



## Highest-Ever Quarterly Volume, Resilient margins, Consistent Execution

**Outlook-** Happy Forgings Ltd. (HFL) delivered a strong Q4FY26 performance, reporting its highest-ever quarterly revenue, profitability, and finished goods volumes, despite continued weakness in export-oriented CV and off-highway markets. The company demonstrated strong execution through improved product mix, higher machining contribution, and operating leverage, resulting in a record EBITDA margin of 31.5% during the quarter. Stable realizations at ~₹245/kg despite raw material volatility reflected the company's strong positioning in precision-engineered and value-added products.

Finished goods volumes grew 20.6% YoY to 17,298 MT during Q4FY26.

For FY26, revenue grew 9.8% YoY to ₹1,546 Cr, EBITDA increased 15.7% YoY to ₹471 Cr, and adjusted PAT grew 13% YoY to ₹302 Cr, reflecting strong operational discipline, healthy cash flow conversion, and sustained margin expansion.

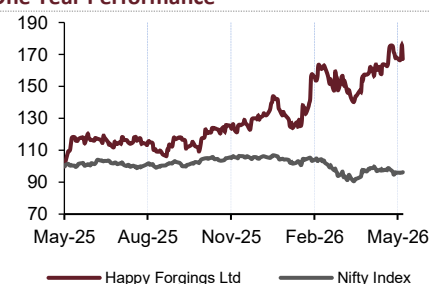
Rating	TP (Rs)	Up/Dn (%)
<b>HOLD</b>	<b>1,372</b>	<b>0</b>

### Market Data

Current price	Rs	1,379
Market Cap (Rs.Bn)	(Rs Bn)	130
Market Cap (US \$ Mn)	(US \$ Mn)	1,352
Face Value	Rs	2
52 Weeks High/Low	Rs	1490 / 805.05
Average Daily Volume	('000)	170
BSE Code		544057
Bloomberg		HAPPYFOR.IN

Source: Bloomberg

### One Year Performance



Source: Bloomberg

% Shareholding	Mar-26	Dec-25
Promoters	78.48	78.50
Public	21.52	21.50
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Source: Bloomberg

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Net sales	11,965	13,582	14,089	15,463	18,311	21,695
EBIDTA	3,409	3,875	4,067	4,706	5,569	6,719
Margins (%)	28.5	28.5	28.9	30.4	30.4	31.0
Adjusted net profit	2,087	2,430	2,674	3,016	3,496	4,307
EPS (Rs)	22.1	25.8	28.4	32.00	37.1	45.7
P/E (x)	54	46	42	37	32	26
EV/EBITDA (x)	33	29	28	24	20	17
RoCE (%)	28.87%	22.07%	19.58%	19.15%	20.70%	22.37%
RoE (%)	21.12%	15.07%	14.46%	14.17%	14.33%	15.23%

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## Q4FY26 Snapshot

(Rs.Mn)	Q4FY26	Q4FY25	YoY Growth	Q3FY26	QoQ Growth
<b>Revenue from Operations</b>	<b>4,238</b>	<b>3,520</b>	<b>20%</b>	<b>3,913</b>	<b>8%</b>
Other Income	60	100	-40%	82	-26%
Total Mfg Cost	1,722	1,455	18%	1,609	7%
<b>Gross Profit</b>	<b>2,516</b>	<b>2,064</b>	<b>22%</b>	<b>2,304</b>	<b>9%</b>
Employee Benefits Expense	364	323	13%	344	6%
Other Expenses	818	719	14%	756	8%
Total Expenses	2,904	2,497	16%	2,709	7%
<b>EBITDA (Excluding Other Income)</b>	<b>1,334</b>	<b>1,023</b>	<b>30%</b>	<b>1,012</b>	<b>32%</b>
Depreciation and Amortisation Expenses	245	203	21%	224	9%
EBIT / PBIT	1,149	920	25%	1,061	8%
Finance Costs	38	25	55%	25	55%
Profit before share in profit of associate & tax	1,111	896	24%	1,037	7%
Share in profit of associate (net of tax)		-		-	
<b>PBT after share of profit from jv</b>	<b>1,111</b>	<b>896</b>	<b>24%</b>	<b>1,037</b>	<b>7%</b>
Tax Expense	275	219	25%	247	11%
<b>Net Profit after Tax</b>	<b>836</b>	<b>676</b>	<b>24%</b>	<b>790</b>	<b>6%</b>
Adj Earning Per Share	8.88	7.18	24%	8.38	6%
<b>Margins (%)</b>			<b>(in Bps)</b>		<b>(in Bps)</b>
Gross Margins	59.4%	58.7%	72	58.9%	48
EBITDA Margins (Excl Other Income)	31.5%	29.1%	242	30.8%	71
PAT Margins	19.7%	19.2%	52	20.2%	-45
				0.0%	
RM as a % to sales	40.6%	41.3%	-72	41.1%	-48
EE Cost as a % to sales	8.6%	9.2%	-57	8.8%	-20
Other exps as a % to sales	19.3%	20.4%	-113	19.3%	-3

Source: Company, Dalal and Broacha Research

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## Concall Highlights:

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

#### 1) Commercial Vehicles (CV – 37% of FY26 Revenue)

- Domestic CV demand remained healthy, supported by infrastructure spending, replacement demand, improved freight utilization and GST rationalization benefits.
- Domestic MHCV industry witnessed strong mid-teen growth during FY26 and Happy Forgings' domestic CV business grew in line with industry trends.
- Export CV business remained weak due to softness in North America and Europe, leading to a single-digit decline in export-oriented CV revenues.
- Management expects recovery in export CV demand during FY27, with gradual improvement from North America and Europe markets.

#### 2) Farm Equipment (FE – 32% of Revenue)

- Domestic farm equipment demand remained strong, aided by favorable monsoons, healthy reservoir levels and improved rural cash flows.
- Increasing farm mechanization and higher horsepower tractor adoption continue to support long-term demand.
- Export farm equipment demand remained soft during FY26, particularly in Europe and the US, though management expects stabilization going forward.
- Farm equipment continues to remain a stable contributor to volumes and profitability.

#### 3) Passenger Vehicles (PV – 6% of Revenue)

- Management highlighted strong visibility of incremental business wins in the PV segment over the next few years.
- PV segment expected to scale meaningfully with contribution likely increasing toward ~10% over the medium term.
- Growth driven by new program additions and increasing penetration into precision-engineered, higher-value products.

#### 4) Industrials (14% of Revenue)

- Industrial contribution expected to increase significantly from ~14% currently to ~30%+ over the medium term.
- Large industrial orders linked to data center applications and export opportunities have been secured
- Management highlighted increasing opportunities in heavy forgings, gensets and large industrial components.
- Industrial segment expected to become a major growth driver and diversification pillar over the next 2–3 years.

### 5) Off Highway Vehicles (~11% of Revenue):

- Global demand in Europe and the US also remained subdued with inventory corrections at OEMs.
- Management expects gradual recovery as global demand conditions improve.
- Domestic construction equipment demand was impacted by slower project execution, delays in infrastructure awards and land approval issues.
- OHV segment remained weak during FY26 across both domestic and export markets.

### Geographic / Export Details:

- Direct exports contributed ~15% of FY26 revenue, while deemed and indirect exports accounted for another ~11%, taking total export-linked exposure to ~26%.
- Export-linked revenues remained under pressure during FY26 due to weakness in CV and off-highway markets globally.
- Management indicated early signs of recovery in exports during Q4FY26 with improving business momentum from North America and Europe.
- New export orders have been secured in gas power, industrial and heavy component applications.
- Export opportunities in industrials and PV segments are expected to drive medium-term growth.

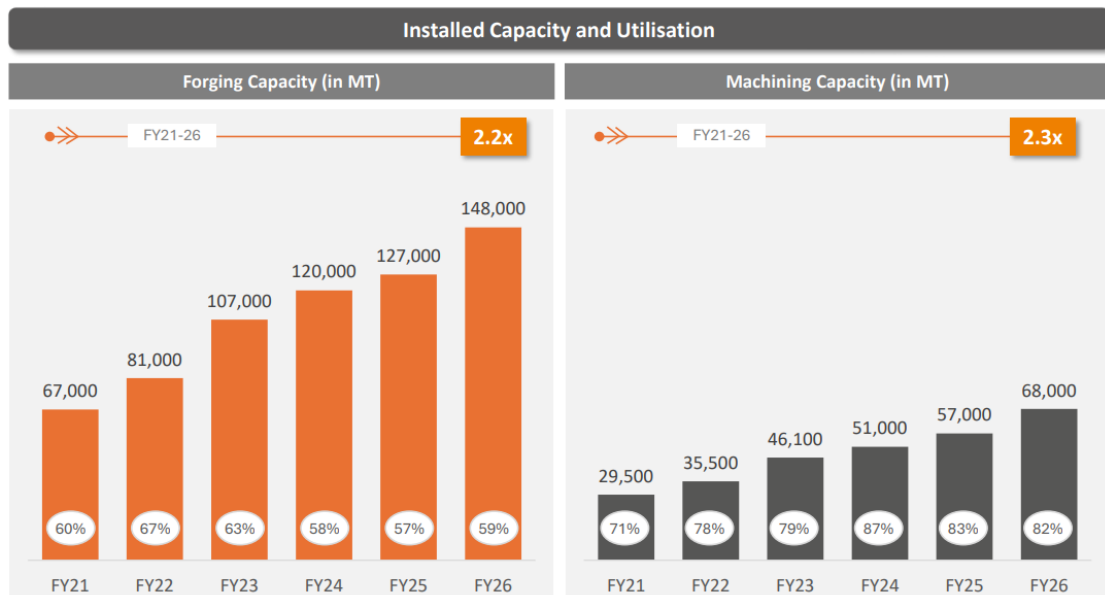
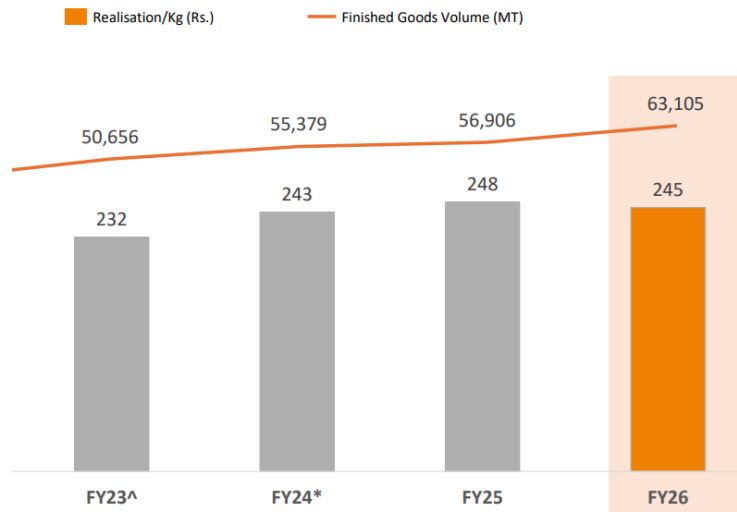
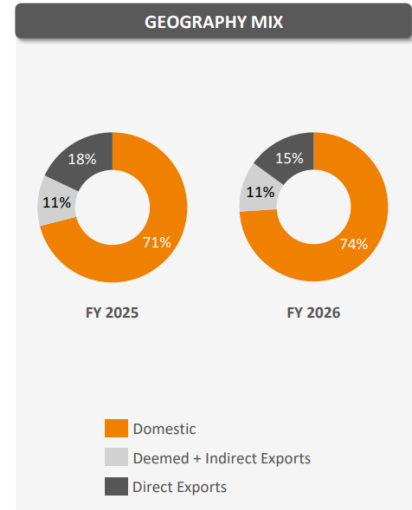
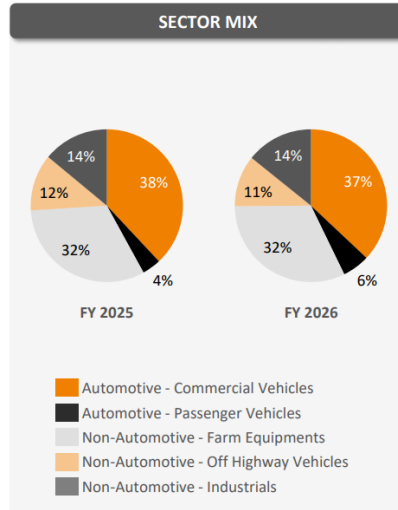
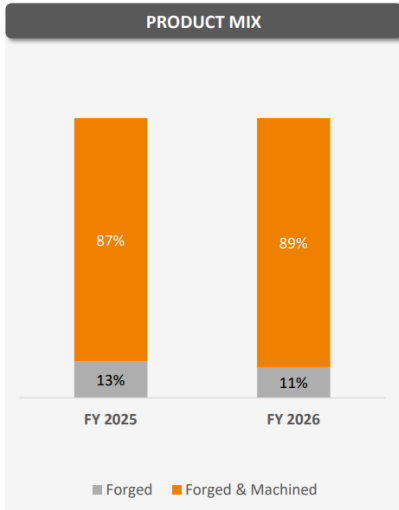
### Capacity Expansion

- Forging capacity increased to ~148,000 tons during FY26.
- Machining capacity expanded to ~68,000 tons, including addition of ~9,800 tons during Q3FY26.
- A new 10,000-ton forging line was commissioned during Q4FY26.
- Additional 4,000-ton press expected to be commissioned during H1FY27.
- Management continues to invest in heavy forging and large component capabilities, targeting significantly larger and more complex products.
- Heavy forging and industrial component opportunities linked to data centers and power generation are expected to contribute from FY28 onwards.
- FY27 capex guidance stands at ~₹450–500 crore, focused on growth capabilities and long-term expansion.
- Company also announced development of a captive solar power plant with total investment of up to ~₹170 crore.

### Financial Strength, Margins, and Pricing:

- FY26 EBITDA margins improved to 30.4%, while Q4FY26 EBITDA margins stood at 31.5%, supported by operating leverage and product mix improvement.
- Forged & machined products contribution increased to 89% of revenue in FY26 versus 87% in FY25.
- Realizations remained broadly stable at ~₹245/kg despite softer raw material prices, highlighting strong pricing discipline and value addition.
- Operating cash flow for FY26 stood at ~₹445 crore with strong cash conversion.
- Company maintains strong liquidity with cash and liquid investments of ~₹430 crore.
- Raw material cost inflation is largely pass-through in nature, with one-quarter lag in exports and one-month lag domestically.
- **EBIDTA margin guidance:** Management expects margins to remain broadly stable around FY26 levels despite near-term input cost pressures.

Charts



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## Valuation & Outlook

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**We estimate a Revenue/EBITDA/PAT CAGR of 18%/19%/20% 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. PAT margins may witness a near-term moderation due to elevated depreciation and finance costs arising from ongoing capacity expansion and heavy forging capex. However, improving product mix, higher realization industrial orders, operating leverage, and rising contribution from precision-engineered components are expected to support sustained EBITDA margin expansion and enable earnings growth ahead of topline growth over the medium term.

**Our previous price target of Rs. 1,230 has been achieved. We assign a similar 30x FY28E EPS arriving at a TP of Rs. 1,372. Hence, we change our rating from “ACCUMULATE” to “HOLD”,**

## Financials

P&L (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	11,965	13,582	14,089	15,463	18,311	21,695
Total Raw material consumed	5,511	5,966	5,917	6,318	7,507	8,830
Employee Cost	878	1,145	1,248	1,367	1,572	1,808
Other Expenses	2,168	2,597	2,857	3,073	3,662	4,339
<b>Operating Profit</b>	<b>3,409</b>	<b>3,875</b>	<b>4,067</b>	<b>4,706</b>	<b>5,569</b>	<b>6,719</b>
Depreciation	542	647	771	890	1,171	1,421
PBIT	2,867	3,228	3,296	3,816	4,399	5,298
Other income	58	134	375	308	475	594
Interest	125	118	75	105	213	149
PBT ( Before share of JV/associates)	2,800	3,244	3,596	4,019	4,661	5,743
Share of JV/Associates	-	-	-	-	-	-
PBT	2,800	3,244	3,596	4,019	4,661	5,743
Provision for tax	713	814	921	1,003	1,165	1,436
PAT (From continuing operations)	2,087	2,430	2,674	3,016	3,496	4,307
PAT (From Discontinuing operations )	-	-	-	-	-	-
MI						
Reported PAT	2,087	2,430	2,674	3,016	3,496	4,307
<b>Adjusted Profit</b>	<b>2,087</b>	<b>2,430</b>	<b>2,674</b>	<b>3,016</b>	<b>3,496</b>	<b>4,307</b>

Source: Dalal & Broacha Research

Cash Flow St. (Rs. mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
<b>PBT (excluding JV/Associates)</b>	<b>2,800</b>	<b>3,244</b>	<b>3,596</b>	<b>4,019</b>	<b>4,661</b>	<b>5,743</b>
Add: Dep. & Amort.	542	647	771	890	1,171	1,421
Add: Interest Expenses	125	118	75	105	213	149
<b>Operating profit before working capital change</b>	<b>3,467</b>	<b>4,009</b>	<b>4,441</b>	<b>5,014</b>	<b>6,044</b>	<b>7,312</b>
<b>(Inc)/Dec in</b>						
Working capital adjustment	(779)	(956)	(880)	455	(841)	(1,503)
<b>Gross cash generated from operations</b>	<b>2,687</b>	<b>3,053</b>	<b>3,561</b>	<b>5,469</b>	<b>5,204</b>	<b>5,810</b>
Direct taxes paid	(638)	(814)	(921)	(1,003)	(1,165)	(1,436)
Others	45	(348)	284	(19)	508	169
<b>CF from Oper. activities</b>	<b>2,095</b>	<b>1,890</b>	<b>2,923</b>	<b>4,447</b>	<b>4,547</b>	<b>4,543</b>
<b>CF from Inv. activities</b>	<b>(1,725)</b>	<b>(4,693)</b>	<b>(3,202)</b>	<b>(4,968)</b>	<b>(2,170)</b>	<b>(3,417)</b>
<b>CF from Fin. activities</b>	<b>(370)</b>	<b>2,809</b>	<b>402</b>	<b>649</b>	<b>(1,385)</b>	<b>(1,323)</b>
<b>Cash generated/(utilised)</b>	<b>(0)</b>	<b>6</b>	<b>123</b>	<b>128</b>	<b>990</b>	<b>(197)</b>
Cash at start of the year	0	0	6	129	257	1,249
Cash at end of the year	0	6	129	257	1,248	1,052
Balance sheet	0	6	129	257	1,248	1,052

Source: Company, Dalal and Broacha Research

Ratios	FY23	FY24	FY25	FY26	FY27E	FY28E
OPM	28.49%	28.53%	28.87%	30.43%	30.42%	30.97%
NPM	17.36%	17.71%	18.49%	19.12%	18.61%	19.32%
Tax Rate	25.47%	25.10%	25.62%	24.97%	25.00%	25.00%
<b>Growth Ratios (%)</b>						
Net Sales	39.12%	13.51%	3.73%	9.75%	18.41%	18.48%
Operating Profit	47.67%	13.67%	4.95%	15.71%	18.35%	20.63%
PBT	45.82%	15.84%	10.85%	11.78%	15.98%	23.20%
PAT	46.69%	16.43%	10.07%	12.76%	15.93%	23.20%
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	1.30	1.05
<b>Per Share (Rs.)</b>						
Net Earnings (EPS)	22.14	25.78	28.38	32.00	37.10	45.70
Cash Earnings (CPS)	27.89	32.65	36.56	41.45	49.52	60.78
Payout ratio	6%	16%	11%	13%	12%	11%
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	258.91	300.12
Free Cash Flow	349	71	512	1,549	730	626
<b>Valuation Ratios</b>						
P/E(x)	53.74	46.16	41.93	37.19	32.08	26.04
P/B(x)	11.35	6.95	6.06	5.27	4.60	3.97
EV/EBIDTA(x)	33.46	29.31	28.10	24.48	20.36	16.80
Div. Yield(%)	0.11	0.34	0.25	0.34	0.38	0.42
FCFF Yield(%)	0.31	0.06	0.46	1.38	0.65	0.56
<b>Return Ratios (%)</b>						
ROE	21.12%	15.07%	14.46%	14.17%	14.33%	15.23%
ROCE	28.87%	22.07%	19.58%	19.15%	20.70%	22.37%

Source: Dalal & Broacha Research

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