

Harsha Engineers Int

11 August 2026

Operator: Ladies and gentlemen, good day and welcome to Harsha Engineers International Ltd. Q1 FY27 Analyst and Investor Earnings Conference Call. As a reminder, all participant lines will be in 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 the operator by pressing star and then zero on your touch-tone 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, Mr. Rangwala.

Vishal Rangwala – CEO: Thank you. Dear friends, welcome to all of you for our Q1 FY27 results update call. As per normal practice, our CFO, Mr. Maulik Jasani, will take you through our key numbers in detail. However, I assume that most of you would have had a chance to go through the results. At the outset, I am happy to inform you that our Q1 FY27 performance has been highly satisfactory and in line with management plans and expectations, except for some minor aberrations, which I will discuss shortly.

As you would have seen, on a consolidated basis, we have posted 25% growth in Q1 on a year-over-year basis. This growth is largely due to consistent, strong topline growth of around 21% posted by our India Engineering business, which comprises the company, HEIL, and our wholly owned subsidiary, Harsha Advantage. It is also noteworthy that, despite the historically established fact that our last-quarter performance is generally the strongest, in Q1 our India Engineering business posted strong 6% growth even on a quarter-over-quarter basis. At the same time, you would have seen that while there is {? EBITDA ?} and PAT growth in our India Engineering business in Q1 on a year-over-year basis, there has been some margin decline on a quarter-over-quarter basis.

This is attributable to three specific factors. Firstly, in Q1 of this year, our average raw material costs went up by around {? 8% ?}. As you are aware, we have a pass-through mechanism with most of our customers. However, there will be a lag of 1 or 2 quarters. Therefore, we should be able to pass through this cost increase in the subsequent quarters.

Another factor that has impacted the margin of the India Engineering business is a foreign exchange loss of around 4 crore, which is due to certain technical accounting reasons. To elaborate, as per the Ind AS provisions, foreign currency fluctuations relating to FX cash flow hedges are parked in other comprehensive income until they are realized and settled. The FX loss of around 4 crore is due to the accounting effect of realizing the cash flow hedge loss in the current quarter. However, going forward, we do not expect this to have a material adverse impact on the company.

The third specific reason is an increase in our indirect material costs, such as oil, chemicals, and packing materials, due to inflationary pressure. As you are aware, the war broke out during the first quarter, and as we all saw, this increased our cost in Q1 by approximately 3 crore. However, the most significant impact is the increase in raw material costs and the lag in pass-through, as explained above, which will be normalized going forward.

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Now, talking about our specific growth components, I am happy to state that our primary product, cages, continues to see good demand traction and offtake both in India and outside India. In India, this is driven by good demand for cages from our customers, whose offtake has increased in line with their own growth plans. This includes demand for cages from facilities recently set up by our MNC customers in India. In addition, we are also seeing good traction from other major Indian bearing players. We believe this reflects continued strong growth in the Indian domestic market, aided by good industrial demand as well as demand from the automobile sector.

A part of this is also attributable to increased global demand witnessed by our key bearing customers. We are also seeing strong traction in exports from India. Our exports from India in Q1 FY27 stood at 139 crore. We reported almost 22% growth on a year-over-year basis and 11% growth on a quarter-over-quarter basis. We are also seeing good growth in Europe, the US, and all other key markets, backed by a continued increase in industrial demand globally.

Now, talking about our key growth drivers, first and foremost, sales of bushings in Q1 stood at around 34 crore, reflecting almost 35% growth on a year-over-year basis. We have fairly strong visibility on this order pipeline and order book. Therefore, we are fairly confident of achieving targeted sales growth in bushings of around 30% this year against last year's 125 crore.

Equally encouraging are stamping sales, which stood at around 19 crore in Q1. This represents approximately 31% growth on a year-over-year basis. We have quite a few products that are either developed or under development, specifically in the category of white-goods appliances, certain mechanical components, railway components, seal sensors, and other automotive sensing products that we have been developing over the past few months. This gives us confidence that we should achieve approximately 30% growth this year in this component as well, against approximately 60 crore last year.

We are also witnessing strong demand offtake in the large-size cages segment. Although Q1 sales appeared to be lower at around 10 crore, we believe that the order book on hand and the pipeline in this segment are very strong. On the back of this, we should achieve 50% growth despite the first-quarter numbers in the current financial year compared with last year. Last year, we did approximately 49 crore.

Talking about the Japanese customer, our Q1 FY27 sales stood at around 21 crore, showing approximately 25% year-over-year growth. However, on a full-year basis, we expect only modest 10% growth in sales to 72 crore in this segment, given the fact that the entire process of development and conversion is quite slow, although it is reassuringly positive in the long term.

Talking about our wholly owned subsidiary, Harsha Advantage, although Q1 sales of around 13 crore appear to show only modest growth of 7% on a quarter-over-quarter basis, we have good visibility of sales progressively coming through every quarter. Our annual sales target for Advantage would be in the region of 140 crore plus this year, against 43 crore achieved last year in FY26. As the scale of operations increases, we expect Advantage to be PAT-positive by the end of the current financial year, FY27. It reported a loss of about 4 crore in Q1 FY27. As you might be aware, we have already announced the capex plan for the second phase of expansion at Advantage, which is aimed at expanding capacity in bushings, stamping, and large-size cages.

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Now turning to our foreign subsidiaries, first, talking about Harsha China, things are looking quite stable and satisfactory. We believe that Harsha China should report overall growth of around 10% in the current financial year against sales of about 120 crore achieved in FY26, with an EBITDA margin in the range of about 12-14% and an additional PAT range of around 8%. We have already commenced implementation of a greenfield expansion project in China after securing the required debt funding at a very attractive rate. This expansion is focused on creating capabilities for our steel cages, expanding the product portfolio, and increasing our market reach in China. This project should be commissioned by Q3 of the next financial year, and we should see the full impact from FY29 onwards.

Lastly, talking about the aberration I indicated earlier, Harsha Romania continues to be in negative territory. Although it has reported slight topline growth, in Q1 FY27 there was a one-time foreign exchange loss of around 2 crore because of the adverse currency movement between the local currency and the euro.

Vishal: The operating losses continue, but we are making strong efforts to improve the product mix by pushing more cages, trying to acquire new customers, and also reducing costs.

We have also made a strategic change in the top management by bringing in new CEOs for our subsidiaries.

While our endeavor will be to try to ensure that Harsha Romania achieves break-even in FY27, there could be some losses in the current financial year. However, the combined loss between the two foreign subsidiaries would be much lower, in the single digits, if they do not become fully positive.

I will end my presentation by reaffirming that we are confident of continuing to grow strongly in India, with India in the high-teens range, and also achieving consolidated sales growth in the low to mid-teens in FY27. The bottom line should grow more strongly because of the combined impact of all the positive factors we have noted above.

I would like to thank you for your continued confidence and support for Harsha. I will now ask Maulik to take us through his presentation and the numbers before we take questions.

Maulik: Thank you, Vishal. Hello, everyone, and good afternoon. For the quarter ended June 26, our Engineering business at the consolidated level attained a topline of 421 crore, against 382 crore in the immediately preceding quarter and 349 crore in the same quarter last year.

We achieved consolidated EBITDA for the Engineering business of 69.8 crore in the current quarter, against 77 crore in the immediately preceding quarter and 65.3 crore in the same quarter last year.

We witnessed good demand across all revenue segments, while margins were impacted on account of the material price pass-through as well as the exchange-rate impact, as discussed.

In the solar business, we achieved revenue of 36.3 crore and positive EBITDA of 2.82 crore for the current quarter.

The overall working-capital cycle at the consolidated level is around 116 days, against 130 days in the previous quarter. The company incurred capex of 37 crore in Q1 at the consolidated level.

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For Q1 FY27, our revenue from bushings was around 34 crore, stamping was 19 crore, LSB was 10 crore, and Japanese subsidiaries were 21 crore, as already discussed.

With this brief overview of the financial numbers, I request the operator to conduct the Q&A session with the participants one by one. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question.

Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, you may press star and one to ask a question.

The first question is from the line of Varun Jain from Dolat Capital. Please go ahead.

Varun Jain – Dolat Capital: Good morning. Congratulations on a very strong growth number. I wanted to understand how this growth came about. Which segments performed so well? Did we see a broad-based demand recovery in Europe, or was it India? How did we achieve such strong numbers?

Vishal: It was more broad-based. As I mentioned earlier, we are seeing industrial demand strengthening overall, and European demand is also recovering. It is a combination of both factors, and we are seeing growth across the business. It is very encouraging in that sense.

Varun Jain – Dolat Capital: Thank you. For FY27, what kind of overall growth rate do we see? Would 20% be a possibility with this momentum?

Vishal: I think 20% would be a very difficult stretch. We definitely expect mid- to high-teens growth in India, and our general expectation for FY27 overall is in the low teens.

Varun Jain – Dolat Capital: Year-on-year gross margins have fallen by 150 bps. In which materials is this raw material increase occurring? Is it steel, brass, polyamide, or mostly overheads?

Vishal: In the last quarter, the raw material increase occurred across the materials we use—brass, copper, zinc, steel, and polymers. We are seeing the impact across all materials.

Last year, the major focus was on higher metal prices on the brass front, which is a combination of copper and zinc. However, at the beginning of this year, we witnessed an increase across the board. Part of it may be the impact of global conditions and scenarios, but it should be passed through, as we discussed earlier.

Varun Jain – Dolat Capital: Understood. On the foreign business, we grew well this quarter, but the EBITDA margin for the foreign business fell from 1.5% to 0.3% year-on-year, even though revenues grew 20%. Why is the operating leverage not coming through, and are we able to move from casting to cages, especially in Romania?

Vishal: We are working to do that, including increasing the revenue share from additional cages. At the same time, there was a significant impact from the continued increase in raw material prices,

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which actually negated some of the improvement on the revenue side.

Maulik: As Vishal mentioned regarding the exchange rate, there is an impact in Romania from fluctuations between the Romanian local currency, RON, and the overall base currency, the euro. It is more of an accounting impact, considering that the majority of the operations in Romania are also based on the euro.

Varun Jain – Dolat Capital: Thank you. I will come back in the queue.

Operator: Thank you. Participants may press star and one to ask a question. The next question is from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani – PL Capital: Thank you, and congratulations on the good set of numbers. My first question is a follow-up on Romania. You said that, collectively, the two subsidiaries will have lower losses. What kind of loss are we building in for Romania? Second, you said there was also a foreign exchange impact this quarter. Excluding the foreign exchange impact, how was the performance in terms of volumes? Are we progressing toward our objective of moving from semi-finished products to large cages? Are we really on track to improve that subsidiary, or will it still take some time?

Vishal: In terms of the overall operation itself, excluding foreign exchange, I think we did not improve significantly. We did have some improvement. Again, as I mentioned in the earlier answer, we also saw an adverse effect from increasing copper prices, and that had some impact on the results.

Regarding the move toward more cages, we are working toward it. Right now, we do not have a significant number to show for it. However, we are seeing the pipeline in Romania improving toward cages. That is what I expect.

Maulik: For FY27, the combined losses could be in the lower single digits, perhaps in the range of 3–4 crore, against 10 crore last year.

Amit Anwani – PL Capital: Is it that China will improve further while Romania will deteriorate further?

Vishal: No, both will improve. Romania's losses will be reduced, while China is continuously profitable and will offset them. We have to wait for a couple of quarters as things improve further. We may say that they will turn positive, but it is a bit early. If we wait for 1 or perhaps 2 quarters, we should be able to give you a much better picture.

Amit Anwani – PL Capital: On the other businesses, such as bushings and stamping components, you talked about 30% plus growth. Is it coming from wallet share, new customers, or both, and is this momentum something that should continue? You have undertaken capex in the past in bushings and stamping components as well. I wanted to understand whether this growth will continue at this pace and whether it is due to an increase in wallet share or new business.

Vishal: On the bushing side, the growth is being supported by conversion. We are not sure how long this will continue, but we expect this conversion effect to continue for at least a couple of years. A part of the growth will always come from wallet share as well.

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On the stamping side, we are adding many new products, which is one of the reasons we are seeing growth there. We have a very strong pipeline of new products that are coming in or have already started, but will mature over the next year or so.

Amit Anwani – PL Capital: Lastly, on large cages, where revenue was about 10 crore and was more or less flat, we are still talking about 30% growth. I recall that we have been focusing on achieving very strong growth from large cages in the past as well. Is there a particular customer where offtake has been delayed? What is the reason for Q1 being so slow while you remain confident of 30% growth? What is happening in the large-cage business?

Vishal: In the large-size segment, Q1 was an aberration, partially driven by the large-size capacity at our new facility still struggling to ramp up and respond to demand. We see that the demand is there, which is why we remain optimistic despite the difficult first-quarter numbers. Therefore, we are fairly confident of achieving even 30% plus growth for the year. We have good visibility and a strong order-book pipeline, which is why we have that confidence.

Amit Anwani – PL Capital: Compared with last year?

Vishal: Yes, of course.

Amit Anwani – PL Capital: In large cages, I understand that it is also a value-added business and that we are probably not operating from a very high base. Are we trying to add more customers in large cages, or are we trying to leverage the business, as we were previously trying to do in Romania with the same customer? What exactly can drive the large-cage business in the coming quarters?

Vishal: Primarily, we are trying to capture a larger wallet share, as we currently have a very low wallet share when it comes to larger-size cages with our customers. We are trying to capture more of that. That is what is happening in principle. I think that is the driver, and it gives me confidence.

Operator: Thank you very much. The next question is from the line of Vaibhav Shah from Equirus Securities. Please go ahead.

Vaibhav Shah – Equirus Securities: Congratulations on a good set of numbers. I have only one question. Could you share an update on how the ongoing Brahmapuri capex is progressing, as well as the progress of the recently announced Harsha Advantage Phase 2 capex? What would be our capex guidance for FY27 and FY28?

Management: On the China front, our Phase 2 capex, which we already mentioned in our presentation, is on track, and we expect it to go live around Q3 of next year. Building construction has already commenced and is ongoing.

For our China plant expansion, during the current season we put the building construction on hold, but we expect it to start this month. That is also on track. We expect the construction of the third building to be completed by the end of this year, or perhaps in the last quarter of this year. We have also started procuring the incremental machinery and placed orders for the new building size.

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Civil construction is on hold because of very heavy rain. Ahmedabad and Gujarat witnessed very heavy rain, making construction difficult. However, I think things are now normalizing, and construction should start very soon.

Vaibhav Shah – Equirus Securities: What is your capex guidance for FY27 and FY28?

Management: We continue to add to our capex guidance. As of now, our focus is on completing these 2 major expansions. However, we expect annual capex to be in the range of 50-80 crore year-over-year, at least for now. We will provide better guidance in the coming period.

Vaibhav Shah – Equirus Securities: Thank you for answering my question. I will get back in the queue.

Management: Thank you, Vaibhav.

Operator: Thank you. The next question is from the line of Manish Goyal from ThinkWise Wealth Managers. Please go ahead.

Manish Goyal – ThinkWise Wealth Managers: Thank you very much, and congratulations on a very good set of numbers. On the guidance for India Engineering, where we are referring to high-teens growth, I would like to know how much would be driven by volume growth and how much by price increases. Related to that, what kind of price increase have we taken or will we take due to the commodity increase?

The second question is within the India Engineering business. If we exclude bushings, stampings, large cages, and the Japanese-based customer, can the conventional cages business still grow at a double-digit rate? The numbers I calculate show probably 6-7% growth, so it would be helpful if you could provide that perspective as well.

There was a lot of echo on the call, so I could not hear the Japanese-based customer revenue for the current quarter and the comparative quarter. Could you clarify that as well? I will come back with a couple of more questions.

Management: Let me answer your last question first. Revenue from the Japanese customer in the current quarter was 21 crore, against 15.5 crore in the same quarter last year.

Regarding the raw material pass-through and the impact of raw materials on our topline, as we know, we usually have a pass-through with a lag of around 4 months. As we discussed on the call, last year the major pass-through occurred in brass, while steel was range-bound, with some impact there. As we mentioned in our commentary, the overall raw material price increase this quarter was 6-7%. Therefore, perhaps 40-50% of that would be the impact on the sales side.

Manish Goyal – ThinkWise Wealth Managers: So, basically, we can roughly expect a 3-4% price increase. The high-teens growth guidance factors in this price increase as well. Is that what you are saying?

Management: It accounts for it to a limited extent, but we are actually trying to focus on volume growth. At this point, we are not trying to predict the value impact, but there could be some impact,

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as you rightly mentioned.

Manish Goyal – ThinkWise Wealth Managers: Regarding cage growth, how should we look at the growth of the traditional business that we have?

Management: We see that cage growth in India will continue to be sustained by a variety of factors. These factors include the natural growth of the Indian economy, the outsourcing opportunities we are seeing to supply from India to other countries, and similar factors. In addition, some of our customers are already setting up plants to export outside India.

Combining all these factors, we expect good growth in the cage business in India as well. I think it should match the growth of the bearing industry in India, plus whatever additional growth we achieve through outsourcing. Therefore, we expect at least 10% growth, with further development of products contributing to that.

Manish Goyal – ThinkWise Wealth Managers: What is the capex plan for the entire FY27?

Management: For the current year, FY27, we already announced in the last investor call that our major expansion is coming in China. Including China Phase 2, we expect both the major expansions and our regular capex to be in the range of around 180–200 crore over 2 and a half years, or 1 and a half to 2 years.

To clarify, we expect 180–200 crore over 2 years—this year and next year. Therefore, perhaps 50–80 crore this year and the remaining amount next year.

Manish Goyal – ThinkWise Wealth Managers: In the annual report, we mentioned that we continue to strengthen capabilities in areas such as wind-energy gearboxes, specialized railway applications, aerospace, and electric-mobility solutions. Could you elaborate and provide some perspective on what we are referring to?

The second point in the annual report is that we see very strong long-term growth through stronger strategic collaborations and by carefully evaluating inorganic growth opportunities. Could you provide some perspective on the context in which we are looking at these opportunities?

Management: Let me start with your first point about wind, rail, aerospace, and EVs. Within wind, we are approaching it from multiple perspectives. First, we are present in bushings and are working on the next step of bushings. I think there is a lot of typing noise. Is it possible to mute that?

Manish Goyal – ThinkWise Wealth Managers: There is a lot of echo from your side, and it is very difficult to hear you.

Management: It looks like we are facing some challenges at our end today. I will mute myself. I will continue.

From the wind side, we are working on bushings and the next step of bushings. Within bushings, we are moving, or trying to move, to a different set of technologies and working closely with our customers on a variety of upgrades to those technologies.

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On the cage side, we are getting ready to cater to that segment. We are working toward the required size capabilities and geometrical and dimensional capabilities. That is what is happening in wind.

Similarly, on the rail side, we are working primarily with bearing companies or directly with other companies where we are supplying stamping components for the rail industry. In addition to cages, we are also working to develop more products that can cater to the railway market. Those are the activities underway in wind and rail.

Similarly, in the aerospace business, we are producing a number of stamping components that cater to that industry. We are working with Tier 1 and Tier 2 defense companies in India on those product developments. They are at a very developmental stage, where we are manufacturing those products, and this is a portfolio. Once they commence, they could bring in a different stream of revenue.

Moving to the inorganic topic mentioned in our annual report, we are looking at any opportunity that comes our way and can genuinely enhance our capabilities while remaining within the specific space of precision engineering. We are evaluating such opportunities if something comes up. However, it is not a mandate, and we are not saying that we will definitely pursue such an opportunity. If the right opportunity comes along, we may evaluate it and consider it. That is all at this stage.

Manish Goyal – ThinkWise Wealth Managers: One more thing was mentioned about EV-related products. In mobility, are we trying to serve that market through stamping?

Management: Through a little bit of stamping, but also to a great extent through bearing cages. We are working with our customers to improve bearing performance through whatever can be contributed by cages, including thin products, noise-free products, high-performance products, and so on.

Manish Goyal – ThinkWise Wealth Managers: Thank you very much.

Management: Thank you.

Operator: Thank you. The next question is from the line of Uttam Purohit from VVDN Asset Management. Please go ahead.

Uttam Purohit – VVDN Asset Management: Thank you for the opportunity, and congratulations on the great set of numbers. My question is about Harsha Advantage. What kind of EBITDA margin did Advantage deliver this quarter, and, since we are planning to make Advantage profitable, what would be the EBITDA for the full year for Advantage?

Management: Basically, Advantage will have slightly lower EBITDA than our blended EBITDA for the India business this year, considering that it is in the ramp-up phase. However, we expect it to match our India EBITDA margin from next year. In the last quarter, obviously because of the major impact we already discussed on material pass-through and other factors, it had EBITDA of around 9%.

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Uttam Purohit – VVDN Asset Management: If I look at our standalone Engineering business, it performed quite well despite all the pressures from metals and other factors. If it delivered a margin of around 24%, could we look at a better margin going forward, considering the price increases we are going to implement?

Management: I think 24% is a slightly high number. We have shared in the past that, because of the lag cycle, some quarters may appear to be high and some quarters may appear to be too low. That is what is happening. In general, we expect the margin to be in the range of 20–22% as a normal, sustainable standalone margin.

Uttam Purohit – VVDN Asset Management: Thank you. That is all from my side.

Management: Thank you, Uttam.

Operator: Thank you. The next question is from the line of Varun Jain from Dolat Capital. Please go ahead.

Varun Jain – Dolat Capital: Coming to the solar EPC business, why is there so much volatility? Year-on-year, the business is up 120%, but quarter-on-quarter—

Varun Jain – Dolat Capital: It is down 55% to 36 crore. What is the FY27 outlook for revenue and margins, and what is the nature of this business quarter-on-quarter?

Management: Solar is a project-based business. The fourth quarter is usually linked to the financial benefits, depreciation benefits, and similar factors, so we tend to see a very large fourth quarter, and the first quarter is usually lower after that.

Having said that, we did have a fairly decent first quarter relative to last year. On the revenue side, we are looking at approximately 200 crore of revenue in this segment, depending on the opportunities that develop, so this figure can change somewhat. We expect margin sustainability at a similar level, with EBITDA of approximately 7–8%. That is the general idea for the solar EPC business.

It is again an EPC business. What we do there is primarily build solar installations or solar projects. As I mentioned, it is a project-based business. We do not manufacture anything; we design and install solar plants.

Varun Jain – Dolat Capital: Understood. On the China business, the China plant was earlier slated to start by FY28, correct? Now, if we are planning for Q3 FY28, will the revenue really begin to flow from FY29? Does that mean China growth will also be very low in FY28? What were the revenue growth, revenue, and EBITDA for China, and the revenue and EBITDA for Romania, in this quarter?

Management: I think we will continue to provide the consolidated number for the subsidiaries for now. We have already given the total loss for them.

Varun Jain – Dolat Capital: On the capex, was it earlier planned for FY28 and has it now been delayed?

Management: It is still planned for Q3 FY28.

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Operator: Sorry to interrupt. We are losing your audio. Could you repeat the answer once again?

Management: Our intention when we mention commissioning in Q3 FY28 is the operationalization of our base site and unit. Revenue will start from that period.

Varun Jain – Dolat Capital: On the Japan-based customer, I think we have seen high growth this quarter, from 16 crore to close to 21 crore. Why, then, are we guiding for only 10% growth for FY27? Do we see a decline in the upcoming quarters, and if so, why?

Management: Regarding a possible decline, last year we did about 72 crore from Japan-based customers. We believe that the same run rate can continue, taking it to around 80 crore or more. There is no expected decline. Japan is a very slow market. A lot of orders and projects are under discussion, but we do not want to overstate the outlook. All the other 3 fronts are growing very aggressively, while Japan is a laggard in terms of growth. However, it is still growing, and it will continue to remain positive.

Varun Jain – Dolat Capital: Understood. For Harsha, can you give us some sense of the pecking order among your customers, such as SKF, Schaeffler, Timken, and NBC? Who are the largest and who are lower in the ranking, and what is the customer concentration, such as the top 5 and top 10? This is only for the India standalone business, of course.

Management: For India standalone, I think perhaps all the names you mentioned are among our top customers. They have a significant share of our business. These include Timken, Schaeffler, SKF, NBC, FAG, NSK, and NTN. These are our major customers. I also forgot to mention the compressor-component customer, Highly, and a few others.

We supply to these customers from India, as you asked, to multiple facilities of theirs. Although you can say that our top 10 customers account for almost 80% of our revenue, that revenue is spread across more than 80 plants. I repeat, it is spread across more than 80 plants worldwide. Overall, in India, without being modest, I would say that we have approximately 80-90% wallet share with most, or almost all, major customers.

Varun Jain – Dolat Capital: I have visited a couple of plants, and they told me that close to 95-97% of the cages were actually from Harsha, which is very good. To double-click on the top customer, would the top customer account for 15-20% of your revenue, and would that be Timken?

Management: That range depends on their growth and seasonality. More or less, you can say that the rankings of our top 4 customers keep changing.

Varun Jain – Dolat Capital: One final question. The CEO mentioned that you are working on what you called the next step of technology in bushings. We thought bushings for wind gearboxes were the next step in technology from bearings. What comes after bushings?

Management: The next step is more precise and more accurate bushings for the next generation of gearboxes. As we have explained, bushings are being replaced or used for different sizes of gearboxes. They continue to improve, including both the methods and the accuracy.

Varun Jain – Dolat Capital: Thank you, and all the best.

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Management: Thank you.

Operator: Thank you. The next question is from the line of Ankit Kapoor from Kapoor & Co. Please go ahead.

Ankit Kapoor – Kapoor & Co: Hello, Vishal and Pilak, and the entire management team. Thank you for this opportunity. I joined the call late, so, for the sake of repetition, could you reiterate our path to profitability for the Romanian unit?

The second point is that we achieved an EBITDA margin close to 16% in the first quarter. With the capacity augmentation and the improvement in volumes that we anticipate, what is the likely EBITDA margin range for the full year? Can you share any number?

Management: Ankit, we have already provided this in our investor presentation. The net loss of China and Romania put together is 3 crore, and that is what we have disclosed. We have not disclosed the individual figures for Romania and China so far.

Regarding the EBITDA margin, as we explained in the commentary, the current margin has been affected by the metal pass-through. If metal prices settle down or remain stable, we expect this EBITDA margin to improve and match the EBITDA margin percentage of 18.5% achieved last year.

Ankit Kapoor – Kapoor & Co: The 18.5% you are referring to is for the full year, correct?

Management: We expect EBITDA of about 18%, against the 16% that we have reported, provided metal prices remain stable.

Ankit Kapoor – Kapoor & Co: For the Romanian unit and the Chinese business to become profitable or reach break-even, how long will the path take? There has been considerable course correction, especially for the Romanian unit, which you also discussed about a year ago. Where do we stand in restructuring the Romanian business? There were also some strong product-related changes that you had envisaged earlier. Please correct me if necessary. Where do we stand, and what is the path for this unit to start contributing to the topline and bottom line, especially the bottom line?

Management: For Romania, our gradual target is to reduce the losses, as Vishal explained in his speech. We have now revamped the top team and appointed a new CEO. We have a strategy to increase the sales share of cages from around 20-25% to perhaps 30-35%.

The problem is that fixed overheads remain high. Unless the key customer that purchases semi-finished castings returns to its previous level, achieving break-even will be difficult. That is the challenge in Romania.

China is continuously profitable. Over the last few quarters, we have seen steady growth in China, so profitability should remain at around 12-14% EBITDA, or even slightly higher. Our guidance is that the combined loss at the end of the year, assuming that Romania gradually improves, could perhaps be in the range of 2-3 crore. As we progress and see the new team becoming more effective, we may be able to guide you to a better number. At this point, let us consider it a minor loss this year, with some profit hopefully next year.

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Ankit Kapoor – Kapoor & Co: Regarding the capex we are undertaking, particularly the brownfield expansion and the expansion at Harsha Advantage, how is the order pipeline looking, and how will you ramp up the facility going forward? Could you provide some additional color?

Management: In our ongoing businesses, we are building capacity and are confident of winning orders from new customers. Regarding bushings and the other products, we responded to the previous question by explaining that we are working on the next level of advanced bushings, and that is where we are building capacity. Last but not least, on the stamping front, we are exploring new products that meet our precision requirements.

Ankit Kapoor – Kapoor & Co: When we read the invitation for the call, we also saw Mr. Sanjay Majmudar listed as a strategic advisor. Could you explain what his role as a strategic advisor is in terms of the business, what responsibilities have been entrusted to him, and provide a basic understanding of his role?

Management: Sanjay is a practicing chartered accountant, and he has supported and continues to support Harsha in all major strategic decisions. He was also part of all our brownfield and greenfield expansions. He participates in and supports the management and other team members on various strategic decisions.

Ankit Kapoor – Kapoor & Co: Would he also guide the company on shareholder value creation? That has been lacking for a very long time, so we hope this will be an inflection point for the company going forward. I hope Mr. Sanjay would also provide some insight into the approach he would take, or the advice he would give to senior management, for value creation for all shareholders. That was a small point I wanted to share.

Management: He has been involved with Harsha for the last 30 years and will continue to do so. Do not worry; he is always there.

Ankit Kapoor – Kapoor & Co: All the best to the team. Thank you.

Management: Thank you.

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

Jason Soans – IDBI Capital: Thank you for taking my question. In terms of the gestation cycle and related factors, if I look at your India standalone margin for Engineering alone, it was 24.4% in FY26. You did mention a band of 22–24%, which is probably lower than last year. Are you assuming that raw material prices and other factors will remain volatile? Is that the reason you have lowered the margin guidance? I would appreciate some clarification.

Management: Jason, we are also taking into account our ramp-up costs and—

Operator: Sorry to interrupt. There is a slight echo. Jason, could you mute your line from your side, please? Jason, could you mute your line?

Jason Soans – IDBI Capital: I have done it.

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Operator: Thank you. Please go ahead.

Management: We expect the margin to continue to remain similar. However, there is a metal price increase, which will reduce the percentage margin. We expect the increase in absolute value to continue, but the percentage margin will definitely reduce because the material pass-through will increase the sales price.

Management: This recovery, as we discussed in one of the previous questions from a participant, is another factor. That is why we have given somewhat lower guidance. At the same time, we will also continue to spend on our {? Bhailak ?} expansion and on ramp-up costs. These 2 factors will have an impact.

Jason Soans – IDBI Capital: The 22–24% range remains the guidance for the India Engineering business. My next question relates to the West Asia crisis. Of course, it is still not over, and the situation remains uncertain. Do you see raw material prices normalizing going forward? What is the outlook on that?

Management: We have no idea as of now. We expect prices to settle down soon.

Jason Soans – IDBI Capital: Regarding revenue growth, what are your expectations for the Romanian and Chinese subsidiaries? What kind of revenue growth are you expecting for FY27?

Management: I think Vishal has already answered. For the subsidiaries, we expect double-digit growth, around the low teens.

Management: No, I said Romania and China together will be less than 10%, Harsha India will be more than 15%, and on average it will be between 12% and 15%.

Jason Soans – IDBI Capital: Finally, what is the visibility for demand from both these entities? The {? Bhailak ?} capex is being undertaken, and the China capex will come on stream in Q3 FY28. You mentioned in the last call that having a local entity in China for manufacturing is very helpful. Could you also provide some color on the demand visibility for the {? Bhailak ?} capex and the China capex separately?

Management: We feel fairly confident about all our investments in {? Bhailak ?}. We are seeing traction across all the product lines on which we are working in {? Bhailak ?}. Specifically, this includes larger-size cages, stamping components, and machining. We see good visibility and demand developing from our customers for these products, which is why we are continuing to invest in the second phase of that expansion in {? Bhailak ?}, which we began in Q1 FY26 last quarter.

Regarding China, there is again good expectation and traction from being local. China is a very good and very large market for bearings, and we see an opportunity for our quality cages to gain traction. Therefore, we have a good outlook on both fronts.

We started in {? Bhailak ?} much earlier, so we expect it to ramp up over the next couple of years, whereas China will take at least until the second or third quarter of FY28 to start production, with ramp-up from FY29 onwards.

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Jason Soans – IDBI Capital: For {? Bhailak ?}, you said the target revenue is 140 crore for FY27. Is that correct?

Management: Yes.

Jason Soans – IDBI Capital: Thank you very much for answering my questions.

Operator: Thank you. As a reminder to all participants, you may press star and one to ask a question. The next question is from {? Manubrashan Jain ?} from B&K Asset Managers. Please go ahead.

{? Manubrashan Jain ?} – B&K Asset Managers: Good evening. Congratulations on the good set of numbers. I have 2 specific questions. The first is on the {? Bhailak ?} ramp-up. Given that you have also launched your Phase 2 capex before ramping up Phase 1, I presume that it is backed by some demand potential. From a ramp-up perspective, how do you see the ramp-up of Phase 1 and Phase 2?

Management: As you rightly mentioned, we started Phase 2 because some of the products in Phase 2 are slightly different. Although they are also stamping products, we are seeing that the capacity we invested in will be filled over the next year or in less than a year, after which we will need to expand further. That is what Phase 2 is intended to address.

I do not have a specific figure comparing Phase 1 and Phase 2. However, we have shared in the past that we expect {? Bhailak ?} to generate revenue of approximately 300–400 crore by the third year, coming from Phase 1 and Phase 2 combined. That is what we are targeting from {? Bhailak ?}.

{? Manubrashan Jain ?} – B&K Asset Managers: The other related question is this: given that most of the incremental growth is coming either from India, specifically {? Bhailak ?}, where we have higher value-added products, or from China, which is more brownfield, and Romania, where we expect a turnaround from loss to profit, is it fair to assume that EBITDA growth will be much higher than revenue growth? Also, will PAT growth be much higher than EBITDA growth because Advantage is a lower-tax entity? Is it fair to assume that PAT growth will be higher than EBITDA growth and EBITDA growth will be higher than revenue growth over the next 2–3 years?

Management: I think you are right, at least for this year. It will be very significant because the losses at Advantage in Q1 will be dramatically reduced. If Romania also starts improving, the growth can definitely be higher. However, let us confine ourselves to this year.

{? Manubrashan Jain ?} – B&K Asset Managers: Understood. Thank you very much, and all the best.

Management: Thank you very much.

Operator: Thank you very much. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Vishal Rangwala for his closing comments.

Vishal Rangwala: After this long call, thank you very much, everyone, for attending. I hope you have a very good evening.

Management: We are always available for any clarification. Thank you.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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