Happy Forgings Ltd.

DALAL & BROACHA
STOCK BROKING PVT. LTD.

Q1FY27 Result Update | Auto Ancillary

Equity Research Desk

5 August 2026

Strong Execution across all segments

Happy Forgings commenced FY27 with a record-breaking quarter, delivering 27%/39%/39% YoY growth in Revenue/EBITDA/PAT, driven by robust volume growth, improving realizations and a richer product mix. Margin expansion remained the key highlight, with EBITDA margins sustaining above 30% for the fourth consecutive quarter and PAT margins crossing 20% for the first time. Increasing contribution from high-value Industrial and Passenger Vehicle segments, coupled with higher machining content, reflects the company's successful diversification strategy and structural shift towards value-added precision engineering.

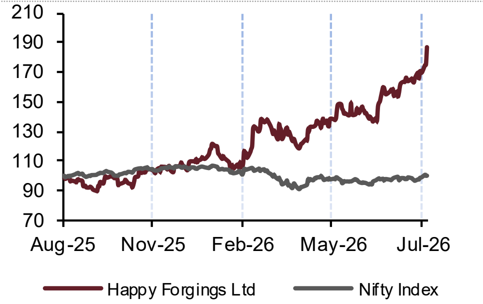
The growth outlook remains compelling, supported by an incremental order pipeline of ~₹950 crore to be ramped up over the next 2–3 years, led by exports, Industrials and Passenger Vehicles. Management remains confident of sustaining profitable growth through recently implemented OEM price revisions, commissioning of the captive solar plant and commercialization of the ultra-heavy forging facility from FY28. With expanding manufacturing capabilities, increasing exposure to high-growth sectors such as renewables, power, railways and data centres, and a continued focus on value addition, Happy Forgings appears well positioned to deliver sustained growth and industry-leading profitability over the medium term.

Rating	TP (Rs)	Up/Dn (%)
HOLD	**1,928**	**6**

Market Data		
Current price	**Rs**	**1,817**
Market Cap (Rs.Bn)	(Rs Bn)	171
Market Cap (US$ Mn)	(US$ Mn)	1,798
Face Value	Rs	2
52 Weeks High/Low		Rs 1829 / 862.05
Average Daily Volume	('000)	349
BSE Code		544057
Bloomberg		HAPPYFOR.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	**Jun-26**	**Mar-26**
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	FY26	FY27E	FY28E
Net sales	11,965	13,582	14,089	15,463	18,247	21,714
EBIDTA	3,409	3,875	4,067	4,706	5,864	7,095
Margins (%)	28.5	28.5	28.9	30.4	32.1	32.7
Adjusted net profit	2,087	2,430	2,674	3,016	3,735	4,543
EPS (Rs)	22.1	25.8	28.4	32.00	39.6	48.2
P/E (x)	82	71	64	57	46	38
EV/EBITDA (x)	51	45	43	37	29	24
RoCE (%)	28.87%	22.07%	19.58%	19.15%	21.61%	23.26%
RoE (%)	21.12%	15.07%	14.46%	14.17%	15.16%	15.80%

Source: Company, Dalal & Broacha Research

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Quarterly Result

Particulars (INR in mn)	Q1 FY27	Q1 FY26	YoY%	Q4 FY26	QoQ%
Revenue from operations	**4,494**	**3,538**	**27%**	**4,238**	**6%**
Other Income	111	104	7%	60	83%
Total Income	**4,605**	**3,642**	**26%**	**4,299**	**7%**
Cost of Goods Sold	1,767	1,489	19%	1,723	3%
Employee Benefit Expense	387	321	21%	364	6%
Other Expenses	932	717	30%	818	14%
Total Expenses	**3,086**	**2,527**	**22%**	**2,905**	**6%**
EBITDA	**1,409**	**1,012**	**39%**	**1,333**	**6%**
Depreciation Expense	262	206	28%	245	7%
EBIT	**1,146**	**806**	**42%**	**1,088**	**5%**
Finance Cost	31	23	**33%**	38	**-20%**
Profit Before Tax (PBT)	**1,226**	**886**	**38%**	**1,111**	**10%**
Tax Expense	312	230	**36%**	275	**13%**
Net Profit (Reported)	**915**	**657**	**39%**	**836**	**9%**
EPS	**9.7**	**7.0**	**39%**	**8.9**	**9%**
Margins			**Changes in bps**		**Changes in bps**
Gross Margins	60.7%	57.9%	276	59.4%	133
EBITDA Margins	31.3%	28.6%	275	31.5%	-12
PAT Margins	19.9%	18.0%	182	19.4%	42
Other Operational Matrix			**Changes in bps**		**Changes in bps**
COGS as % of Sales	39%	42%	-276	41%	-133
EBE as % of Sales	8.6%	9.1%	-46	8.6%	3
OE as % of Sales	20.7%	20.3%	47	19.3%	143

Source: Company, Dalal and Broacha Research

Concall Highlights:

Sector-wise Growth

- **Commercial Vehicles:** Domestic business grew **18%**, outperforming industry growth (~10%), while exports declined **12%** due to geopolitical-led logistics disruptions.
- **Farm Equipment:** Mid-20% growth led by **20%+ domestic growth**, with exports remaining resilient.
- **Tractors:** Demand remains weak amid high interest rates, lower farm incomes and soft commodity prices.
- **Industrials:** Delivered **50%+** growth across domestic and exports, driven by power, renewables, railways and oil & gas.
- **Off-Highway:** Grew **40%+** across domestic and exports, supported by healthy construction equipment demand.
- **Passenger Vehicles:** Grew **70%+**, with **50%+ domestic growth** driven by higher wallet share and export revenues more than doubling.

Margin Triggers

- **Price Revisions:** Secured **4.5–5.0%** price hikes from OEMs to offset inflation. Only ~30% (~2% price hike) impact was reflected in Q1; the balance will flow through from Q2FY27.
- **Sector Realisations:** Industrials and PV continue to deliver higher realizations owing to greater product complexity and value addition.
- **PV Exports:** Higher-margin machined products and the first price increase in three years shall support improvement in margins from Q2 FY27.
- **Solar Power:** The **20 MW captive solar plant** is on track for commissioning by **Jan'27**, expected to improve EBITDA margins by **100–150 bps** from FY28.

Order Book

- The company has an incremental order book of **Rs. 950 crores** in peak annual revenue potential to be ramped up over the next 2–3 years.
- **Sector Mix:** Industrials (35–40%), PV (25–30%), CV (25–30%), balance from Off-highway & Farm.
- **Geography Mix:** 60% exports and 40% domestic.

4. Capacity Addition & Capex

- Commissioned a **4,000T press line and 7,220 MT machining capacity** in Q1; total capacities stand at 156,000 MT forging and 75,200 MT machining.
- Expanding component capability from 200–250 kg to 3-ton forgings.
- The new capex being done for heavy-component business is expected to generate **60–65% gross margins** and **30%+ EBITDA margins** at **80–85% utilization**.
- The ultra-heavy facility, the **second largest globally**, will cater to energy, data centres, mining and wind sectors.

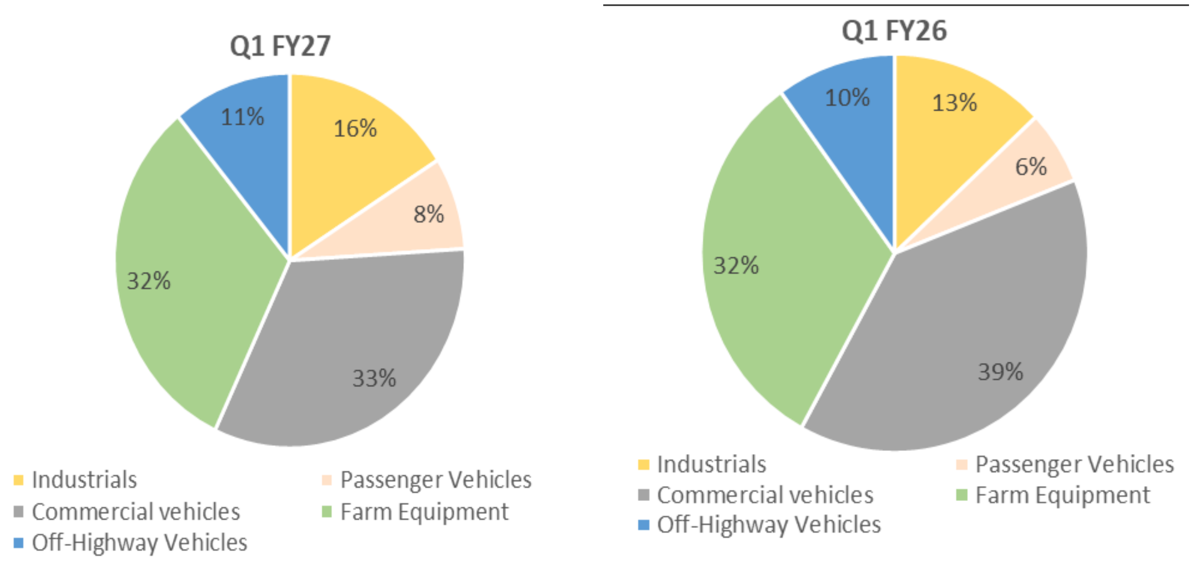
5. Aspirational Diversification

- Management targets **Industrials + PV** to contribute **45–50% of Topline** over the next 3–4 years.
- PV revenue share is expected to reach **12–15%**, while Industrials is expected to nearly **double from the current 16%**.
- The strategy reflects a shift towards a more diversified portfolio with a higher mix of complex, value-added engineering products.

6. Management Guidance

- High teen growth for the full year (FY 27).
- EBITDA Margins to be maintained at FY 26 levels.

Revenue Analysis Sector-Wise



Volume and Realization Trend

Operational Matrix	Q1 FY27	Q1 FY26	YoY%	Q4 FY26	QoQ%
Finished Goods (MT)	17,793	14,457	23%	17,298	3%
Realisation/Kg (INR)	253	245	3%	245	3%
EBITDA/Kg (INR)	79	70	13%	77	3%

Ramping up the production capabilities

Production Capabilities	Capacity	Utilization
Forging (MT)	1,52,000	59%
Machining (MT)	75,200	78%

Source: Company, Dalal and Broacha Research

Valuation & Outlook

We estimate a Revenue/EBITDA/PAT CAGR of 18%/23%/23% over FY26–28E. driven by strong volume growth, increasing share of high-value machined products, industrial diversification, and ramp-up in passenger vehicle and export-oriented programs. Margins may witness improvement due to price revisions, improved product mix, operating leverage and cost saving for solar plant.

At CMP of 1,818, the stock is valued at P/E of 38x on FY 28E EPS. We maintain a HOLD rating and value the stock at 40x FY28E EPS arriving at a TP of Rs. 1,928 implying an upside of ~6% from CMP.

Financials

P&L (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	11,965	13,582	14,089	15,463	18,247	21,714
Total Raw material consumed	5,511	5,966	5,917	6,318	7,207	8,577
Employee Cost	878	1,145	1,248	1,367	1,572	1,808
Other Expenses	2,168	2,597	2,857	3,073	3,604	4,234
Operating Profit	3,409	3,875	4,067	4,706	5,864	7,095
Depreciation	542	647	771	890	1,171	1,421
PBIT	2,867	3,228	3,296	3,816	4,693	5,674
Other income	58	134	375	308	425	531
Interest	125	118	75	105	138	149
PBT (Before share of JV/associates)	2,800	3,244	3,596	4,019	4,981	6,057
Share of JV/Associates	-	-	-	-	-	-
PBT	2,800	3,244	3,596	4,019	4,981	6,057
Provision for tax	713	814	921	1,003	1,245	1,514
PAT (From continuing operations)	2,087	2,430	2,674	3,016	3,735	4,543
PAT (From Discontinuing operations)	-	-	-	-	-	-
MI						
Reported PAT	2,087	2,430	2,674	3,016	3,735	4,543
Adjusted Profit	2,087	2,430	2,674	3,016	3,735	4,543

Source: Company, Dalal and Broacha Research

Cash Flow St. (Rs. mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
PBT	**2,800**	**3,244**	**3,596**	**4,019**	**4,981**	**6,057**
Add: Dep. & Amort.	542	647	771	890	1,171	1,421
Add: Interest Expenses	125	118	75	105	138	149
Operating profit before working capital change	**3,467**	**4,009**	**4,441**	**5,014**	**6,289**	**7,626**
(Inc)/Dec in						
Working capital adjustment	(779)	(956)	(880)	455	(818)	(1,532)
Gross cash generated from operations	**2,687**	**3,053**	**3,561**	**5,469**	**5,471**	**6,094**
Direct taxes paid	(638)	(814)	(921)	(1,003)	(1,245)	(1,514)
Others	45	(348)	284	(19)	514	161
CF from Oper. activities	**2,095**	**1,890**	**2,923**	**4,447**	**4,740**	**4,741**
CF from Inv. activities	(1,725)	(4,693)	(3,202)	(4,968)	(2,170)	(3,417)
CF from Fin. activities	(370)	2,809	402	649	(1,310)	(1,323)
Cash generated/(utilised)	(0)	6	123	128	1,260	1
Cash at start of the year	0	0	6	129	257	1,517
Cash at end of the year	0	6	129	257	1,517	1,518

Source: Company, Dalal and Broacha Research

Balance Sheet (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity capital	179	188	188	188	188	188
Reserves	9,704	15,937	18,307	21,093	24,451	28,570
Net worth	**9,883**	**16,125**	**18,495**	**21,281**	**24,639**	**28,758**
Minority Interest	-	-	-	-	-	-
Non Current Liabilites	812	316	393	490	1,490	1,240
Current Liabilites	2,566	2,418	3,263	4,557	3,286	2,828
Other Liabilities(associated with discontinued operations/ assets held for sale)	-	-	-	-	-	-
TOTAL LIABILITIES	**13,262**	**18,860**	**22,152**	**26,327**	**29,415**	**32,826**
Non Current Assets	**8,362**	**11,442**	**12,966**	**15,617**	**18,923**	**21,403**
Fixed Assets	6,784	7,437	9,077	11,084	15,376	17,872
Goodwill	-	-	-	-	-	-
CWIP	748	1,219	1,164	2,294	1,000	500
Long term loans & Advances	600	813	1,511	407	480	572
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	1,751	2,066	2,459
Current Assets	**4,893**	**7,418**	**9,186**	**10,711**	**10,492**	**11,423**
Current investments	-	-	-	-	-	-
Inventories	1,696	2,242	2,324	2,328	2,999	3,569
Trade Receivables	3,081	3,569	4,265	3,948	4,499	5,354
Cash and Bank Balances	0	6	129	257	1,517	1,518
Other bank balances	3	1,168	1,236	272	-	-
Short Term Loans and Advances	79	267	799	2,372	250	-
Other Financial Assets	0	0	0	0	0	0
Other current assets tax (net)	34	165	432	1,534	1,227	982
Asssets Held for sale	6	-	-	-	-	-
TOTAL ASSETS	**13,262**	**18,860**	**22,152**	**26,328**	**29,415**	**32,826**

Source: Company, Dalal and Broacha Research

Ratios	FY23	FY24	FY25	FY26	FY27E	FY28E
OPM	28.49%	28.53%	28.87%	30.43%	32.14%	32.68%
NPM	17.36%	17.71%	18.49%	19.12%	20.01%	20.42%
Tax Rate	25.47%	25.10%	25.62%	24.97%	25.00%	25.00%
Growth Ratios (%)						
Net Sales	39.12%	13.51%	3.73%	9.75%	18.00%	19.00%
Operating Profit	47.67%	13.67%	4.95%	15.71%	24.60%	21.00%
PBT	45.82%	15.84%	10.85%	11.78%	23.93%	21.61%
PAT	46.69%	16.43%	10.07%	12.76%	23.87%	21.61%
CFO/EBITDA Ratio	0.60	0.47	0.66	0.89	0.75	0.62
CFO/PAT Ratio	1.00	0.78	1.09	1.47	1.27	1.04
Per Share (Rs.)						
Net Earnings (EPS)	22.14	25.78	28.38	32.00	39.64	48.20
Cash Earnings (CPS)	27.89	32.65	36.56	41.45	52.06	63.28
Payout ratio	6%	16%	11%	13%	11%	10%
Dividend	1.30	4.00	3.00	4.00	4.50	5.00
Book Value per share (BVPS)	104.87	171.10	196.26	225.82	261.45	305.16
Free Cash Flow	349	71	512	1,549	924	824
Valuation Ratios						
P/E(x)	82.10	70.51	64.06	56.81	45.87	37.72
P/B(x)	17.34	10.63	9.26	8.05	6.95	5.96
EV/EBIDTA(x)	50.82	44.58	42.66	37.05	29.39	24.18
Div. Yield(%)	0.07	0.22	0.17	0.22	0.25	0.28
FCFF Yield(%)	0.20	0.04	0.30	0.90	0.54	0.48
Return Ratios (%)						
ROE	21.12%	15.07%	14.46%	14.17%	15.16%	15.80%
ROCE	28.87%	22.07%	19.58%	19.15%	21.61%	23.26%

Source: Company, Dalal and Broacha Research

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