser 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

KEY BUSINESS STRATEGIES

- Enhance market leadership in bearing cages and expanding the customer base
- Retain and strengthen the technological leadership through continued focus on development and automation.
- Growing the stamping and specialised 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

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2022)

Name of the Company	Consolidated/ Standalone	FV	Market Cap Rs. Cr.^	Closing Price Rs	Total Revenue FY21 (₹ Cr)	EPS (Basic)	NAV	P/E*	RoNW
Harsha Engineers International Ltd	Consolidated	10	-	NA	1,339.00	16.06	63.34	[·]	17.42%
Peer Group									
Timken India Ltd	Consolidated	10	25,279	3,014.05	2,217.53	43.49	220.28	69.30	19.74%
SKF India Ltd	Consolidated	10	24,194	4,731.25	3,700.29	79.90	381.43	59.21	20.95%
Rolex Rings Ltd	Consolidated	10	5,386	1,759.95	1,028.13	50.23	200.05	36.04	24.21%
Sundaram Fasteners Ltd	Consolidated	1	18,573	856.05	4,941.40	21.74	124.75	39.38	17.42%

All the financial information for listed industry peers of the Company mentioned above is on a consolidated basis (unless otherwise available only on standalone basis)

*P/E Ratio has been computed based on the closing market price of the equity shares (NSE) on August 23, 2022

^Market Capitalization is stated as on September 12, 2022

Source: RHP

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