

MSEARCH

IPO OFFERING



Harsha Engineers International Limited (HEIL)

About Company

Recommendation: Subscribe

Ahmedabad-based Harsha Engineers International Limited (HEIL) is the largest bearing cage manufacturer in India with more than 50% market share in the organized sector. It manufactures brass, steel and polyamide cages and stamped components with production facilities located in Asia (India & China) and in Europe (Romania). HEIL accounts for a market share of 6.5% in the global organized bearing brass, steel and polyamide cages market in CY2021 with export accounting for nearly 2/3rd of the total revenue. HEIL is also into Solar EPC business, under which it provides complete comprehensive turnkey solutions to all solar photovoltaic requirements. HEIL has expertise in tooling, design, development & automation by offering a wide range of bearing cages starting from 20 mm to 2,000 mm in diameter and their bearing cages find its application in the automotive, railways, aviation & aerospace, construction, mining, agriculture, electrical and electronics, renewables sectors etc. It has entered into arrangements to stock inventory in warehouses spread across more than 20 locations across the world including in Europe, the US, China, and South America. Its multinational presence has also allowed the company to diversify its revenue geographically.

| | |
|------------------------------------|-------------------------------|
| Price Band | : Rs 314 to 330/- per share |
| Bid Lot size | : 45 Shares |
| Issue size | : Rs 755 Cr |
| Face Value | : Rs 10/- |
| Min App Amount | : Rs 14850/- at upper band |
| Issue Period | : 14th to 16th September 2022 |
| Indicative credit of equity shares | : 23-09-2022 |
| Indicative listing date | : 26-09-2022 |

Important Note: All retail applications compulsory in UPI mode*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

Msearch View & Recommendation: We believe Harsha Engineers International Ltd IPO gives investors an opportunity to invest in one of the largest bearing cage manufacturers in India along with strong global presence. We like HEIL's diversified product portfolio and multi sector application products with strong 50-60% of market share in organised segments helping the company to grow healthy in coming years. We also expect high swift in business from unorganised sector to organised space wherein HEIL is well placed to tap in the opportunity. HEIL is also focusing and working in-house on developing products suitable to capture EV market opportunity as the automobile segment is shifting focus to electric vehicles with the need for more silent and lighter bearings, and its components. However, unrelated Solar EPC foray and volatile raw material prices poses the risks. On valuations parse at upper price band (Rs 330/-), the issue is asking for a market cap of Rs 3005 Cr and based on FY22 earnings, P/E stands at 32.7x which seems the issue is reasonably priced when compared to industries average PE of 50x which means there is something is left on the table for healthy listing gains. Hence, considering all the investment rationales like dominant market share, improving product mix and strong clientele, we recommend investors to "SUBSCRIBE" the issue with a long term perspective only.

• **Mr. Prashanth Tapse** – Research Analyst (+91-22-61507123) –Email : prashanth.tapse@mehtagroup.in

• **Ms. Rinkle Vira** – Research Analyst (+91-22-61507142) –Email : rinkle.vira@mehtagroup.in

Disclaimer: www.mehtagroup.in



MSEARCH

IPO OFFERING

| BASIC FINANCIAL DETAILS | | | |
|---------------------------|--------|---------|---------|
| Particulars Rs (in Cr) | 2020 | 2021 | 2022 |
| Equity Share Capital | 50 | 50 | 77.25 |
| Reserves as stated | 321.98 | 377.18 | 444.61 |
| Net worth as stated | 378.02 | 433.22 | 527.90 |
| Revenue from Operations | 885.85 | 873.75 | 1321.48 |
| Revenue Growth (%) | - | (1.37)% | 51.24% |
| EBITDA as stated | 100.06 | 124.96 | 186.58 |
| Profit Before Tax | 31.59 | 60.72 | 126.62 |
| Net Profit for the period | 21.91 | 45.44 | 91.94 |
| EPS (Rs) | 6.26 | 9.09 | 16.06 |
| RONW% | 5.80% | 10.49% | 17.42% |
| NAV (Rs) | 75.60 | 86.64 | 68.34 |

Data as on 31st March 2022

Source: Company RHP

| COMPARISON WITH LISTED INDUSTRY PEERS Rs (in Cr) | | | | | | | | |
|--|-------|----|-------------------------------|-------|--------|-------|-------|--------|
| Companies | MCap | FV | Total Revenue FY 2022 (in Cr) | EPS | NAV | P/E | P/Bv | RoNW |
| Harsha Engineers International Ltd | 3000 | 10 | 1339.00 | 16.06 | 63.34 | 32.7x | 5.69 | 17.42% |
| Timken India Ltd | 25013 | 10 | 2217.53 | 43.49 | 220.28 | 69.3x | 15.26 | 19.74% |
| SKF India Ltd | 23923 | 10 | 3700.29 | 79.90 | 381.43 | 59.2x | 12.83 | 20.95% |
| Rolex Rings Ltd | 5520 | 10 | 1028.13 | 50.23 | 200.05 | 36.4x | 9.89 | 24.21% |
| Sundaram Fasteners Ltd | 18840 | 1 | 4941.40 | 21.74 | 124.75 | 39.3x | 7.32 | 17.42% |

Data as on 31st March 2022, Mcap: Cline



MSEARCH

Disclaimer & Disclosures

This Report is published by Mehta Equities Limited (hereinafter referred to as "MEL") for registered client circulation only. MEL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH00000552. MEL is a registered broker with the Securities & Exchange Board of India (SEBI) and registered with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments, Multi Commodity Exchange of India (MCX), National Commodity & Derivatives Exchange Ltd. (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL), is registered with SEBI for providing PMS services and distribute third party PMS product and also member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

MEL a "Research Entity" under SEBI (Research Analyst) Regulations 2014 has independent research teams working with a Chinese wall rule with other business divisions of MEL as mentioned above.

MEL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. MEL, its associates or Research analyst or his relatives do not hold any financial interest in the subject company. MEL or its associates or Research analysts do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. MEL or its associates or Research Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

MEL or its associates or Research analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Research analyst during the past twelve months. MEL or its associates have not received any compensation or other benefits from the company covered by Research analyst or third party in connection with the research report. Research Analyst has not served as an officer, director or employee of Subject Company and MEL / Research analyst has not been engaged in market making activity of the subject company.

This report is for the personal information of the authorized recipient and does not constitute to be any investment, legal or taxation advice to you. MEL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader. This research has been prepared for the general use of the clients of MEL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MEL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MEL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. MEL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MEL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. MEL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, MEL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

The information/document contained herein has been prepared by Mehta Equities Ltd and is intended for use only by the person or entity to which it is addressed to. This information/document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/document is subject to changes without prior notice. Kindly note that this information/document is based on technical analysis by studying charts, patterns, trends of a stock's price movement and trading volume of the stock and as such, may not match with any company's fundamentals. This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this information/report at the same time. MEL will not treat recipients as customers by virtue of their receiving this information/report.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of MEL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither MEL, nor its directors, employees, or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Analyst Certification: Research Analyst the author of this report, hereby certify that the views expressed in this research report accurately reflects my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the Research analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The Research analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Disclosure of Interest Statement: Analyst ownership of the stock: No

Kindly Contact Mehta Equities Ltd :
www.mehtagroup.in or Call @ 022-61507123/142

Disclaimer: www.mehtagroup.in