

May 9, 2025

Q4FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	398		440	
Sales (Rs. m)	15,176	16,834	15,897	18,297
% Chng.	(4.5)	(8.0)		
EBITDA (Rs. m)	2,151	2,549	2,414	3,099
% Chng.	(10.9)	(17.8)		
EPS (Rs.)	15.9	19.0	18.2	23.7
% Chng.	(12.7)	(19.8)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	13,923	14,077	15,176	16,834
EBITDA (Rs. m)	1,714	1,749	2,151	2,549
Margin (%)	12.3	12.4	14.2	15.1
PAT (Rs. m)	1,114	1,170	1,449	1,727
EPS (Rs.)	12.2	12.8	15.9	19.0
Gr. (%)	(9.6)	5.0	23.9	19.2
DPS (Rs.)	1.0	1.0	1.6	1.9
Yield (%)	0.3	0.3	0.4	0.5
RoE (%)	9.9	9.6	11.0	11.8
RoCE (%)	11.5	10.4	11.8	12.6
EV/Sales (x)	2.3	2.3	2.1	1.9
EV/EBITDA (x)	19.0	18.8	15.1	12.5
PE (x)	30.5	29.1	23.5	19.7
P/BV (x)	2.9	2.7	2.5	2.2

Key Data

HRSH.BO | HARSHA IN

52-W High / Low	Rs.614 / Rs.330
Sensex / Nifty	80,335 / 24,274
Market Cap	Rs.34bn / \$ 397m
Shares Outstanding	91m
3M Avg. Daily Value	Rs.32.18m

Shareholding Pattern (%)

Promoter's	74.61
Foreign	0.54
Domestic Institution	8.64
Public & Others	16.21
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.3)	(26.2)	(11.3)
Relative	(7.8)	(27.0)	(18.9)

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Muted quarter amid persistent pain in Romania

Quick Pointers:

- India Engineering domestic/export mix stood at 60%/40% (vs 47%/53% YoY).
- Management has guided for low teens revenue growth of India Engineering while consolidated revenue is expected to grow at high single digit in FY26.

We revise our FY26/27E EPS estimates by -12.7%/-19.8% factoring in continued slowdown in Romania. Harsha Engineers International (HARSHA) reported a soft quarter with a 2.0% YoY revenue decline and a sharp 491bps YoY EBITDA margin contraction to 9.4%, mainly due to bad debts in the Solar EPC segment. Domestic Engineering demand remains resilient aided by inventory restocking and early signs of revival in industrial demand, though key export markets, including Europe and the USA, continue to experience weakness due to global demand slowdown. Pain persists in Romania due to lower offtake by customers while China's performance remained satisfactory. Amid geopolitical and demand uncertainty in global markets, management guides for low teens revenue growth in India Engineering business driven by domestic strength while the consolidated business is expected to grow at a high single digit in FY26.

We believe that the continued pain in Romania may impact mid-term consolidated financial performance of the company however, HARSHA's long-term outlook remains positive given its 1) market leadership in bearing cages, 2) greenfield capacity expansion plans, and 3) multiple levers for growth viz. i) bearing cage outsourcing, ii) capex by global bearing players in India and iii) growing demand for bronze bushings. The stock is currently trading at a P/E of 23.5x/19.7x on FY26/27E earnings. We maintain 'Accumulate' rating with a revised TP of Rs398 (Rs440 earlier), valuing the company at a PE of 21x Mar'27E (21x Sep'26E).

Strong domestic performance partly offset by weaker export markets: Consolidated revenue declined by 2.0% YoY to Rs3.7bn (PLe: Rs3.5bn). Consolidated Engineering revenue rose 3.0% YoY to Rs3.3bn. Meanwhile, Solar EPC sales declined by 28.6% YoY to Rs427mn. Gross margin expanded by 180bps YoY to 45.9% (PLe: 46.3%). EBITDA fell 35.5% YoY to Rs352mn (PLe: Rs440mn) while EBITDA margin declined by 491bps YoY to 9.4% (PLe: 12.5%) primarily due to higher operating expenses and higher bad debts (Rs200mn vs Rs23mn in Q4FY24). Adj. EBITDA (ex-bad debts) fell 3.0% YoY to Rs552mn with EBITDA margin remaining flattish at 14.8%. Consolidated Engineering EBITDA margin declined to 11.6% (vs 18.9% in Q4FY24). Solar EPC EBITDA margin turned negative to -46.5% as it included Rs200mn of bad debts. [Note: Segmental EBITDA includes other income]. Company reported loss after tax of Rs24mn (vs profit of Rs368mn YoY) while the adj. loss after tax was Rs116mn (PLe: profit of Rs278mn) due to weaker operating performance and higher effective tax rate (133.2% vs 25.7% YoY)

Margin decline across segments led to lower consolidated margins: Consol. Engineering revenue rose 3.0% YoY to Rs3.3bn within which, domestic sales rose ~32% to Rs1.5bn while exports from India declined 20.0% YoY to Rs1.0bn and foreign subsidiaries sales also declined ~2% to Rs799mn. Solar EPC sales declined 28.6% YoY to Rs427mn. Consol. Engineering EBITDA margin rose to 20.0% (vs 18.9% in Q4FY24) as India Engineering margin improved by 183bps YoY to 26.2% while foreign subsidiaries margin came in at 0.5% (vs 2.8% in Q4FY24). Solar EPC EBITDA margin declined to 0.6% (vs 2.8% in Q4FY24).

Exhibit 1: Adj. EBITDA (ex-bad debts) fell 3.0% YoY to Rs552mn with EBITDA margin remaining flat at 14.8%.

Y/e March (Rs mn)	Q4FY25	Q4FY24	YoY gr.	Q4FY25E	% Var.	Q3FY25	QoQ gr.	FY25	FY24	YoY gr.
Revenue	3,730	3,804	-2.0%	3,526	5.8%	3,389	10.0%	14,077	13,923	1.1%
Gross Profit	1,712	1,677	2.0%	1,632	4.9%	1,566	9.3%	6,690	6,151	8.8%
Margin (%)	45.9	44.1	180	46.3	(40.2)	46.2	(31)	47.5	44.2	335
Employee Cost	456	429	6.3%	458	-0.4%	441	3.3%	1,816	1,691	7.4%
as % of sales	12.2	11.3	95	13.0	(75.8)	13.0	(80)	12.9	12.1	76
Other expenditure	704	680	3.5%	734	-4.1%	697	1.0%	2,919	2,722	7.2%
as % of sales	18.9	17.9	100	20.8	(194.2)	20.6	(168)	20.7	19.5	119
Bad Debts written off	200	23	765.4%	-	NA	0	NA	206	25	720.7%
as % of sales	5.4	0.6	475	-	536.0	0.0	536	1.5	0.2	128
EBITDA	352	545	-35.5%	440	-20.1%	428	-17.8%	1,749	1,714	2.1%
Margin (%)	9.4	14.3	(491)	12.5	(306.2)	12.6	(319)	12.4	12.3	12
Depreciation	99	100	-1.2%	113	-12.9%	101	-2.2%	405	393	3.1%
EBIT	253	446	-43.2%	327	-22.7%	327	-22.6%	1,344	1,320	1.8%
Margin (%)	6.8	11.7	(493)	9.3	(249.5)	9.6	(286)	9.5	9.5	6
Other Income	110	78	42.3%	79	40.2%	67	64.1%	377	295	27.9%
Interest	15	28	-48.4%	31	-52.8%	21	-31.5%	88	108	-18.6%
PBT (ex. Extra-ordinaries)	349	495	-29.5%	375	-7.0%	373	-6.5%	1,634	1,508	8.4%
Margin (%)	9.3	13.0	(366)	10.6	(128.3)	11.0	(165)	11.6	10.8	78
Extraordinary Items	(277)	-	-	-	-	-	-	(277)	-	-
PBT	72	495	-85.5%	375	-80.8%	373	-80.7%	1,357	1,508	-10.0%
Total Tax	96	127	-24.6%	97	-	106	-9.5%	464	393	17.9%
Effective Tax Rate (%)	133.2	25.7	10,757	25.8	-	28.4	10,483	34.2	26.1	809
Reported PAT	(24)	368	-106.5%	278	-108.6%	267	-109.0%	893	1,114	-19.9%
Adj. PAT	(116)	368	-131.5%	278	-141.7%	267	-143.4%	1,075	1,114	-3.5%
Margin (%)	(3.1)	9.7	(1,278)	7.9	(1,099.4)	7.9	(1,098)	7.6	8.0	(36)
Adj. EPS	(1.3)	4.0	-131.5%	3.1	-141.7%	2.9	-143.4%	11.8	12.2	-3.5%

Source: Company, PL

Exhibit 2: Continued weakness in Romania and other export markets partly offset improved performance in India & China

Segment Performance (Rs mn)	Q4FY25	Q4FY24	YoY gr.	Q4FY25E	% Var.	Q3FY25	QoQ gr.	FY25	FY24	YoY gr.
Engineering & Others - Consolidated										
Revenue	3,303	3,206	3.0%	2,948	12.0%	3,020	9.4%	12,689	12,268	3.4%
EBITDA	660	606	8.9%	-	-	482	37.0%	2,268	1,984	14.3%
EBITDA margin (%)	20.0%	18.9%	108	0.0%	1,999	16.0%	403	17.9%	16.2%	171
PAT	298	357	-16.4%	-	-	258	15.8%	1,274	1,101	15.8%
PAT margin (%)	9.0%	11.1%	(210)	0.0%	903	8.5%	50	10.0%	9.0%	107
Engineering & Others - India										
Revenue	2,504	2,392	4.7%	2,194	14.2%	2,331	7.4%	9,582	9,169	4.5%
EBITDA	656	583	12.6%	-	-	487	34.9%	2,240	1,992	12.5%
EBITDA margin (%)	26.2%	24.4%	183	0.0%	2,621	20.9%	533	23.4%	21.7%	165
PAT	430	375	14.8%	-	-	298	44.2%	1,416	1,259	12.5%
PAT margin (%)	17.2%	15.7%	151	0.0%	1,717	12.8%	438	14.8%	13.7%	105
Engineering & Others - Foreign Subsidiaries										
Revenue	799	814	-1.9%	755	5.9%	689	16.0%	3,107	3,099	0.2%
EBITDA	4	23	-83.1%	-	-	(5)	-184.8%	28	(8)	-459.5%
EBITDA margin (%)	0.5%	2.8%	(235)	0.0%	49	-0.7%	116	0.9%	-0.3%	117
PAT	(132)	(18)	652.6%	-	-	(41)	224.4%	(142)	(158)	-10.4%
PAT margin (%)	-16.5%	-2.1%	(1,434)	0.0%	(1,649)	-5.9%	(1,059)	-4.6%	-5.1%	54
Solar-EPC and O&M										
Revenue	427	598	-28.6%	592	-28.0%	370	15.4%	1,388	1,655	-16.1%
EBITDA	3	17	-83.7%	-	-	13	-78.9%	66	24	168.4%
EBITDA margin (%)	0.6%	2.8%	(214)	0.0%	63	3.5%	(283)	4.7%	1.5%	324
PAT	5	11	-53.7%	-	-	9	-46.2%	51	13	276.9%
PAT margin (%)	1.2%	1.8%	(63)	0.0%	117	2.5%	(134)	3.6%	0.8%	283

Source: Company, PL

Conference Call Highlights

- **Guidance and Outlook:** Indian Engineering segment is expected to grow in the low teens, with consolidated revenue growth in the high single digits and robust growth in PAT in FY26 is expected. While global demand for bearing is showing signs of improvement, customers remain cautious given the prevailing market volatility.
- **Prolonged Pain in Romania continued:** Harsha Romania business continued to face headwinds reflecting a de-growth of 8% YoY in the revenue. During the quarter management recorded an impairment cost of Rs 950mn due to reduced offtake from key European customers. However, a long-term restructuring plan is formulated with operations expected to continue at lower scale over the next 2-3 years.
- **Bronze Bushing** has grown significantly clocking sales of ~Rs1.0bn in FY25 (+155% YoY). Management anticipates a growth of ~30% in FY26 supported by strong domestic and export demand along with contribution from the green field expansion.
- **Japanese Customers:** Sales to Japan based customers stood at Rs650mn in FY25. Growth plans from Japanese customers did not materialize in FY25 due to delays in project and slowdown in global demand. Management is in discussion with customers and believe to continue its growth trajectory with Japanese customers for next financial year.
- **US Tariffs:** Management stated that current exports are unaffected by tariffs owing to duties are borne by customers. While the US tariffs on Chinese imports remain uncertain but likely to some extent may benefit to Indian Suppliers.
- **Solar EPC:** This segment reported a degrowth of 16% YoY basis mainly attributed to completion pattern of various projects undertaken in this division. However, management remains optimistic about a strong recovery in FY26, supported by a robust order book and favorable industry tailwinds.
- **Cost Pass through benefit:** Management stated that margin improvement during the quarter was supported by a lag in passing on the reduction in steel prices to customers.
- **Harsha China** division delivered a satisfactory performance for the quarter and financial year, partially offsetting the losses incurred by the Romania business.
- **Bad debts in Solar:** Management had booked bad debts of ~Rs200mn in its Solar business and created an ECL provision of ~Rs50mn. With ongoing litigation, the management remains confident of a potential reversal of this provision. Additionally, no further bad debts are outstanding on the books of the Solar EPC division.

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	13,923	14,077	15,176	16,834
YoY gr. (%)	2.1	1.1	7.8	10.9
Cost of Goods Sold	7,772	7,387	7,971	8,789
Gross Profit	6,151	6,690	7,204	8,045
Margin (%)	44.2	47.5	47.5	47.8
Employee Cost	1,691	1,816	1,958	2,138
Other Expenses	755	206	865	951
EBITDA	1,714	1,749	2,151	2,549
YoY gr. (%)	(9.5)	2.1	23.0	18.5
Margin (%)	12.3	12.4	14.2	15.1
Depreciation and Amortization	393	405	457	549
EBIT	1,320	1,344	1,694	2,000
Margin (%)	9.5	9.5	11.2	11.9
Net Interest	108	88	118	116
Other Income	295	377	410	483
Profit Before Tax	1,508	1,357	1,986	2,366
Margin (%)	10.8	9.6	13.1	14.1
Total Tax	393	464	536	639
Effective tax rate (%)	26.1	34.2	27.0	27.0
Profit after tax	1,114	893	1,449	1,727
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,114	1,170	1,449	1,727
YoY gr. (%)	(9.6)	5.0	23.9	19.2
Margin (%)	7.8	8.1	9.3	10.0
Extra Ord. Income / (Exp)	-	(277)	-	-
Reported PAT	1,114	893	1,449	1,727
YoY gr. (%)	(9.6)	(19.9)	62.3	19.2
Margin (%)	8.0	6.3	9.6	10.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,114	893	1,449	1,727
Equity Shares O/s (m)	91	91	91	91
EPS (Rs)	12.2	12.8	15.9	19.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	8,440	9,076	11,708	12,705
Tangibles	8,327	8,963	11,708	12,705
Intangibles	112	112	-	-
Acc: Dep / Amortization	4,979	5,385	5,842	6,391
Tangibles	4,877	5,278	5,842	6,391
Intangibles	102	106	-	-
Net fixed assets	3,460	3,691	5,866	6,313
Tangibles	3,450	3,685	5,866	6,313
Intangibles	10	6	-	-
Capital Work In Progress	162	1,622	190	193
Goodwill	718	441	441	441
Non-Current Investments	455	653	644	646
Net Deferred tax assets	(77)	(124)	(124)	(124)
Other Non-Current Assets	246	425	251	275
Current Assets				
Investments	1,961	2,421	2,550	2,800
Inventories	3,537	3,339	3,659	4,105
Trade receivables	3,189	3,020	3,201	3,551
Cash & Bank Balance	1,216	762	1,019	1,229
Other Current Assets	319	337	546	623
Total Assets	15,676	16,911	18,557	20,394
Equity				
Equity Share Capital	910	910	910	910
Other Equity	10,842	11,631	12,935	14,490
Total Networkth	11,753	12,541	13,846	15,401
Non-Current Liabilities				
Long Term borrowings	63	962	947	947
Provisions	86	101	108	109
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,704	1,043	993	993
Trade payables	1,329	1,467	1,746	1,891
Other current liabilities	617	632	762	896
Total Equity & Liabilities	15,666	16,911	18,557	20,394

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	1,508	1,357	1,986	2,366
Add. Depreciation	393	405	457	549
Add. Interest	108	88	118	116
Less Financial Other Income	295	377	410	483
Add. Other	(273)	(26)	(361)	(430)
Op. profit before WC changes	1,736	1,824	2,200	2,602
Net Changes-WC	(12)	374	(157)	(631)
Direct tax	(366)	(412)	(536)	(639)
Net cash from Op. activities	1,358	1,787	1,507	1,332
Capital expenditures	(741)	(2,086)	(1,200)	(1,000)
Interest / Dividend Income	148	132	361	430
Others	(986)	(163)	(475)	(463)
Net Cash from Invt. activities	(1,578)	(2,118)	(1,314)	(1,033)
Issue of share cap. / premium	0	-	-	-
Debt changes	(55)	238	(64)	-
Dividend paid	(91)	(91)	(145)	(173)
Interest paid	(108)	(88)	(118)	(116)
Others	0	-	-	-
Net cash from Fin. activities	(254)	59	(328)	(289)
Net change in cash	(474)	(272)	(135)	10
Free Cash Flow	617	(300)	307	332

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	12.2	12.8	15.9	19.0
CEPS	16.6	17.3	20.9	25.0
BVPS	129.1	137.8	152.1	169.2
FCF	6.8	(3.3)	3.4	3.7
DPS	1.0	1.0	1.6	1.9
Return Ratio(%)				
RoCE	11.5	10.4	11.8	12.6
ROIC	11.7	9.1	11.4	12.4
RoE	9.9	9.6	11.0	11.8
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	141	127	123	125
Valuation(x)				
PER	30.5	29.1	23.5	19.7
P/B	2.9	2.7	2.5	2.2
P/CEPS	22.6	21.6	17.8	14.9
EV/EBITDA	19.0	18.8	15.1	12.5
EV/Sales	2.3	2.3	2.1	1.9
Dividend Yield (%)	0.3	0.3	0.4	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net Revenue	3,432	3,526	3,389	3,730
YoY gr. (%)	(1.4)	3.9	4.5	(2.0)
Raw Material Expenses	1,672	1,873	1,823	2,018
Gross Profit	1,759	1,653	1,566	1,712
Margin (%)	51.3	46.9	46.2	45.9
EBITDA	552	418	428	352
YoY gr. (%)	18.1	26.9	14.3	(123.5)
Margin (%)	16.1	11.9	12.6	9.4
Depreciation / Depletion	102	104	101	99
EBIT	450	315	327	253
Margin (%)	13.1	8.9	9.6	6.8
Net Interest	26	26	21	15
Other Income	79	121	67	110
Profit before Tax	503	409	373	349
Margin (%)	14.7	11.6	11.0	9.3
Total Tax	143	120	106	96
Effective tax rate (%)	28.3	29.2	28.4	27.5
Profit after Tax	361	290	267	253
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	361	290	267	253
YoY gr. (%)	22.4	59.7	(2.4)	(115.1)
Margin (%)	10.5	8.2	7.9	6.8
Extra Ord. Income / (Exp)	-	-	-	(277)
Reported PAT	361	290	267	(24)
YoY gr. (%)	22.4	59.7	(2.4)	(98.6)
Margin (%)	10.5	8.2	7.9	(0.6)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	361	290	267	(24)
Avg. Shares O/s (m)	91	91	91	91
EPS (Rs)	4.0	3.2	2.9	2.8

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-25	Accumulate	440	376
2	14-Feb-25	Accumulate	440	394
3	09-Jan-25	Accumulate	561	493
4	12-Nov-24	Accumulate	561	500
5	07-Oct-24	Hold	566	502
6	08-Aug-24	Hold	565	571
7	08-Jul-24	Hold	436	572
8	17-May-24	Hold	436	438

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	BUY	6,955	5,064
2	Apar Industries	Accumulate	6,287	4,944
3	BEML	Accumulate	3,561	2,875
4	Bharat Electronics	BUY	340	281
5	BHEL	Accumulate	226	211
6	Carborundum Universal	Accumulate	1,052	950
7	Cummins India	BUY	3,309	2,746
8	Elgi Equipments	BUY	517	418
9	Engineers India	BUY	242	164
10	GE Vernova T&D India	Accumulate	1,950	1,304
11	Grindwell Norton	Accumulate	1,716	1,548
12	Harsha Engineers International	Accumulate	440	376
13	Hindustan Aeronautics	Accumulate	4,134	4,042
14	Ingersoll-Rand (India)	BUY	4,540	3,376
15	Kalpataru Projects International	BUY	1,105	876
16	KEC International	Accumulate	801	665
17	Kirloskar Pneumatic Company	BUY	1,636	1,230
18	Larsen & Toubro	BUY	3,920	3,161
19	Praj Industries	BUY	545	461
20	Siemens	Accumulate	3,233	2,763
21	Thermax	Accumulate	3,456	3,222
22	Triveni Turbine	BUY	744	488
23	Voltamp Transformers	BUY	10,285	8,195

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

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