



Outlook- Happy Forgings Ltd. (HFL) delivered yet another resilient quarter, sustaining its industry-leading profitability and cash generation despite a weak export environment and continued steel price softness. The company achieved highest ever quarterly volume along with a 9 quarter high EBITDA margin (~31%), underscoring superior execution, product mix improvement, and operational efficiency. Realizations were down to ₹240/kg in Q3FY26, from ₹251/kg in Q2, despite softness in raw material costs, highlighting pricing power in precision-engineered and value-added products.

Volumes grew 13.8% YoY to 16,322 MT.

For 9MFY26, revenue grew 6.2% YoY to ₹1,122 Cr, EBITDA 10.8% YoY to ₹337 Cr, and adjusted PAT 9.2% YoY to ₹218 Cr, reflecting consistent execution and superior cost control.

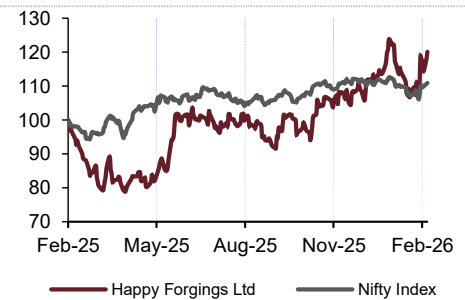
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	1,230	7

Market Data

Current price	Rs	1,150
Market Cap (Rs.Bn)	(Rs Bn)	108
Market Cap (US\$ Mn)	(US\$ Mn)	1,195
Face Value	Rs	2
52 Weeks High/Low	Rs	1193.6 / 716.1
Average Daily Volume	('000)	75
BSE Code		544057
Bloomberg		HAPPYFOR.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-25	Sep-25
Promoters	78.50	78.50
Public	21.50	21.50
Total	100.00	100.00

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	11,965	13,582	14,089	15,177	17,804	21,159
EBIDTA	3,409	3,875	4,067	4,430	5,293	6,417
Margins (%)	28.5	28.5	28.9	29.2	29.7	30.3
Adjusted net profit	2,087	2,430	2,674	2,691	3,189	3,952
EPS (Rs)	22.1	25.8	28.4	28.56	33.8	41.9
P/E (x)	54	46	42	42	35	28
EV/EBITDA (x)	33	29	28	26	21	18
RoCE (%)	28.87%	22.07%	19.58%	18.93%	20.19%	22.13%
RoE (%)	21.12%	15.07%	14.46%	12.88%	13.45%	14.51%

Source: Company

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Q3FY26 Snapshot

(Rs.Mn)	Q3FY26	Q3FY25	YoY Growth	Q2FY26	QoQ Growth
Revenue from Operations	3,913	3,543	10%	3,774	4%
Other Income	82	66	23%	63	31%
Total Mfg Cost	1,609	1,489	8%	1,498	7%
Gross Profit	2,304	2,054	11%	2,276	0%
Employee Benefits Expense	344	328	5%	337	2%
Other Expenses	756	711	6%	781	-3%
Total Expenses	2,709	2,529	7%	2,616	4%
EBITDA (Excluding Other Income)	1,204	1,015	14%	1,012	19%
Depreciation and Amortisation Expenses	224	191	17%	216	4%
EBIT / PBIT	1,061	890	19%	1,005	6%
Finance Costs	25	21	15%	19	30%
Profit before share in profit of associate & tax	1,037	868	19%	986	5%
Share in profit of associate (net of tax)	-	-		-	
PBT after share of profit from jv	1,037	868	19%	986	5%
Tax Expense	247	223	11%	252	-2%
Net Profit after Tax	790	646	22%	735	7%
Adj Earning Per Share	8.38	6.85	22%	7.80	7%
Margins (%)			(in Bps)		(in Bps)
Gross Margins	58.9%	58.0%	91	60.3%	-143
EBITDA Margins (Excl Other Income)	30.8%	28.6%	213	30.7%	8
PAT Margins	20.2%	18.2%	196	19.5%	72
RM as a % to sales	41.1%	42.0%	-91	39.7%	143
EE Cost as a % to sales	8.8%	9.3%	-48	8.9%	-15
Other exps as a % to sales	19.3%	20.1%	-74	20.7%	-136

Source: Company, Dalal and Broacha Research

Concall Highlights:

Segmental Commentary – CV, FE, PV, Industrials & OHV

➤ Commercial Vehicles (CV – 37% of Revenue in 9MFY26)

- Domestic CV demand remained strong, supported by infrastructure, construction and replacement cycles. CV and farm combined domestic business grew ~22% YoY in value terms. Export CV volumes declined ~10–12% due to weak global demand and slow recovery in key markets.
- Management expects export CV demand to improve from Q2 FY27 onwards.

➤ Farm Equipment (FE – 33% of Revenue)

- Domestic farm equipment demand remained healthy, supported by improved rural sentiment and normal monsoon.
- Farm segment continues to be a stable contributor to volumes and margins.
- Export farm demand remains soft but expected to stabilize over the coming quarters

➤ Passenger Vehicles (PV – 5% of Revenue)

- PV segment continues strong traction, with ~37% YoY growth.
- Growth driven by ramp-up of new SUV and export-oriented programs.
- PV expected to become a meaningful contributor over the next 2–3 years with new program additions.

➤ Industrials (14% of Revenue)

- The Healthy domestic demand across sectors (especially wind energy, power generation, oil & gas). Globally, renewable investments continue to drive growth. This segment is key to future diversification.
- New industrial programs, including gensets and heavy components, to ramp up over FY27–FY28.
- Industrial segment supported by demand from power generation, railways, and general engineering.

➤ Off Highway Vehicles (~11% of Revenue):

- Segment remained weak across domestic and export markets. Recovery expected gradually as global demand improves.
- Impacted by global slowdown and inventory corrections at OEMs.

➤ Geographic / Export Details:

- **Total Export Exposure:** Direct exports account for ~15% of sales, with deemed exports adding another ~11%; total export exposure including indirect supplies stands at ~26%.
- Export-linked revenue remained broadly flat YoY, as CV and off-highway export demand stayed weak across key global markets.

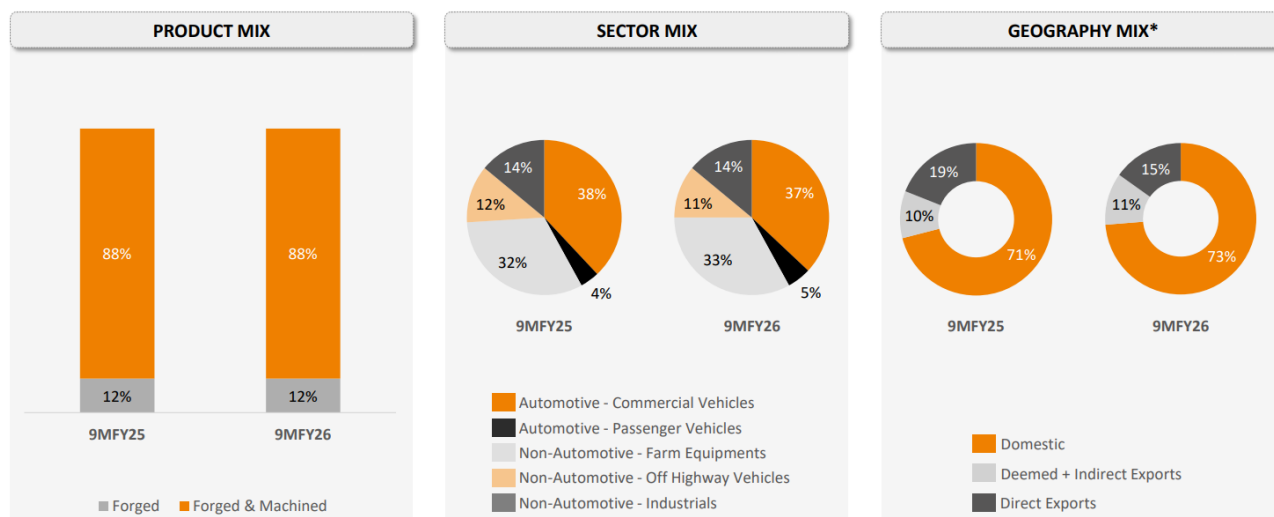
➤ Capacity Expansion

- Current forging capacity: 127,000 tons. Capacity to increase to 150,000 tons by FY27. Long-term capacity target: ~180,000 tons with heavy component capex.
- Heavy crankshaft and large component programs to start contributing from FY28.
- FY26 capex guidance: ₹400–500 cr (₹300 cr spent in 9M). FY27 capex: ~₹400 cr (₹480 cr including solar project).

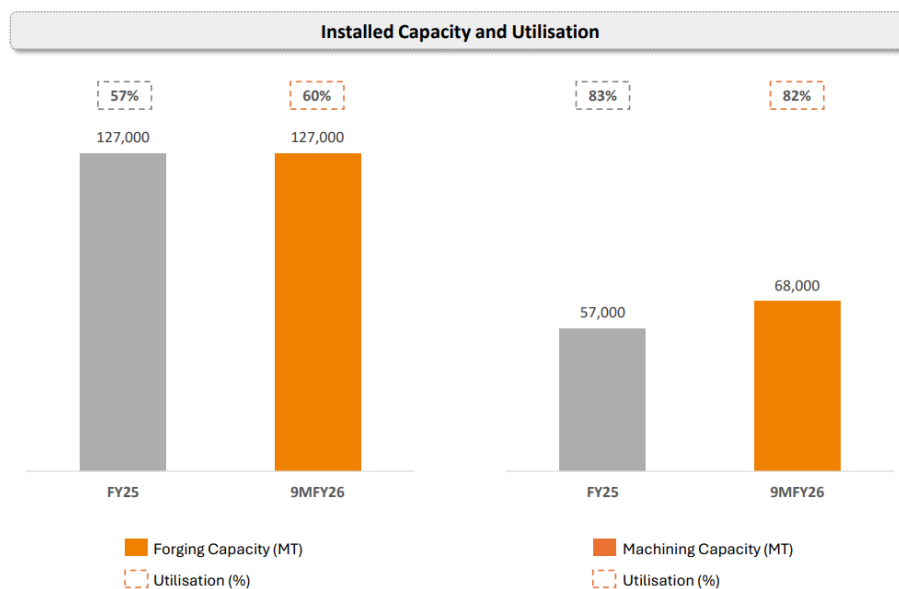
➤ Financial Strength, Margins, and Pricing:

- **Cash Flow and Liquidity:** The company achieved nearly 100% operating cash flow conversion in 9MFY26. Cash and financial investments ~ 400 cr.
- **EBIDTA margin guidance:** Should remain in the range of 29-31% in the medium term.

Quarterly Charts



9MFY26 vs 9MFY25 (Volume and Realisation)			
Particulars	9MFY25	9MFY26	YoY
FG Volume (MT)	42,564	45,807	+7.6%
Realisation/Kg (Rs.)	248	245	(-1.3%)



Source: Company, *For calculation of Realisation per ton & EBITDA per ton we have not considered other income which basically consists of export related forex gains.

Valuation & Outlook

We estimate a Revenue/EBITDA/PAT CAGR of 18%/20%/21% over FY26–28E. PAT margins are likely to see a temporary dip due to elevated depreciation and finance costs during the heavy capex cycle but EBITDA margin expansion due to new better realisation orders will support bottomline growth faster than topline.

Overall Revenue/Ebitda/PAT estimates have been changed by +1/+1/+2% for FY28e respectively. (FY26,FY27 remain unchanged)

We assign a 30x FY28E EPS to HFL, implying a target price of ₹1,230 ~7% upside from CMP of Rs. 1,150. We continue to like the stock from a medium to long term angle. Hence, we maintain our rating as “Accumulate” on the stock.

Financials

P&L (Rs mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	11,965	13,582	14,089	15,177	17,804	21,159
Total Raw material consumed	5,511	5,966	5,917	6,253	7,300	8,612
Employee Cost	878	1,145	1,248	1,435	1,651	1,898
Other Expenses	2,168	2,597	2,857	3,058	3,561	4,232
Operating Profit	3,409	3,875	4,067	4,430	5,293	6,417
Depreciation	542	647	771	881	1,143	1,393
PBIT	2,867	3,228	3,296	3,549	4,150	5,024
Other income	58	134	375	252	315	394
Interest	125	118	75	213	213	149
PBT (Before share of JV/associates)	2,800	3,244	3,596	3,589	4,252	5,269
Share of JV/Associates	-	-	-	-	-	-
PBT	2,800	3,244	3,596	3,589	4,252	5,269
Provision for tax	713	814	921	897	1,063	1,317
PAT (From continuing operations)	2,087	2,430	2,674	2,691	3,189	3,952
PAT (From Discontinuing operations)	-	-	-	-	-	-
MI						
Reported PAT	2,087	2,430	2,674	2,691	3,189	3,952
Adjusted Profit	2,087	2,430	2,674	2,691	3,189	3,952

Source: Dalal & Broacha Research

Balance Sheet (Rs mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	179	188	188	188	188	188
Reserves	9,704	15,937	18,307	20,716	23,528	27,056
Net worth	9,883	16,125	18,495	20,904	23,717	27,244
Minority Interest	-	-	-	-	-	-
Non Current Liabilities	812	316	393	893	1,393	1,143
Current Liabilities	2,566	2,418	3,263	3,195	3,145	2,665
Other Liabilities(associated with discontinued operations/ assets held for sale)	-	-	-	-	-	-
TOTAL LIABILITIES	13,262	18,860	22,152	24,992	28,255	31,053
Non Current Assets	8,362	11,442	12,966	16,179	19,349	22,006
Fixed Assets	6,784	7,437	9,077	12,313	14,986	17,510
Goodwill	-	-	-	-	-	-
CWIP	748	1,219	1,164	1,000	1,000	500
Long term loans & Advances	600	813	1,511	1,628	1,909	2,269
Non-current assets tax (net)	0	0	0	0	0	0
Deferred Tax Asset	-	-	-	-	-	-
Other Financial Assets	-	-	-	-	-	-
Other Non Current Assets	230	1,925	1,150	1,238	1,453	1,727
Current Assets	4,893	7,418	9,186	8,813	8,906	9,047
Current investments	-	-	-	-	-	-
Inventories	1,696	2,242	2,324	2,495	2,927	3,478
Trade Receivables	3,081	3,569	4,265	3,950	4,390	5,217
Cash and Bank Balances	0	6	129	1,523	1,063	130
Other bank balances	3	1,168	1,236	-	-	-
Short Term Loans and Advances	79	267	799	500	250	-
Other Financial Assets	0	0	0	0	0	0
Other current assets tax (net)	34	165	432	346	276	221
Assets Held for sale	6	-	-	-	-	-
TOTAL ASSETS	13,262	18,860	22,152	24,992	28,255	31,053

Source: Dalal & Broacha Research

Cash Flow St. (Rs. mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
PBT (excluding JV/Associates)	2,800	3,244	3,596	3,589	4,252	5,269
Add: Dep. & Amort.	542	647	771	881	1,143	1,393
Add: Interest Expenses	125	118	75	213	213	149
Operating profit before working capital change	3,467	4,009	4,441	4,682	5,608	6,811
(Inc)/Dec in Working capital adjustment	(779)	(956)	(880)	315	(520)	(1,485)
Gross cash generated from operations	2,687	3,053	3,561	4,997	5,088	5,326
Direct taxes paid	(638)	(814)	(921)	(897)	(1,063)	(1,317)
Others	45	(348)	284	221	(78)	(202)
CF from Oper. activities	2,095	1,890	2,923	4,321	3,947	3,807
CF from Inv. activities	(1,725)	(4,693)	(3,202)	(2,653)	(3,817)	(3,417)
CF from Fin. activities	(370)	2,809	402	(275)	(589)	(1,323)
Cash generated/(ut ilised)	(0)	6	123	1,393	(460)	(933)
Cash at start of the year	0	0	6	129	1,523	1,063
Cash at end of the year	0	6	129	1,523	1,063	130

Ratios	FY23	FY24	FY25	FY26E	FY27E	FY28E
OPM	28.49%	28.53%	28.87%	29.19%	29.73%	30.33%
NPM	17.36%	17.71%	18.49%	17.44%	17.60%	18.34%
Tax Rate	25.47%	25.10%	25.62%	25.00%	25.00%	25.00%
Growth Ratios (%)						
Net Sales	39.12%	13.51%	3.73%	7.72%	17.31%	18.85%
Operating Profit	47.67%	13.67%	4.95%	8.94%	19.47%	21.25%
PBT	45.82%	15.84%	10.85%	-0.19%	18.50%	23.91%
PAT	46.69%	16.43%	10.07%	0.64%	18.50%	23.91%
CFO/EBITDA Ratio	0.60	0.47	0.66	0.92	0.70	0.56
CFO/PAT Ratio	1.00	0.78	1.09	1.61	1.24	0.96
Per Share (Rs.)						
Net Earnings (EPS)	22.14	25.78	28.38	28.56	33.84	41.94
Cash Earnings (CPS)	27.89	32.65	36.56	37.91	45.97	56.72
Payout ratio	6%	16%	11%	14%	13%	12%
Dividend	1.30	4.00	3.00	4.00	4.50	5.00
Book Value per share (BVPS)	104.87	171.10	196.26	221.82	251.66	289.10
Free Cash Flow	349	71	512	204	130	(110)
Valuation Ratios						
P/E(x)	53.74	46.16	41.93	41.67	35.16	28.38
P/B(x)	11.35	6.95	6.06	5.36	4.73	4.12
EV/EBITDA(x)	33.46	29.31	28.10	25.53	21.46	17.73
Div. Yield(%)	0.11	0.34	0.25	0.34	0.38	0.42
FCFF Yield(%)	0.31	0.06	0.46	0.18	0.12	(0.10)
Return Ratios (%)						
ROE	21.12%	15.07%	14.46%	12.88%	13.45%	14.51%
ROCE	28.87%	22.07%	19.58%	18.93%	20.19%	22.13%

Source: Company, Dalal and Broacha Research

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