HEIL/SE-22 /2023-24

June 2, 2023

To,
The Manager (Listing),
The BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
Script Code No. : **543600**

To,
The Manager (Listing),
National Stock Exchange of India Limited
"Exchange Plaza", C-l, Block - G,
Bandra - Kurla Complex, Bandra (E)
Mumbai – 400 051
Symbol : **HARSHA**

Dear Sir/Madam,

Sub : Transcript of Earnings Call for the quarter and year ended March 31, 2023
Ref : Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

With reference to subject matter and pursuant to regulation 30 of the SEBI ((Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the earnings call for the quarter and year ended March 31, 2023 held on May 26, 2023.

The above information is also available on the website of the Company at www.harshaengineers.com

You are requested to take the same on your record.

Yours faithfully,

FOR HARSHA ENGINEERS INTERNATIONAL LIMITED (Formerly Known as Harsha Engineers International Private Limited and Harsha Abakus Solar Private Limited)

MOHANTY
KIRAN
KUMAR

Digitally signed by MOHANTY KIRAN KUMAR
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Kiran Mohanty
Company Secretary and Chief Compliance Officer
MEM NO. : F9907

"Harsha Engineers International Limited Q4 FY'23 Earnings Conference Call"

May 26, 2023

MANAGEMENT:	**MR. VISHAL RANGWALA – CHIEF EXECUTIVE OFFICER AND WHOLE-TIME DIRECTOR – HARSHA ENGINEERS INTERNATIONAL LIMITED** **MR. MAULIK JASANI – VICE PRESIDENT AND GROUP CHIEF FINANCIAL OFFICER – HARSHA ENGINEERS INTERNATIONAL LIMITED** **MR. SANJAY MAJMUDAR – STRATEGIC ADVISOR – HARSHA ENGINEERS INTERNATIONAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Q4 FY '23 Earnings Conference Call of Harsha Engineers International Limited. We have with us today, Mr. Vishal Rangwala, CEO and Whole-time Director; Mr. Maulik Jasani, VP and Group CFO; and Mr. Sanjay Majmudar, Strategic Advisor.

As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on a touchtone phone.

I now hand the conference over to Mr. Vishal Rangwala, CEO and Whole-time Director. Thank you, and over to you, sir.

Vishal Rangwala: Thank you, and welcome all -- this is Vishal Rangwala and thank you for joining us on our Quarter 4 Financial Year 2023 Year-End Investor Call. While our CFO, Mr. Maulik Jasani, will give you more details about our financial numbers. I'm presuming that you would have had a chance to go through them already. And with that, in spite of very challenging times right now, considering geopolitical tensions, severe inflatory conditions in our key markets like Europe and North America. We have posted a fairly decent performance for the quarter 4 and the year.

Our top line growth seems very muted. However, that's a factor of commodity price adjustments, contracts we have with our customers. So accounting for that, we have recently grown at about 8% on a consolidated basis. And I'm happy to inform that for us. The Indian market has performed very well, and it has reported a robust 20% around growth. However, Europe and then by extension of our Romania facility has faced significant headwinds due to high energy costs and overall inflatory conditions, which has resulted into a lot of soft demand.

Similarly, if you look at China, during the year, we have seen a lot of lockdown imposition by the government and that led to reductions or challenges in demand side as well as the automotive slowdown there. So those areas, those countries, our market has remained muted. But however, there is -- I would -- I'm happy to report that there is a significant reduction in operating loss in Romania in financial year 2023. If I talk about our key growth drivers, I'm happy to inform that from a medium-term to long-term perspective, those drivers remain very much intact.

In case of bronze bushing, while our current market demand is well muted due to soft wind market in Europe and other places. We still have a robust order book and visibility. We are developing certain new products in this segment as well and we remain confident that there should be a decent revival in second half of current financial year. We have witness the strong growth both in large bearing cages segment as well as from our Japan-based customers.

Further, we believe that there is a significant capex announced by our customer base, who are global bearing manufacturers and they're setting up a lot of capex in India. And we believe that we would be one of the major beneficiary of such cage requirements of these companies in the future. If we get direction, we have -- Harsha has developed about 333 new products in financial year 2023, which indicates a very strong pipeline build-up going on -- going forward and now fairly confident that we can actually continue to grow in the market.

While talking about financial year 2024, it's fairly difficult to give a precise guidance. However, on a internal -- internally, we are trying to target about 8% to 10% global growth for all markets combined. And we are expecting that margins of Romania and China will be quite positive. And overall, we expect good margin growth for financial year 2024.

Lastly, I want to kind of share that we have incorporated or registered a subsidiary -- wholly owned subsidiary called Harsha Engineers Advantek Limited. This will be the vehicle for doing next greenfield project in India for Harsha. And we are very close to identifying land and related formalities for execution of legal documents and so on. We will be making some appropriate announcements in due course related to this.

With that, I will request Maulik Jasani to take you through key financial numbers from here on.

Maulik Jasani: Hello, everyone, and good afternoon. Thank you, Vishal, for the business overview and updates. Now let me quickly update on the major financial numbers. For the quarter ended March '23, in our engineering business, at a consolidated level, we have achieved revenue of INR325 crores against the INR297 crores in the immediate previous quarter and INR330 crores in the same quarter last year.

We have achieved consolidated EBITDA of INR56.5 crores in the quarter 4 of FY '23 against INR55 crores EBITDA in quarter 3 and INR54.4 crores EBITDA in last year quarter 4. For the whole year in financial year ended at March '23, the company has achieved consolidated revenue of almost INR1,300 crores in Engineering segment against the INR1,239 crores in the previous year.

Actually, EBITDA is achieved at INR218 crores with 16.8% of revenue against INR189 crores last year at 15.3% of Engineering segment revenue. Our profit after tax for engineering business for the financial year is reported at INR123 crores versus previous financial year of INR96 crores with a growth of 28.6%.

In our solar segment, we have achieved revenue of INR65 crores for the full year and profit of INR0.19 crores for the financial year '23. We have achieved sales of INR30 crores in our Bronze segment for the full year, while our business with the Japanese customers have grown by 34% year-over-year in last fiscal year, while precision stamping business has grown by 19% year-over-year. Our LSB business has grown around 15% year-over-year. Our capex has during the year has been INR74.4 crores at consol level which includes the work in progress also.

For Engineering business, our working capital cycle is 128 days for the year ended against 129 days last year at a consol level. Our net borrowing at stand-alone level is at INR225 crores as investment negative, while at a consolidated level, it is INR150 crores. Our gross borrowings at stand-alone level is INR88 crores and INR177 crores at consol level. We have installed Hybrid captive power and the project of 3.71 megawatt at Gujarat, which has been commissioned. And we will see the full impact of that project in the coming fiscal year '23, '24.

With this brief on the financial numbers, I hand it over to the operator for Q&A from the participants.

Moderator: Thank you very much. We have our first question from the line of Nikhil Rungta from Nippon India Mutual Fund. Please go ahead.

Nikhil Rungta: Hi, sir. Thanks for the opportunity. Yes. Sir, just a couple of questions from my side. To start with, on the Japanese customer, where you mentioned like we have grown around 34% on a yearly basis. So as a percentage of revenue or bearing business, what percentage would be Japanese customer, now?

Maulik Jasani: Okay. So Japanese customers roughly contribute around INR60 crores in absolute value in our total turnover of INR1,300 crores in engineering business.

Nikhil Rungta: This year?

Maulik Jasani: For FY '23.

Nikhil Rungta: Okay. And here, we can easily see a similar type of growth going forward as well, right?

Vishal Rangwala: Because the base is low. See, what is happening currently, we are still at 2% or 3% of the wallet share. So we are aiming at, at least 10%, 12% wallet share over the next few years.

Nikhil Rungta: Correct. Sir, coming to this bronze bushing, you have clearly indicated in your presentation an outlook that you see improvement only in second half of FY '24. So if you can give some more detail and highlights on this particular business because this bronze bushings was one of the key highlights during our IPO times as well. So what exactly happened? And why did that it's only H2 that you see a recovery?

Vishal Rangwala: Yes. So see, we spend FY '23 actually ramping-up the production at our end, making those investments, and all that was going on. So there was already a demand in place and we were replacing import and that kind of situation. However, while we were doing this, we have talked about starting quarter 3 and early quarter 4.

The wind market started softening. And so we have the base business remains intense, but demand has softened. We have continued -- we have now become the significant supply in that segment to our customers. And that overall their demand has stopped -- softened since last few quarters. And we have received indication from our customers that in quarter 3 and quarter 4 is likely this revival will take place.

So overall, the business remains intact what we had projected that we will do in the maturity -- full maturity of this bushing awarded business, we will do INR125-odd crores-plus business, that potential still remains intact. Short term, we are seeing a dip considering the wind market. And based on some indication, we are seeing that this will revive in second half of financial year '24.

Sanjay Majmudar: This INR125 crores being an annual target number at optimum in long run. Yes.

Nikhil Rungta: Okay. Okay. And sir, on this Hybrid captive power project, which we have commissioned, what type of benefit do we expect in FY '24? You indicated full benefit would be visible in FY '24. So if I have to put that into numbers, so what type of benefit would be there?

Maulik Jasani: So as it is a hybrid project mix of wind and solar, our estimate out of this project is to have a INR4 crores after-tax benefit for the full financial year.

Nikhil Rungta: Okay. Sir, coming to our new investment or new subsidiary, which we have formed the Harsha Engineers Advantek Limited, so you have indicated that you will be investing approximately INR350-odd crores also there. So where will this funding come from? Because whatever IPO money was there, I believe we used it to repay our debt. So where will this funding come from?

Maulik Jasani: So Nikhil ji, as I mentioned in my speech, currently, we are having negative borrowings of INR225 crores at stand-alone level. And if I see the gross investment is around INR290 crores plus. That is the first.

Second thing, this INR350 crores is a enabling provision. We will do the investment in a partial manner in a tranches as and when required in next three to four years. And this INR350 crores is also the best estimate we have as of now based on the need of the capex as well as working capital in that business.

So we believe that we will have sufficient cash accrual also by the time we will deploy this much fund of INR350 crores. If we deploy fully INR350 crores in that entity. And as I said, this is more of an enabling provision, and we will decide as the things will improve, and we will start investing in the main entity. So incrementally, most of the -- don't really taking too much of the debt.

Sanjay Majmudar: Yes. It was all from cash accruals, mostly.

Nikhil Rungta: Okay. Okay. So can we say that our intended capex plan would also be a similar number? Or in our stand-alone entity, also there would be capex?

Vishal Rangwala: There will be capex in our stand-alone entity. And this INR350 million includes the working capital need also of the new entity.

Nikhil Rungta: Okay. Sir, last question from my side. On this itself, for FY '24, what type of capex are we planning?

Vishal Rangwala: For FY '24, including the greenfield expansion, it will be INR100 crores to INR130 crores.

Nikhil Rungta: Perfect. That's all from my side. Thank you so much and all the best.

Management: Thank you, Nikhil.

Moderator: Thank you. We have our next question from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel: Thank you very much for the opportunity. Sir, my first question is that, we have grown about 5% in FY '23 in our engineering business. Now I assume here that the pricing of the products would have declined. So could you give a break-up between how would have been the volume growth both in India business as well as the overseas business? And how much impact would have been there because of the decline in price?

Vishal Rangwala: So, it is -- there were two things going on the -- for the year. First half of the year, prices were increasing and then therefore decreasing so it is a little complex thing. Having said that, as I mentioned, we estimate that we have grown about 8% on a volume basis for the year. So that's our global estimate.

On India basis, this number would be a little higher. So we grew on an absolute terms about 9%-plus on engineering business stand-alone. And we estimate that about 12% to 13% would be a rough volume growth on a stand-alone basis, approximately.

Maulik Jasani: Just to add, Harshit. Here, it is also a combination of product mix. And as we speak in our initial commentary, the growth in bronze business, LSB business contributes in a in a different volume numbers. So it is always a mix of multiple things. But yes, this is the best what we can explain.

Harshit Patel: Understood, sir. Very well, sir. So my second question is on our Romania and China facilities. So what were the full year sales in margin posted by these two companies? And how do we see Romania margin panning out over the next two years or so, can we reach historical margin levels of around 7% to 8%, not like right now, next year, but let's say, by FY '25, FY '26 kind of a time frame?

Vishal Rangwala: So yes, at the EBITDA level, we have a very strong belief that Romania is able to reach that historical margin, 7%, 8%. We will definitely have a significant improvement on the margins from last year to FY'24 and as you rightly said, in a year or two, we expect to reach that number, what you mentioned, 7% or 8%.

Sanjay Majmudar: So last year, this is FY '23, currently, Romania was pretty low, so was China, and we were talking a very insignificant margin. So, over the next two years, I would believe that we can reach about 8% in Romania. I think by '23, '24, we will have to wait, but target is about 5% to 6%, which can go to 7% to 8% in '24, '25. And China can easily do about 12% to 13% against current 6% or 7%. This is the way it will pan out. And that's why we made a statement that both this subsidiary should turn positive this year.

Harshit Patel: Understood, sir. What would be the quantum of sales that we have posted in financial year '23 at both these places?

Maulik Jasani: Do you mean by quantum means what are the revenues from both, right?

Harshit Patel: Yes, sir. The revenues in Romania and China.

Maulik Jasani: So revenue from both the put the entity put together is INR360 crores, roughly.

Harshit Patel: Okay. And what would be the split?

Maulik Jasani: And the profitability at both the entity put together is INR4.5 crores.

Harshit Patel: Okay. Understood. What would the split in this INR360 crores that you mentioned, how much would be Romania and China?

Maulik Jasani: On the revenue, China has achieved around INR124 crores and Romania around INR238 crores.

Harshit Patel: Understood, sir. Perfect. Thank you very much for taking my questions and all the best.

Moderator: Thank you. We have our next question from the line of Amit Anwani from Prabhudas Lilladher. Please go ahead.

Amit Anwani: hi, sir. Thanks for taking my question. My first question, again, on Romania. So obviously, as you highlighted that we are expecting a turnaround there FY '24 and FY '25. So what is the, rationally, what is going to change there? And right now, what is the contribution of semifinished versus large cages? And what is the utilization volumes? Any more color, if you could share on that?

Vishal Rangwala: Yes. So Romania, I think the biggest issue currently, apart from the energy crisis and related some cost is still left in our challenges. Bigger issue is the volume and the recessionary environment in Europe, plus combine that with wind market challenges overall, globally. And from a semi-finished to finished cage, I think we are still at about -- I'll check, but I think, 80-plus -- yes, 80-plus on the semi-finished side and remaining on the finished cage side.

And so what's going to improve definitely is volume both on the semi-finish and finish side. So on the semi-finish side, it's a competitive market, and it is driven by volume, and we are not at the optimal volume considering very soft demand in the whole year for Romania. So volume improvement, even on the semi-finished side will help on the margins as well as the cage finished product has significant better margins and that we are expecting to grow significantly. We had grown to a level and then it has kind of crashed or almost reduced significantly because of this demand situation. So combination of both is what we believe that we will be able to achieve margins in the directional growth we are expecting.

Amit Anwani: Sure. What was the utilization this year?

Maulik Jasani: On finished side, it is around 60% of our current users.

Management: I think more like 50% on semi-finished side, and on the finish side, the product cage side almost 40%, around that -- 40% to 50% somewhere in there. So very low utilization, currently. And I am talking about recent couple of quarters, it may be different.

Amit Anwani: Yes. So volume growth, which you are mentioning, is it from the same customer, or are we diversifying from where exactly we're thinking that the volumes will come back? Are we expecting scenario has completely started improving there with respect to energy prices or volumes? What is the expectation coming from?

Vishal Rangwala: So from a volume growth point of view, we are expecting actually to grow with existing customers. We are expecting actually that some of the business, which is soft today will improve, which is already -- one already developed, and we are a regular supplier for that business, but the demand is significantly muted. And the second part of it is that we are actually adding new customers in specifically Romania or in European region.

Third element is that we are also closely working with our customers to outsource some of their cage demand. So, the growth will come from a combination of all three-- for us, specifically on the finished cage side.

Amit Anwani: Sure, sir. My next question is on wind bushings, which we are expecting from H2, the demand will come back. So just similarly wanted to understand, are we really expecting that within 6 months, things will be normal? And how much was the bushings contribution to FY '23 and any expectations for '24, '25?

Maulik Jasani: So the FY '23 bushing contribution, as I mentioned in my speech, is INR30 crores for the year. We are short by around INR10 crores of our expectation. And for the guidelines, let Vishal also give you inputs on the market estimates and the guidance

Vishal Rangwala So see, right now, we are expecting we are going to continue to grow in the bushing market. We are expecting to do a revenue of about roughly INR45-odd crores for financial year '24. This is our very early estimates and we have received some indications from our customer for revival of wind business. So we feel that we could potentially improve on this number, but it is very early right now.

Definitely, we have already accounted for some improvement in business in second half based on the indication we have received. And then we are closely watching the market and how it is behaving and very hopeful that wind market will revise in second half and primarily calendar year '24. It is based on our customers' indication looks very positive.

Amit Anwani: Sure, sir. My last question...

Sanjay Majmudar: Mind you, this a very conservative estimate our earlier estimate was actually aggressive. So, 30 to 45 is again quite conservative. And it can change as we move ahead.

Amit Anwani: Got it, sir. Sir, last question on, if you could share the revenue contribution from bearings, stamped component, bushings, castings for FY '23?

Vishal Rangwala: We have disclosed, what best we could disclose. I think, you already have the bushings number.

Maulik Jasani: Yes. We have given the best possible disclosures, Amit.

Moderator: We have our next question from the line of Pradyumna Choudhary from JM Financial.

Pradyumna Choudhary: So three questions. First is my understanding is that currently 38% of our engineering revenue comes from India, right? So I wanted to understand like what is really stopping us from growing this pie, like because ideally India is a faster-growing market, and this pie should -- can -- is it possible to increase it much more from here in terms of contribution to total revenue?

Or have we already captured most of the opportunities on the Indian side considering our high market share? Second would be, why is the wind market slow in Europe, like considering the, all the energy crisis talks and everything. So you would usually expect that all these alternative sources would have a good demand right now. And third would be regarding the low margins in our foreign business, foreign location, China, and Romania.

So I do understand the utilization part that we are operating at less-than-ideal utilization. But energy crisis and all these things, usually my sense is considering that a product is a very low percentage of the total bearing cost. So I would expect a better pass-through of the other issues like the energy issues or raw material prices, like I would expect a higher price and power with a -- considering how critical our product is. And at the same time, how small will its contribution to total bearing cost is, so what is really happening on that side? These are my three questions.

Vishal Rangwala: Yes. So to start with your comment about India. India is a 38% for us, as you rightly mentioned, and it has grown very significantly for us last financial year. Almost to the tune of 20% India as a market. So we are very bullish on India specifically. I talked about, how our customers are setting up a lot of capex over next 2 years. And so this is a very positive effect of China Plus One. So we are quite bullish, and we will continue to grow at least double digit in India. But at the end of the day, it is still 38%, 40% of our market. So obviously, our overall growth is driven by how the globe grows -- and that kind of creates opportunity as well as challenges.

I've talked about beyond India, there are a lot of opportunities on in-sourcing to outsourcing, building our portfolio with Japan-based customers or Japan origin companies. So all those, the main additional opportunity for us, which we are working and fairly confident that we will outpace the global growth in a significant way for bearing, specifically bearing side. And then additional growth will come in from bushings and a few other products we are working on.

Now coming to your second question about the wind market. Again, that's something I'm not in a position to actually qualify, anything specific. What is -- on what I've heard wind market is driven and significantly supported by the government directives, subsidies, and all that and potentially during COVID time, a lot of funding went into other direction. So -- that's explanation I've heard out from our customer, but now they have not -- doesn't make me expert here.

So difficult to actually say why -- but we also believe that directionally, what you mentioned that this is something will grow eventually turn around. And definitely, if you look at global projections from various consultant or the predictions from various government considering the carbon neutral goal, zero CO_2 emission goals and etcetera. Absolutely, we are very bullish on this market. And in the mid- to long term, we are very confident that it will grow, and we will win a lot of opportunity within that.

On the third aspect of low margins, I'll break this down into Romania and in China, Romania, -- we have talked about this is -- we do a lot of 80% plus of the revenues coming from semi-finished products, which are crafting relatively energy intensive products. So that's where the volume matters and the margins are lower at the EBITDA level on optimal basis, what we are expecting is about 6% margin, 6% to 7% margins on the semi-finished side.

On the finished product side, we are expecting a good 14%, instead of 15% EBITDA level margins. And that is also currently muted. And as we mentioned, almost it is down significantly from its normal cycle. So both those will come back. And so thereby Romania margins will significantly improve. Obviously, the reason for low number is semi-finished.

On the China side, also, a very up and down cycle, very challenging market. And specifically, last year, we have talked about there was a significant onetime cost related to reprocessing slag and that equipment breaking down and during COVID we didn't get an approval to restart that equipment and then ultimately resulting in selling that inventory at loss. So those were the two very distinct reasons for us to have a relatively lower margin there. But again, that's the reason gives confidence that they will actually do much better.

We have actually done much better. We have done a year-over-year improvement in FY '23 and we think that this improvement will continue in FY '24 and beyond.

Sanjay Majmudar: So just to add quickly on the India side. As you know, we have been -- we have a very line market share, frankly, with all the key major customers who that really matter the global ones where it is 80%, 85% plus. Lot of new investments are coming, and we believe we should be the major beneficiary in those investments.

And a significant business that is expected to come. But as Vishal explained, India is actually a little relatively still a smaller market and therefore, we grow with whatever capacities are growing either for India or for outside India. And on the margin side, just very quickly, there was a continuous process of pass-through, which we went for most of the year with always a lag.

So therefore, what happens that when there is a lag, the impact is it in your P&L, but the benefit moves a little low -- later. And therefore, the fixed overheads are on the higher side therefore margins is expected to be very, very low.

Having said that, if you look at Romania '21, we did a decent margin in Romania. I think -- that is why we feel that now it seems that the pace of inflation as well as cost increase has slowed down a bit. And therefore, the indications are that Europe should start reviving and we are hoping for the best. And as we all very clearly said, we are closely watching. Let us go as we move ahead in the year and probably, we should have more clearer things to say.

Pradyumna Choudhary: Understood. Sir, just one follow-up here. So in Romania, you said 80% is coming from semifinished product. So, what is the plan over there? Like can we move up the value chain, like how much of this 80% can be reduced to maybe a much lower number so that a lot of it is from finished products where the margins are much higher.

So, and the second would be so considering this cost pass-through things that you mentioned. So maybe one quarter -- I'm not asking for you for the exact quarter where we'll start seeing improvements. But maybe in the next couple of quarters, at least, if the price of inflation situation remains similar, we should expect improvement, right, because that's when most of the pass-through kicks in?

Vishal Rangwala: So I think on the first one in Romania, specifically, our means of increasing the finished percentage is actually growing in the cage market. And we are fairly confident that we will grow there. So by virtue of that growth, we expect that semi-finish will become more like 70%. And going forward, 60% when an optimal volume comes in for finished products. We don't intend to reduce the semi-finish per se directly. But we continue to work with our customer to go into semi finish to finish portfolio. And so that journey will continue.On the pass-through, we feel that most of the pass-through has happened. And in quarter 4, most of the lag effect was addressed and removed. Unless prices now go further up or down, we expect that, this quarter 4 is a good indication of a stable situation, unless, again, as I said, if it changes further.

Pradyumna Choudhary: Understood. The only concern is, there a lot of headwinds that have been taken as a business, which is fine, like because of the global situation and a lot of and yet there are a lot of long-term tailwinds in our favour, as you explained even during the IPO, does that, one is not seeing the number right now, so that why my only concern, but all the very best for the future. Thank you, sir.

Vishal Rangwala: Thank you.

Moderator: Mr. Choudhary, does that answer your question?

Pradyumna Choudhary: Yes.

Moderator: Thank you. We have our next question from the line of Shirom Kapur from Prabhudas Lilladher. Please go ahead.

Shirom Kapur: Hi, Thanks for the opportunity. Just first question, you mentioned, you saw about 19% growth in your stamped components business year-on-year. So what is the value now on an absolute number?

Maulik Jasani: So on the stamping business, our volume is INR45 crores for the year ended.

Shirom Kapur: You say INR45 crores?

Maulik Jasani: That's right.

Shirom Kapur: Yes, INR45 crores. Okay, Great. Second is regarding your solar EPC business, what's the outlook? We saw about INR82 crores in FY '22, about INR69 crores all in FY '23. What's the outlook here? And we also saw about by 1.5% margin. So what is the margin and revenue outlook on this, for the next few years?

Vishal Rangwala: Yes. So -- It's difficult to exactly clearly define that. There's a little bit volatility and the dependence on regulatory requirement guidance and all the subsidies, which are coming in. But in general, we expect it to be in the range of INR60 crores to INR80 crores top-line and marginal improvement on margin and bottom lines is what we are expecting right now.

Obviously, we think that, there will be some improvement from last year on the bottom line also. But beyond that, difficult to project.

Sanjay Majmudar: And frankly, as we have been mentioning in the past, it's frankly not an area of growth, neither from a capital allocation standpoint. And it will just continue to be in a little bit in this range bound with marginally positive or virtually, so it's not an area, where we are focusing and therefore, this is what it is, actually.

Shirom Kapur: So are there any plans on maybe eventually divesting from this business to purely focus on the engineering side of things?

Sanjay Majmudar: We are open to those options and looking at it. But right now, we don't have clearly defined accurate, I mean final plan in place.

Shirom Kapur: Understood. And my next question is on the Harsha, the Advantek, the new subsidiary that you are incorporating, so when do we expect, could you give us a professional timeline on when this would be set up and when it will start contributing to revenue?

Management: The company hasn't fixed.

Maulik Jasani: So the broad plan is, we will have a setup completed during this financial year. And we are working in that direction.

Sanjay Majmudar: So as we explained, the subsidiary has already been formed, the line acquisition process has started. So hopefully, in next one month or two months, that should be over. And then we will by data, we will frame and conceptualize, the whole phase by capital expenditure program, capacity plan, etcetera.

So in next couple of quarters, things will become very clear to you, but this project will take minimum couple of years, One years to three years in a phased manner.

Shirom Kapur: Understood. Thanks a lot. And just one last question is on within China and Romania. If you could provide us with, what the volume growth has been? I know you gave us the revenue numbers, maybe if you could provide us with the volume growth and within Romania, you could give us a split of volume growth between the semi-finished and finished costing?

Sanjay Majmudar: No. So I tell you, first and foremost, volume is a misnomer. It's very difficult, and we will rather be happy to go with the numbers for the very simple reason that, it is a function of a vast multitude of products, some of them very high volume, some of them low volume. So, it's not possible for us to give you any specific breakup of volumes, within the product groups.

Shirom Kapur: Okay, sure. But at least on an overall level between China. at least in China since there is one...

Vishal Rangwala: In fact, there is no volume growth either in China or in Romania in '23.

Shirom Kapur: Okay. Got it. And the 20% of growth that you mentioned in India engineering, the revenue I see grew by about 10%. So is this 20% on a volume basis?

Vishal Rangwala: It's India market. Yes.

Shirom Kapur: So although the market overall has grown 20%, not necessarily, Harsha revenues in the market.

Vishal Rangwala: No. Harsha's revenue from Indian market has grown 20%. The stand-alone company, which is actually exporting to multiple locations beyond India. Our revenue has grown about engineering part of it, 9.5%, 10%, as a stand-alone company, but the Indian grown almost 20%.

Shirom Kapur: Ok. Got it. That's all from me. Thank you so much and best of luck.

Moderator: Thank you. We have our next question from the line of Parth Patel from Unifi Capital. Please go ahead.

Parth Patel: Hello, sir. Thank you, sir for the opportunity. So I have two, three questions on the capex side. So I just wanted to understand that, you're doing the say INR350 crores capex over the next two years to three years. So it is B2B compared to a balancing size. So first, I want to understand the rationale behind the Greenfield capex because we are at 60% capacity utilization in our existing capacity. So is there an option to expand using a debottlenecking of Brownfield expand in the current facility?

Vishal Rangwala: Yes. So part of basically -- one this INR350 crores, what we have mentioned, is total potential actually investment, including working capital, we are projecting. And again, this is as Maulik mentioned that, this is enabling provision we have done. This is the maximum, we think that, this company will need in terms of capex as well as working capital over next two years to three years.

Now our macro plan remains INR100 crores-plus investment capex over next three years, in general, that is still the direction. And some of the capex will still go into our existing facility or debottlenecking, as you rightly mentioned. And this -- that will continue, and we will try to utilize more and more capacity even within the existing facility.

Now, if I look at various capacity within our existing facility, there are certain capacities, which are highly utilized, and they a need additional expansion, and we don't have an existing space, so we have to go with the complete Greenfield project in that case. And some of the capacity, where there are opportunities to continue to grow within these two campuses. And which, we will continue to do by investing in some debottlenecking equipment and all that. So that's, the thought process.

Sanjay Majmudar: And Parth, just to add to what Vishal explained. You see from my present plants that I have; I can go up to maybe INR1,700 crores, INR1,800 crores. Now the problem here is, it takes a couple of years for you to set up a new plant. We are working on several directions of growth. It's a long term story. So by the time, business is available, I have to have the capacities. And that is why, there's Greenfield.

Existing plants, I don't know, whether you have seen but because many people have visited us, they've almost chock-a-block in many production areas. Some of them are so tight that, we hardly have any scope or any room for expansion. So, Greenfield is more from us futuristic next three years to five years rather than one years or two years.

Parth Patel: And then just one to follow-up, then what is your asset turns on this new Greenfield capacity because maybe some technology improvements and some kind of automation. So the asset terms will be better than the existing capacity and second, what is your product mix in this Greenfield capacity? Will it be a completely new kind of product like larger bearings, how will be the product mix there?

Maulik Jasani: So Parth, as a blended asset turn, we continue to maintain it at 1 is to 2, and we'll not be able to specify it, on a product category level. And it will continue even in the new Greenfield facilities on the fixed asset spend, it will continue to be a 1 is to 2. While on the -- what we will grow over there is, as Vishal mentioned. Whenever, we have additional business coming in and there is no capacity here, that additional business will go to the new facilities as well as diversification, where we are working on our core competency. We'll not be able to provide much insight beyond this as of.

Sanjay Majmudar: We are still at the planning stage. So maybe we'll get back to you within the next couple of quarters on the exact plan.

Parth Patel: Okay. Sure, sir. Thank you. That's it from my side.

Moderator: Thank you. We have our next question from the line of Shailesh Khatri an individual Investor. Please go ahead.

Shailesh Khatri: We have installed capacity of 2.7-megawatt kV at Gujarat, correct? What is cost of that WTG?

Maulik Jasani: We will not be able to provide one-on-one cost?

Sanjay Majmudar: We'll have to do it offline. I will have to check the numbers.

Maulik Jasani: Also, I don't have numbers here, ready here.

Shailesh Khatri: Okay. So is there any payback period, something like that?

Vishal Rangwala: On the new plant, you are saying, then I say, sir, every year, we will be able to generate INR4 crores for the new hybrid power plant, which we have said.

Sanjay Majmudar: Shailesh, are you talking of hybrid or you're talking of hybrid, or you are talking of my existing 0.5 megawatt windmill. We are a bit confused.

Shailesh Khatri: Yes, I am talking about only 2.7-megawatt WTG at Jamnagar location installed at 31, March, correct?

Sanjay Majmudar: Under this hybrid policy, generally, the payback would be around within five years because there is no billing. We have the benefit of a better generation and no billing.

Shailesh Khatri: Okay. And is there any subsidy available from Gujarat government for this WTG?

Maulik Jasani: Sir, it is as per the Gujarat Government policy.

Sanjay Majmudar: There is no subsidy. there is no subsidy.

Maulik Jasani: No, nothing much. Yes. Just what Sanjay said about billing policy as per Gujarat government policy.

Sanjay Majmudar: See what happens, the hybrid has the advantage, solar generally generates for 8 hours to 10 hours, wind generates for 24 hours. So that mix creates an overall improved power sector, and that is better.

Shailesh Khatri: Ok. Thank you, sir,

Management: Thank you.

Moderator: Thank you. We have our next question from the line of Jason Soans from IDBI Capital. Please go ahead.

Jason Soans: Yes, sir. Thanks for taking my question.. I just wanted to ask you, in terms of a global market share, in terms of brass, steel, and polyamide cages, we are at 6.5%. And I see, of course, there are 2, 3 main players, but it's a very niche market. So you have opportunity to garner a lot of market share and so, there is a 79% pie, which is still done by others or probably, it might be an unorganized segment or done by bearing manufacturers in-house.

So, just wanted to, your sense on understanding that how fast, we can grow this market because as been a new space and a very, very niche competition is there. So, I just wanted to know, in terms of a long-term growth perspective, how fast we can grow this market? And what percentage is an unorganized market, we probably, we can take market share away from them because we being an organized player on that perspective?

Sanjay Majmudar: So Jason, thank you for the question. Now let's first put this maths a little clearer. When we talk of a 6.5% market share, it is a function of 2, 3 subsets. So first, the market purchase about says at 5%, we're talking about INR5 billion market. About 60% as on today is about organized, organized means, those top ranking 6, 7, 8 major players, with whom we are working.

Now within that, about 75% is brass, steel, and polyamide. And after that, the next subset is about 40% is still in-sourced. So ideally speaking, different markets, different companies, we have different strategies. So, if I look at India, we have a very large market share, and we continue to maintain that market share.

Outside India, my wallet share would be anywhere between 10% to 20%. If I look at Japanese-based customers, it is 2% to 3%. Within even my existing very well-established players, if I look at large size bearing cages, it is about 2% to 3%. So, multiple opportunities exist. There are multiple strategies, of course, very clearly keep on increasing your wallet share from that continuous process of outsourcing to in-source, in sourcing to outsourcing and within that, a lot of focus on large size bearing cages, lot of focus on Japan-based customers plus to add India opportunity, China Plus One new plants coming in, as in when, they are ready, we are ready. So it's a multiple host of factors that keeps me growing or makes me confident that, over a medium to long term, I should be able to do at a 15% CAGR, vis-a-vis, 6%, 7%, 8% at which the industry is growing.

Jason Soans: Sure, sir. Thanks for that. And sir, I just wanted to understand, in terms of large cages, can we service them only through Romania or through the India business as well?

Sanjay Majmudar: No. We are doing it from India as well, very well from India.

Jason Soans: Okay. From India as well as Romania.

Management: Romania than India.

Jason Soans: Yes. And sir, I just wanted to confirm the volume. You said volume growth was 8% on a consol basis and 12% to 13% on an India basis, is that right?

Vishal Rangwala: So approximately, that's correct. Again, these are not the -- I want to qualify that, these are not an absolute number because we have a lot of product mix, and we have just creating a blended kind of a volume growth.

Jason Soans: Yes. So actually, there was a previous question. So because 5% is your revenue growth and 8% is the volume growth, but I understand that, the semi-finished castings will have a lesser realization. So it's a blended cost, it becomes a 5% revenue growth. Is that right? I mean my understanding would be right. Because, of course, cages will be a bit higher margin product for you? Yes, a higher-margin product for semi-finish casting will...?

Vishal Rangwala: Not only semi-finished but on a global consol basis, you are right.

Jason Soans: Yes. Okay. Sure, sir. So that completes the question, from my end. Thank you so much.

Management: Thank you.

Moderator: Yes. Thank you. As there are no further questions question. Yes, sir, any closing comments, sir?

Vishal Rangwala: Yes. So thank you very much for attending this call. And we are just to summarize, we are very happy considering overall market conditions, where we are today and very bullish on a mid to long-term growth trajectory for Harsha Engineers. And with that, I appreciate everyone attending the call and thank you very much, Have a good day. Thank you.

Maulik Jasani: Thank you.

Management: Thank you.

Moderator: Thank you. On behalf of Harsha Engineers International Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.