

November 6, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	HOLD		HOLD	
Target Price	407		402	
Sales (Rs. m)	16,957	18,996	16,834	18,700
% Chng.	0.7	1.6		
EBITDA (Rs. m)	2,585	2,897	2,549	2,836
% Chng.	1.4	2.2		
EPS (Rs.)	19.2	21.5	19.1	21.5
% Chng.	0.2	-		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	14,077	15,068	16,957	18,996
EBITDA (Rs. m)	1,749	2,177	2,585	2,897
Margin (%)	12.4	14.4	15.2	15.3
PAT (Rs. m)	1,170	1,482	1,746	1,958
EPS (Rs.)	12.8	16.3	19.2	21.5
Gr. (%)	5.0	26.6	17.8	12.2
DPS (Rs.)	1.0	1.6	1.9	2.2
Yield (%)	0.3	0.4	0.5	0.6
RoE (%)	9.6	11.2	11.9	12.0
RoCE (%)	10.4	11.9	12.8	13.1
EV/Sales (x)	2.4	2.2	1.9	1.7
EV/EBITDA (x)	19.5	15.4	12.7	11.2
PE (x)	30.2	23.8	20.2	18.0
P/BV (x)	2.8	2.5	2.3	2.1

Key Data HRSH.BO | HARSHA IN

52-W High / Low	Rs.560 / Rs.330
Sensex / Nifty	83,311 / 25,510
Market Cap	Rs.35bn/ \$ 399m
Shares Outstanding	91m
3M Avg. Daily Value	Rs.24.67m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	0.39
Domestic Institution	12.48
Public & Others	12.13
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.3)	3.1	(23.9)
Relative	(2.2)	(0.2)	(26.6)

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Steady Q2 driven by strong export rebound

Quick Pointers:

- India Engineering domestic/export mix stood at 46%/54% (vs 57%/43% YoY).
- Management retained their cautiously optimistic outlook with consolidated revenue growth guidance of high single-digit.

Harsha Engineers International (HARSHA) delivered a steady performance, with revenue rising 7.3% YoY and EBITDA margin improving 228bps YoY to 14.1%. The quarter benefited from strong export momentum, reflecting sustained recovery in industrial demand across Europe and other key markets. The Romania unit reported robust 38% YoY growth in Q2FY26, supported by a favorable product mix of finished goods. The operational greenfield facility, Advantek, is expected to bolster domestic prospects. Meanwhile, increasing wallet share from existing clients is expected to garner ~30% revenue growth in bronze bushings segment in FY26, while management maintains their cautiously optimistic outlook—guiding for high single-digit growth in consolidated business and low mid-teens growth in India-Engineering.

Despite the momentary revival in Romania, we remain watchful on the subsidiary performance and the export demand which 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, 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 20.2x/18.0x on FY27/28E earnings. We roll forward to Sep'27E and maintain our 'Hold' rating valuing the stock at a PE of 20x Sep'27E (21x Mar'27E) arriving at a revised TP of Rs407 (Rs402 earlier).

Marginal recovery in Romania propelled top-line growth: Consolidated revenue increased by 7.3% YoY to Rs3.8bn (Ple: Rs3.9bn). Gross margin expanded by 209bps YoY to 49.0% (PLe: 47.0%). EBITDA grew 27.9% YoY to Rs535mn (PLe: Rs522mn) while EBITDA margin expanded by 228bps YoY to 14.1% (PLe: 13.5%) primarily driven by higher gross margin. PBT increased by 21.2% YoY to Rs496mn (PLe: Rs502mn) despite of decrease in other income (-13.5% YoY to Rs105mn). PAT increased by 25.8% YoY to Rs364mn (PLe: Rs362mn) driven by better operating performance and lower effective rate of 26.5% (-272bps YoY).

Strong revival in European demand drive subsidiary performance: Consolidated Engineering revenue rose 17.2% YoY to Rs3.6bn driven by continued revival of Industrial demand in Europe and other key geographies. Meanwhile, Solar EPC sales declined sharply by -63% YoY to Rs152mn. Consolidated Engineering Opg. EBITDA margin increased to 14.6% (vs 13.2% in Q2FY25). Solar EPC Opg. EBITDA margin increased to 3.8% (vs 2.3% in Q2FY25).

Exhibit 1: Higher gross margin aid EBITDA margin expansion partially offset by higher employee costs (+16.0% YoY to Rs527mn)

Y/e March (Rs mn)	Q2FY26	Q2FY25	YoY gr.	Q2FY26E	% Var.	Q1FY26	QoQ gr.	H1FY26	H1FY25	YoY gr.
Revenue	3,783	3,526	7.3%	3,867	-2.2%	3,653	3.6%	7,436	6,957	6.9%
Gross Profit	1,853	1,653	12.1%	1,818	1.9%	1,785	3.8%	3,638	3,412	6.6%
Margin (%)	49.0	46.9	209	47.0	196.9	48.9	11	48.9	49.0	(12)
Employee Cost	527	454	16.0%	503	4.8%	507	4.0%	1,034	918	12.6%
as % of sales	13.9	12.9	104	13.0	93.2	13.9	6	13.9	13.2	71
Other expenditure	790	780	1.3%	793	-0.3%	720	9.7%	1,511	1,524	-0.8%
as % of sales	20.9	22.1	(123)	20.5	38.9	19.7	117	20.3	21.9	(158)
Bad Debts written off	0	-	0.0%	-	NA	3	-94.1%	4	-	0.0%
as % of sales	0.0	-	1	-	0.5	0.1	(9)	0.0	-	5
EBITDA	535	418	27.9%	522	2.5%	554	-3.5%	1,089	970	12.3%
Margin (%)	14.1	11.9	228	13.5	64.3	15.2	(103)	14.6	13.9	71
Depreciation	113	104	9.1%	105	8.0%	105	7.7%	219	206	6.2%
EBIT	422	315	34.1%	417	1.1%	449	-6.1%	871	764	14.0%
Margin (%)	11.1	8.9	223	10.8	36.1	12.3	(115)	11.7	11.0	73
Other Income	105	121	-13.5%	110	-5.0%	107	-2.6%	212	200	6.0%
Interest	31	26	16.4%	25	22.0%	26	18.7%	56	52	8.5%
PBT (ex. Extra-ordinaries)	496	409	21.2%	502	-1.3%	531	-6.6%	1,026	912	12.5%
Margin (%)	13.1	11.6	150	13.0	11.9	14.5	(142)	13.8	13.1	69
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	496	409	21.2%	502	-1.3%	531	-6.6%	1,026	912	12.5%
Total Tax	131	120	9.9%	141	-	151	-13.2%	283	262	7.9%
Effective Tax Rate (%)	26.5	29.2	(272)	28.0	-	28.5	(203)	27.5	28.7	(119)
Reported PAT	364	290	25.8%	362	0.8%	379	-3.9%	744	650	14.4%
Adj. PAT	364	290	25.8%	362	0.8%	379	-3.9%	744	650	14.4%
Margin (%)	9.6	8.2	142	9.3	28.4	10.4	(75)	10.0	9.3	66
Adj. EPS	4.0	3.2	25.8%	4.0	0.8%	4.2	-3.9%	8.2	7.1	14.4%

Source: Company, PL

Exhibit 2: Romania posted a ~38% YoY growth aiding 17.2% YoY growth in Consolidated Engineering segment

Segment Performance (Rs mn)	Q2 FY26	Q2 FY25	YoY gr.	Q2 FY26E	% Var.	Q1 FY26	QoQ gr.	H1 FY26	H1 FY25	YoY gr.
Engineering & Others - Consolidated										
Revenue	3,631	3,100	17.2%	3,455	5.1%	3,488	4.1%	7,120	6,365	11.8%
EBITDA	529	409	29.3%	461	14.9%	550	-3.8%	1,079	958	12.7%
EBITDA margin (%)	14.6%	13.2%	137	13.3%	124	15.8%	(119)	15.2%	15.0%	12
PAT	357	262	36.1%	-	-	373	-4.2%	730	618	18.0%
PAT margin (%)	9.8%	8.5%	137	0.0%	983	10.7%	(85)	10.2%	9.7%	53
Engineering & Others - India										
Revenue	2,559	2,310	10.8%	2,598	-1.5%	2,565	-0.2%	5,124	4,747	7.9%
EBITDA	517	428	21.0%	463	11.9%	563	-8.1%	1,081	971	11.2%
EBITDA margin (%)	20.2%	18.5%	170	17.8%	242	22.0%	(174)	21.1%	20.5%	62
PAT	350	306	14.4%	-	-	398	-12.2%	748	688	8.8%
PAT margin (%)	13.7%	13.2%	43	0.0%	1,367	15.5%	(186)	14.6%	14.5%	11
Engineering & Others - Foreign Subsidiaries										
Revenue	1,072	789	35.8%	856	25.1%	924	16.1%	1,996	1,619	23.3%
EBITDA	12	(18)	-164.7%	(2)	-794.3%	(13)	-191.3%	(1)	(14)	-91.7%
EBITDA margin (%)	1.1%	-2.3%	344	-0.2%	131	-1.4%	252	-0.1%	-0.8%	79
PAT	7	(44)	-116.3%	-	-	(26)	-127.6%	(19)	(70)	-73.2%
PAT margin (%)	0.7%	-5.5%	617	0.0%	66	-2.8%	344	-0.9%	-4.3%	336
Solar-EPC and O&M										
Revenue	152	411	-63.0%	412	-63.1%	165	-7.5%	317	577	-45.1%
EBITDA	6	10	-39.4%	6	-6.3%	4	39.2%	10	13	-22.4%
EBITDA margin (%)	3.8%	2.3%	148	1.5%	231	2.5%	128	3.1%	2.2%	92
PAT	7	27	-72.9%	-	-	7	10.4%	14	32	-55.5%
PAT margin (%)	4.9%	6.6%	(178)	0.0%	486	4.1%	79	4.5%	5.5%	(104)

Source: Company, PL

Conference Call Highlights

- **Guidance and Outlook:** Management maintained their consolidated revenue growth guidance of high single-digit while India-Engineering is expected to clock revenue growth of low-mid teens in FY26. Meanwhile, company incurred a capex of Rs680mn in H1FY26 and expect to incur ~Rs1.1-1.2bn in FY26. Management maintains its cautiously optimistic outlook.
- **India Engineering** continues to witness decent traction. During the quarter, the growth came primarily from strong exports particularly from exports to Europe. Improving wallet share with existing customers and commercialization of new products developed in last few years contributed to strong export performance. Meanwhile, the management sees fairly robust demand in domestic market as well. Sequential decline in EBITDA and PAT was due to Harsha Advantek being in the first year of its operations operating below the break-even level and also owing to the impact of higher interest and depreciation.
- **Advantek:** The company has completely shifted its plant, machineries and operations of Advantek to new greenfield expansion at Bhayla. Management expects Advantek to become profitable in next one year if current pace of execution is maintained with profitability to start from Q4FY26 or Q1FY27. With complete utilization of the new plant and machineries, the asset turnover for Advantek can reach 2.0x.
- **Romania:** Harsha Romania reported a robust revenue growth of 38% YoY in Q2FY26 and 28% YoY in H1FY26. The growth is being driven primarily by finished products, supported by contributions from new customers as well as expansion within the existing customer base. The company continues its cost reduction initiatives, which are already showing positive results and contributing to profitability. It is witnessing higher order bookings for finished products such as cages, with an improved product mix driving topline growth. There has also been growth in semi-finished products. The company is encouraging customers to increase the share of cages in both revenue and order bookings.
- **Bushings:** Bronze Bushings posted a revenue of Rs300mn in Q2FY26 and Rs550mn in H1FY26. Company has a visible pipeline of Rs1.2bn for bronze bushings. The topline growth is primarily coming from better share of from existing customers. Bushings business posted a revenue of Rs1.0bn in FY25 and expect the revenue to reach Rs1.3bn in FY26.
- **Stamping:** Sales growth in the Stampings segment remained flat during the quarter due to seasonal factors. While short-term demand was muted, the long-term outlook remains positive. The company had witnessed strong traction from a key customer in the AC consumables market during Q2FY25, which was absent in Q2FY26, resulting in temporary degrowth. For FY26, the company expects a YoY growth of around 5-7%.

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	14,077	15,068	16,957	18,996
YoY gr. (%)	1.1	7.0	12.5	12.0
Cost of Goods Sold	7,387	7,783	8,750	9,802
Gross Profit	6,690	7,285	8,206	9,194
Margin (%)	47.5	48.3	48.4	48.4
Employee Cost	1,816	2,034	2,238	2,508
Other Expenses	910	859	958	1,073
EBITDA	1,749	2,177	2,585	2,897
YoY gr. (%)	2.1	24.4	18.8	12.1
Margin (%)	12.4	14.4	15.2	15.3
Depreciation and Amortization	405	457	549	596
EBIT	1,344	1,719	2,036	2,301
Margin (%)	9.5	11.4	12.0	12.1
Net Interest	88	108	107	107
Other Income	377	419	462	488
Profit Before Tax	1,357	2,030	2,391	2,683
Margin (%)	9.6	13.5	14.1	14.1
Total Tax	464	548	646	724
Effective tax rate (%)	34.2	27.0	27.0	27.0
Profit after tax	893	1,482	1,746	1,958
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,170	1,482	1,746	1,958
YoY gr. (%)	5.0	26.6	17.8	12.2
Margin (%)	8.1	9.6	10.0	10.1
Extra Ord. Income / (Exp)	(277)	-	-	-
Reported PAT	893	1,482	1,746	1,958
YoY gr. (%)	(19.9)	65.9	17.8	12.2
Margin (%)	6.3	9.8	10.3	10.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	893	1,482	1,746	1,958
Equity Shares O/s (m)	91	91	91	91
EPS (Rs)	12.8	16.3	19.2	21.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	9,086	11,719	12,713	13,805
Tangibles	8,971	11,719	12,713	13,805
Intangibles	114	-	-	-
Acc: Dep / Amortization	5,387	5,844	6,393	6,990
Tangibles	5,280	5,844	6,393	6,990
Intangibles	107	-	-	-
Net fixed assets	3,699	5,875	6,320	6,815
Tangibles	3,691	5,875	6,320	6,815
Intangibles	8	-	-	-
Capital Work In Progress	1,614	181	187	95
Goodwill	441	441	441	441
Non-Current Investments	653	644	646	648
Net Deferred tax assets	(124)	(124)	(124)	(124)
Other Non-Current Assets	425	407	455	487
Current Assets				
Investments	2,421	2,550	2,800	3,200
Inventories	3,339	3,591	4,042	4,580
Trade receivables	3,020	3,179	3,577	4,007
Cash & Bank Balance	762	1,147	1,512	1,749
Other Current Assets	337	452	407	456
Total Assets	16,911	18,656	20,606	22,724
Equity				
Equity Share Capital	910	910	910	910
Other Equity	11,631	12,964	14,535	16,298
Total Networth	12,541	13,875	15,446	17,208
Non-Current Liabilities				
Long Term borrowings	962	947	947	947
Provisions	101	112	114	125
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,043	993	993	993
Trade payables	1,467	1,816	2,044	2,238
Other current liabilities	632	758	903	1,050
Total Equity & Liabilities	16,911	18,656	20,606	22,724

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	1,357	2,030	2,391	2,683
Add. Depreciation	405	457	549	596
Add. Interest	88	108	107	107
Less Financial Other Income	377	419	462	488
Add. Other	251	(361)	(397)	(419)
Op. profit before WC changes	2,101	2,234	2,651	2,966
Net Changes-WC	374	(59)	(490)	(705)
Direct tax	(412)	(548)	(646)	(724)
Net cash from Op. activities	2,063	1,627	1,515	1,536
Capital expenditures	(2,086)	(1,200)	(1,000)	(1,000)
Interest / Dividend Income	132	361	397	419
Others	(163)	(475)	(465)	(616)
Net Cash from Invt. activities	(2,118)	(1,314)	(1,069)	(1,197)
Issue of share cap. / premium	-	-	-	-
Debt changes	238	(64)	-	-
Dividend paid	(91)	(148)	(175)	(196)
Interest paid	(88)	(108)	(107)	(107)
Others	-	-	-	-
Net cash from Fin. activities	59	(321)	(281)	(303)
Net change in cash	5	(7)	165	37
Free Cash Flow	(23)	427	515	536

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	12.8	16.3	19.2	21.5
CEPS	17.3	21.3	25.2	28.1
BVPS	137.8	152.4	169.7	189.0
FCF	(0.2)	4.7	5.7	5.9
DPS	1.0	1.6	1.9	2.2
Return Ratio(%)				
RoCE	10.4	11.9	12.8	13.1
ROIC	9.1	11.7	12.9	13.3
RoE	9.6	11.2	11.9	12.0
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	127	120	120	122
Valuation(x)				
PER	30.2	23.8	20.2	18.0
P/B	2.8	2.5	2.3	2.1
P/CEPS	22.4	18.2	15.4	13.8
EV/EBITDA	19.5	15.4	12.7	11.2
EV/Sales	2.4	2.2	1.9	1.7
Dividend Yield (%)	0.3	0.4	0.5	0.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	3,389	3,730	3,653	3,783
YoY gr. (%)	4.5	(2.0)	6.4	7.3
Raw Material Expenses	1,823	2,018	1,868	1,931
Gross Profit	1,566	1,712	1,785	1,853
Margin (%)	46.2	45.9	48.9	49.0
EBITDA	428	352	554	535
YoY gr. (%)	14.3	(123.5)	0.5	27.9
Margin (%)	12.6	9.4	15.2	14.1
Depreciation / Depletion	101	99	105	113
EBIT	327	253	449	422
Margin (%)	9.6	6.8	12.3	11.1
Net Interest	21	15	26	31
Other Income	67	110	107	105
Profit before Tax	373	349	531	496
Margin (%)	11.0	9.3	14.5	13.1
Total Tax	106	96	151	131
Effective tax rate (%)	28.4	27.5	28.5	26.5
Profit after Tax	267	253	379	364
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	267	253	379	364
YoY gr. (%)	(2.4)	(115.1)	5.2	25.8
Margin (%)	7.9	6.8	10.4	9.6
Extra Ord. Income / (Exp)	-	(277)	-	-
Reported PAT	267	(24)	379	364
YoY gr. (%)	(2.4)	(98.6)	5.2	25.8
Margin (%)	7.9	(0.6)	10.4	9.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	267	(24)	379	364
Avg. Shares O/s (m)	91	91	91	91
EPS (Rs)	2.9	2.8	4.2	4.0

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-25	Hold	402	395
2	07-Aug-25	Hold	402	423
3	09-Jul-25	Accumulate	398	405
4	09-May-25	Accumulate	398	374
5	09-Apr-25	Accumulate	440	376
6	14-Feb-25	Accumulate	440	394
7	09-Jan-25	Accumulate	561	493
8	12-Nov-24	Accumulate	561	500

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,584	5,224
2	Apar Industries	Hold	9,744	9,252
3	BEML	Hold	4,142	4,336
4	Bharat Electronics	Hold	407	426
5	BHEL	Hold	250	246
6	Carborundum Universal	Hold	894	901
7	Cummins India	Hold	3,895	3,957
8	Elgi Equipments	Accumulate	559	494
9	Engineers India	BUY	245	202
10	GE Vernova T&D India	Accumulate	3,531	3,171
11	Grindwell Norton	Hold	1,744	1,676
12	Harsha Engineers International	Hold	402	395
13	Hindustan Aeronautics	BUY	5,500	4,838
14	Ingersoll-Rand (India)	BUY	4,335	4,101
15	Kalpataru Projects International	BUY	1,494	1,256
16	KEC International	Accumulate	911	861
17	Kirloskar Pneumatic Company	BUY	1,620	1,150
18	Larsen & Toubro	BUY	4,766	3,958
19	Praj Industries	Hold	393	353
20	Siemens	Accumulate	3,431	3,246
21	Siemens Energy India	Hold	3,360	3,282
22	Thermax	Hold	3,633	3,185
23	Triveni Turbine	BUY	650	524
24	Voltamp Transformers	BUY	10,285	7,190

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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