HEIL/SE-12/2025-26

May 14, 2025

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 Earning Call for the quarter ended March 31, 2025
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 March 31, 2025 conducted after the meeting of Board of Directors held on May 8, 2025.

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 Kumar Mohanty

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

"Harsha Engineers International Limited

Quarter 4 Financial Year 2025 Post Results Update Call"

May 08, 2025

MANAGEMENT: **MR. VISHAL RANGWALA – CHIEF EXECUTIVE OFFICER – HARSHA ENGINEERS INTERNATIONAL LIMITED**
MR. MAULIK JASANI – 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 the Harsha Engineers International Limited 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. I now hand the conference over to Mr. Vishal Rangwala, CEO of the company. Thank you, and over to you, Mr. Rangwala.

Vishal Rangwala: Thank you, Rutuja. Good evening, everyone and welcome to Quarter 4 Financial Year 2025 Post Results Update Call. As per our normal practice, our CFO, Mr. Maulik Jasani will take you at greater length with key numbers. However, I'm assuming that most of you would have had a chance to go through that already. And to begin with, let me talk a little bit about the whole overall environment what we are in right now.

We are passing through a very prolonged turbulent period, starting with the geopolitical tension and economic turmoil from Ukraine-Russia war starting 2 years ago to Israel-Hamas war as well as followed by this tariff war started by Mr. Trump. And now post that, the unfortunate Pahalgam incident and escalating tension between India and Pakistan.

However, we feel that amid all these uncertainties and tensions, we are as a country going to see some positive GDP achievement and growth hopefully over 6%. And I sincerely hope that things normalize over a period of time, hopefully soon. So with that, specifically at Harsha level, I'm happy to report that notwithstanding one-off provisioning we have made in quarter 4 for the impairment of our investment in Harsha Romania and a onetime bad debt write-off hit taken in our solar division.

Overall, India Engineering business has continued to show a robust performance and our prospects in relation to our overall India business continue to look very bright. Let me first talk a little bit about our pain point, which is continued stress in Harsha Romania. As mentioned earlier, we are in the process of completing a major long-term strategy for Romania, which could involve a significant overhaul or resizing of Romania operation.

In the meantime, on a conservative basis, taking into consideration the continued weak demand scenario in Europe and based on a certain indications given by one of our major customers about their possible reduction in offtake, we have made a onetime impairment provision of around INR95 crores in the value of our investment in Romania in our standalone books, which has translated into a net onetime provision of around INR28 crores in consolidated financial statement for FY 2025.

On the positive note, the performance of our China subsidiary has remained satisfactory in quarter 4 and has, therefore, positively contributed both in terms of EBITDA as well as PAT level for quarter 4 and FY '25. Going forward, we anticipate this positive contribution to continue from our Harsha China division.

Our India Engineering business has posted a strong growth in quarter 4, both in top line as well as the bottom line aided by restocking and resumption of normal purchases by most of our key customers. We have also started getting early signal of revival in industrial demand in quarter 4 and we are hopeful that this trend will continue and become more distinctly visible in coming quarters.

Our development of new SKU and our interaction with our key customer for medium to long term outsourcing business also is strongly continuing. I'm extremely delighted to inform you that our bronze bushing business has really grown significantly in this financial year and we have recorded a turnover in excess of INR100 crores in this division for financial year 2025. Going forward, with the additional capacities in our new Greenfield facilities coming in production very soon, I expect this business to continue to grow strongly, clocking at least about 30% growth in financial year '26 over '25.

Similarly, the stamping business continues to grow at a decent pace and we are also in the process of developing quite a few value-added stamping, which should start yielding results in the coming quarters. Further, the sales to Japan -- Japanese customer look flat and we are getting signal from key Japan-based customer indicating that their offtake is likely to increase in coming quarter.

Similarly, although sales of LSB appear, large size bearing cages appear to be flat, we believe that the sign of revival in industrial demand becoming stronger, the sales of this segment should also increase going forward. Another noteworthy feature in our financial is our solar division. In this quarter, after critically evaluating the recovery possibilities of old sticky debts of two of our major customers, we have written off a bad debt of around INR20 crores.

We have also made an ECL provision of around INR5 crores as per IndAS provisions, but we are quite confident of reversing the ECL part of the same going forward. It will be evident that if we adjust this one-off impact of -- in the solar division, the EBITDA for the quarter and the year shows a decent growth in financial year 2025. This division continues to enjoy tailwind in terms of strong demand aided by a favorable solar energy ecosystem and we are expecting a healthy growth of top line in the current financial year in this division based on orders on hand and in pipeline.

Needless to add, the philosophy and strategy remains same. Continued focus on small and midsized projects and not involving major risk or not requiring significant capital allocation. Now in terms of our targeted growth in coming financial year, we believe that while India Engineering business should grow in low teens. On a consolidated basis, we expect at least a higher single-digit growth in financial year '26 in top line and a much stronger growth in the bottom line.

As we continue to see volatility in the global market, it is difficult to project with very high confidence; however, that's what we right now see. With this, I thank you all for continued support and I would like to turn this over to Mr. Maulik Jasani, who will talk us through numbers in more details. Maulik, over to you.

Maulik Jasani: Thank you, Vishal bhai, for the business overview. Hello, everyone and good evening. For the quarter ended March '25, for our engineering segment at consolidated level, we have achieved a top line of INR330 crores. We have reported the consolidated EBITDA for engineering segment of INR38.3 crores. However, adjusted EBITDA is of INR66 crores after adjusting the impairment on consolidated goodwill.

While the EBITDA in the previous quarter was INR48.2 crores and last year same quarter 4 was INR60.6 crores. For the whole year of 2024-'25, engineering segment at consolidated level have achieved top line of INR1,269 crores against top line of INR1,227 crores in the previous year. We have reported the consolidated EBITDA for engineering business at INR199 crores, while adjusted EBITDA is of INR227 crores after providing impact of the impairment for engineering segment, while the last year EBITDA was INR198 crores.

For the quarter and year ended, margin has improved, as explained by Vishal mainly on account of increase in sales, lag in price pass through, better product mix, better cost control and financial income improvement. As discussed, in engineering segment adjustment of impairment is INR27.7 crores at consolidated level and INR95 crores at standalone level with reference to investment of our Romania subsidiary.

While in our solar business, we have achieved annual revenue of INR139 crores and we have reported EBITDA loss of INR14 crores after giving impact of the bad debts write-off of around INR20 crores and providing ECL provision of around INR5 crores. As overall working capital cycle at consolidated level remains around 126 days for the year-end March '25 against the 144 days in the previous quarter and 142 days in the previous year March '24.

The company has incurred a capex of INR78 crores in the last quarter at consolidated level and INR209 crores for the whole financial year 2024-'25, which includes capex incurred at our new site, Greenfield sites of Harsha Engineers Advantek as well as ground-mounted project of 10 megawatts in our Harsha Engineers company, which is under installation. For this whole year, the revenue from bushing was around INR102 crores, from stamping was around INR55 crores, LSB business was around INR43 crores, while revenue from Japanese customer was around INR65 crores.

With this brief note on financial numbers, I request operator to take the Q&A from the participants. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel: Thank you very much for the opportunity. Sir, firstly could you give us a flavor on how pricing has behaved in the fourth quarter of FY '25 as well as for the full year in both domestic market as well as exports that we do from India? Any material change to the trends that you envisage going forward in FY '26?

Vishal Rangwala: So if we talk about the past year, I think we have seen some benefit of price reduction, which has come through specifically on the steel side and that is being pass through to customers. So we have seen some lag and specifically I would mention that quarter 4, that lag was a little bit larger.

On the -- otherwise, we have not seen any major change in pricing overall with our customer. And as you know, that we have a continued pass-through mechanism in place. So that being the case for a coming year also, again, it's a lot of volatility as I mentioned earlier. So difficult to predict how -- what direction it's going to go.

Harshit Patel: So net-net, you benefited in the fourth quarter. Is my understanding right?

Maulik Jasani: Yes. So out of increased margins in fourth quarter, one of the parameter is also the lag in price pass-through.

Vishal Rangwala: Absolutely.

Harshit Patel: Understood. Perfect. Sir, my second question is on exports. How do you see exports panning out in FY '26, especially since we had signed a major sourcing contract last year, which is supposed to give us good revenues in the second half of FY '26. So do you see at least a single-digit growth happening in the regular exports business, excluding this new contract for the next year?

Vishal Rangwala: It's a very difficult question to fully answer because our signals we are getting from our customers is very varying. So even though some of them has predicted growth and, thereby, we are projecting some increased demand and preparing for it. But overall we are looking at some growth, difficult to exactly quantify how much that is for our regular business.

Harshit Patel: Understood, sir. We appreciate that. Thank you very much for answering my questions. I will get back in the question queue.

Moderator: Thank you. The next question is from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani: Hi, sir. Thanks for taking my question. First question on Romania. You highlighted the pain is very prolonged and we have provided for 95, if I'm not wrong INR95 crores impairment for Romania. And at one place you also highlighted about the customer offtake not happening. So was it -- so if you could clarify now what are we building in for Romania when we are guiding the growth numbers, which you have given? And second, is this customer offtake related to India plant or if you could clarify more on that also?

Vishal Rangwala: So I'll start with the second question. This offtake is Romania -- from our Romania facility for our Europe-based customers. One of our customer has indicated that they are going to buy very less or a lot less semi-finished products from us from Romania. And that's what has triggered this impairment activity. What was the first question?

Sanjay Majmudar: So yes. So in terms of the plan, actually, we are in the process of formulating a very comprehensive long-term plan, as Vishal mentioned in his initial opening remarks. I think it is going to be a long-term strategy. Idea is obviously to ensure that whatever assets we have, how gainfully we can utilize and how we can make the whole thing smooth. Very obviously, the fact that we have provided for impairment would mean that, yes, the Romania operations cannot continue at the current level in this form. So give us maybe 2, 3 months more, and we'll get back to you.

Amit Anwani: Understood. Are we factoring anything from Romania when we guide for high single-digit growth on consol?

Management: Of course, something coming definitely from Romania. It is there.

Amit Anwani: Okay. Sure. And sir, any reasons why the Japanese -- I think that was also our long-term vision to increase the wallet share from Japanese customers. And currently, we understand that it is not what we expected. Any reasons and expectations for FY '26 on Japanese wallet share?

Vishal Rangwala: So what we shared that due to various projects, I think we have shared this last quarter also that due to various projects delaying due to sometime technical reason, some few other reasons. This year's plan of growth with Japanese customer has not materialized to the extent we expected. Partly also the demand from a global demand also played a role.

And based on various interactions with the Japanese customer, we are seeing more projects are coming online, more products are productionize from our side. We are expecting to go back on the growth path with Japan-based customer in the next financial year.

Sanjay Majmudar: So the development pipeline for that Japan segment continues. There is no real, I mean, material alteration, so it's just taking more time. That's the whole thing.

Amit Anwani: Right. And lastly, on solar, is there any more doubtful debt and what is the total debt on solar side?

Maulik Jasani: Yes. So effectively, we have provided the major doubtful debts as a bad debt. And as mentioned in our commentary, we have also provided for the ECL provision as per IndAS norms, which is around INR5 crores. And we already mentioned that we are expecting that this will be realizable very soon. And accordingly, we do not have anything on the books left.

Sanjay Majmudar: In fact, protracted negotiations were happening over the last 2, 3 years post our takeover. Quite a significant portion has already been recovered. Some portion is yet to be recovered. So what we felt is probably not going to come that we took a conservative view and wrote off in one go. So there is no further ifs and buts about it.

Amit Anwani: Sure. Thank you so much, sir. That's all from my side.

Moderator: Thank you. The next question is from the line of Nikunj Doshi from Bay Capital. Please go ahead.

Nikunj Doshi: Hi, good evening. Sir, just regarding this bad debt only just want a clarification. Who are these clients means are these utilities or who are these clients basically?

Maulik Jasani: So these are the old receivables pertains to the EPC contracts done by the solar business. And there are multiples, including two majors. We could not be -- we would not be able to give the name, but yes these are very old and we are not having running business except wherever there is an O&M commitment.

Sanjay Majmudar: And even in some cases, the legal proceedings for recovery are going on, so we've been advised not to really diverge more.

Nikunj Doshi: But so we have filed for NCLT recovery and bankruptcy for them or how are we planning to recover?

Maulik Jasani: No, there are different levels.

Maulik Jasani: The litigations are at a different level, Nikunj ji.

Nikunj Doshi: Okay. But any hope of recovery?

Sanjay Majmudar: 100%. So what we are hoping to recover, we have not written off. So what we are not hoping to recover, we have written off.

Nikunj Doshi: Okay. But when we acquired this solar business, we knew about this?

Sanjay Majmudar: Of course and 70%, 80% thereof has already been recovered.

Maulik Jasani: There has been a lot of dialogues on this and there has been quite a few recovery happened also.

Nikunj Doshi: Thanks.

Moderator: Thank you. The next question is from the line of Yash Purbhe from Inved Research. Please go ahead.

Yash Purbhe: Thank you for the opportunity. So my question is Ministry of Commerce has recently issued a draft on quality control order for standardizing the bearings in India, especially to curb the imports from China. So how are we seeing this development? Do we expect the bearing sector to India grow rapidly?

Vishal Rangwala: We believe that is quite possible. However, this bearings which are imported from China are of may not be the grade 1 quality all the time. So I'm not able to fully answer by saying that how much of that benefit will come to us and all that. Having said that, we definitely see that long-term government is pushing to ensure that whatever is imported, it can be made in India, should be made in India.

And we are very supportive of that. We should be beneficiary of that and we will support that at our level. It will not be that easy and it will not be an overnight transformation. However, we believe this is a right direction and we should benefit out of this.

Management: And directionally, China plus One has always remained our long-term strategy as well. So this actually in a way, support this.

Yash Purbhe: Thank you.

Moderator: Thank you. The next question is from the line of Jason Soans from IDBI Capital. Please go ahead.

Jason Soans: Thanks for taking my question. Sir, I just wanted to understand just from a broader sense, of course, bearings find most of the applications in the industrial side and auto side. And of course, there were a lot of plans for localization and all these things by the big three as well in terms of your customers. So sir, how is that -- I mean, of course, recently there has been slowdown in the industrial side and there has been some capex pushback also.

So how is the demand, sir, now looking from your clients, how is -- just wanted to understand. I understand there are a lot of uncertainties on the horizon. But just from a ground level, how is it looking and probably you can give us like a year's perspective, at least in terms of that.

Vishal Rangwala: So Jason, it is extremely difficult for us to do a 3-year version of this. Actually, our customers are struggling to give us a good 1-year version of this.

Jason Soans: No, sir. Actually, I asked for a 1-year version only actually. I asked for a 1-year version only. 3 years, I understand there are a lot of things on the horizon. Uncertainties are there. So I'll just ask you for a 1-year version only. How is it? I know demand is on a slow wicket recently, so I just wanted to know how is it from a ground level perspective?

Vishal Rangwala: So from our point of view and, remember we are Tier 2, I mean, we are a supplier to bearing industry. So I would not really be able to fully answer the bearing demand. But having said that, we are seeing some improvement across global demand with the limited information we have that we see that there would be some improvement.

However, our customers are cautiously telling us that this demand improvement is sustainable or not, we are not sure. So the forecasts are, take this, but it will change again kind of inputs we have received. And so there is a lot of volatility in general is what we are seeing in the market.

Maulik Jasani: But still at our level, there are two aspects: One, we are a major supplier to almost all key bearing companies in India. Two, based on our own interaction with various customers, we still feel confident that overall, at India level, we should grow, as Vishal has indicated in his opening comments.

In a lower teens at least -- so it's a lower double digit, not a single-digit growth in India that we are anticipating and that is on several counts. So we have stampings, we have bushings. We are seeing a lot of traction in bushing. For example, we are talking of a very significant 30%, 40% growth in bushing segment. We are anticipating compensatory factors. So I think at least on a very limited way for India Harsha, I think we'll continue growing decently. This is all we can say at this point in time.

Jason Soans: Sure. Thanks for that. And sir, just wanted to understand this valuation impairment. Now if possible, I mean, on a standalone level, it's INR95 crores and on a console level it is INR28 crores. So why is the difference? Is it possible to explain in simple -- just simply if it's possible because on a standalone, it's INR95 crores and console it's INR28 crores?

Maulik Jasani: Yes. So Jason, basically, at a standalone level, it is like a fair value minus our investment. So we have invested around INR143 crores at a standalone level, and we have reduced it to INR48 crores by providing for INR95 crores of the depreciation.

Maulik Jasani: Based on valuation.

Maulik Jasani: Based on the fair valuation done by the registered valuer. Now at a console level, there has already been loss booking happened since our acquisition. So since we've acquired, whatever loss booking has happened, at the console level that has been removed because my book value of this investment at consolidated level has already reduced by INR67 crores. That is the losses we have already booked since 2017, of our acquisition. And then INR67 crores has been reduced. And accordingly, INR28 crores has been provided as impairment in the consolidated books.

Jason Soans: Sure. And sir, when was this Romanian subsidiary acquired, which year was it?

Maulik Jasani: February 2016.

Jason Soans: February 2016. Okay. And sir, just lastly, I just wanted to understand, I mean, of course, you spoke about a major overhaul plan in the Romanian subsidiary. Are we looking at more such valuation impairments going down or do you think it's onetime or is it too soon to say anything on this?

Maulik Jasani: No. As we just said, this valuation is done by the registered valuer for our best possible estimate and forecast we have it as on today. And definitely, that is all are achievable and we are working on that direction. And as of now, it is not in our hindsight anywhere. Otherwise, we would have provided.

Management: So putting it differently, we have fully provided.

Maulik Jasani: Yes.

Management: We have not kept anything for future at this point in time.

Maulik Jasani: Yes.

Jason Soans: Okay. Sure. And sir, also just one lastly I wanted to ask. Sir, in terms of the tariff war, the Trump tariff war, I wanted to understand that is there any, I mean, of course, there's a clear thing that China is getting isolated and probably those benefits that's one target aim of the U.S. government. So are we looking at some demand traction coming from -- for Indian suppliers in that if that plays out and excess tariffs are implied are levied on China, do we think more business can come to players like us here?

Vishal Rangwala: Yes, definitely. And we have shared this from a China plus One perspective in past as well that there is a direct business, which can come our way from various geographies, but specifically U.S. in this current scenario. And however on top of it, we are seeing that our customers are also deleveraging their supply chain and their manufacturing base from China and they are adding more and more capacities in India.

So we expect that we will benefit out of that also by supplying more products into India, which eventually goes for export to U.S. and similar geographies.

Jason Soans: Okay, sir. Thanks those are all my questions. Thank you so much for answering.

Moderator: Thank you. The next question is from the line of Avnish Tiwari from Vaikarya. Please go ahead.

Avnish Tiwari: On this tariff question, what is the level of tariff, which is currently you are paying if you are exporting to U.S. and versus how much, let's say, if it's being exported from China to U.S.?

Maulik Jasani: So tariff rates are not very specifically defined so far. And effectively, if you see in our current exports, maximum exports are such exports where the clearance from custom duty are on the customer head. So there is no direct impact to Harsha as of now. Just to answer your questions, we personally as of now believe that we will fall under the country tariff, whatever country tariff will come as a rate -- as a final rate whenever it is published.

And as of now we see that we will not fall under any specific category. But yes, definitely, these all are very subjective. Once the things will be put in the U.S. customs official records, then only we will have a better clarity.

Avnish Tiwari: And given there is a significant tariff differential between India and China, are you experiencing intensity of customer inquiries or interactions very different now versus, let's say, 1.5 months or 2 months ago?

Maulik Jasani: I believe it will have and it is there. More importantly, it will have on a deemed export side also. Because as Vishal has mentioned in his comment, we are a Tier 2. So we may not have a direct inquiry that much, but definitely we will have an indirect inquiry because we are part of the longer supply chain.

Avnish Tiwari: Okay. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Vishal Rangwala for closing comments.

Vishal Rangwala: Yes. So with this, we would like to thank everyone who has joined this call and appreciate the continued interest in Harsha Engineers. We wish a good evening to everyone and thank you very much for joining.

Management: Thank you.

Maulik Jasani: Jai Hind.

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.