Initiating Coverage

30th June 2025

DALAL & BROACHA
STOCK BROKING PVT. LTD.

518, Maker Chambers V,
221 Nariman Point, Mumbai 400 021.
91-22- 2282 2992, 2287 6173
research@dalalbroachaindia.com,
equity.research@dalal-broacha.com

Akash D. Vora
+91 22 67141449
akash.vora@dalal-broacha.com

Happy Forgings Ltd.

Initiating Coverage | Auto Ancillaries, Industrials

Forging a stronger future!

DALAL & BROACHA STOCK BROKING PVT. LTD.

Institutional Equity Research Desk

30 June 2025

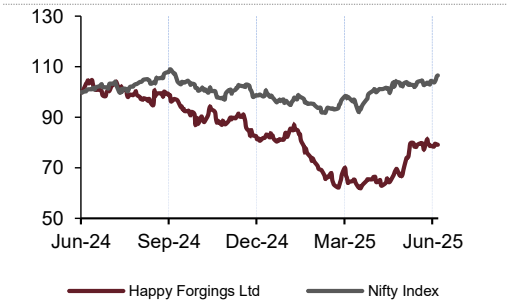
Happy Forgings Ltd. (HFL) has transformed from a conventional auto forging firm into a technologically advanced, diversified manufacturer of high-*precision*, safety-critical forged and machined components. With over four decades of expertise and deep relationships across OEMs and Tier-1 suppliers, HFL is strategically entering the next phase of growth led by new product additions, capacity expansions, and export-led tailwinds.

Rating	TP (Rs)	Up/Dn (%)
BUY	**1,139**	**18**

Market data		
Current price	**Rs**	**966**
Market Cap (Rs.Bn)	(Rs Bn)	91
Market Cap (US$ Mn)	(US$ Mn)	1,063
Face Value	Rs	2
52 Weeks High/Low	Rs	1299.95 / 716.1
Average Daily Volume	('000)	15
BSE Code		544057
Bloomberg		HAPPYFOR.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-25	Dec-24
Promoters	79	79
Public	21	21
Total	100	100

Source: Bloomberg

- **Margin Accretive Growth from New Programs in PV & Industrials**:
  HFL has secured multiple long-tenure, high-revenue programs across the PV and industrial segments—such as SUV crankshafts, e-axles, and large crankshafts for global genset players—which are inherently more profitable. These will materially enhance its product mix, realisations & margins. Additionally, initiatives like solar capex (~₹100 Cr, 20MW) and machining automation are expected to boost margin efficiency. As a result, EBITDA margins are expected to expand from already industry-leading 28.9% in FY25 to **30%+ by FY28E.**

- **Strategic Capex in High-RoCE Advanced Forgings Business:**
  HFL is deploying ~₹650 Cr in a greenfield heavy forgings facility (Asia's largest in its category), focused entirely on high-value, low-competition industrial components. These forgings command realisations of ₹500/kg (vs. ₹248/kg currently) and 48–50% EBITDA margins.

Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	11,965	13,582	14,089	15,898	18,390	20,769
EBIDTA	3,409	3,875	4,067	4,646	5,475	6,251
Margins (%)	28.5	28.5	28.9	29.2	29.8	30.1
Adjusted net profit	2,087	2,430	2,674	2,853	3,326	3,827
EPS (Rs)	22.1	25.8	28.4	30.27	35.3	40.6
P/E (x)	44	37	34	32	27	24
EV/EBITDA (x)	27	24	23	20	17	15
RoCE (%)	28.87%	22.07%	19.58%	19.71%	20.65%	21.43%
RoE (%)	21.12%	15.07%	14.46%	13.54%	13.85%	13.96%

Akash D. Vora
+91 22 67141449
akash.vora@dalal-broacha.com

The new facility will mark a strategic pivot toward non-automotive industrials, wind, oil & gas, marine, and data center gensets, with peak realizations of ₹20 lakh per component vs. ₹50,000 in its existing facility & enable HFL to capture a 7–8% global share of the ₹10,000 Cr TAM in advanced forgings. With a full ramp-up by FY30E, this is expected to drive **RoCE improvement from 20% to 22–25%,** anchoring the next leg of capital-efficient growth.

- **Legacy Segments Provide Base Stability Despite Near-Term Slowdown:**

  In its core segments—Commercial Vehicles and Farm Equipment—HFL has delivered a **15% revenue CAGR over FY14–24,** well ahead of domestic production trends. While we model a more conservative **7–8% CAGR over FY25–28E** due to weak near-term demand and sluggish private capex, these segments continue to offer scale, deep OEM relationships, and a strong recovery potential from H2FY26 onward.

- **Best-in-Class Returns, Operating Metrics & 10-Year Outperformance Track Record**

  Over FY14–24, HFL has delivered a **revenue CAGR of ~15%**, EBITDA margins consistently in the **28–30% range**, and maintained **average RoCE of ~20%**, outperforming listed forging peers such as Bharat Forge (~13–15%) and Ramkrishna Forgings (~12–13%) over the same period. Its **asset turnover(on gross block) has averaged 1.4x has been industry leading**, aided by a high machining mix (~87% in FY25 vs. 53% in FY14), while **superior capital allocation with a much more comfortable Net Debt to EBITDA ratio as** compared to peers during the last 10 years. The company has also generated **positive free cash flows in 7 of the last 10 years**, despite ongoing capacity expansions, highlighting its operational discipline and capital efficiency across cycles.

Valuation :

We estimate a Revenue/EBITDA/PAT CAGR of 14%/15%/13% over FY25–28E. PAT margins are likely to see a temporary dip due to elevated depreciation and finance costs during the heavy capex cycle. However, despite conservatively modelling the traditional business (CV/FE) at just 7–8% CAGR, absolute EBITDA is expected to rise by over 50% by FY28E—reflecting the margin accretion from new segments.

Unlike Bharat Forge (trading at ~34x FY27 EPS as per BB Consensus), HFL is still in its early innings of scale, with better growth runway, leaner cost base, and higher operating efficiency**. We assign a 30x Sep-27E EPS to HFL, implying a target price of ₹1,139—an 18% upside**, and still at a discount to Bharat Forge despite superior RoCEs and margin profile. **The company is deploying additional capital in higher margin & RoCE business centered on complex & advanced heavy forgings in India offering room for valuation rerating. Hence we initiate with a "BUY" Rating on the stock.**

Strategically, HFL is capitalizing on the China+1 movement, benefiting from India's 10–25% cost advantage over Europe/LatAm and emerging as a preferred sourcing hub for global OEMs, Furthermore, its history of consistent execution and diversified exposure across 4 continents ensures cyclicality mitigation and sustained outperformance.

Index

Broad Industry Segments of HFL…

Industrials & PV to spearhead HFL's growth in the coming years…

(All Rs in Cr.)

Broad Industry Segments	FY21	Segment Mix%	FY25	Segment Mix%	FY28E	Segment Mix%	CAGR FY21-25	CAGR FY25-28E
CV	208	38%	489	38%	602	32%	24%	7%
FE	241	43%	412	32%	504	26%	14%	7%
Industrials	11	2%	180	14%	409	22%	101%	31%
OHV	93	17%	155	12%	184	10%	14%	6%
PV	0	NA	51.52	4%	199	10%	NA	56%
Total*	**553**	**100%**	**1,288**	**100%**	**1,898**	**100%**		

**core operating revenue*

- Industrials and PV segments are the key growth drivers ahead — Industrials have grown from ₹11 cr in FY21 to ₹180 cr in FY25 (at 101% CAGR) , expected to grow to ₹409 cr by FY28E (31% CAGR in FY25–28), while PV scales up from nil in FY21 to ₹52 cr by FY25 is expected to further grow at a 57% CAGR in FY25–28E to ₹199 cr .
- The share of Industrials in revenue mix jumps from 14% in FY25 to 22% in FY28E,
- PV, a newly added segment, is estimated to form 10% of the mix by FY28E, pointing to strong traction from new platform wins & product additions.
- Growth in traditional segments like CV and FE normalizes, with CAGR moderating to 7% over FY25–28, though they still form a combined 58% of FY28E revenue. OHV grows modestly (6% CAGR in FY25–28).
- Segmental diversification will help derisk the portfolio, with Industrials + PV rising from 2% in FY21 to 32% of revenue mix by FY28E & Non-Auto Portfolio(Industrials + OHV) to increase from 19% in FY21 to 32% by FY28, indicating a strategic shift toward non-automotive and high-margin sectors.

Key Investment Thesis

Focus on Heavy & Complex parts Forging, and High Precision Machining - Differentiates HFL…

Happy Forgings Ltd (HFL) is India's fourth-largest forging and machining company, with an installed forging capacity of 127,000 MT as on Mar-25. Over the past 40+ years, the company has transitioned from a conventional forging player into a fully integrated manufacturer of complex, safety-critical, heavy-forged, and high-precision machined components. It serves a diversified set of end-use industries including M&HCV, farm equipment, off-highway vehicles, and industrial sectors such as oil & gas, power generation, railways, and wind turbines.

➢ Strategic Capacity Enhancements for Higher-Value Forgings:

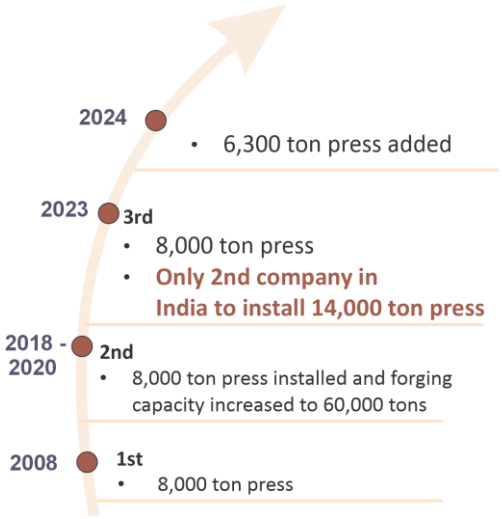
HFL's mechanical forging press lines, ranging from 2,500T to 14,000T, allow it to produce a wide range of forged components. The commissioning of a 14,000-ton press in Q3FY23 places HFL among only two companies in India with such high-capacity forging equipment (alongside Bharat Forge), **enabling the production of complex components weighing up to 250kg—up from 90kg earlier & helped HFL penetrate into Industrial forging sector**. These heavier, safety-critical products are typically used in high-value non-automotive industrial applications and command better profitability and returns.

Exhibit 1: HFL & BFL - only players with a 14000 ton or heavier forging press line

Company	Range of Tonnage Presses
Happy Forging	2,500T - 14,000T
Bharat Forge	1,600T - 16,000T
RK Forging	2,000T - 12,500T
MM Forging	1,600T - 8,000T
CIE Automotive	150T - 6,300T
Sansera Engineering	630T - 2,500T

Source : Company RHP, Dalal & Broacha Research

Exhibit 2: Pivoting capacities for heavier forging capabilities



Source : Company, Dalal & Broacha Research

Did you know:

The new 14000 tonne machine installed in 2022 is fully automated having robots (supplied by ABB), performing several processes

➢ Integrated Operations & In-house engineering creating Strong Entry Barriers/Creates competitive edge

The company's strong in-house engineering capabilities—including die and process design, tool selection, and rigorous inspection—enhance its ability to deliver precision-engineered parts without reliance on external vendors. This integration, combined with a track record of quality, deep OEM relationships, and the technical barriers to entry (due to weight, tolerance, and criticality of applications), gives HFL a sustainable competitive edge. Its capex-led expansion strategy, focused on complex and margin-accretive forgings, positions it well to drive higher RoCE and maintain leadership in high-value forging solutions.

Strong Entry Barriers to HFL's Business

Capital Intensive Business

- Capital-intensive business that involves complex technology, machinery and systems acting as an entry barrier for smaller and unorganized players

Strategic Resilience

- Lengthy customer and product approval processes

Selective Supplier Dynamics

- Difficulty in acquiring new customers without existing relationships

Precision In Practice

- Importance of implementing and sustaining quality systems while providing critical & high precision components involving tight tolerances (eg: tolerance for machined products ranges between 0.005 mm & 0.2 mm)

Product Reliability

- Global industry leaders are highly selective in qualifying new suppliers with respect to critical products given the high costs and risks of switching suppliers, especially where product reliability is critical

Source: Company, Dalal & Broacha Research

➢ Shift from being a forging-led business to machined component manufacturer:

Originally established in 1979 as a pure-play forging company, Happy Forgings Ltd (HFL) has gradually transformed into a key manufacturer of value-added, precision-machined components. The company began its machining operations in FY13, and since then has strategically focused on developing heavier, high-precision parts with tight tolerances, catering to critical applications across multiple end-use sectors. This capability in machining and integrated value addition has helped HFL emerge as a preferred supplier to segments such as commercial vehicles, tractors, off-highway equipment, and industrial machinery. Reflecting this shift, the contribution of machined products to overall revenues has significantly increased—**from around 53% in FY14 to nearly 87% in FY25.**

Evolution of HFL's Capabilities over the years… Intensifying focus on Complex & Heavy Parts..

Capability Introduced	Year	Key Products	Application / Industry Served	Product Weight
Forged	1979	Forged Bicycle Pedals	Bicycle	450-550 gms
	1981	Forged Camshafts	Portable Gensets	2.5 kgs
Forged & Rough Machined	1996	Forged Bull Gears and Semi Machined Transmission Parts	Farm Equipment	Up to 30 kgs
	2007-2015	Forged Engine and Axle Components (including Crankshafts)	Farm Equipment and Commercial Vehicles	30-80 kgs
Fully Machined	2015-2019	Fully Machined Products (including crankshafts)	Farm Equipment, Commercial Vehicles, Industrial	Up to 90 kgs
	2019-2023	Fully Machined Heavy Range of Crankshafts, Pinion Shafts, Planetary Carriers, Valve Bodies	Farm equipment, Commercial Vehicles, Off-Highway, Wind Turbine, Oil and Gas, Power Generation	Up to 250 kgs
With New Capex Expansion	**2027-2028**	**Large crankshafts, Axles, Gears, Oil & Gas valves, Flanges, Spindles, Connectors & Shafts, Railway Axles and Propeller Blades for Marine applications etc**	**Power generation, Marine, Mining, High-horsepower farm equipment, Material Handling equipment and Cranes, Wind Energy and Oil & Gas, Defence & Aerospace**	**Upto 3000 kgs**

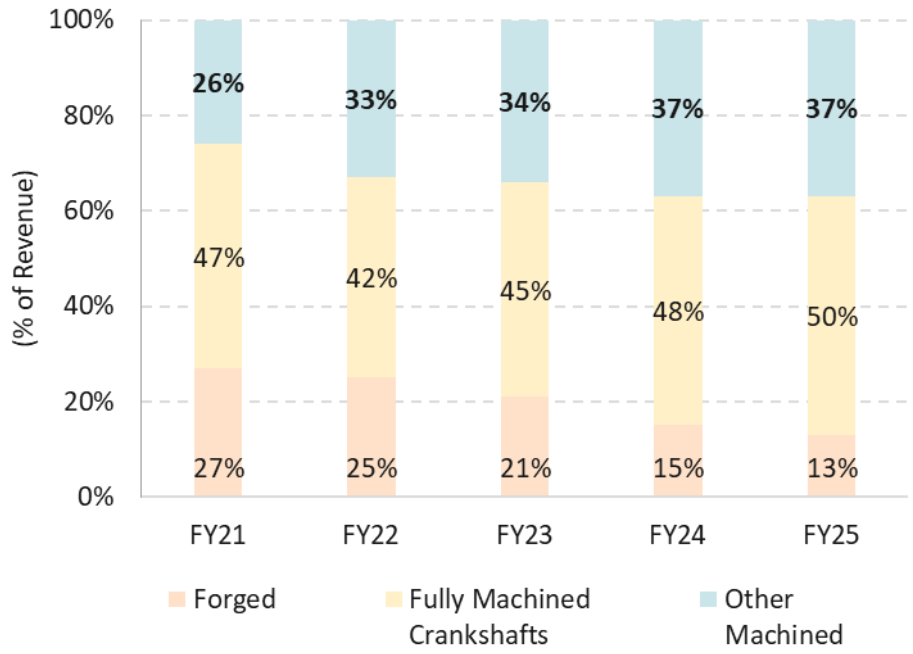
Source: Company PPT, Dalal & Broacha Research

- **By Focusing on Crankshafts – HFL has carved a niche for itself within the industry:**

  Crankshafts are safety-critical, technically complex engine components, especially in HCVs where they must withstand high loads and stress. Their intricate design and manufacturing requirements create significant entry barriers, resulting in limited competition and stronger pricing power. HFL has built strong capabilities in manufacturing complex, safety-critical crankshafts with **tight tolerances (0.0005–0.2 mm), ranging up to 250 kg for single to six-cylinder engines**. It holds the second-largest capacity in India for CV and high-power industrial crankshafts, supplying all top five Indian M&HCV OEMs and four of the top five in farm equipment.

  With ~50% revenue contribution in FY25, crankshafts form the core of HFL's product mix. The company commands ~30%/~45% domestic market share in M&HCV/farm equipment crankshafts. These components are technically demanding, face limited competition, and **yield ~30% higher realisations than other machined parts.** A recent entry into the PV segment via SUV crankshaft orders further expands HFL's addressable market. This high-value mix has supported industry-leading margins and a superior return profile.

Exhibit 3: Crankshaft composition in HFL's revenues continues to increase…



Source: Company, Dalal & Broacha Research

HFL Plans a Capex outlay of ~1200 Cr to ascend to the next level of growth…

	Particulars (All Rs in Cr)	FY26	FY27	FY28	Remarks
[A]	Greenfield Capex (Industrials)	217	217	217	Phase 1 of the new Heavy Forgings Industrial Unit
[B]	Brownfield Capex	80	150	150	FY26- for ~4K tonne press forging line for PV Customer FY27/28 - ~10k Ton press line in FY27 & balance Capex mainly for Machining expansion
[C]	Operational Efficiency capex (mainly for installing solar)	100	-	-	
	Maintenance capex	15	15	25	
	Total Capex	**412**	**382**	**392**	
	Cumulative Capex			**1,185**	

Source: Company, Dalal & Broacha Research

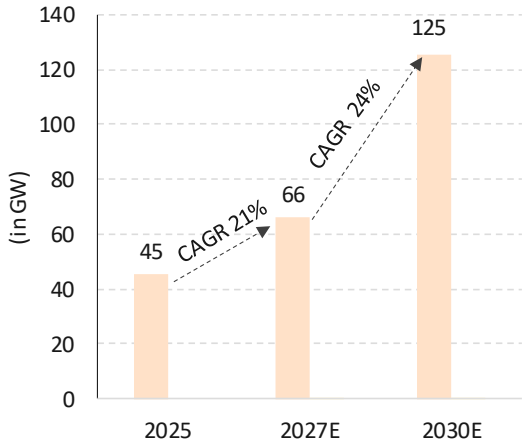
➢ Greenfield Expansion: HFL's Landmark expansion in Asia's Largest Heavy Forging Facility to tap Industrial/ Non-Automotive Sector Growth:

- **~650 Cr capex has been specially earmarked for advanced heavy forging capabilities.** This new facility is designed to produce heavy forged and machined components weighing up to 3 tons, catering primarily to the non-automotive segment. It is anticipated to begin operations (SOP) by the end of FY27. This facility is noted as the first of its kind in Asia and the second largest globally in its segment, facing limited competition. The components produced here will serve various non-automotive industries -which will include but not limited to : **Large diesel gensets**, particularly benefiting from the boom in data centers by catering to crankshafts for very large engines (50-95 liters), **Wind energy**, with products like planetary carriers and pinion shafts already in production, and plans to add machining capabilities for wind turbine blades, **Marine applications**, **Oil & Gas components** such as valves and flanges, **Defense, Aerospace**, other heavy components like axles, gears, spindles, and shafts
- **Tailwinds supporting this massive capex expansion by HFL..**
  - **China + 1 Strategy, Global Supply Chain re-alignment & India's Cost effectiveness:** Global Original Equipment Manufacturers (OEMs) are seeking to diversify their sourcing away from China due to high costs, stricter environmental regulations, and geopolitical shifts. India's status as the second-largest steel producer globally and its 10-25% lower manufacturing costs compared to Europe/Latin America make it an attractive alternative.
  - **Increase in Overall Energy Demand to trigger high requirement of Large Power Gensets, Wind Turbines & Oil/Gas components**: According to the IEA Report, global energy demand grew by 2.2% in 2024, outpacing the decade-long average of 1.3% seen between 2013 and 2023. This acceleration was primarily driven by rising electricity consumption worldwide, with renewables and natural gas meeting most of the additional demand. Notably, after several years of contraction, energy demand in advanced economies rebounded, registering nearly 1% growth collectively.

I. Requirement of Large Data center(DC) gensets as the need for DC expansion increases..

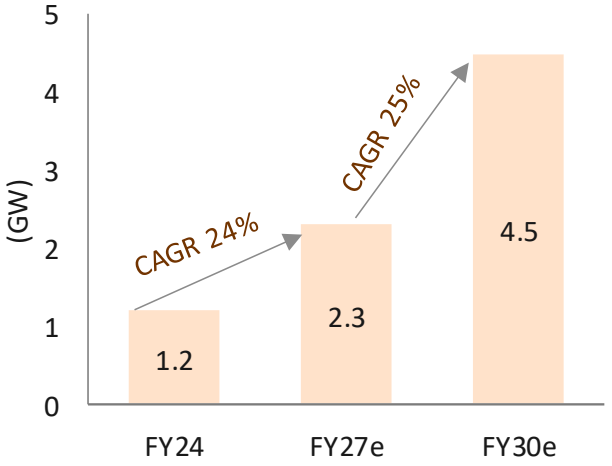
Global data center (DC) capacity is set to surge, driven by AI, cloud, and digital demand—with projections indicating a 23% CAGR through 2025-2030 across scenarios (Knight Frank). India is poised to outpace global growth, with its DC capacity expected to expand from 1.2 GW in FY24 to 4.5 GW by FY30, implying a 25% CAGR, supported by rising data consumption and a strong digital infrastructure push. This requirement to drive the need for more heavy duty gensets & crankshafts.

Exhibit 4: Global Data centre capacity to grow rapidly owing to advent of AI, cloud & higher digital data consumption…



Source: Knight Frank Report , Dalal & Broacha Research

Exhibit 5: India being the highest populated nation, to grow at faster than global rate in DC capacity by 2030

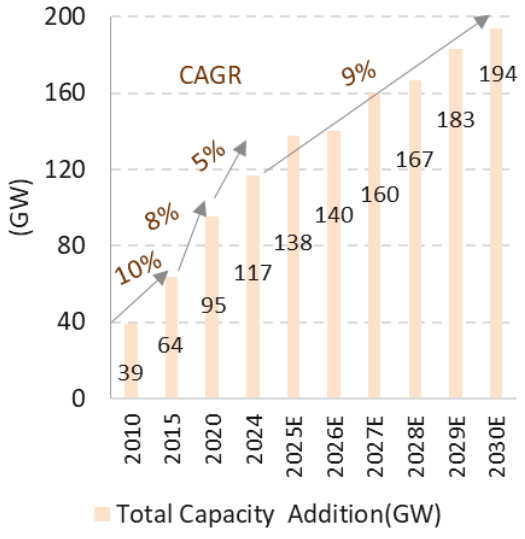


Source: Crisil, Colliers India Report, Dalal & Broacha Research

II. Transition to Renewables to supplement further Wind capex in years to come…

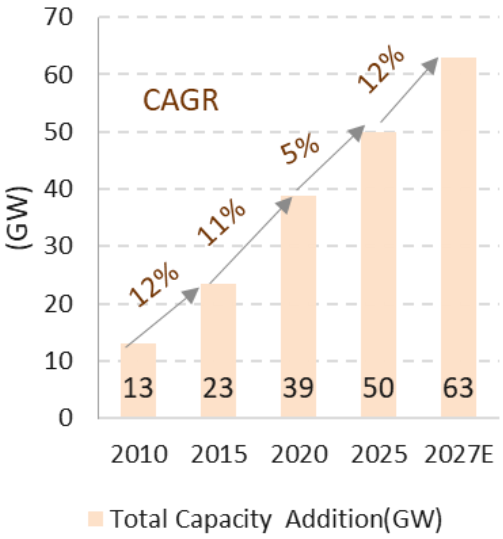
Global wind capacity is expected to grow aggressively, rising from 117 GW in 2024 to 194 GW by 2030E—implying a healthy 9% CAGR, as countries push for cleaner energy transitions. India's wind capacity is also set to expand at a faster 12% CAGR, from 50 GW in 2025 to 63 GW by 2027E- hence wind component demand to stay healthy for the next 2-3 years.

Exhibit 6: Global Wind Capacity Addition to continue rampantly..



Source:, GWEC Global Wind Report 2025, Dalal & Broacha Research

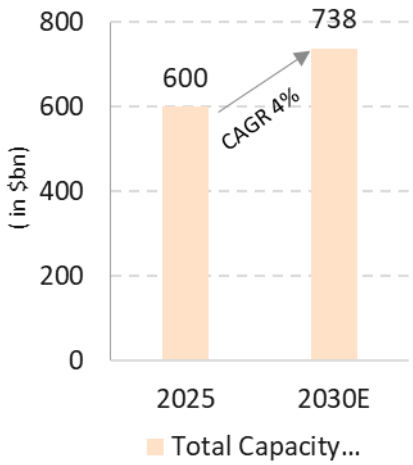
Exhibit 7: Wind Capacity in India to continue to grow at 12% CAGR …



Source:CRISIL, Dalal & Broacha Research

III. Thrust for Oil/Gas sector capex to continue on account of increasing demand for natural gas & increase in consumption volumes:

Exhibit 8: Global Upstream Oil & Gas Capex



Source:, International Energy Forum

Exhibit 9: Oil Consumption to increase..

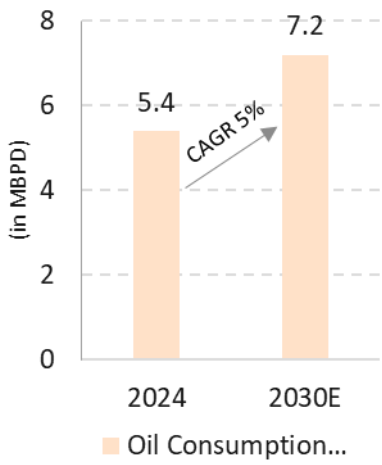
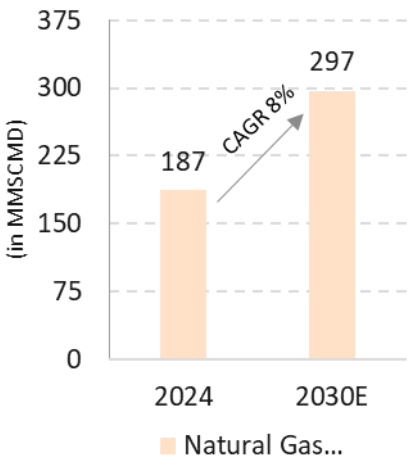


Exhibit 10: Natural Gas demand to grow rapidly…



Source: IEA,OPEC, PNGRB, PPAC, Dalal& Broacha Research

- **Strategic MoU Secures Strategic Foothold in Global Data Center Supply Chain:**

  MoU with a marquee global genset player for large crankshafts (50–95L capacity) catering to the fast-growing data center segment. Supplies are expected to commence from 2028, with revenue potential of ₹95 cr annually and peak revenues of up to ₹160 cr. Infact the to make this commitment stronger, the OEM has also given in advance ₹21 crore for product development and testing for these crankshafts. HFL currently supplies l crankshafts for light & medium duty portable gensets to key players like Generac (global) and Cummins (India). With rising investments in data centers, the company is well-positioned to capture incremental demand. Notably, ~40% of its upcoming greenfield capacity is earmarked for serving this segment.

  HFL estimates a total addressable market (TAM) of ₹10,000 crore for advanced heavy forgings – with this new greenfield capacity fully ready and at full utilization (with 1–1.2x asset turns), it should be having a 7–8% share of the global market.

- **New Plant/Shift to Industrials to Double Realisations, expand Margins & lift RoCE-:**

  HFL's upcoming advanced heavy forgings plant marks a strategic leap in its manufacturing capabilities, enabling the production of large, high-complexity components such as crankshafts for data center gensets, marine-grade pump and propeller shafts, axle shafts for high HP tractors, and critical oil & gas components like valves and flanges. Unlike the existing facility(mainly focused on Auto sector), which is limited to forging components up to 250 kg with realisations peaking at around ₹50,000 per piece, the upcoming advanced plant (mainly focused on Industrials & Non-Auto)—**capable of forging parts exceeding 3,000 kg**—& in certain components it can achieve realisations as high as ₹20 lakh per piece. This translates to a remarkable 40x increase in value per component , underscoring the premium nature and engineering complexity of the new product portfolio.

  This new plant will **substantially enhance realisation rates—from ₹250/kg currently to ₹500/kg** (assuming a 50% machining mix). The value-added nature of these products is expected to drive EBITDA margins in the range of 48–50%, nearly 50% higher than HFL's existing margin profile.

Engineering-Led Profitability: High-Margin, High-RoCE Potential at HFL's New Heavy Forgings Plant

Particulars	In Rs	Particulars	In Rs
Throughput Ratio	0.6	Total Investment in Gross Block at new plant (A)	650
Input (in Kgs)	1.67	Asset Turnover (B)- Achievable by FY30E	0.8
Commodity Price/kg (mainly semi-finished Steel Billets)	75	Potential revenue at New Plant (Phase-1)[A*B]	520
Total Input cost /kg	125	EBIT (D)	48%
Avg Realisation in New Heavy Forging Plant /kg	500	WC as % of sales(assumed ~25%) [E}	162.5
Scrap Cost per kg (~40%)	15	Maintenance Capex required p.a [F]	15
Net Contribution/kg after adjusting for scrap	390	Total Capital Employed [A+E+F]	827.5
Gross Margin %	78%	Potential EBIT (C*D)	249.6
Employee Expense %	10%	Potential RoCE	30%
Admin Cost	15%	Current RoCE	20%
EBITDA	53%		
Depreciation	5%		
EBIT	48%		

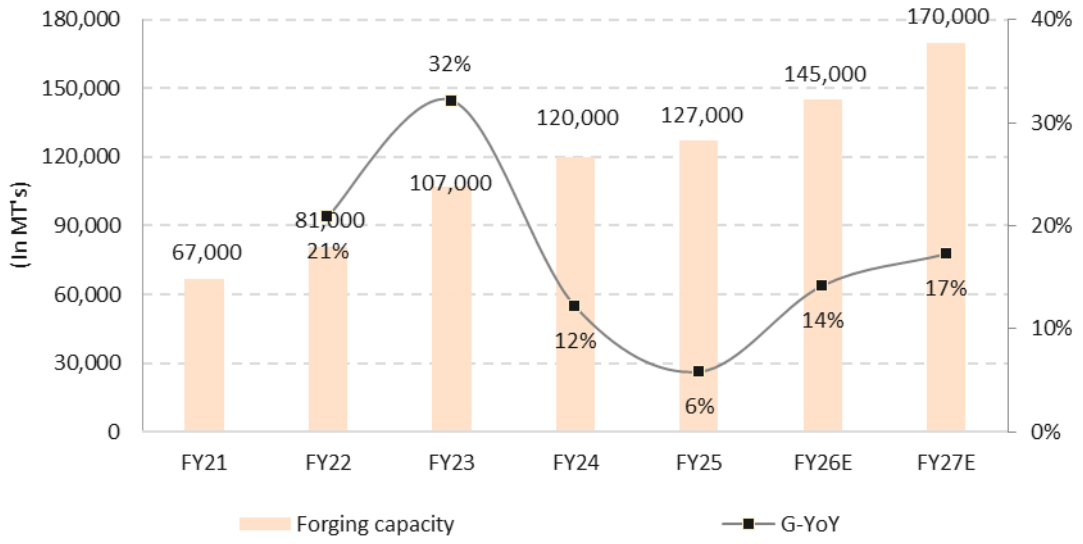
Source: Dalal & Broacha Research estimates

➢ Brownfield Expansion in both Forging & Machining Capabilities…

- **Forging Expansion Backed by Multi-Sector Demand**

  In FY25, HFL commissioned a 6,300-ton press line to cater to new passenger vehicle (PV) crankshaft orders. For FY26, an additional ₹80 crore is earmarked toward forging capacity expansion, which includes a 4,000-ton press for PV orders, an industrial line for wind pinions and heavy axle shafts (expected by Q4), and a ring rolling mill (targeted for Q3). A large hammer press (~10,000-ton capacity) for industrial components is planned for FY27 , aimed at further strengthening HFL's presence in non-automotive segments.

Exhibit 11: Forging capacity expected to reach 170,000 MT by FY27E…

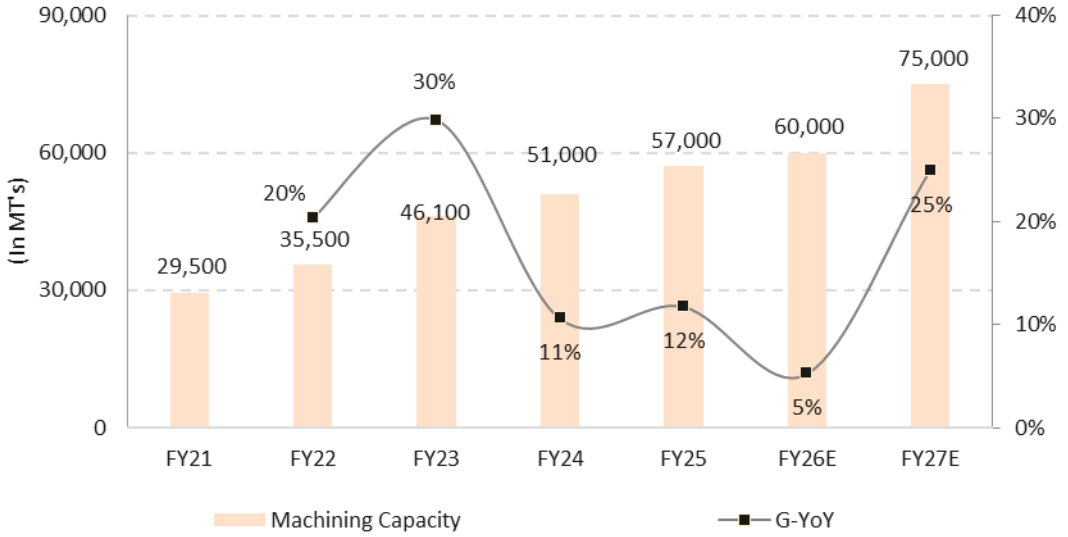


Source: Company, Dalal & Broacha Research

- **Machining Capex in Pipeline**

  HFL also plans to expand machining capacities over FY27 and FY28 to align with growing demand across end sectors to maintain a healthy machining mix.

Exhibit 12: Machining capacity expected to reach 75,000 MT by FY27E



Source: Company, Dalal & Broacha Research

➢ Operational Efficiency Capex to Bring Cost Savings – Improve Margins ..

- HFL is set to invest ₹100 crore in FY26—pending regulatory clearances—for developing solar land and **adding 20MW of solar capacity**. This move is part of its long-term strategy to enhance energy independence and sustainability. With ~5MW of solar capacity already generating ₹4–5 crore in annual savings, the expanded setup is expected to deliver ₹25–30 crore in annual cost savings by FY27, potentially boosting EBITDA margins by 100 basis points.

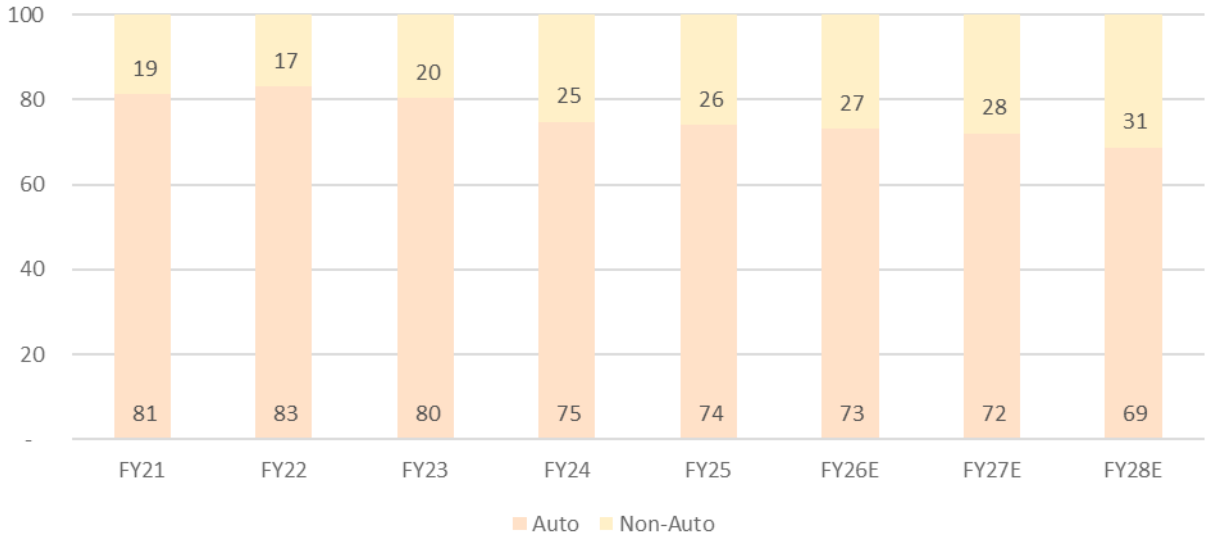
  Beyond renewable energy, HFL is also undertaking several operational efficiency initiatives. These include automating production lines with robotic systems to improve throughput and reduce labor dependency, reconfiguring machining lines to consolidate processes and cut manpower costs, and optimizing material usage through R&D to reduce forging input weights—ultimately lowering raw material expenses.

Diversification key to HFL consistently outperforming industry…

➢ Diversifying through entering newer segments…

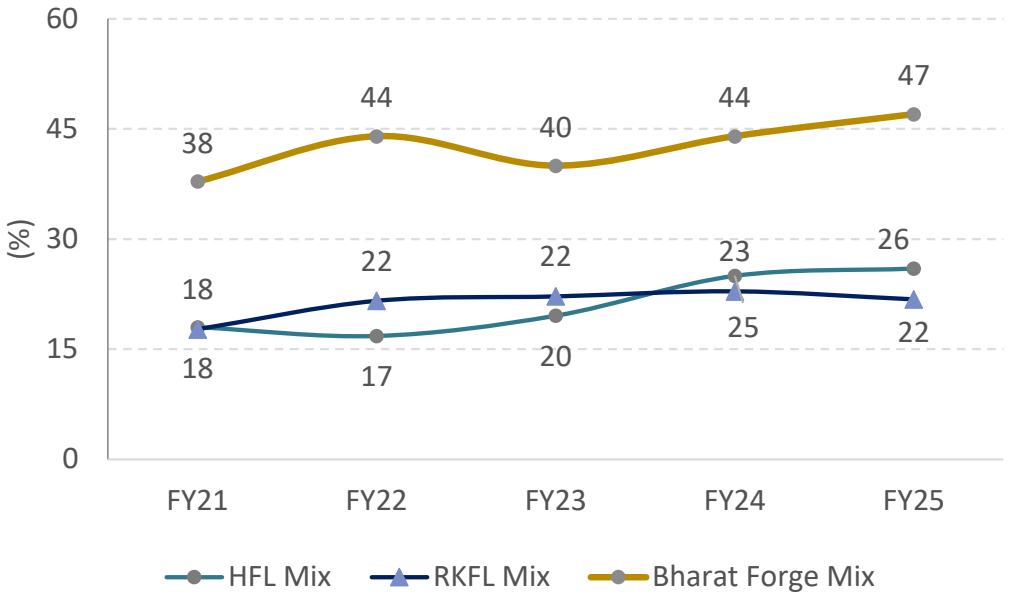
- Happy Forgings (HFL) has strategically diversified its product portfolio and customer base across various industry segments, which has significantly contributed to its resilience, growth, and profitability over the years. Historically, HFL's revenue was heavily reliant on cyclical automotive sectors like Commercial Vehicles (CVs) and Farm Equipment (FE), contributing >75% of its revenues until FY24**. By expanding into new, less cyclical segments such as Off-highway vehicles and Industrials** (including wind energy, oil & gas, power generation, railways, defense, aerospace, and marine applications), HFL has **reduced its dependency** on these core automotive segments.
- For instance, despite weak demand & downturn in the CV market in FY25 and tractor industries in FY24, HFL was able to post an overall 7% average growth over those 2 years- due to strong performance in its Industrial segment. This diversification acts as a buffer against market fluctuations in specific sectors.

Exhibit 13: Healthy Mix of Auto & Non-Auto has ensured better growth as well as reduced cyclicality…. Non-Auto Mix expected to increase from current 26% to ~32% by FY28E…



Source: Company, Dalal & Broacha Research

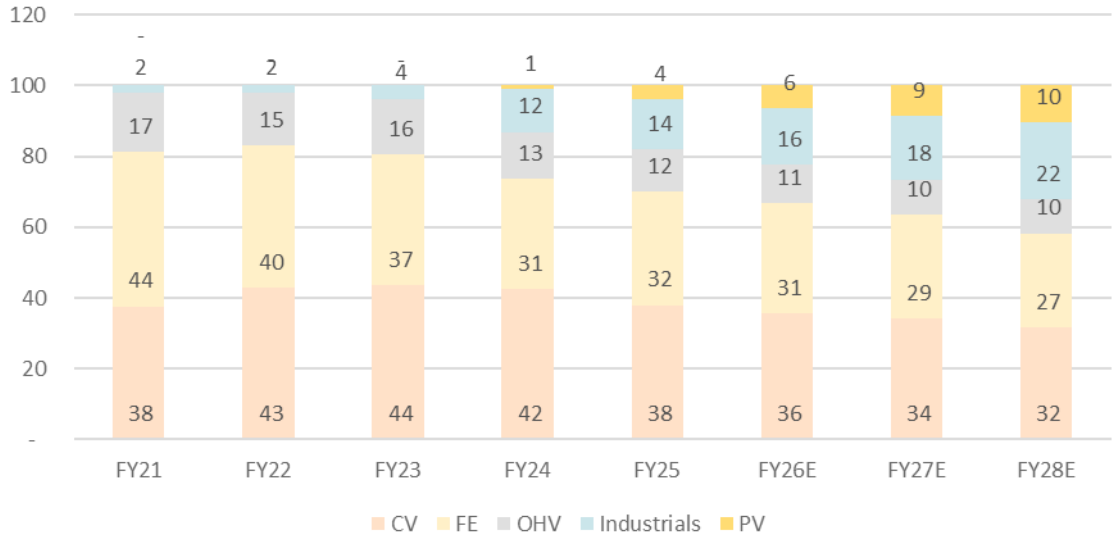
Exhibit 14: HFL's Non-Auto exposure has increased faster than its peers in recent times



Source: Company, Dalal & Broacha Research

While core segments like Commercial Vehicles (CV), Farm Equipment (FE), and Off-Highway Vehicles (OHV) are expected to grow steadily, their pace moderates over FY26–FY28,. In contrast, Industrial and Passenger Vehicle (PV) segments emerge as key growth drivers for HFL, together contributing nearly 50% of the incremental revenue from FY25 to FY28E. Industrial share will grow from current 14% to 25% by FY28e, while PV share currently lo-single digit~4% will increase multi-fold to a double-digit revenue contribution of ~10% by FY28e.

Exhibit 15: Industrials & PV to spearhead growth & offset sluggish growth in CV Business



Source: Company, Dalal & Broacha Research

➢ Diversifying by continuously expanding product portfolio…

Robust Flow of new orders:

An influx of new orders and product developments is set to drive HFL's growth trajectory over FY26–31. The company has secured six major multi-year MoUs across PV and industrial segments, worth over Rs. 1,600 Crs in the PV and Industrial segments, to be executed over the next 5-8 years, with annual peak sales potential from these orders exceeding Rs. 250 Crs. Additionally, nine new programs across CV, industrial, and farm equipment segments—largely domestic—are scheduled to begin contributing from FY26. These wins not only deepen customer wallet share but also broaden HFL's revenue base across geographies and product lines.

Recently won new orders:

Start Date	Product Description	Segment	Geography	Program Details & Timelines
Apr-24	Brake Flanges – US SUVs	PV	Exports	**₹60–70 Cr p.a. revenue** |Program runs until 2034 -cumulative order value -2034
May-24	E-Axle Components – US	PV	Exports	7-year MoU (FY25–FY31); ramp-up by Q4FY26; **Peak ₹50 Cr p.a.**; ₹320–350 Cr cumulative
Dec-24	Crankshaft – SUVs	PV	Domestic	₹140 Cr MoU; FY26–FY31 **revenue of ₹27 Cr p.a.**; Potential to double to ₹50 Cr per annum at peak
Feb-24	Crankshaft – SUVs	PV	Domestic	₹60–70 Cr p.a.| Program runs until FY30
Nov-24	Crankshaft – Industrials (US)	Industrial	Exports	Begins Q2FY26; 5-year MoU; ₹28 Cr p.a.
Feb-25	Crankshaft – Industrial (US)	Industrial	Exports	Begins FY2028 onwards once new facility is ready; **Minimum ₹95 Cr p.a.**, **up to ₹160 Cr p.a.** at peak

Other New Programs in addition to those mentioned above due for start in FY26 & to contribute to revenue from FY26 onwards…

Description	Segment	Geography	Product
Large Domestic Engine Manufacturer	CV	Domestic	Crankshafts
Industrial/OHV OEM-	Ind.	Exports	Gear Rings & Steering Knuckles
Large Domestic OEM (Crankshafts & Others)	CV	Domestic	Crankshafts
Large Domestic OEM –	CV	Domestic	Front Axle Beams
Large International OEM –	Ind.	Domestic	Output Shafts
Domestic Auto OEM	CV	Domestic	Crankshafts
International FE & Industrial OEM	Ind.	Domestic	Crankshafts
International Tier-1 Component Supplier –	FE	Exports	Gears for Farm Equipment
International Tier-1 Supplier	CV	Exports	Forged Gears

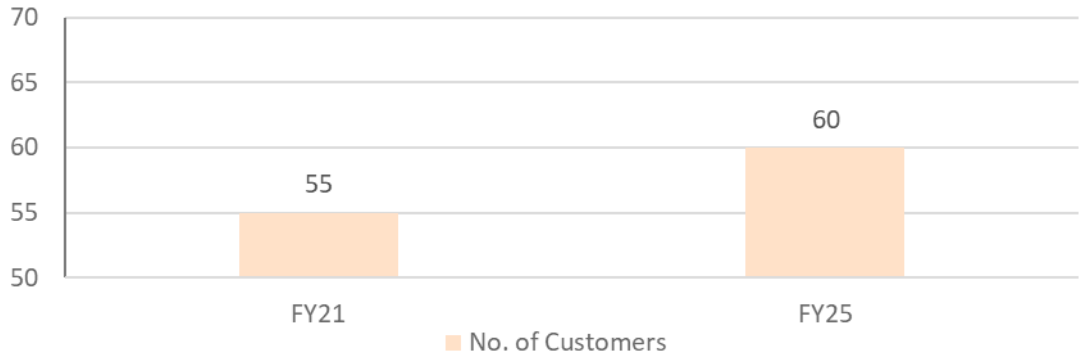
HFL's strong focus on expanding capabilities has fueled its transformation into a multi-segment supplier. Beyond its legacy CV and tractor businesses, it has forayed into new segments like PVs and industrials through a series of new product introductions and customer wins. In CVs, HFL added front axle beams for M&HCV OEMs and secured crankshaft orders from both domestic and global Tier-1 players. The tractor segment saw the addition of a marquee customer and a new large axle shaft product for North America. Meanwhile, its PV business is growing via new platforms with existing clients, a new Indian customer, and two large export orders (brake flanges and e-axles), set to ramp up by FY27E.The industrial segment is another major growth lever, aided by addition of Wind components, portable & industrial gensets, O&G components.

Segment	Key Additions	Expected Outcome
CV	Front axle beams, crankshafts for new M&HCV OEMs (India & global Tier-1s)	Increase share with existing and new clients
Tractors	Large axle shaft (125–130kg) for North America	Entry into export markets, expand wallet share
Passenger Vehicles (PV)	Crankshafts, brake flanges, e-axles (₹0.6bn & ₹0.5bn export orders)	PV contribution to rise from 4% (FY25E) to 8–10% (FY27E)
Industrials (ex-Heavy)	Wind components, portable & industrial gensets	Segment salience to rise from 14% (FY25E) to 17–18% (FY27E)
Heavy Forgings	Large crankshafts for gensets (50–95L), pinions, flanges, marine, O&G components	MoU signed; ₹0.95bn–1.6bn potential; 7–8% global market share

➢ **Diversification at Customer level has helped to reduce dependency…**

Over the years, HFL has steadily broadened its customer base—rising from 55 clients in FY21 to over 60 by FY25—adding new customers almost every year. **In the last 7 years, HFL has added 40+ new customers cumulatively.** This deliberate expansion has not only supported growth but also structurally reduced revenue concentration risk. As a result, dependence on the top-10 customers dropped meaningfully from 79% in FY21 to 70% in FY25. Similar declines are seen across the top 1, 3, and 5 customer brackets as well, highlighting improved diversification and better customer spread across the portfolio.

Exhibit 16: Added a new customer almost each year…



Source: Company, Dalal & Broacha Research

High-Value Machined Exports providing margin Leverage: can be scaled up sizeably in coming years…

➢ Presence Across Geographies:

HFL has presence across four continents—Asia (India), Europe, North America (US), and South America (LATAM)—ensuring a diversified customer base and reduced reliance on any single **region with 29% of its revenue coming from exports—19% direct and 10% indirect**—indicating a strong international customer base. On the profitability front, Europe contributes 16% to revenue, followed by LATAM (2%) and the US (1%), while India still dominates with 81%. This spread reflects HFL's strategic positioning in both mature and emerging global markets, helping mitigate concentration risk.

Exhibit 17: Total exports (Direct + Indirect)~29%…

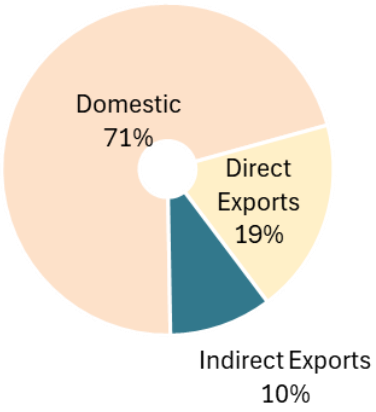
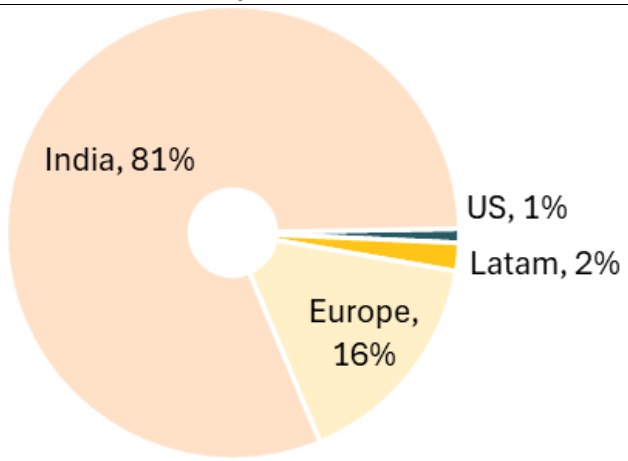


Exhibit 18: Presence spread across 4 continents…



Source: Company, Dalal & Broacha Research

➢ Scope to Penetrate in North America

Happy Forgings (HFL) has significant scope to increase its business in North America, building from its currently minimal direct export exposure of just 1% in FY24. **This expansion is strategically driven by new orders for both PV and industrial components from US OEMs**. Specifically, HFL has secured an INR 280mn annual order from a North American manufacturer of genset equipment, with supplies commencing in Q2FY26. The company is also actively developing a large axle shaft (125-130kg) specifically for the North American market, which will be produced at its new heavyweight plant. This focused strategy on new customers and high-value products in a market where its presence is currently low positions HFL for substantial future growth.

HFL's Share from North America/US is miniscule compared to its peers…

Revenue Share - FY24	North America/US	Overall Exports
Happy Forging	1%	18%
Ramkrishna Forging (RKFL)	26%	43%
Bharat Forge (BFL)- Stand	35%	55%

Source: Various Company PPT's , Dalal & Broacha

➢ Scope to penetrate in PV

HFL's PV (Passenger Vehicle) business is in its early stages but demonstrates strong potential for growth, as seen in peers with higher PV revenue shares. Currently, Happy Forging derives 4% of its revenue from PVs, RKF* generates 2-2.5%, while BFL(Stand) leads with 17%. This suggests significant headroom for HFL to scale up. HFL's diversified presence across multiple nations positions it well to capture a larger share of the global PV market, leveraging international demand and benchmarking against established players**. We expect HFL's PV revenue share to be in double digits by FY28e.**

HFL's PV business has just started & can scale up sizeably like their peers…

Company	PV Revenue Share
Happy Forging	4%
RKFL*	2-2.5%
BFL Stand	17%

Source: Various Companies PPT & Transcripts,*RKFL PV share as on FY24

➢ Riding the Global Tailwinds: >50% of new business wins from Export Customers…

HFL is well-positioned to benefit from structural shifts in the global manufacturing landscape, driven by its focus on exports and international customer acquisition. With the global forging and machining markets poised to grow at ~4% and ~5.2% CAGR respectively till 2029, HFL has strategically grown its export revenue share from 9% in FY21 to 20% in FY24—**backed by 60% of new business wins coming from global markets**. The company is capitalizing on the "China + 1" strategy and Europe's rising production costs by offering cost-efficient, high-quality machined products. India's 10–25% cost advantage over Europe and Latin America further strengthens HFL's position as a preferred sourcing hub.

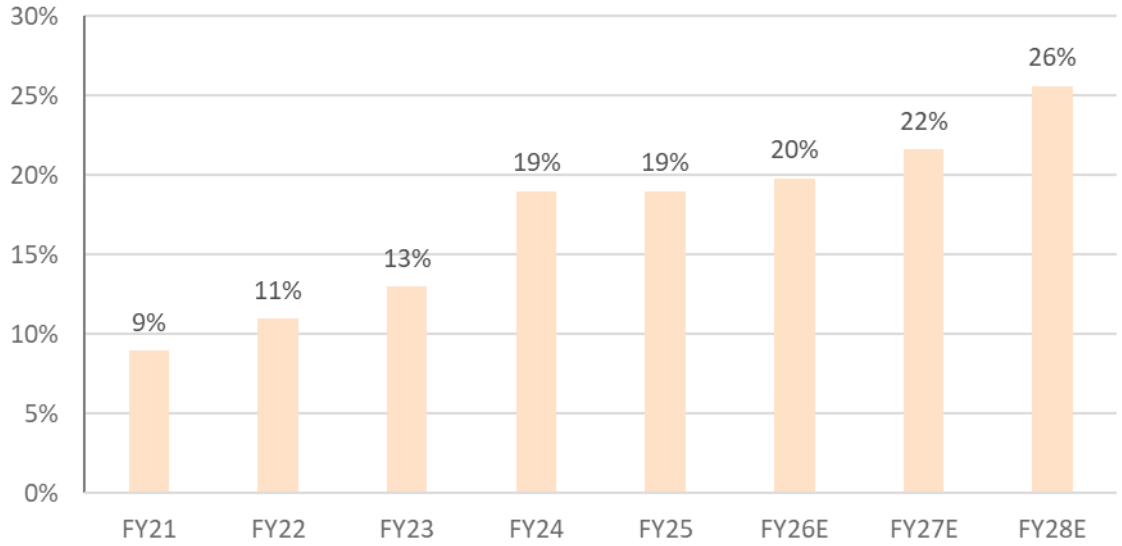
➢ Exports still have significant headroom to grow- estimate >25% export share by FY28e

HFL's export revenue share has steadily risen from 9% in FY21 to ~20% in FY24, we estimate it to grow to 26% by FY28, driven by the fact that ~60% of its recent order wins are export-linked.

Europe (including the UK)- continues to be a key region—contributing ~16% of direct sales in FY25 (25%+ including indirect sales) while US, where direct sales currently form ~1% of FY25 turnover (including indirect ~3% of US exposure in FY25 revenues) remains an underpenetrated market.

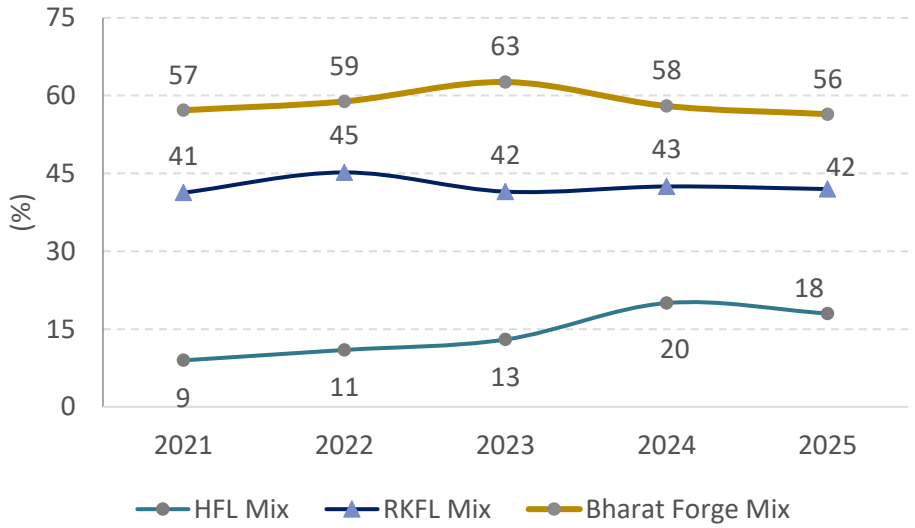
Macro headwinds like a 10% drop in CV volumes and 5% decline in tractor volumes(as per the current outlook given by major OEM customers of HFL for EU & US) may pose temporary headwinds . However with the help of new product additions & by adding new customers, HFL is taking focused steps to penetrate the US market through Tier-1 partnerships and North America-specific product development (e.g., large axle shafts for High HP tractors from its heavyweight plant). **Continuous addition of new products & new customers will support HFL's export ambitions**. This strategic pivot, backed by China+1 sourcing shifts and customer preference for fully machined products, is key to breaching the 30% export revenue mark by FY30e.

Exhibit 19: We estimate exports to contribute >25% of revenue by FY28E…



Source: Company, Dalal & Broacha Research

Exhibit 20: HFL still at a very nascent stage in terms of direct exports as compared to its peers…

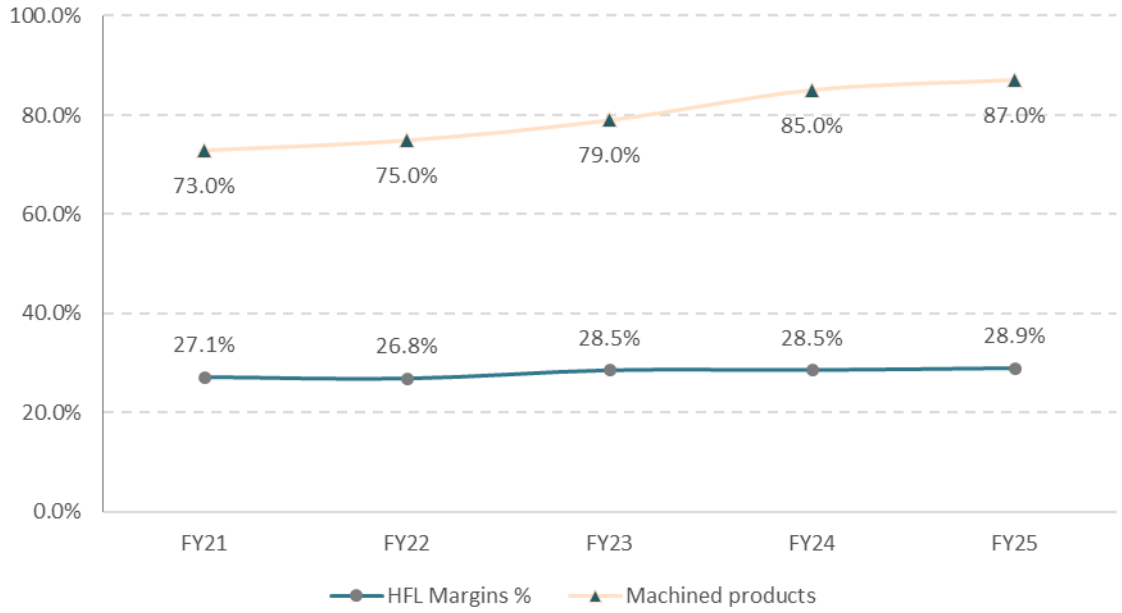


Source: Company PPT, Dalal & Broacha Research

➢ HFL's machining advantage to drive exports as well as boost margins:

Over the past two years, **HFL's export momentum has been driven entirely by orders for fully machined components—a trend consistent across all new business wins**. This aligns well with the company's core strength in producing high-precision, value-added parts critical to global OEMs. Export customers increasingly prefer sourcing machined parts to streamline their own operations and reduce in-house inventory costs. These high-value components contribute up to 42% additional value to the final product and deliver superior profitability. As a result, **export margins are 4–5% higher than domestic sales, reinforcing exports as a key margin-accretive growth lever for HFL.**

Exhibit 21: Healthy Machining Mix with support of exports has enabled HFL to grow margins over the years…

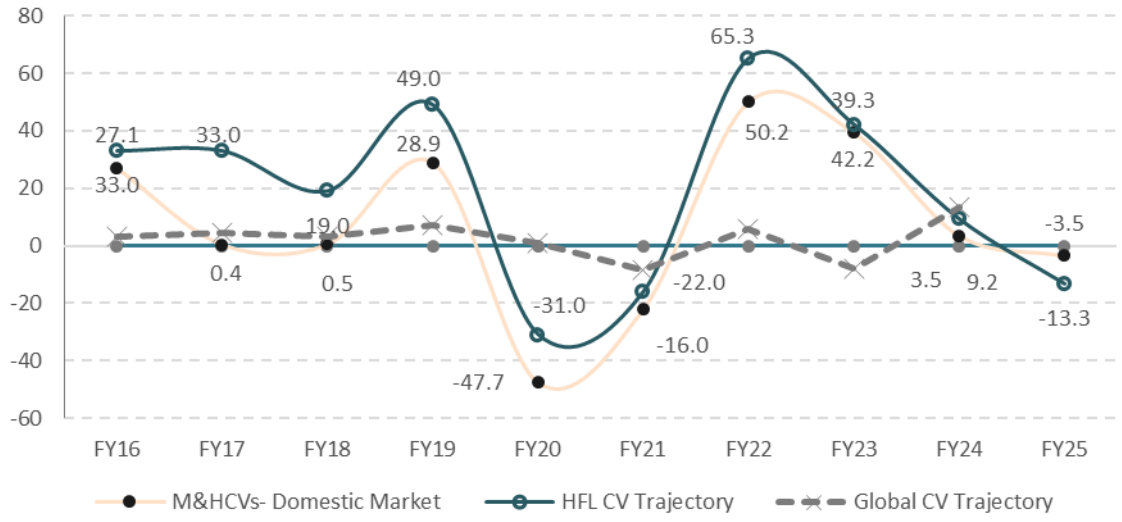


Source: Company, Dalal & Broacha Research

Outperformance Set to Continue for HFL in CV ,FES & OHV Market :-

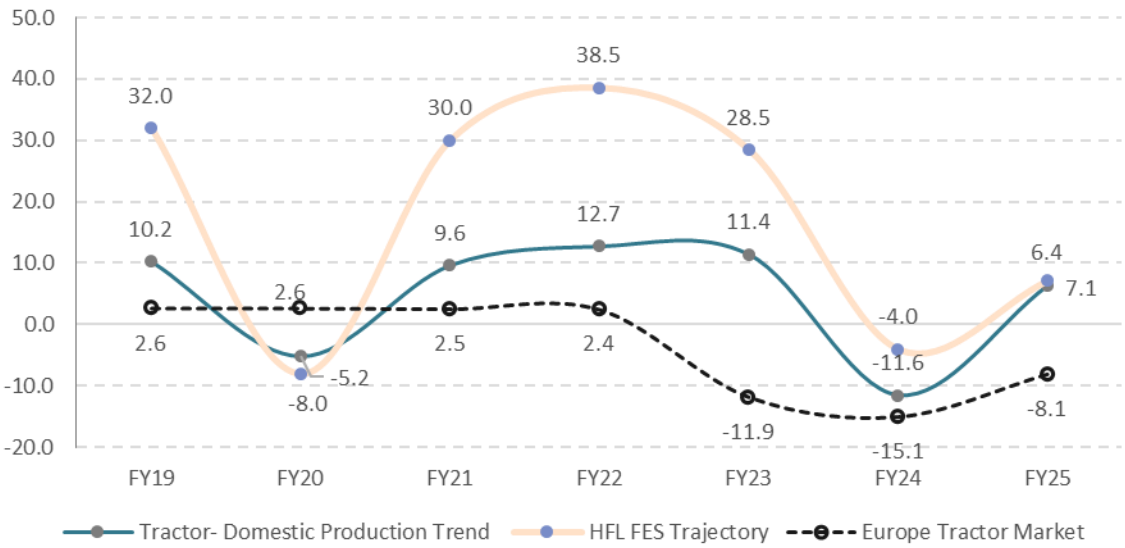
HFL has consistently outpaced the CV & FES Domestic & Global market as depicted below in Chart. In FES, HFL's major exports currently are to Europe, hence we have compared them to Europe tractor market trends.

Exhibit 22: HFL has consistently outperformed both Domestic & Global Growth rate for both CV's



Source: SIAM, OICA, Dalal & Broacha Research (Global CV Market Data available only upto CY23)

Exhibit 23: HFL has outperformed the Tractors Industry growth rate since inception…



Source: TMA, CEMA, Dalal & Broacha Research, Europe Market reflects calendar yearwise growth till CY24

Going forward in CV, we estimate HFL to continue to outpace both domestic & global industry growth rate due to the ramp up of their recently won front axle beam orders in FY26/FY27 & also expect turnaround in domestic CV market from H2FY26 onwards & similar recovery in global from CY26. Similarly, Europe tractor demand saw a decadal low in CY24, although outlook for CY25 is for a single-digit decline, recovery is due long time – we have baked in the same CY26 onwards, once macro geopolitical factors are resolved.

Deepening Customer Moats Through Capability & Relationships.

➢ High Entry Barriers via Intense Vendor Qualification Criteria (3 yrs +)

HFL's customer acquisition involves a stringent vendor selection process lasting up to three years post-RFQ. It requires submission of detailed technical proposals, prototypes, and extensive validation. Though time- and cost-intensive, successful qualification typically results in long-term relationships, as switching vendors post-approval is costly for customers—ensuring sustained business and deeper engagement.

Segment	Key Clients
Commercial Vehicles	AAM (American Axle & manufacturing), SML Isuzu, Mahindra, Ashok Leyland, Dana India (indirect export)
Farm Equipment	Escorts Kubota, Yanmar, Sonalika
Off Highway vehicles	JCB, Hendrickson,
Industrial	Bonfiglioli (Gearmotors & Drive systems), Liebherr, IBCC (CNC Machining Co.), IGW

➢ Long-standing relationships with OEMs and tier-1s across different segments

Over 45 years of operations, HFL has established long-standing relationships with several Indian and global customers across industries. It caters to OEMs and tier-1s serving the farm equipment, CV, off-highway, and industrial sectors, encompassing machinery and equipment used in oil & gas, power generation, railways, and wind turbines.

Customer	Commencement of Relationship	Number of Years of Customer Relationship
Dana India	2002	23 years
VE Commercial Vehicles Limited	2002	23 years
Bharat Gears Limited	2004	21 years
Manufacturer and supplier of automobile gears	2004	21 years
Ashok Leyland	2009	16 years
AAM India Manufacturing Corporation Private Limited	2010	15 years
Manufacturer of locomotives for Indian railways	2011	14 years
Meritor HVS AB	2012	13 years
JCB India Limited	2012	13 years
Mahindra & Mahindra Limited	2012	13 years

Source: Company RHP

➢ HFL is preferred vendor to leading OEM's across segments:

The company supplies to top-5 OEMs in the domestic M&HCV industry and 4 of the top-5 domestic farm equipment OEMs and has a sizeable share in the crankshaft industry. A strong presence in farm equipment and off-highway reduces cyclicality risk in the domestic CV industry. It enjoys a 40% market share in the agriculture industry in India, is a single source vendor to a key OHV OEM for its India Business in the OHV segment.

➢ Customer Presence Across Segments & Geographies:

HFL's broad customer footprint spans both segments and global markets, allowing it to benefit from regional and sector-specific growth. The company currently exports to nine countries including the US, UK, Brazil, Japan, and major European and Asian markets—positioning itself for further international expansion. Its well-diversified client base reduces dependency on any single market or geography.

➢ Focus on Increasing Wallet Share

HFL is eyeing strong growth over next few years with these newly-added customers. It aims to increase wallet share by cross-selling products (crankshafts, gears, and pinion shafts to manufacturers of off-highway vehicles and wind turbine gearboxes) and expanding business with counterparts of existing customers in different geos.Also trying to cross sell products across segments to clients having presence in both auto & non-auto. The new heavy forgings unit will only accelerate HFL's ability to cross-sell products & increase their share of business with customers

As newer clients are added ,dependency on top-10 Customers reduces…

Year	FY21	FY25
Top One	14%	13%
Top Three	35%	34%
Top Five	51%	49%
Top Ten	79%	70%

Source: Company RHP, Dalal & Broacha Research

For instance, it increased its wallet share with an Indian CV manufacturer by developing crankshafts after initially supplying steering knuckles and suspension components. It also expanded business with a UK counterpart of an existing off-highway customer for crankshafts and started supplying components to an Italian counterpart of a wind turbine gearbox manufacturer. This capability allows HFL to capture a larger share of its customers' overall component needs.

➢ Customer stickiness through machining capability..

HFL has strategically evolved from primarily a forging company to a manufacturer focused on fully machined components- Its focus on end-to-end machined products allows it to offer highly complex, high-value components that are critical to its customers' final products creates strong customer stickiness by making HFL an indispensable and trusted partner rather than just a commodity supplier.

HFL's Realisations & Industry-Best Margins still have multiple levers to grow further…

- Upcoming Advanced Heavy Duty Forgings Plant to Double Realisations, Lift Margins (as discussed on Pg 10)
- Margins will expand along with new export wins, higher machining & growth in export share (as discussed in Exhibit 20")
- Solar to bring further power cost savings(as discussed earlier in report on Pg 12)

➢ Increasing 14k ton forging press utilization & Machining capacity utilization

The management estimates HFL's 14,000-ton press utilization—to rise from ~60% in 3QFY25 to a projected 80% over the next 14–18 months—it is expected to significantly aid margin expansion. With recent forging capacity additions, capacities are currently underutilized (fallen below 60% in FY25), a gradual ramp-up is likely as CV and farm equipment demand improves both domestically and in exports. Also, HFL's strong focus on machining (~87% utilization) continues to underpin its superior EBITDA margins & with higher volumes it is expected to further amplify operating efficiencies.

Forging & machining Utilisations both have room to improve from here ....complementing further margin growth…

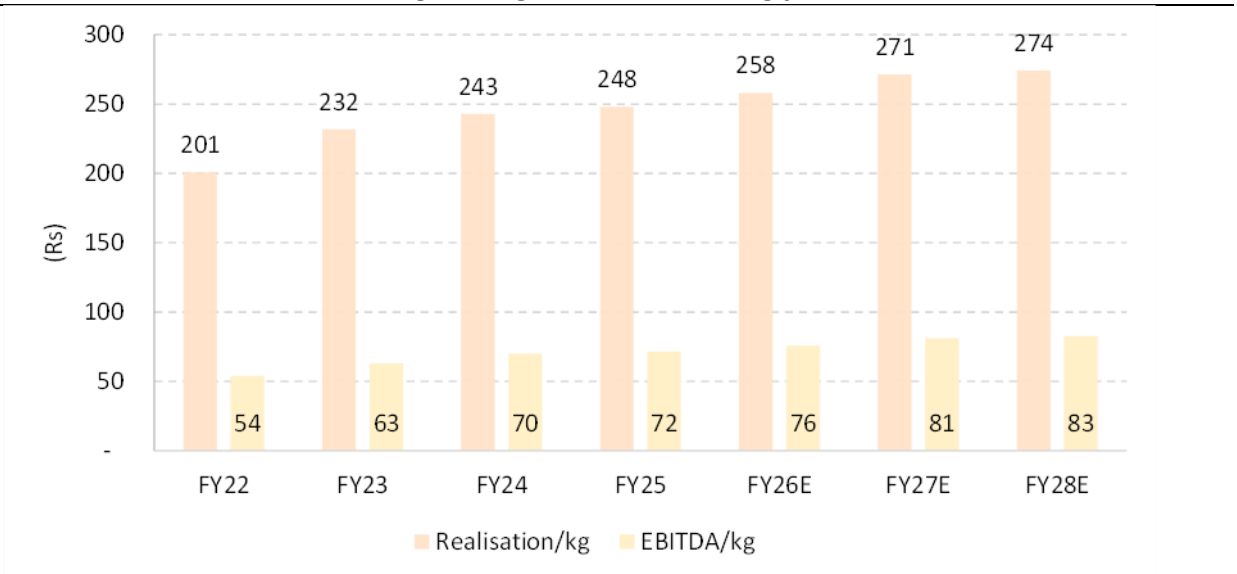
In MT's	FY21	FY22	FY23	FY24	FY25
Forging Utilisation %	60%	67%	63%	58%	57%
Machining Utilisation %	71%	78%	79%	85%	87%

Source: Company PPT, Dalal & Broacha Research

➢ Change in Mix to improve realisations , while normalization of RM prices can help ease margins…

HFL's realisations have improved from ₹165/kg in FY21 to ₹248/kg in FY25 (10% CAGR), supported by a richer machining mix and stronger pricing. Currently trailing only Bharat Forge in per-kg realisations, the management aims to push this further to ₹300/kg through ramp-up in Industrials, PV, and new CV products like front axle beams.On the cost side, billet prices—HFL's key raw material—have risen ~15% over the past two years, keeping input costs elevated. However, with prices now stabilising, margin relief and lower inventory burden are expected going forward.

Exhibit 24: Both Realistions & EBITDA/kg to see growth in the coming years…



Source: Dalal & Broacha Research

➢ Scrap Pricing Recovery: A Direct EBITDA growth Lever

HFL recovers over 30,000 tonnes of scrap annually, translating into nearly ₹100 crore in scrap revenue—contributing ~7% directly to EBITDA. While scrap prices came under pressure in FY25 amid broader weakness in finished steel products like TMT rebars and HRC, the imposition of anti-dumping duties is likely to support a recovery in both steel and scrap prices going forward.

Scrap prices lately under pressure -having a 50 bps impact on HFL's FY25 margins…Expected to recover in FY26/27

	FY21	FY22	FY23	FY24	FY25
Scrap income as a % of sales - adding directly to EBITDA	5.9%	7.5%	7.3%	7.5%	7.0%
Scrap prices/kg (approx.)	23	34	37	37	35

Source: Company, Dalal & Broacha Research

Limited EV Disruption for HFL's Core Segments

HFL faces a limited threat from Electric Vehicles (EVs) due to its primary focus on manufacturing machined components for heavy commercial vehicles (CVs), farm equipment, and off-highway vehicles, as well as industrial components for sectors like oil & gas, power generation, railways, and wind turbines. The adoption of EVs in these heavy-duty segments has been slower compared to two-wheelers and passenger vehicles, mainly due to factors such as **high upfront costs, range limitations, and inadequate charging infrastructure in remote or rural areas.** Furthermore, key components like **crankshafts are expected to remain essential** for heavy-duty automotive engines that run on alternative fuels such as **hydrogen,** compressed natural gas **(CNG**), and liquefied natural gas **(LNG),** requiring minimal or no alterations. HFL has already demonstrated its capability to adapt by supplying crankshafts for CNG vehicles and front axle beams for electric bus applications, indicating its potential to develop new products for EV applications where high precision is required. The sources suggest that the impact of electrification will be negligible on CVs, tractors, and off-highway vehicles, ensuring sustained demand for heavy forged components

Peer Ratios Comparison

Exhibit 25: HFL is 2nd only to RKFL in terms of revenue growth…

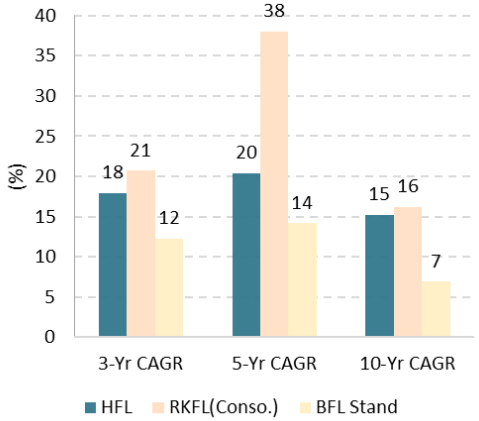


Exhibit 26: HFL has the best EBITDA CAGR in India

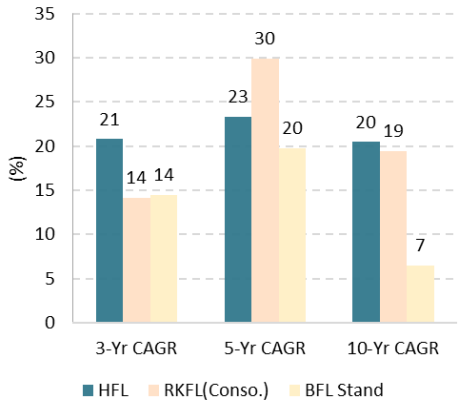


Exhibit 27: HFL has shown the best PAT growth

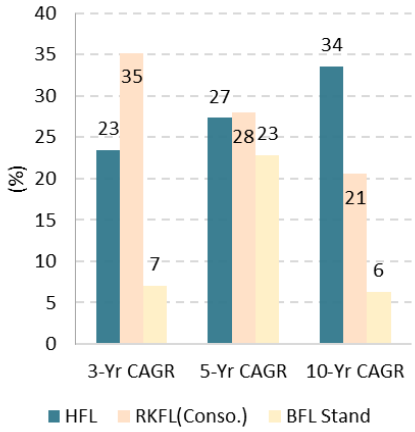


Exhibit 28: HFL has shown superior capital allocation with the lowest Net Debt/EBITDA Ratio over the years

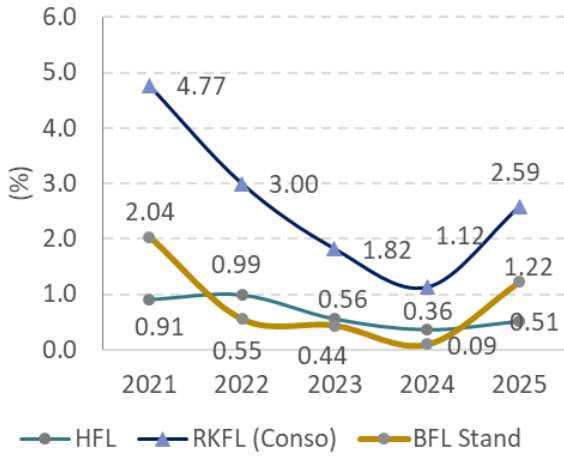


Exhibit 29: Asset Turnover (Gross Block Basis)- HFL has shown the highest operating efficiency…

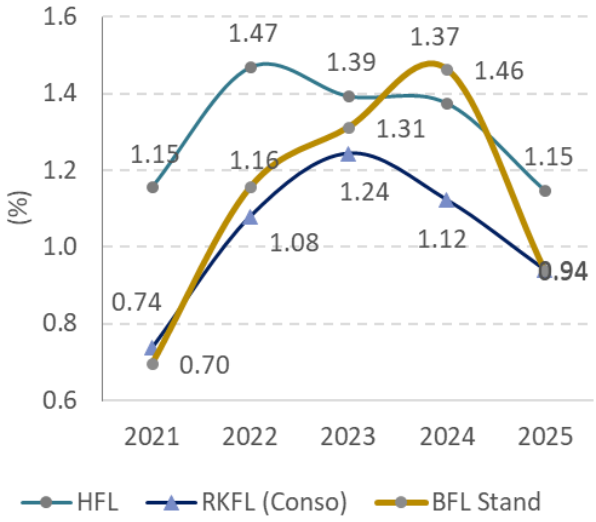
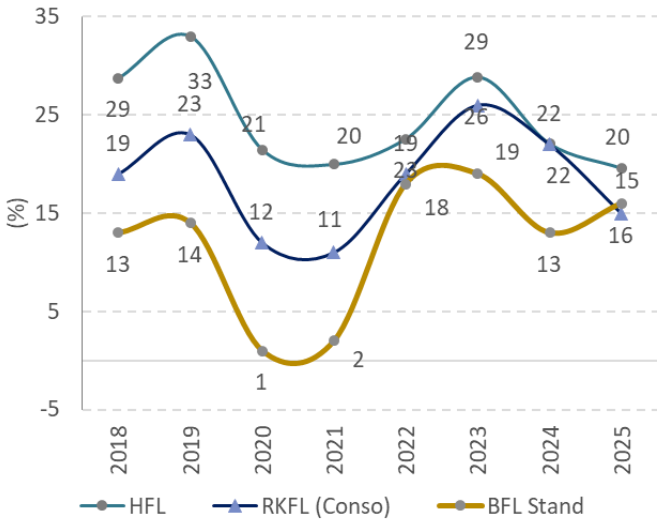


Exhibit 30: HFL has consistently shown better RoCE than peers…



Source: Company, Dalal & Broacha Research,Ace, Tijori,Screener

Financial Ratios

Exhibit 31: Estimate 14% Revenue CAGR from FY25-FY28E…

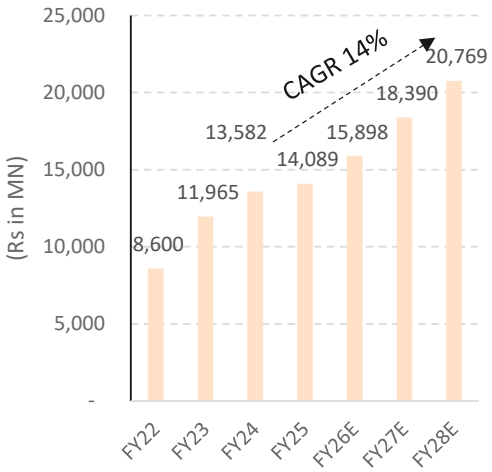


Exhibit 32: 15% EBITDA CAGR from FY25-28E

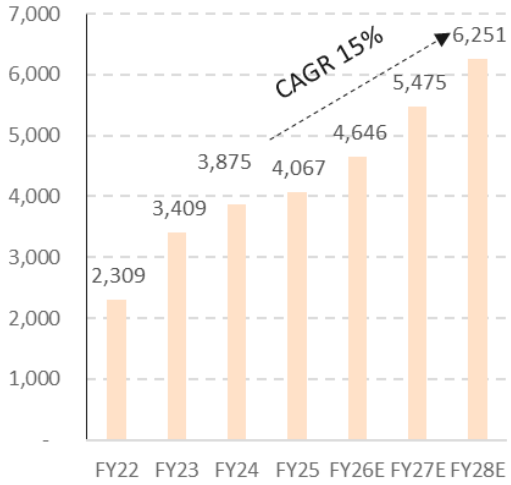


Exhibit 33: PAT CAGR of 13% estimated from FY25-28E

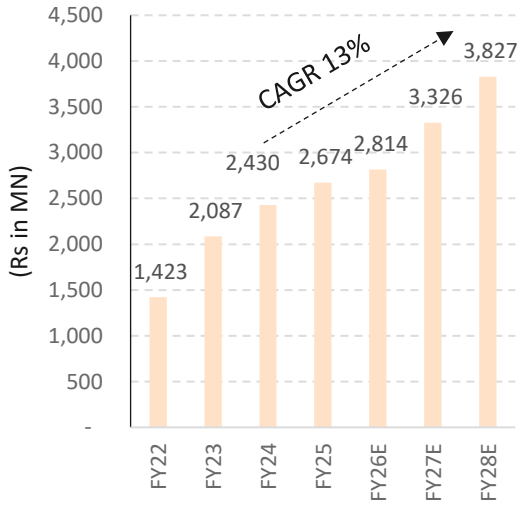


Exhibit 34: 10% Volume Growth estimated from FY25-28E

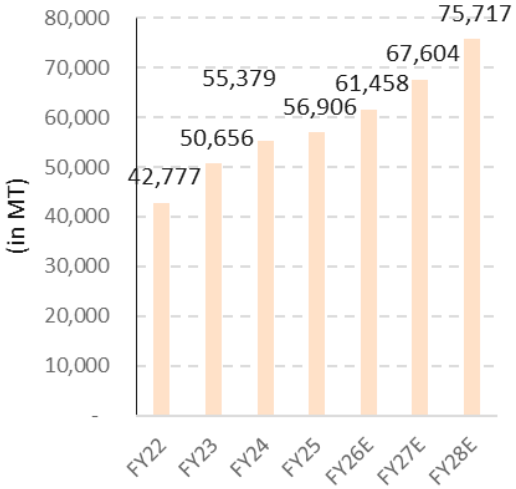


Exhibit 35: Industrials followed by PV to spearhead growth for HFL…

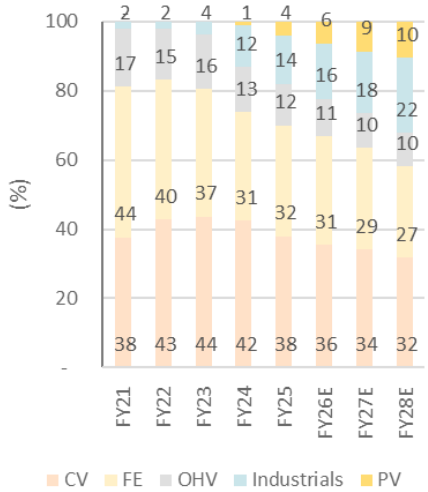
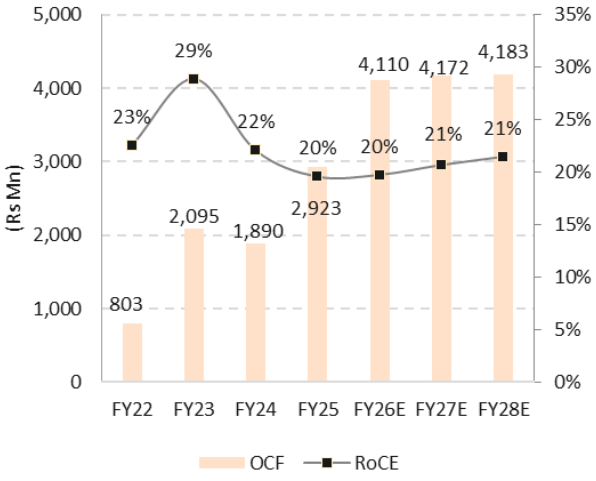


Exhibit 36: ROCF to slightly increase to 21% by FY28E & OCF to grow at 13% CAGR…



Source: Company, Dalal & Broacha Research

Valuation & Outlook

We believe HFL is poised to command a valuation premium over most auto ancillaries given its enviable track record, rich RoCEs (~20%), superior operating metrics (highest asset turns, best WC cycle), and the structural pivot toward high-margin, high-value non-auto segments. FY25–28 will be capex-intensive, compressing near-term FCF, but we expect FY28E to be the inflection point—driven by higher realizations (₹500/kg in the new plant vs. ₹248/kg now), 48–50% EBITDA margins at the new plant, and strong industrial traction.

We estimate a **Revenue/EBITDA/PAT CAGR of 14%/15%/13%** over FY25–28E. PAT margins are likely to see a temporary dip due to elevated depreciation and finance costs during the heavy capex cycle. However, despite conservatively modelling the traditional business (CV/FE) at just **7–8% CAGR, absolute EBITDA is expected to rise by over 50%** by FY28E—reflecting the margin accretion from new segments.

Unlike Bharat Forge (trading at ~35x FY27 EPS as per BB Consensus), HFL is still in its early innings of scale, with better growth runway, leaner cost base, and higher operating efficiency. We assign **a 30x Sep-27E EPS** to HFL, implying **a target price of ₹1,139**—an **18% upside**, **and still at a discount to Bharat Forge despite superior RoCEs and margin profile**. **The company is deploying additional capital in higher margin & RoCE business centered on complex & advanced heavy forgings in India offering room for valuation rerating. Hence we initiate with a "BUY" Rating on the stock**

With China+1, diversified global presence, new MoUs in industrial & PV segments, and significant scope to scale in North America, HFL has all the levers in place to deliver high-teens growth and sustain return ratios well ahead of industry average.

Industry Leading Margins & Solid return ratios – HFL deserves a Premium Multiple

		CAGR (FY25-28E)			EBITDA Margins %			ROE%			PE Ratio		
Companies	**Mcap**	**Rev**	**EBITDA**	**PAT**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
Happy Forgings	**9,107**	**14%**	**15%**	**13%**	**29%**	**30%**	**30%**	**14%**	**14%**	**14%**	**32**	**27**	**24**
Bharat Forge (Consol)	62,615	9%	14%	32%	18%	19%	20%	14%	16%	16%	45	34	31
Ramkrishna Forgings*	12,110	17%	31%	20%	21%	23%	NA	11%	13%	NA	23	20	NA
Craftsman Automation	13,107	17%	23%	50%	16%	17%	17%	13%	16%	17%	34	23	19
CIE Automotive#	16,970	6%	8%	10%	15%	15%	16%	13%	12%	13%	19	18	16
Sansera Engineering	8,535	16%	19%	32%	18%	18%	18%	10%	12%	14%	27	22	17

Source: Happy Forgings are D&B estimates, rest all are as per BB Consensus, RKFL- Mar'28 Estimates – Not available on BB, CIE Automotive follows a Calendar year reporting

Key Risks:

- **Cyclical Downturns in Core Segments**: Slower-than-expected growth or cyclical slowdowns in its primary domestic and international Commercial Vehicle (CV) and farm equipment markets could significantly impact HFL's revenue growth.

- **High Capital Expenditure (Capex) & Ramp-up Delays**: The ongoing high capex phase (e.g., ₹12bn over FY25-27E) is expected to lead to negative free cash flow and could strain financials, particularly if there are delays in ramping up new capacities or if business cyclicity strains its ability to fund these investments.

- **Macroeconomic and Geopolitical Headwinds**: Global macroeconomic slowdowns, rising interest rates, inflation, and geopolitical issues could adversely affect HFL's growing export business.

- **Electric Vehicle (EV) Disruption**: Although currently considered a limited threat due to HFL's focus on heavy-duty and alternative fuel components, there is a risk of faster-than-expected EV adoption significantly impacting its traditional product portfolio like crankshafts, especially if Battery Electric Vehicles (BEVs) gain traction in commercial and off-highway segments.

- **Commodity Price Volatility:** Higher-than-expected raw material or commodity costs could exert pressure on HFL's profitability and margins

About the Company:

Happy Forgings - Incorporated in July 1979, Happy Forgings Limited is an Indian manufacturer specializing in designing and manufacturing heavy forgings and high-precision machined components The company manufactures high precision products such as crankshafts, front axle carriers, steering knuckles, differential housings, transmission parts, pinion shafts, suspension products & valve bodies. HFL's focus on heavy forgings & complex parts(can forge components upto 250 kgs) has helped it carve a separate niche for itself in the market & capture a sizeable market share in the products they cater. Today HFL stands as the 2nd largest CV & High-HP Industrial Crankshafts manufacturer in India. With ~127000 tonnes of forging capability, 57,000 tonnes of machining capacity, 3 manufacturing facilities & 45 years of history ; HFL is one of the largest Engineering-led manufacturer of complex and safety-critical, heavy forged and high-precision machined components in India.

RM Procurement & Working Capital Management:

HFL sources its key raw material—semi-finished steel billets—exclusively from leading suppliers such as Tata Steel, JSW, Kalyani Steel, and Vardhaman, ensuring quality consistency and strong supplier reliability. Procurement is done via purchase orders without long-term contracts, giving the company flexibility to reject defective lots and recover warranty claims.

While RM cost pass-through occurs with a 1-month lag domestically and 1-quarter lag in exports, HFL maintains 65–70 days of inventory to avoid supply disruptions. Export sales add to working capital intensity due to door-to-door delivery, resulting in 137 & 143 inventory days respectively for FY24/FY25(includes goods in transit). Debtor days stood at 96 days/110 days in FY24/FY25 (guided to normalize to ~90 days in the sustainable medium term), while sustainable creditor days will be ~30 days . HFL expects improvement as export-related WC stabilizes and operational efficiencies kick in.

Details of manufacturing facilities		
Manufacturing facility	**Products manufactured**	**Year of Commencement**
Kanganwal Facility I	Forging of brake flange, bush, camshaft, crankshaft, connecting rod, crown wheel, differential case, housing, planetary carrier, pinion shaft, piston pin, ring gear, shafts, steering knuckle, suspension bracket and valve body.	1995
Kanganwal Facility II	Machining and forging bush, connecting rod differential case, camshaft, crankshafts and suspension bracket and machining of the products forged in the Kanganwal Facility II	2006
Dugri Facility	Forging and Machining of brake flange, crankshaft, differential case, front axle beam, planetary carrier, pinion shaft, ring gear, steering knuckle, suspension bracket and valve body.	2021

Happy Forgings Ltd. – Dugri Plant (Ludhiana) Visit Highlights

Plant Scale & Infrastructure

- Installed capacity of **1 million crankshafts per annum**.
- Plant spread across **~17 lakh sq. ft.**, of which **8–9 lakh sq. ft.** is built-up; balance **~8 lakh sq. ft.** vacant land offers scope for **₹1,000+ Cr capex** expansion.
- Operations run **2 shifts of 12 hours/day**, with Sundays and public holidays observed as non-working days.

Forging Capabilities & Infrastructure

- Peak forging capacity: up to **250 kg** component weight and **1.2 meters** in length.
- **14,000-tonne press** primarily used for forging components >60 kg (up to 240 kg).
- **Mechanical presses** imported from **TMT Russia**; **Torina 6300 GLF** also operational.
- Other key forging infrastructure includes:
    - **Trimming presses from ISGEC**
    - **Electromech OH Cranes**, **IBH Heater Units**
    - **Hammers ordered from Rattan Hammers**
    - **Inductotherm induction heating systems**

Automation & Robotics

- **6 ABB robots** currently in operation; **4 more to be added** soon for increased automation.
- Focused on precision automation in forging and machining workflows.

Machining Operations

- **Machining involves ~25–26 sub-processes**; industrial machining significantly more complex than automotive.
- Tolerance levels maintained at **~5 microns**.
- Key sub-processes include:
    1. Facing & Centering
    2. Pin Wheeling
    3. Industrial Hardening
    4. Tempering Furnace
    5. Tunnel Gauging Station
    6. Precision Grinding – **Landice & Junker** machines
    7. Final Finishing & Inspection
- Quality corrections and measurements are done using **ADCOCE systems**.

Tooling, Simulation & Die Design

- **Die life: 30–50 years**, depending on application.
- Die design & simulation executed using advanced CAD platforms:
  - **3D modeling: Siemens Vx & SolidWorks**
  - **2D drafting: BRICS CAD**
  - **Metal forming simulation: Vera CAD**
- Simulation mandatory for each new forging design to minimise scrap and improve first-time yield.

Raw Material Management

- Main raw material: **semi-finished steel billets**
- Suppliers include top-tier players such as **Tata Steel, JSW, Kalyani Steel, and Vardhaman**.
- Minimum inventory: **~2,000 MT steel billets** maintained at any time.
- RM order lead time: **~1 month**
- Billets stored and inspected in a dedicated RM yard for quality control.
- HFL's **input-output yield exceeds 85%**, indicating strong material efficiency.

Plant Visit

Key Management

Paritosh Kumar
Chairman & Managing Director
- ~45 years of experience in the industrial sector
- Bachelor's degree in arts from S.C. Dhawan Government (Evening) College, Ludhiana, Panjab University
- Involved in the strategic decision making of HFL, oversees the company's business activities and is proficient in financial management, budgeting involved in setting up the governance standards

Ashish Garg
Managing Director
- Has ~18 years of experience in the industrial sector
- Holds a bachelor's degree in science (accounting and finance), and a master's degree in science (manufacturing systems engineering) from the University of Warwick, UK
- Responsible for managing the company's business operations, financial performance, growth strategies and investments in different capacities and product developments

Megha Garg
Whole Time Director
- Has ~ 9 years of experience in the industrial sector
- Holds a bachelor's degree in science (economics) from the University of Nottingham, United Kingdom Responsible for managing the digital marketing to engage prospects and capture leads and spearheading ESG initiatives

Narinder Singh Juneja
Chief Operating Officer
- Has over 50 years of experience in the industrial sector
- Holds a post graduate diploma in mechanical engineering (machine tools operation and maintenance) from Y.M.C.A. Institute of Engineering, State Board of Technical Education, Haryana

Sushant Pustake
Chief Operating Officer
- Has over 40 years of experience in high-tech manufacturing & operations, green field project management, operational excellence and productivity improvement
- Holds a bachelor's degree in Metallurgical Engineering from College Of Engineering, Pune (C.O.E.P.)

Patwinder Singh
Chief Operating Officer
- ~ Has over 22 years of overall experience
- Holds a bachelor's degree in science from Guru Nanak Dev University, and a master's degree in business administration from
- CSM Institute of Graduate Studies

Pankaj Kumar Goyal
Chief Financial Officer
- He has over 23 years of experience in the finance sector
- Holds a bachelor's degree in commerce from Government College, Malerkotla, Punjabi University, and is a Fellow Member of the Institute of Chartered Accountants of India

Mangesh Shantaram Purandare
Chief Markating Officer
- He has over 27 years of experience in the marketing sector mainly in auto components including Castings / Forgings / Gears and Bearings
- Holds a bachelor's degree in engineering (industrial) and a master's degree in business administration from University of Pune

Product Profile Comparison Between Major Peers:

Automotive- M&HCV & PV	BFL	RKFL	HFL
Engine			
Crankshaft	✔	✔	✔
Connecting Rod	✔	✔	✕
Emission/After treatment	✔	✕	✕
Fuel Injection System	✔	✕	✕
Chassis			
Front Axle Beams	✔	✔	✔
Steering Knuckles	✔	✔	✔
Control Arm, Knuckle , Fork	✔	✕	✕
Reinforcement Bracket	✔	✕	✕
Transmission & Driveline			
Main & Counter shafts (Transmission)	✔	✕	✔
Input Shaft & Output Shaft (Transmission)	✔	✔	✔
Cylindrical Gears (Transmission)	✔	✔	✔
Spindle (Driveline)	✔	✔	✔
Gear with net form teeth (Driveline)	✔	✔	✔
Tandem Axle components (Driveline)	✔	✕	✕
Differential Case	✔	✔	✔
Other Components (tube flange, tube yokes,tube shafts,,etc)	✕	✔	✕

Farm equipment	BFL	RKFL	HFL	
1,2,3 & 4 cylindrical forged crankshafts	✔	✔	✔	
Rear Axle Shafts	✔	✔	✔	
Crown Wheel	✔	✔	✔	
Pinion	✔	✔	✔	
Transmission Shafts & Gears	✔	✔	✕	
High HP Axle shafts	✕	✕	✔	**HFL to enter at new heavy forging plant**
Trailer Axle Assemblies	✔	✔	✕	
Off Roads , Highway				
Crankshafts	✔	✕	✔	
Spindle				
Undercarriage (Track Link)	✔	✔	✕	**HFL Plans to enter here…**
Linkage System	✕	✔	✔	
Other Parts :-Bucket, Shovel, backhoe bucket, bucket tooth ,etc	✕	✔	✕	

Industrials	BFL	RKFL	HFL	
Wind Turbone Components				
Planetary Gearbox	✔	✘	✔	
Pinion shafts	✔	✘	✔	
Railways				
Engine				
Crankshafts	✔	✘	✘	
Connecting Rod	✔	✘	✔	
Carrier Piston	✔	✘	✘	
Piston Crown	✔	✘	✔	
Top Deck End & Center	✔	✘	✘	
Retainer Cylinder head	✔	✘	✘	
Camshafts			✔	
Turbocharger				
Turbine Wheel Impeller Balance Assem	✔	✘	✘	
Machined Compressor Impeller	✔	✘	✘	
Turbine Disc Bucket Assembly	✔	✘	✘	
Bogie Components				
Gearbox Support	✔	✘	✘	
Motor Support	✔	✘	✘	
Primary Support	✔	✘	✘	
Machined locomotive axle	✔	✘	✘	
Forged Gear Blank	✔	✘	✘	
Forged Portal Axle	✔	✘	✘	
Bogie Frames- Vande Bharat, LHB, Met	✘	✔	✘	
Oil & Gas				
Subsea				
Spool Body	✔	✘	✘	**AT the new heavy forgings plant - HFL plans to create a holistic Oil& Gas portfolio similar to Bharat Forge.**
Mandrel	✔	✘	✘	
Connectors	✔	✘	✘	
Ring	✔	✘	✘	
Toothed Crushed Hammer	✘	✔	✘	
T-joints & forging	✘	✔	✘	
Surface				
Fabrication Frame	✔	✘	✘	
Casing Spool	✔	✘	✘	
Gate Valve body	✔	✘	✔	
Valve bonnet	✘	✔	✘	
Shell	✔	✘	✘	
Y Block	✔	✘	✘	
Drilling				
Quintplex fluid end	✔	✘	✘	
Single Cylinder Fluid end	✔	✘	✘	
Double Bop	✔	✘	✘	
Pinion	✔	✘	✘	
Ring	✔	✘	✘	
Crankshaft	✔	✘	✘	
Spindle	✔	✘	✘	

Financials

P&L (Rs mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	11,965	13,582	14,089	15,898	18,390	20,769
Total Raw material consumed	5,511	5,966	5,917	6,637	7,632	8,515
Employee Cost	878	1,145	1,248	1,435	1,651	1,849
Other Expenses	2,168	2,597	2,857	3,180	3,632	4,154
Operating Profit	3,409	3,875	4,067	4,646	5,475	6,251
Depreciation	542	647	771	881	1,143	1,393
PBIT	2,867	3,228	3,296	3,764	4,332	4,858
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	3,804	4,435	5,103
Share of JV/Associates	-	-	-	-	-	-
PBT	2,800	3,244	3,596	3,804	4,435	5,103
Provision for tax	713	814	921	951	1,109	1,276
PAT (From continuing operations)	2,087	2,430	2,674	2,853	3,326	3,827
PAT (From Discontinuing operations)	-	-	-	-	-	-
MI						
Reported PAT	2,087	2,430	2,674	2,853	3,326	3,827
Adjusted Profit	2,087	2,430	2,674	2,853	3,326	3,827

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	20,877	23,826	27,230
Net worth	**9,883**	**16,125**	**18,495**	**21,066**	**24,015**	**27,418**
Minority Interest	-	-	-	-	-	-
Non Current Liabilites	812	316	393	893	1,393	1,143
Current Liabilites	2,566	2,418	3,263	3,251	3,199	2,635
Other Liabilities(associated with discontinued operations/ assets held for sale)	-	-	-	-	-	-
TOTAL LIABILITIES	**13,262**	**18,860**	**22,152**	**25,210**	**28,607**	**31,196**
Non Current Assets	**8,362**	**11,442**	**12,966**	**16,315**	**19,459**	**21,932**
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	1,705	1,972	2,227
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	1,297	1,501	1,695
Current Assets	**4,893**	**7,418**	**9,186**	**8,895**	**9,148**	**9,264**
Current investments	-	-	-	-	-	-
Inventories	1,696	2,242	2,324	2,613	3,023	3,414
Trade Receivables	3,081	3,569	4,265	4,138	4,534	5,121
Cash and Bank Balances	0	6	129	1,299	1,064	507
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
Asssets Held for sale	6	-	-	-	-	-
TOTAL ASSETS	**13,262**	**18,860**	**22,152**	**25,210**	**28,607**	**31,196**

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**	**3,804**	**4,435**	**5,103**
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**	**4,898**	**5,790**	**6,645**
(Inc)/Dec in						
Working capital adjustment	(779)	(956)	(880)	38	(452)	(1,132)
Gross cash generated from operations	**2,687**	**3,053**	**3,561**	**4,936**	**5,338**	**5,513**
Direct taxes paid	(638)	(814)	(921)	(951)	(1,109)	(1,276)
Others	45	(348)	284	112	(58)	(55)
CF from Oper. activities	**2,095**	**1,890**	**2,923**	**4,097**	**4,172**	**4,183**
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/(utilised)	(0)	6	123	1,169	(234)	(557)
Cash at start of the year	0	0	6	129	1,299	1,064
Cash at end of the year	0	6	129	1,299	1,064	507
Balance sheet	0	6	129	1,299	1,064	507

Source: Dalal & Broacha Research

Ratios	FY23	FY24	FY25	FY26E	FY27E	FY28E
OPM	28.49%	28.53%	28.87%	29.22%	29.77%	30.10%
NPM	17.36%	17.71%	18.49%	17.66%	17.78%	18.09%
Tax Rate	25.47%	25.10%	25.62%	25.00%	25.00%	25.00%
Growth Ratios (%)						
Net Sales	39.12%	13.51%	3.73%	12.84%	15.67%	12.94%
Operating Profit	47.67%	13.67%	4.95%	14.23%	17.86%	14.17%
PBT	45.82%	15.84%	10.85%	5.79%	16.59%	15.07%
PAT	46.69%	16.43%	10.07%	6.67%	16.59%	15.07%
CFO/EBITDA Ratio	0.60	0.47	0.66	0.84	0.72	0.63
CFO/PAT Ratio	1.00	0.78	1.09	1.44	1.25	1.09
Per Share (Rs.)						
Net Earnings (EPS)	22.14	25.78	28.38	30.27	35.29	40.61
Cash Earnings (CPS)	27.89	32.65	36.56	39.62	47.42	55.39
Payout ratio	6%	16%	11%	13%	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	223.53	254.83	290.94
Free Cash Flow	349	71	512	(20)	355	266
Valuation Ratios						
P/E(x)	43.62	37.47	34.04	31.91	27.37	23.79
P/B(x)	9.21	5.65	4.92	4.32	3.79	3.32
EV/EBIDTA(x)	27.27	23.86	22.91	19.85	16.89	14.76
Div. Yield(%)	0.13	0.41	0.31	0.41	0.47	0.52
FCFF Yield(%)	0.38	0.08	0.56	(0.02)	0.39	0.29
Return Ratios (%)						
ROE	21.12%	15.07%	14.46%	13.54%	13.85%	13.96%
ROCE	28.87%	22.07%	19.58%	19.71%	20.65%	21.43%

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.
D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com
D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.
D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.
SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.
D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report-:

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any

copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read “Risk Disclosure Document for Capital Market and Derivatives Segments” as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com