

Market share, EV biz stake have experts upbeat on Harsha Engineers IPO

HARSHITA SINGH
New Delhi, 13 September

Harsha Engineers International's (HEI) initial public offering (IPO) will open for subscription on Wednesday, September 14, and close on September 16. The price band is fixed at ₹314-330.

The company, which supplies bearing cages, plans to raise ₹455 crore through a fresh issue of shares, and ₹300 crore via an offer-for-sale. HEI operates under two segments — engineering business wherein it makes bearing cages (in brass, steel, and polyamide materials), complex and specialised precision stamped components, brass castings, etc.

The other division is the solar EPC business, under which it provides comprehensive turnkey solutions to all solar photovoltaic requirements.

Here is what brokerages say about the company::

MOTILAL OSWAL

Subscribe for listing gains

HEI has recently diversified into production of bronze bushings, sand casting and specialised stamped components to cater to end-user industries like wind, mining and shipping. It plans to scale up this low-volume, high value segment over the next 3-5

PEER COMPARISON

Company	Market Cap (₹ bn)	Revenue CAGR	
		FY20-22 (%)	P/E FY22
Timken	23	16.7	49.2
SKF India	246	13.6	44.2
Sundram Fasteners	185	14.7	41.4
Rollex Ring	54	23.6	35.6
Harsha Engg	30	22.1	32.7

Data as on Sep 12, 2022; calculated at upper price band of ₹330
Source: Company RHP, Bloomberg, Motilal Oswal

years. Besides, it is well placed to capture the growing bearing cage demand across industries.

Its increasing focus on other specialised precision components and on the growing EV segment could boost its earnings before interest, tax, depreciation and amortization (ebitda) margins. Given growth recovery in auto/auto ancillary and strong momentum in the mid-caps, we expect the IPO to do well.

SWASTIKA INVESTMART

Subscribe

The company has managed to garner a lion-sized share in the Indian bearing cages market due to its first mover advantage as it was the first player to persuade bearing players to outsource the cage manufacturing than producing it in-house.

It is a proxy play on India becoming a global manufacturing hub theme, and considering the positive growth outlook, experienced management, and competitive advantages, we have assigned a 'subscribe' rating to the issue.

LKP SECURITIES

Subscribe

HEI has established a strong relationship with its customers who are leading global bearing makers across sectors. The bearing cages market, globally, is concentrated with top-6 players commanding a 54 per cent market share in the 2021-22 financial year (FY22). As of March 31, HEI supplied to each of these six companies. The company's top 10 customers have contributed 45-48 per cent to its total revenues over the last 3

financial years. It also enjoys a long-term relationship with its clients. At the upper end of the price band of ₹330, it is valued at 27.7x FY22 earnings, which is reasonable compared to its peers.

ANGEL ONE

Subscribe

The company has expertise in tooling, design development, and automation and has strategically located domestic and international production facilities and warehouses. Of its 4 manufacturing facilities, two are at Changodar, and Moraiya (near Ahmedabad in Gujarat), and one each at Changshu, China, and Ghimbav Brasov in Romania.

RELIGARE BROKING

Neutral

The brokerage expects the company to benefit from an increase in outsourcing for bearing cages by global companies. It estimates the global market to grow at a CAGR of 6-8 per cent over 2021-2029. Moreover, the firm has plans to enhance its market leadership in the bearings segment as well as capture opportunities in auto-EV segment, which has a good scope for growth.

