

February 6, 2026

Q3FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	HOLD		HOLD	
Target Price	408		407	
Sales (Rs. m)	17,277	19,185	16,957	18,996
% Chng.	1.9	1.0		
EBITDA (Rs. m)	2,546	2,875	2,585	2,897
% Chng.	(1.5)	(0.8)		
EPS (Rs.)	19.2	21.6	19.2	21.5
% Chng.	(0.1)	0.6		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	14,077	15,505	17,277	19,185
EBITDA (Rs. m)	1,749	2,118	2,546	2,875
Margin (%)	12.4	13.7	14.7	15.0
PAT (Rs. m)	1,170	1,455	1,744	1,970
EPS (Rs.)	12.8	16.0	19.2	21.6
Gr. (%)	5.0	24.4	19.9	12.9
DPS (Rs.)	1.0	1.6	1.9	2.2
Yield (%)	0.3	0.4	0.5	0.5
RoE (%)	9.6	11.0	11.9	12.1
RoCE (%)	10.4	11.5	12.6	13.0
EV/Sales (x)	2.5	2.2	2.0	1.7
EV/EBITDA (x)	19.9	16.3	13.3	11.5
PE (x)	30.8	24.8	20.7	18.3
P/BV (x)	2.9	2.6	2.3	2.1

Key Data

HRSH.BO | HARSHA IN

52-W High / Low	Rs.452 / Rs.330
Sensex / Nifty	83,314 / 25,643
Market Cap	Rs.36bn / \$ 399m
Shares Outstanding	91m
3M Avg. Daily Value	Rs.21.82m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	0.41
Domestic Institution	12.42
Public & Others	12.17
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.5	(4.6)	(7.0)
Relative	5.1	(7.6)	(12.6)

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Healthy Q3; watchful on Romania revival

Quick Pointers:

- India Engineering domestic/export mix stood at 44%/56% (vs 45%/55% YoY).
- Management guided ~10% YoY consolidated revenue growth for FY26 with Q4FY26 revenue likely to sustain Q3 run rate

Harsha Engineers International (HARSHA) delivered a healthy performance, with revenue rising 21% YoY and EBITDA margin improving 284bps YoY to 15.5%, driven by volume-led growth in the standalone Indian engineering business across industrial and automotive segments, and supported by improving export momentum with gradual recovery in Europe (industrials). The newly operational Advantek facility remains loss-making due to initial capitalization, with profitability expected from FY27, while Romania continues to report losses amid commodity inflation, though management expects improvement on better mix, customer diversification and cost actions. Growth levers across large-size cages, bushings and stampings continue to gain traction with management focus on improving wallet share from existing customers, and the approved ~US\$10mn China brownfield expansion for steel cages, targeted to be operational by FY28 and expected to drive ~2x asset turnover.

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 20.76x/18.3x on FY27/28E earnings. We maintain our 'Hold' rating valuing the stock at a PE of 20x Sep'27E (same as earlier) arriving at a TP of Rs408 (Rs407 earlier).

Gross margin expansion drive the overall profitability: Consolidated revenue increased by 20.7% YoY to Rs4.1bn (PLe: Rs3.7bn). EBITDA grew 48.0% YoY to Rs633mn (PLe: Rs475mn) while EBITDA margin expanded by 284bps YoY to 15.5% (PLe: 13.0%) primarily driven by higher gross margin (+225 bps YoY) and better operating leverage. PBT (exc. Extra-ordinaries) increased by 42.7% YoY to Rs532mn (PLe: Rs428mn) despite increased in interest cost to Rs48mn (+127% YoY). Adj.PAT increased by 41.8% YoY to Rs379mn (PLe: Rs314mn) driven by better operating performance.

Strong standalone performance drive overall performance: Consolidated Engineering revenue rose 15.7% YoY to Rs3.5bn driven by increased in Engineering India revenue by 17.4% YoY to Rs2.7bn and Solar EPC revenue increased by 61.6% YoY to Rs597mn owing to project execution post monsoon Consolidated Engineering Opg.EBITDA margin increased to 16.8% (vs 14.0% in Q3FY25). Solar EPC Opg.EBITDA margin increased to 7.7%.

Exhibit 1: Higher gross margin (+225bps YoY) aided the EBITDA margin expansion (+284 bps YoY)

Y/e March (Rs mn)	Q3FY26	Q3FY25	YoY gr.	Q3FY26E	% Var.	Q2FY26	QoQ gr.	9MFY26	9MFY25	YoY gr.
Revenue	4,093	3,389	20.7%	3,657	11.9%	3,783	8.2%	11,529	10,347	11.4%
Gross Profit	1,983	1,566	26.6%	1,715	15.6%	1,853	7.0%	5,621	4,978	12.9%
Margin (%)	48.5	46.2	225	46.9	155.2	49.0	(52)	48.8	48.1	64
Employee Cost	519	441	17.6%	494	5.1%	527	-1.6%	1,553	1,360	14.2%
as % of sales	12.7	13.0	(34)	13.5	(82.1)	13.9	(125)	13.5	13.1	33
Other expenditure	831	697	19.2%	746	11.4%	790	5.2%	2,342	2,221	5.5%
as % of sales	20.3	20.6	(26)	20.4	(9.2)	20.9	(58)	20.3	21.5	(115)
Bad Debts written off	0	0	0.0%	-	NA	0	NA	4	0	3600.0%
as % of sales	0.0	0.0	(0)	-	0.2	0.0	(0)	0.0	0.0	3
EBITDA	633	428	48.0%	475	33.1%	535	18.3%	1,722	1,398	23.2%
Margin (%)	15.5	12.6	284	13.0	246.2	14.1	132	14.9	13.5	143
Depreciation	120	101	19.2%	122	-1.5%	113	6.0%	339	307	10.5%
EBIT	513	327	56.8%	353	45.0%	422	21.6%	1,383	1,091	26.8%
Margin (%)	12.5	9.6	288	9.7	286.1	11.1	138	12.0	10.5	145
Other Income	68	67	1.0%	103	-34.1%	105	-35.0%	280	267	4.8%
Interest	48	21	127.2%	28	72.9%	31	58.7%	105	73	43.1%
PBT (ex. Extra-ordinaries)	532	373	42.7%	428	24.2%	496	7.3%	1,558	1,285	21.3%
Margin (%)	13.0	11.0	200	11.7	128.7	13.1	(10)	13.5	12.4	110
Extraordinary Items	(60)	-	-	-	-	-	-	(60)	-	-
PBT	472	373	26.7%	428	10.3%	496	-4.7%	1,499	1,285	16.6%
Total Tax	136	106	28.7%	114	-	131	3.8%	419	368	13.9%
Effective Tax Rate (%)	28.9	28.4	45	26.6	-	26.5	236	28.0	28.6	(68)
Reported PAT	336	267	25.9%	314	6.9%	364	-7.8%	1,080	917	17.8%
Adj. PAT	379	267	41.8%	314	20.4%	364	3.9%	1,122	917	22.4%
Margin (%)	9.3	7.9	138	8.6	65.2	9.6	(38)	9.7	8.9	87
Adj. EPS	4.2	2.9	41.8%	3.5	20.4%	4.0	3.9%	12.3	10.1	22.4%

Source: Company, PL

Exhibit 2: Cons revenue increased by +15.7% YoY driven by increased in Indian Engineering revenue (+17.4% YoY)

Segment Performance (Rs mn)	Q3 FY26	Q3 FY25	YoY gr.	Q3 FY26E	% Var.	Q2 FY26	QoQ gr.	9M FY26	9M FY25	YoY gr.
Engineering & Others - Consolidated										
Revenue	3,495	3,020	15.7%	3,362	4.0%	3,631	-3.7%	10,615	9,385	13.1%
EBITDA	587	422	39.0%	518	13.3%	529	10.9%	1,666	1,380	20.8%
EBITDA margin (%)	16.8%	14.0%	281	15.4%	139	14.6%	222	15.7%	14.7%	100
PAT	295	258	14.4%	-	-	357	-17.4%	1,024	876	16.9%
PAT margin (%)	8.4%	8.5%	(10)	0.0%	843	9.8%	(140)	9.7%	9.3%	32
Engineering & Others - India										
Revenue	2,737	2,331	17.4%	2,497	9.6%	2,659	2.9%	7,961	7,078	12.5%
EBITDA	607	440	37.9%	512	18.7%	515	18.0%	1,685	1,412	19.4%
EBITDA margin (%)	22.2%	18.9%	330	20.5%	169	19.4%	284	21.2%	19.9%	122
PAT	337	298	13.0%	-	-	350	-3.7%	1,085	986	10.0%
PAT margin (%)	12.3%	12.8%	(48)	0.0%	1,231	13.2%	(85)	13.6%	13.9%	(30)
Engineering & Others - Foreign Subsidiaries										
Revenue	758	689	10.0%	865	-12.3%	972	-22.0%	2,654	2,308	15.0%
EBITDA	(20)	(18)	12.2%	6	-438.5%	15	-239.8%	(19)	(32)	-40.9%
EBITDA margin (%)	-2.7%	-2.7%	(5)	0.7%	(340)	1.5%	(421)	-0.7%	-1.4%	67
PAT	(42)	(41)	3.9%	-	-	7	-694.4%	(61)	(110)	-44.8%
PAT margin (%)	-5.6%	-5.9%	33	0.0%	(557)	0.7%	(630)	-2.3%	-4.8%	248
Solar-EPC and O&M										
	Q3FY26	Q3FY25	YoY	Q3FY26 E	Var.	Q2FY26	QoQ	9MFY26	9MFY25	YoY
Revenue	597	370	61.6%	296	102.0%	152	292.3%	914	947	-3.4%
EBITDA	46	5	736.7%	7	545.6%	6	690.2%	56	18	204.4%
EBITDA margin (%)	7.7%	1.5%	619	2.4%	527	3.8%	386	6.1%	1.9%	417
PAT	41	9	343.0%	-	-	7	456.8%	55	41	34.9%
PAT margin (%)	6.9%	2.5%	438	0.0%	690	4.9%	204	6.1%	4.3%	172

Source: Company, PL

Conference Call Highlights

- **Guidance & Outlook:** Management reiterated confidence in achieving **double-digit consolidated revenue growth in FY26**. Q4FY26 is expected to **sustain the Q3 run-rate**, with **marginal improvement in margins**.
- **India Engineering:** Q3FY26 revenue grew **17.4% YoY**, driven primarily by **volume-led growth** across industrial, automotive and domestic segments, indicating a recovery in underlying industrial demand. Growth was supported by strong traction in outsourced cages, bushings and stampings, along with a return to **~10% YoY export growth**, which had been a drag over the past few quarters. Management highlighted that pricing contribution was minimal in Q3, and growth was largely driven by higher volumes and improving product mix.
- **Advantek:** Bhayla, commissioned in FY26 with the second building capitalized in Q3FY26, is currently operating at sub-optimal utilization, leading to higher depreciation/interest costs and a Rs37mn loss at Advantek in Q3FY26. Management expects a revenue ramp-up from Q4FY26, steady utilization improvement, ~2.0x asset turnover at maturity, and profitability around Q1FY27.
- **Romania:** Romania reported an operating loss in Q3 due to a **sharp increase in copper prices** and lag in contractual pass-through mechanisms. Management is executing a turnaround plan centered on **increasing the share of higher-margin cages**, reducing dependence on lower-margin semi-finished products, **diversifying the customer base**, and driving cost efficiencies. Order bookings for cages and finished products are improving, and management expects **sequential improvement in performance over the next few quarters**, although commodity price volatility remains a near-term risk.
- **Bushings:** The bushings business delivered **Rs920mn revenue in 9MFY26**. Management anticipates **~30%+ YoY growth**. Importantly, growth is now **largely replacement-driven**, rather than being dependent on new wind turbine installations, improving the stability and predictability of the business. Management reiterated expectations of bushings emerging as a **core structural growth driver**, aided by increasing wallet share with existing customers and broader adoption across industrial applications.
- **Stampings:** Stampings recorded **Rs410mn revenue in 9MFY26**. Several **new stamping components are under development** across automotive, railways and industrial applications and are expected to be commercialised over the coming quarters, supporting a gradual improvement in growth trajectory.
- **China Expansion:** The company has approved a **~US\$10mn brownfield expansion** at its existing China facility, primarily to add capacity for **industrial steel cage manufacturing**. The expansion is aimed at improving **localisation for global MNC customers** and increasing penetration with **domestic Chinese bearing manufacturers**. At full maturity, management expects the China operations to deliver **~2x current revenues**. The project will be funded largely through **local borrowings (70–80%)**, with commissioning targeted **before end-FY28**.

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	14,077	15,505	17,277	19,185
YoY gr. (%)	1.1	10.1	11.4	11.0
Cost of Goods Sold	7,387	8,131	9,004	9,950
Gross Profit	6,690	7,374	8,273	9,235
Margin (%)	47.5	47.6	47.9	48.1
Employee Cost	1,816	2,093	2,281	2,532
Other Expenses	2,740	2,492	3,119	3,039
EBITDA	1,749	2,118	2,546	2,875
YoY gr. (%)	2.1	21.1	20.2	12.9
Margin (%)	12.4	13.7	14.7	15.0
Depreciation and Amortization	405	457	549	596
EBIT	1,344	1,661	1,996	2,279
Margin (%)	9.5	10.7	11.6	11.9
Net Interest	12,445	12,294	11,608	11,052
Other Income	377	471	529	557
Profit Before Tax	2,233	773	2,494	2,840
Margin (%)	9.6	12.9	13.8	14.1
Total Tax	689	234	682	767
Effective tax rate (%)	59.8	51.9	62.4	54.1
Profit after tax	893	1,455	1,744	1,970
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,170	1,455	1,744	1,970
YoY gr. (%)	5.0	24.4	19.9	12.9
Margin (%)	8.1	9.1	9.8	10.0
Extra Ord. Income / (Exp)	(277)	-	-	-
Reported PAT	893	1,455	1,744	1,970
YoY gr. (%)	(19.9)	62.9	19.9	12.9
Margin (%)	6.3	9.4	10.1	10.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	893	1,455	1,744	1,970
Equity Shares O/s (m)	91	91	91	91
EPS (Rs)	12.8	16.0	19.2	21.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	9,086	11,713	12,709	13,804
Tangibles	8,971	11,713	12,709	13,804
Intangibles	114	-	-	-
Acc: Dep / Amortization	5,387	5,844	6,393	6,989
Tangibles	5,280	5,844	6,393	6,989
Intangibles	107	-	-	-
Net fixed assets	3,699	5,869	6,316	6,814
Tangibles	3,691	5,869	6,316	6,814
Intangibles	8	-	-	-
Capital Work In Progress	1,614	186	190	96
Goodwill	441	441	441	441
Non-Current Investments	653	645	646	648
Net Deferred tax assets	(124)	(124)	(124)	(124)
Other Non-Current Assets	425	418	463	491
Current Assets				
Investments	2,421	2,550	2,800	3,200
Inventories	3,339	3,696	4,118	4,625
Trade receivables	3,020	3,271	3,645	4,047
Cash & Bank Balance	762	976	1,381	1,671
Other Current Assets	337	465	415	460
Total Assets	16,911	18,711	20,639	22,744
Equity				
Equity Share Capital	910	910	910	910
Other Equity	11,631	12,941	14,510	16,283
Total Network	12,541	13,851	15,421	17,194
Non-Current Liabilities				
Long Term borrowings	962	947	947	947
Provisions	101	115	116	127
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,043	993	993	993
Trade payables	1,467	1,869	2,083	2,260
Other current liabilities	632	780	921	1,061
Total Equity & Liabilities	16,911	18,711	20,639	22,744

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	1,357	1,993	2,389	2,698
Add. Depreciation	405	457	549	596
Add. Interest	88	138	136	138
Less Financial Other Income	377	471	529	557
Add. Other	251	(392)	(441)	(483)
Op. profit before WC changes	2,101	2,196	2,634	2,949
Net Changes-WC	374	(203)	(449)	(664)
Direct tax	(412)	(538)	(645)	(729)
Net cash from Op. activities	2,063	1,455	1,539	1,557
Capital expenditures	(2,086)	(1,200)	(1,000)	(1,000)
Interest / Dividend Income	132	392	441	483
Others	(163)	(478)	(464)	(615)
Net Cash from Invt. activities	(2,118)	(1,286)	(1,024)	(1,132)
Issue of share cap. / premium	-	-	-	-
Debt changes	238	(64)	-	-
Dividend paid	(91)	(146)	(174)	(197)
Interest paid	(88)	(138)	(136)	(138)
Others	-	-	-	-
Net cash from Fin. activities	59	(348)	(310)	(335)
Net change in cash	5	(179)	205	90
Free Cash Flow	(23)	255	539	557

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	12.8	16.0	19.2	21.6
CEPS	17.3	21.0	25.2	28.2
BVPS	137.8	152.1	169.4	188.9
FCF	(0.2)	2.8	5.9	6.1
DPS	1.0	1.6	1.9	2.2
Return Ratio(%)				
RoCE	10.4	11.5	12.6	13.0
ROIC	9.1	11.1	12.5	13.1
RoE	9.6	11.0	11.9	12.1
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	127	120	120	122
Valuation(x)				
PER	30.8	24.8	20.7	18.3
P/B	2.9	2.6	2.3	2.1
P/CEPS	22.9	18.9	15.7	14.1
EV/EBITDA	19.9	16.3	13.3	11.5
EV/Sales	2.5	2.2	2.0	1.7
Dividend Yield (%)	0.3	0.4	0.5	0.5

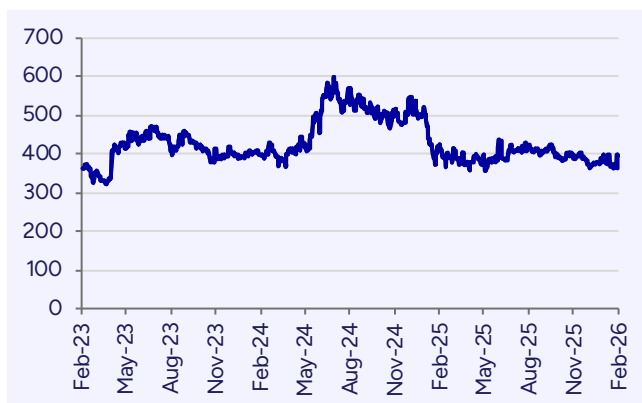
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Net Revenue	3,730	3,653	3,783	4,093
YoY gr. (%)	(2.0)	6.4	7.3	20.7
Raw Material Expenses	2,018	1,868	1,931	2,110
Gross Profit	1,712	1,785	1,853	1,983
Margin (%)	45.9	48.9	49.0	48.5
EBITDA	352	554	535	633
YoY gr. (%)	(123.5)	0.5	27.9	48.0
Margin (%)	9.4	15.2	14.1	15.5
Depreciation / Depletion	99	105	113	120
EBIT	253	449	422	513
Margin (%)	6.8	12.3	11.1	12.5
Net Interest	15	26	31	48
Other Income	110	107	105	68
Profit before Tax	349	531	496	532
Margin (%)	9.3	14.5	13.1	13.0
Total Tax	96	151	131	136
Effective tax rate (%)	27.5	28.5	26.5	25.6
Profit after Tax	253	379	364	396
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	253	379	364	396
YoY gr. (%)	(115.1)	5.2	25.8	48.3
Margin (%)	6.8	10.4	9.6	9.7
Extra Ord. Income / (Exp)	(277)	-	-	(60)
Reported PAT	(24)	379	364	336
YoY gr. (%)	(98.6)	5.2	25.8	25.9
Margin (%)	(0.6)	10.4	9.6	8.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(24)	379	364	336
Avg. Shares O/s (m)	91	91	91	91
EPS (Rs)	2.8	4.2	4.0	4.3

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-26	Hold	407	395
2	06-Nov-25	Hold	407	388
3	07-Oct-25	Hold	402	395
4	07-Aug-25	Hold	402	423
5	09-Jul-25	Accumulate	398	405
6	09-May-25	Accumulate	398	374
7	09-Apr-25	Accumulate	440	376
8	14-Feb-25	Accumulate	440	394

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,540	4,695
2	Apar Industries	BUY	9,629	7,695
3	BEML	Hold	1,982	1,861
4	Bharat Electronics	Reduce	411	453
5	BHEL	Hold	245	263
6	Carborundum Universal	Hold	825	788
7	Cummins India	Hold	4,172	4,148
8	Elgi Equipments	Accumulate	561	472
9	Engineers India	BUY	255	205
10	GE Vernova T&D India	BUY	4,050	2,911
11	Grindwell Norton	Hold	1,744	1,576
12	Harsha Engineers International	Hold	407	395
13	Hindustan Aeronautics	BUY	5,507	4,525
14	Ingersoll-Rand (India)	Accumulate	4,271	3,395
15	Kalpataru Projects International	BUY	1,494	1,174
16	KEC International	Accumulate	748	669
17	Kirloskar Pneumatic Company	BUY	1,557	1,068
18	Larsen & Toubro	BUY	4,806	3,794
19	Praj Industries	Hold	353	322
20	Siemens	Accumulate	3,470	3,134
21	Siemens Energy India	Accumulate	3,312	2,603
22	Thermax	Accumulate	3,513	3,069
23	Triveni Turbine	Accumulate	585	509
24	Voltamp Transformers	BUY	10,318	7,720

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

(Indian Clients)

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