



HEIL/SE-32/2024-25

August 13, 2024

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-1, Block - G,
Bandra - Kurla Complex, Bandra (E)
Mumbai – 400 051
Symbol : **HARSHA**

Dear Sir/Madam,

Sub : Transcript of Earning Call for the quarter ended June 30, 2024

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 earning call for the quarter ended June 30, 2024 conducted after the meeting of Board of Directors held on August 7, 2024.

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

Kiran Mohanty
Company Secretary and Chief Compliance Officer
MEM NO. : F9907

Harsha Engineers International Limited

(formerly known as Harsha Engineers International Private Limited and Harsha Abakus Solar Private Limited)

CIN : L29307GJ2010PLC063233

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“Harsha Engineers International Limited
Q1 FY'25 Earnings Conference Call”

August 07, 2024



**MANAGEMENT: MR. VISHAL RANGWALA – CHIEF EXECUTIVE
OFFICER – HARSHA ENGINEERS INTERNATIONAL
LIMITED
MR. MAULIK JASANI – CHIEF FINANCIAL OFFICER –
HARSHA ENGINEERS INTERNATIONAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Harsha Engineers International Limited Q1 FY '25 Earnings Conference Call. 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 your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishal Rangwala, CEO of the company. Thank you, and over to you, sir.

Vishal Rangwala: Hi. Welcome to all of you for Harsha Engineers Quarter 1 FY '25 Earnings Call. As per our normal practice, our CFO, Mr. Maulik Jasani will take you through the numbers in greater detail. However, I presume that you would have had a chance to look at that same.

First and foremost, I'm happy to report that quarter 1 FY '25 performance is very much in line with our expectation. Except for continued softness at Romania level, which I will talk about at greater length a bit later. As you would have seen, although the top line growth in quarter 1 FY '25 appears to be slightly muted as compared to quarter 1 FY '24. The profitability growth is quite in line with our expectations. As compared to quarter 4 FY '24, top line is slightly lower on account of Solar business due to project nature of the business and usually quarter 1 is lean as compared to quarter 4.

Let me inform you first, if we talk about India Engineering business, we have sustained well on almost all fronts. However, more noticeable is the strong growth achieved in the Bronze Bushing segment, which has achieved sales of about INR20 crores, largely on account of business coming from our key existing customers who are manufacturing windmill gearboxes and supplying this to India, as well as overseas market.

I would say that this does not necessarily mean a significant revival of Wind segment in the overseas market, but more attributable to increase the allocation to Bushing as compared to

Bearings by these customers and higher share of allocation to Harsha by these customers. As I'm hopeful of a Bush segment contributing at least INR80 crores in sales on an annual basis to FY '25.

If I talk about outsourcing of Cage business and progress related to that, again, this is in line with our expectations, we are continuing to see traction there. While I'm not able to reveal more details, I'm happy to share that the progress in outsourcing projects from Europe is quite satisfactory.

Further, if we talk of overall India demand position, while there were some indicatives of softening in growth as much as our order book is concerned, we do not see any major impact as yet. At the same time as indicated earlier, we have started receiving orders from key customers who have set up their new plants in India, more in line with China plus 1 status.

Further, the business from Japan-based customers continues to grow, though it's a little slower than expected, and we are expecting that growth will catch up in next few quarters. Thus we are achieving sales of around INR18 crores with Japan-based customers in quarter 1.

And similarly, sales of stamping at around INR14 crores in quarter 1, also quite satisfactory. However, we still feel the sale of large-sized bearing cages was a little bit soft in quarter 1 and largely on account of overall continued softness in demand from windmill segment as well as industrial demand softening in Europe.

Coming to Romania, as indicated in the last call, we have adopted a new strategy of aggressively increasing the share of cages compared to semi-finish business or a casting business from Romania. We have already received some encouraging new orders for cages from one of our key customers in Europe. And there are ongoing discussions for additional opportunities with various customers, which is ongoing. Impact of this development on our number is more likely to be felt in quarter 3 financial year 2025. However, directionally, we are satisfied with our progress and hopeful of reporting improved results coming -- in coming quarters starting from quarter 4 FY '25.

Further as predicted and indicated in our previous call, China has continued to perform quite well with overall demand condition reasonably positive. Thus, we are confident that FY '25 in China will contribute positively to our bottom line. So if we combine annual contribution of our overseas subsidiaries in FY '25, it should be marginally negative as per our current estimates.

I'm happy to confirm overall the growth guidance for FY 2025 remains same as per last call that is top line growth in range of about 10% plus as compared to FY '24 and our bottom line growth expected to be much higher.

I sincerely thank you all for continued trust and confidence, and I wish all of you a very good evening. Over to you, Maulik.

Maulik Jasani:

Yes. Thanks, Vishal bhai for the business overview. Hello, everyone, and good afternoon. As we discussed, and we have published the numbers for the quarter ended June 24, our engineering business at consolidated level has done the top line of INR327 crores against INR321 crores top

line in the previous quarter, immediate previous quarter and against the INR331 crores in the same quarter last year. We have achieved a consolidated EBITDA for Engineering business of INR62.4 crores in this quarter 1 FY '25, against INR60.6 crores in the last quarter of the last year and INR48.8 crores in the quarter 1 of FY '24.

On the back of the strong growth in the bushing business, positive contribution from domestic and Chinese customers, continued focus on cost and raw material price reductions along with the better product mix, we have seen the overall improved EBITDA margin at both the consolidated and stand-alone level.

While in our Solar business, as we discussed, we have achieved a revenue of INR16.6 crores and EBITDA positively of INR0.71 crores in first quarter. We see that Solar business is also having still a good order level due to focused cost control and favorable Gujarat renewable energy policy from Gujarat Government.

Overall working capital cycle remain at 153 days on account of increasing pricing as well as the inventory pipeline against the 141 days in last quarter. We incurred the overall capex of INR42 crores in the first quarter FY '25.

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

Moderator: The first question is from the line of Jason Soans from IDBI Capital.

Jason Soans: Congratulations on a good set of numbers. Sir, my first question pertains to, I mean, your gross margins have basically driven the EBITDA as well. So just wanted to know, of course, you alluded to certain reasons like increased contribution from bushing. Just wanted some more color on it so basically, it's like your gross margin last quarter, Q4 or on an average in FY '24 was around 44%. I'm just talking about a consol level business, which has increased to 51% in 1Q. So it's a considerable jump. So just wanted to know what are the exact reasons for the same?

Maulik Jasani: Jason, as we discussed and as Vishal ji has also pointed out, few reasons over there. One is the last quarter. If you see consolidated along with Solar numbers, then Solar number has been quite low compared to the last quarter because of the cyclical business that is the first reason.

Another reason on the engineering business front, it has been improved because of the lower price reductions into the metal prices, which has not been passed through to the customer yet. And hence, we have some benefit in this quarter, which will be passed through as per the pass-through cycle, given, as you are aware. And top on to that -- product mix, as we discussed that bushing sales has grown significantly, plus also the sales of the Japanese customers and other customers have grown. Those all put together has improved into the margin percentage.

Top on to that a better result from the subsidiaries, especially China, which is positive in both bottom line as well as gross margin percentage.

- Jason Soans:** Sure. And just wanted to know, sir, I mean, this level of gross margin, is it sustainable? I mean, you said that the material prices have not been passed on. So it will be passed on. So what do you think is a normal steady state gross margin for Harsha, going on from here?
- Sanjay Majmudar:** See, yes, material pass through is an ongoing scenario from a -- so usually 48 to 50 is our standard range.
- Jason Soans:** Yes.
- Sanjay Majmudar:** That's right, around 50. That should be more sustainable.
- Jason Soans:** Yes, yes. Sure. Sure, sir. And just wanted to know in terms of bearing demand, how are you looking at it from a broader India perspective. Of course, demand is good. India story looking good. Just some color on bearing demand and localization capex of the big 3, big 3 bearing manufacturers are there, they have strong capex plan well known. Just wanted some more color on the localization and how are we looking at going from a 2- to 3-year perspective?
- Vishal Rangwala:** Yes, that bearing demand has been fairly strong in India. And primarily driven by what you just mentioned apart from overall market growth in India. The fact that our customers are deploying this China+1 or India manufacturing strategy. We are continuing to see some growth related to that. And now still lot of it yet to come through as our customers are setting up facility and so we have some positive indications and higher demand coming in, in next 1 to 2 years is what indication we have from our customer on account of those facilities coming online.
- Jason Soans:** Okay. Sure, sir. And sir, you did mention that bronze bushings revenue in this quarter was around INR20 crores, and you're looking at aim of INR80 crores for the whole year. So that is good. I just wanted to know in terms of your regular engineering business, it's having -- engineering business has an EBITDA margin on 20%, 21% roughly. Does bronze bushing give you a better margin as compared to that margin?
- Maulik Jasani:** Jason actually as a matter of policy, we don't want to go into segmental margins, but that's marginally better, but let's work with the blended margin of 20%, 21% as a sustainable long-term EBITDA in my engineering India business.
- Jason Soans:** Okay. Sure, sir. And sir, just some color on this. Sir mentioned that it doesn't mean that the revival of wind market, but there is some increased allocation to Harsha by your customers. So just some more color how exactly it is working. Last time, you had mentioned that the bushings are going as in the wind gearbox already pre-installed or something like that. So how is that panning out?
- Vishal Rangwala:** Yes. So what we actually mean by that is that our customers, they are increasing the share of bushing. So 2 ways the share of bushing is increasing. One by -- they are making more gearbox which are incorporating bushings. So that's the share increase of bushing as well as some customers are actually giving bigger chunk of their bushing business share to Harsha instead of a imported source. So combination of those 2, we are growing within that business.

- Jason Soans:** Okay. Okay. And sure, sir, just final question from my side. Just wanted to -- I mean, on a subsidiary level, you have mentioned that your -- the loss has significantly reduced. It's come to around of 25 million right now, the loss. So sir, just wanted to know, I mean, for the whole year, how are you looking at it if any number if you want to share? Or what are the steps you are taking for rectifying or reducing the losses in Romania and China? China, of course, you said, but just wanted to know what are the steps you are taking to do that.
- Maulik Jasani:** Jason, there have been continuous steps, including the interaction with the customers, cost reductions, improving product mix. So there are multiple steps at a time we are taking for both the subsidiaries and management is very much focused on ensuring the turnaround of both the subsidiaries that China is already leading the path. As Vishal ji has already mentioned in his opening remarks that for the year, we see that both the subsidiaries put together will give a marginal range bound positive or negative number or a breakeven for the year. That is the target we see based on the current scenario.
- Moderator:** The next question is from the line of Amit Anwani from PL Capital.
- Amit Anwani:** Congratulations for a decent set of numbers. First question, in your opening remark, you highlighted about -- started receiving orders from the clients setting up in India. And this is amid China+1. So wanted to understand, are we building in any revenue from these customers in our guidance? That is one. What are these customers? And what kind of products is it bushings or large cages. If you could give more color on this aspect, yes?
- Vishal Rangwala:** So we have already projected some revenue from that based in our projection, and that's how what we have shared. And it is starting to come into our revenue already. Now I can't reveal exact product, but it has been a very large portfolio variety depending on customer, they are making very different varieties. And it has been almost across the board product portfolio, which they are targeting to build in India, and we are seeing some demand for that. And we are getting ready in terms of capacity to match their expectations as well as doing development where needed. But overall, that's the..
- Sanjay Majmudar:** Yes. So see, one customer whom we all know has already started their production, and yes, we are it's beneficiary. The second customer we are talking about is likely to start around October, November, and we are in advance stage of discussions for most of the requirements. So as predicted, I think, yes, we are the lion's share in all those incremental businesses. That's all I can say.
- Amit Anwani:** Sir, any number we are factoring in for FY '25 if it's possible for you to share?
- Sanjay Majmudar:** Overall, when I talk about -- it is included in the overall growth. We already captured that -- the likelihood.
- Amit Anwani:** Right. And second on...
- Sanjay Majmudar:** India as you know, India received higher share of growth. But our consol level growth of around 10% captures this very well.

- Amit Anwani:** Okay. Second, on the bronze bushings you highlighted, INR80 crores for this year. Some more color with respect to how is the capex going? And then what is the target for next year now since the things have started coming. And is this INR80 crores coming from a single customer? That is my question.
- Vishal Rangwala:** Yes. This INR80 crores revenue is coming from more than one customer. And we don't have an exact indication for next year, so a little too early for that. However, we have -- customers to build capacity, prepare for next year. So this is an ongoing conversation. We are very positive for growth next year. But at this point, I don't have a number.
- Sanjay Majmudar:** Yes. It's bound to grow, but how much I think as we move ahead, we will be able to share.
- Amit Anwani:** And sir, capex progress on bronze portion?
- Vishal Rangwala:** Yes. So this is ongoing. We have continued to invest. We had invested for current year, current revenue we have already invested last year. And we are building that third facility and some capex to support this machine growth is ongoing and planned and in pipeline for next year. More precise numbers are under evaluation, under discussion with customer. So the progress has been on the capex very well. We will likely start that facility, that site in fourth quarter FY '25 when Phase 1 includes investment for incremental bushing capacity.
- Amit Anwani:** All right. Lastly, you mentioned that the large cages have witnessed some softness from wind mill side and industrial side. Is it in India or in Europe? And second thing, at one end, we are seeing that the bushing sales is picking up, which, again, service the wind sector at other end we are talking about large bearing cages with missing some softness from the wind sector. So if you could highlight what is that phasing between these 2?
- Vishal Rangwala:** Yes. So overall, the softness in -- so large cages are primarily focusing on the industry. Wind is one of the submarkets within that. And overall, we are seeing a global industrial softening, specifically driven by Europe. So that's one of the direct reason why we see that is up. Now as I mentioned earlier, on the bushing side that it's not really the market or a demand. But the conversion which we were anticipating from gearbox using bushings, earlier not using bushing to convert it to using bushing is what is driving the growth and a little bit of our portion share increasing with our customers. So that's why you see a little bit different situation or two different directions there. And I think it's fairly overall wind market is still soft across.
- Sanjay Majmudar:** So just to add to what Vishal said, you see, while our customers they manufacture gearboxes, our order book is good. We don't know exactly where they supply. So our assumption is that they would be supplying to Indian wind market as well, some portion India is growing. So there's a mix of reasons. But yes, as Vishal shall explained that does not mean that Europe and wind market is back to normal. No, clearly no.
- Moderator:** The next question is from the line of Harshit Patel from Equirus Securities.
- Harshit Patel:** Congratulations for a good set of numbers. Sir, can you give a broad geographical split of the exports that we do from India? And where do you see the most pressure on sales going ahead? And I'm asking this because the large global players in their recent quarterly earnings calls, they

have mentioned that they see the most pressure in China, followed by Europe and U.S.A. So is the situation the same or a little bit different for us, if you could give your thoughts on that.

Vishal Rangwala: So I think I would probably say that it's very similar for us. China is a little bit of a challenging market. And even though there is across the board from our customer, the pressure of challenges are visible. However, at this point in time, China relative to what we were doing last year is doing better. So we are seeing at least short-term good demand, but that doesn't guarantee that is sustainable and all that. So that risk remains. After China or I think currently, we are seeing a clear sign of softening in European market, and that remains a challenge for us.

So I mean, I think and how it impacts us in Romania. We have talked about there is some impact of that in India as well. And overall, in India, the industrial portfolio has some impact because of that. We remain positive for Asia, India and U.S., North America. America looks fairly decent. So that's how we are right now looking at it. I don't have specific numbers.

Sanjay Majmudar: Broadly India – standalone India about 45% in exports, 55% is domestic.

Harshit Patel: Sir, within that 45%, how large would be Europe and China? That's what I wanted to know?

Maulik Jasani: Europe is significant.

Sanjay Majmudar: I would say Europe will be more than 50% of 45%.

Harshit Patel: Understood. Yes, understood. And sir, also, would there be any material difference in the margins that we earn from exports to Europe versus, let's say, China, U.S.A. or any other part of the world.

Sanjay Majmudar: Not -- that's blended, keep blended as a guideline.

Vishal Rangwala: Changes for product in some cases, but it doesn't vary by region.

Moderator: The next question is from the line of Aayush Rathi from Aditya Birla Money.

Aayush Rathi: Most of my questions have already been answered. But sir, you mentioned in the opening remarks on the last call as well that we are on track to meet our target of 10% to 15% of the -- on the top line front. Is it right? Are we still on track for 10% at least, more than 10% on the top 10 front?

Sanjay Majmudar : Yes, as Vishal said, yes. On the -- yes, we are. On the annualized base, not quarter over quarter.

Aayush Rathi: Yes. And we also mentioned that 25% on the bottom line front. Is that also -- are we on track on that as well?

Sanjay Majmudar: Not exact percentage but we see much higher growth on bottom line, obviously. As you can see, the Q1 profitability also is better. So I mean you do your math, but that's all we can say.

Aayush Rathi: All right. So this is for FY '25. And if you could share anything on FY '26, are we anticipating a similar kind of growth? Is it fair to assume that or...

Sanjay Majmudar: No, sir, I tell you there are 2, 3 factors. It all depends on a few variables, which as on today, we can't predict. Yes, our long-term strategic guidance remains at a 10% to 15% top line growth on a compounded annual growth rate basis and maintaining and slightly improving on the margins.

But I would say; A, as soon as our greenfield comes in production; B, our strategy at Romania level actually gets implemented and c, certain further improvements and visibility on our key other drivers. I think we will be able to be more specific, say, hopefully, by end of Q2 or closer to maybe end of Q3.

But you can broadly take a similar 10%, 15% overall guidance, of course, not necessarily then taking the base of '24, '25 profit margins would be also in sync rather than an extraordinarily strong growth over '25. You get my point?

Aayush Rathi: All right. All right, got it. So just roughly doing numbers on FY '25 basis, 12% to 12.5% growth. So what kind of net margin are we looking at, if you could broadly give me a range something? Are we going back to our FY '23 levels of 12% to 12.5% on net margin level? Is that the target?

Sanjay Majmudar: No. That is actually, if you look at -- that is, what I suggest is if you want to do a specific one-to-one call with Maulik you can do it. But very broadly, if you can see, our net margin on a consol basis is because of the subsidiaries and other things is currently around -- roughly about 10% to 11%. It can improve, definitely, it should improve. Our earlier estimates are on a higher side. Let us see how it goes. We definitely look forward to improving this. 100%. The problem is today it's drag-down by my foreign subsidiaries, the moment they are normal, things will improve quite a bit.

Moderator: The next question is from the line of Shirom Kapur from PL Capital.

Shirom Kapur: Congrats on a good set of numbers. I just had a few questions starting with, you mentioned that 20%, 21% is a sustainable EBITDA margin in the India engineering business. Though if we see in last 2 quarters, you've got about 24%. So is that...

Sanjay Majmudar: That's right.

Shirom Kapur: Were there any one-offs or so that led to this higher margin and while it's not sustainable going forward?

Sanjay Majmudar: So I tell you, we always work with our set of variable factor. So as you know, we work with the pass-through scenario. Then there are fluctuating commodity prices. Correct? So what happens in a particular quarter, if my raw material prices have come down a bit, but my selling prices have not adjusted. That quarter looks a little better. So you know what, as a management, our sustainable -- again, we are talking of reported margins versus operating margin.

So at the operating margin level, we feel that a long-term sustainable and at India level is 20%, 21%. And I think that, yes, we -- in 1 quarter or 2 quarters, we have done a little better. Maybe in another quarter, I may go down a little bit. So it's always better to see on a long-term average basis rather than extrapolate on a given quarter. That is what our philosophy is.

- Shirom Kapur:** Understood. So when you see operating margin, you mean excluding other income in this scenario, right? 20% to 21% excluding other income.
- Sanjay Majmudar:** Anything which is not in our control, exactly.
- Maulik Jasani:** Excluding not 100% other income other than ERF and importantly, what Sanjay bhai refer here is, the sustainable operating margin.
- Sanjay Majmudar:** And including all operating income.
- Maulik Jasani:** Yes. All operating.
- Sanjay Majmudar:** All operating.
- Shirom Kapur:** Okay. That's clear. My next question is on your exports from India. So this quarter, we saw a minus 5% degrowth sort of in this quarter, is this, as you mentioned, largely because of the European demand coming down? Or are we also seeing which are the other regions that kind of -- are we kind of seeing some degrowth some of the regions where there is some growth. And if you could give us some numbers on that as well.
- Maulik Jasani:** Yes. So effectively, you rightly mentioned, one of the reason of degrowth is a euro slowdown and also because of the higher bushing sales and as well as domestic demand on the cage front, too. which has resulted into the higher India -- India proposal in this quarter compared to our previous quarter in the total value.
- Sanjay Majmudar:** Just to echo what Maulik bhai said, you see our problem is that we work as per customer's requirements. So many times in a given quarter their order book doesn't want me to push a little more. It doesn't mean that this is a permanent feature. But I would say broadly, this 55, 45 is a percentage which can be maintained. India is growing more is one strong factor. But yes, the little softening of Europe, but don't read much into it.
- Shirom Kapur:** Okay. And the last question I had is on other expenses in Q1 FY '25. If we see, there's a fairly decent jump in your other expenses to about INR74 crores versus INR70 crores and for last few quarters. And even as a percentage of your top line the other expenses has increased. So was there -- were there any one-off higher expenses? Or I mean or is this going to be a sustainable growth going forward?
- Maulik Jasani:** No, significantly one-off. It is a regular business, expenditure higher and also because of the recovery of China business, some more expenses over there because of the top line increase over that side. And but we don't observe any major significant fall off in the...
- Moderator:** The next question is from the line of Mayank Bhandari from Asian Market Securities.
- Mayank Bhandari:** Sir, my first question on the capacity utilization number in China and Romania booked for the quarter?
- Maulik Jasani:** Yes, we don't publish effective capacity quarter-over-quarter. But in this quarter, the China capacity utilization has gone up because of the higher demand and higher production happened

over there, and which is more than around 55% range. I can just give you, I don't have ready numbers and Romania remains lower overall because of the Europe slowdown and even the top line reduce. It would be less than 50% in Romania.

Mayank Bhandari: And sir, for the whole group capacity utilization number?

Maulik Jasani: Again, we don't make it as a group. But yes, India will be 65, 70, around I can give you that. Because there is a different -- we already discussed this in few calls, there is a different parameters on the capacity and different sizes and different materials.

Sanjay Majmudar: Yes, average 65, 70 is the range. 100%, yes.

Mayank Bhandari: Okay. And on the bushing part, I think you had mentioned last call that INR200 crores is the potential capacity in terms of revenue. So this INR200 crores will be derived for this FY '25? Or how do you expect that?

Vishal Rangwala: Yes. So FY '25, INR200 crores will not happen. We've seen that will happen, but it may take another 2 to 3 years. I don't have an accurate prediction, but that's the business volume we are trying to target, work with and eventually reach that's the idea. And further, we are working to grow this as well from a potential point of view. But too early to give you a number for next year or a year beyond that.

Sanjay Majmudar: Yes, but just the target over the next 2, 3 years. You're right.

Mayank Bhandari: Okay, next 2, 3 years. And sir, one more thing, you have been -- we've been seeing that more major bearing players are increasingly insourcing outsource, increasing outsourcing and major players are doing capex in India bearing players. However, short growth guidance of 10% growth this year is a bit conservative. I mean are we also seeing just for clarification, are you also increased seeing just -- are interested for clarification, are we also named increased cages manufacturing, in-house manufacturing by the customer globally as well as in India, as it like the outsourcing thing or the incremental outsourcing has slowed down? Just a clarification on that.

Vishal Rangwala: So see one, we don't see in sourcing any increase in in-sourcing by our customers. We only see a single trend that increasing outsourcing. So even in this difficult market, our customers are working with us through outsource more and more cages. So that is a very constant trend irrespective of what's going on in the market. Now your point about 10% growth, we are talking about 10% global growth. If you look at our revenue on a stand-alone basis, almost 50% is going globally. Another -- on the consolidated basis, about 65%, 70% of our revenue is coming out of outside India and addressing the global demand. So if you look at market growth globally and if you look at very long term on the bearing side, it's more like 6% to 7% globally.

So -- and currently, this market, we are seeing a very tough market and a de-growth possibly in significant de-growth in Europe and other pockets. So combination, I don't know what would be the global growth of bearing and bearing cages. But my guess is it would be less than 5% or maybe less than 4%. So again, that kind of number, we are trying to deliver the 10% growth, globally. And that's how I think you should look at.

Sanjay Majmudar: So India will obviously grow more aggressively. That's very logical. But the problem is this is offset by very, very slow or even a little flat or even negative growth at Romania level and very marginal growth in China. That is how it is.

Mayank Bhandari: And sir, lastly, if we look at the commentary from the electric vehicle side globally, there is talk about the slowdown across the globe or increased competitive intensity. So I mean, just to your thoughts on what's happening on the EV side of the business, globally?

Vishal Rangwala: Yes. So see, primarily, we don't see very specific input on the EV. Most of our products, a lot of our products have some times dual use. However, what we are hearing from our customers and customers' customer is that long-term EV direction remains intact. As an example, on of our customer has targeted -- shared target that the EV adoption or a new EV would be about 30% to 35% or 30% to 40% share of vehicles sold in 2030. So overall, that EV growth will continue to happen. Maybe there is a short-term slowdown on that.

However, we are not -- there might be a minor impact of plus and minus, which we are not clearly able to see. But overall, I mean, our customers are very bullish overall about it. They are participating in EV adoption and at the same time, getting ready for whatever changes are happening in the market. And we are also same way getting ready by offering more plastic cages, as an example, which support the weight reduction, working on some clean cages and so on and so forth. So that's how it is working so far.

Moderator: The next question is from the line of Karan Gupta from InvestSavvy PMS.

Karan Gupta: Yes. So my question, pertaining to the normal situation where, not talking about...

Sanjay Majmudar: Karan, can you be a little clear. Yes, your voice is breaking.

Moderator: Sir may I request you to please use your handset.

Karan Gupta: Sir my question is more related to the normal geographic situation. Now talking about the right now current situation, what's happening in Europe, you are seeing the degrowth in Europe and maybe in China, PMI indexes are for manufacturing are going down right, month-over-month. But in the normal situation, what it takes to gain the market share in the global market as you stated in your PPT 6% to 7% of market share there, globally, right? So -- and India, you have more than 50%, 60% of market share. So now if you are expanding...

Moderator: Mr. Karan, your voice is not clear yet. Karan, can you repeat your question?

Karan Gupta: You get the question, little bit sense on the question you get, anything?

Sanjay Majmudar: Yes, yes. So Karan, if I understand your question, even at the cost of on certain assumptions that what you are saying is about my global market share, how I'm going to gain it in a normal situation, if that's your question. Let me talk a little bit maybe at the cost of repetition for some of our participants. So on this 6% itself is a little misnomer in the sense that when we look at the whole pie. But if you look at the relevant side, then in India, I think our market share is much higher, at least 80%, 70%, 80%, 90%.

Globally, if you exclude the unorganized sector and if you exclude the in-sourced sector segment where some of the bearing companies are themselves still manufacturing cages then I would hazard a guess that my market share is much higher than the 6%. So for that relevant market, I would say my wallet share across the world in the top players, SKF, Schaeffler, Timken would be anywhere between 10% to 20%.

Some of -- in some pockets, it is higher, some pockets, it is lower. Again, as we have mentioned in our presentation, the growth is obviously continued focus on outsourcing conversion of this customer from in sourcing to outsourcing. Then specific pockets of opportunities like in a normal situation, large-sized bearing cages being one. One area where our wallet share today is very low. Even within my large existing customers, it is low, so I can go up from maybe 2%, 3% now to about 10% over next few years. Then Japan-based customers where, again, my wallet share is very low. But I've already penetrated, so I can significantly grow on the back of them.

And then obviously, bronze bushing, stamping, China+1. So these are the factors where in a normal situation, I'm fairly confident of doing the 15% average top line CAGR rather than 8%, 10% and then all the sales that we are currently facing.

Karan Gupta: Okay. So globally how the market is competitive in terms of your bearing cages segment? So locally, what are the competition and legacy you're facing there in normal situation?

Sanjay Majmudar: Yes, yes. So in cages, we have 3 major competitors on the outsourcing front globally. One company is a Japanese company called NKC, who is #1 actually in terms of the standing in this business as well as their wallet share. We come at #2 and taking the same analogy, I'm 6% on the total size and NKC is about 11%, 12%. And then the third player is a German player called MPT in Germany. The difference, the MPT is much smaller. They may have a 3% -- 2%, 3% market share.

Then there's a long tail unorganized sector, so many other marginal small players who we don't reckon as competition because we are mainly focused only on the large organized 6, 7 global players of the world, who are my key customers across the world in 60, 70 countries or across many locations.

So that way, the advantage, which I believe I have is that -- my entire product mix.

I'm sorry, you are not audible. Something is wrong with your line my friend.

Moderator: Yes, sir. I would request you rejoin the queue.

Karan Gupta: Your voice is audible.

Sanjay Majmudar: So you can hear me then let me complete assuming that, that would be...

Karan Gupta: Yes. Yes.

Sanjay Majmudar: Yes. So this is the competition scenario. There is no one in India. There is only 1 small player, whom really -- they don't have the product mix that bronze -- I mean, brass, steel and plastic.

I'm the only one having all the 3. And therefore, I believe with being in India large capacities in India, I think we are better placed to face the competition.

Moderator: The next follow-up question is from the line of Jason from IDBI Capital.

Jason Soans: Sir, just wanted a -- just had a slight clarification. So you said, when you said 55% of your sales is domestic and 45% is exports, you meant on the stand-alone level, right?

Maulik Jasani: Yes. Yes. Standalone. Standalone.

Jason Soans: Standalone. So 45% exports out of that 50% is Europe. So that makes it around 22.5% for Europe on a standalone level, right?

Maulik Jasani: Yes. Yes, Yes.

Jason Soans: Sure, sir. Sure. And sir, just one more question I had. I mean, in terms of -- when you look at your segmental margins, for engineering only on a stand-alone level, they were around 21.7% for FY '24. Now on one, you have made 24.7%, which is, of course, a good improvement. Now of course, now you have the elections out of the way. Sir do you see increased traction for next year FY '25 of course, capex is on a good -- is in a good momentum also. Do you see benefits of operating leverage, more enhanced capacity utilization coming from your -- do you see there are more margin levels with us going ahead into '25, '26 from this 21.7% level?

Maulik Jasani: Yes, Jason, I think we already answered the margin questions in one of the another question, where we already said that our blended margin, you should assume 20% to 21% and there has always been a plus or minuses in quarter-over-quarter due to price pass-through mechanism as well as the procurement mechanism and inventory level. Hence, according to me, on this margin, as we have informed in one of our previous call, we are committed to improve this margin in the next 2 to 3 years by 100 basis points to 200 basis points at a consol level. Not only in India engineering level, at a consol level, we are committed to improve around 100 to 200 basis.

Sanjay Majmudar: So while, Jason, we are agnostic in a way to election. Actually, we were always agnostic to elections. Having said that, if your implication is that, yes, now there will be a more aggressive capex, et cetera, et cetera. I think we're very focused on the bearings segment and I think it's fairly stable, let's put it like that.

Moderator: The next question is from the line of Shirom Kapur from PL Capital.

Shirom Kapur: My question is on your stamp components business where you mentioned you had INR14 crores of sales in Q1. Could you give some outlook on where -- what your long-term target is not only for FY '25, but FY '26, '27, where -- how you see the sales growing here and what will be the main drivers?

Vishal Rangwala: Yes. So on that product line, we are targeting multiple segments including household equipment or appliances rather. And HVAC market, electrical market and the automotive as well. So, yes, correct. And the railway market also. So combination of all that, we see a good growth potential there. I don't have a specific guidance for year, next year or otherwise, but from a philosophical

and directional point of view, we've seen that definitely what this unit or this subsection, which is doing a revenue of INR40 crores, INR50 crores could grow towards INR200 crores easily in a midterm future is what we see, but we are still working on it. And again, I don't have a very specific guidance.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. Vishal Rangwala for closing comments.

Vishal Rangwala: All right. So thank you, everyone, for participating in this call, and we hope you got all the inputs or clarification needed. And thank you, and good evening. Thank you very much.

Maulik Jasani: Have a great evening. Thank you. Thanks, everyone.

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