

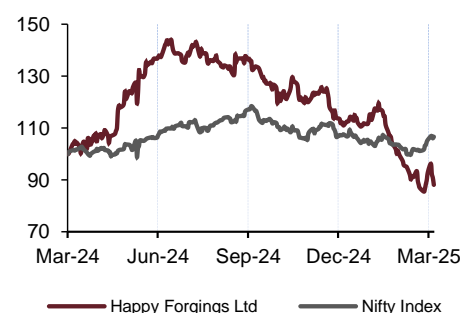


We recently had the opportunity to interact with the Happy Forgings Ltd (HFL) Management – namely, Mr Ashish Garg- MD Mr Pankaj Goyal – CFO, Mr Vikas Thakur- IR Head of Happy Forgings Ltd.

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.

Rating	TP (Rs)	Up/Dn (%)
NOT RATED		
Market data		
Current price	Rs	783
Market Cap (Rs.Bn)	(Rs Bn)	74
Market Cap (US\$ Mn)	(US\$ Mn)	860
Face Value	Rs	2
52 Weeks High/Low	Rs	1299.95 / 751.25
Average Daily Volume	('000)	23
BSE Code		544057
Bloomberg		HAPPYFOR.IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Dec-24	Sep-24
Promoters	79.60	79.60
Public	21.40	21.40
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs Cr)	FY22	FY23	FY24
Net sales	794	1,074	1,243
EBIDTA	231	341	388
Margins (%)	29%	32%	31%
Adjusted net profit	142	209	243
EPS (Rs)	16.0	23.0	25.8
P/E (x)	49	34	30
EV/EBITDA (x)	32	22	19
RoCE (%)	26.80%	32.58%	24.03%
RoE (%)	18.07%	21.12%	15.07%

Source: Company, Dalal & Broacha Research

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Key Takeaways from our interaction:

1. Industrials & PV driving Growth and Diversification:

HFL is expanding its portfolio by introducing new SKUs and entering diverse applications within the Industrials and PV segments. This strategic shift is evident as revenue contribution from the Industrials segment has surged from ~4% in 9MFY23 to ~14% in 9MFY25. Simultaneously, the PV segment, which had negligible revenue share in FY23, now contributes ~4% to the 9MFY25 topline.

This rapid growth has enabled HFL to expand despite a cyclical slowdown in its legacy businesses—CVs and farm equipment. The company aims to further increase its Industrials segment contribution to 18-19% by FY27, while PV's share is expected to grow to 8-10% of total revenue.

2. New Greenfield Capex to expand margins further on a blended level:

HFL is planning a ₹650 Cr greenfield capex, set to be operational by FY27, aimed at enhancing production capabilities for heavy-weight components. The new facility will increase forging capacity from 250 kg to 3 tons, enabling the production of large crankshafts, axles, gears, oil & gas valves, and other precision-machined components. This expansion will cater to various industrial segments, including OHV, power generation, industrial gensets, marine, mining, oil & gas, wind energy, and specialized sectors such as defense and aerospace.

Notably, demand for crankshafts used in large gensets has surged, driven by data center expansion. HFL is already in discussions with OEMs in India and globally to tap into this growing opportunity. The products manufactured at the new facility are expected to be margin accretive, with realizations of ₹500-800/kg, ~85% gross margins, and EBITDA margins of 35-40% once the plant achieves an asset turnover of 1x.

3. Resurgence long due in the legacy business of CV & Farm equipment

The CV industry in India has been in decline for the past two years, with as well as exports to Europe—suffering due to recessionary pressures. Additionally, the European farm equipment segment has witnessed a ~40% drop in volumes over the last 3-4 years. However, management sees early signs of recovery, expecting CV demand to rebound from H2FY26 onwards. Farm equipment demand is also anticipated to improve, driven by a revival in agricultural activity in both India and Europe.

4. New Product Launches & Client Acquisitions Driving new order wins & Growth

Despite the cyclical downturn in its legacy business, HFL has doubled its topline from FY21 to FY24, primarily by diversifying into new sectors, products, and industries. The company has introduced new SKUs and expanded its product lines, adding 40+ new clients over the past 5 years. Orders from these clients are currently ramping up and are expected to contribute significantly in the coming years.

Moreover, HFL is leveraging its expertise in heavy forgings and high-precision machined components to expand its portfolio within the legacy business as well. This has enabled greater wallet share from existing clients, ensuring sustained growth.

Other Key Takeaways

1) Scope for Higher Realizations, Boosting Topline Growth

- Steel, HFL's key raw material, has faced pricing pressure for the past six quarters but is expected to rebound with improving global macroeconomic conditions. This could support topline growth for forging players like HFL.
- HFL's realizations/kg have grown at a 9% CAGR from FY20-FY24, reaching ₹240/kg, driven by an improved machining mix and better price negotiations. Management is confident of further increasing realizations to ₹300/kg in a phased manner, accelerating topline growth.

2) Incumbency & Preferred Vendor Advantage

HFL operates in a niche heavy forgings and tonnage category with limited competition, positioning it as a preferred vendor—and, in many cases, the single source vendor—for its customers. This strategic advantage is expected to fuel faster growth once the industry cycle turns positive

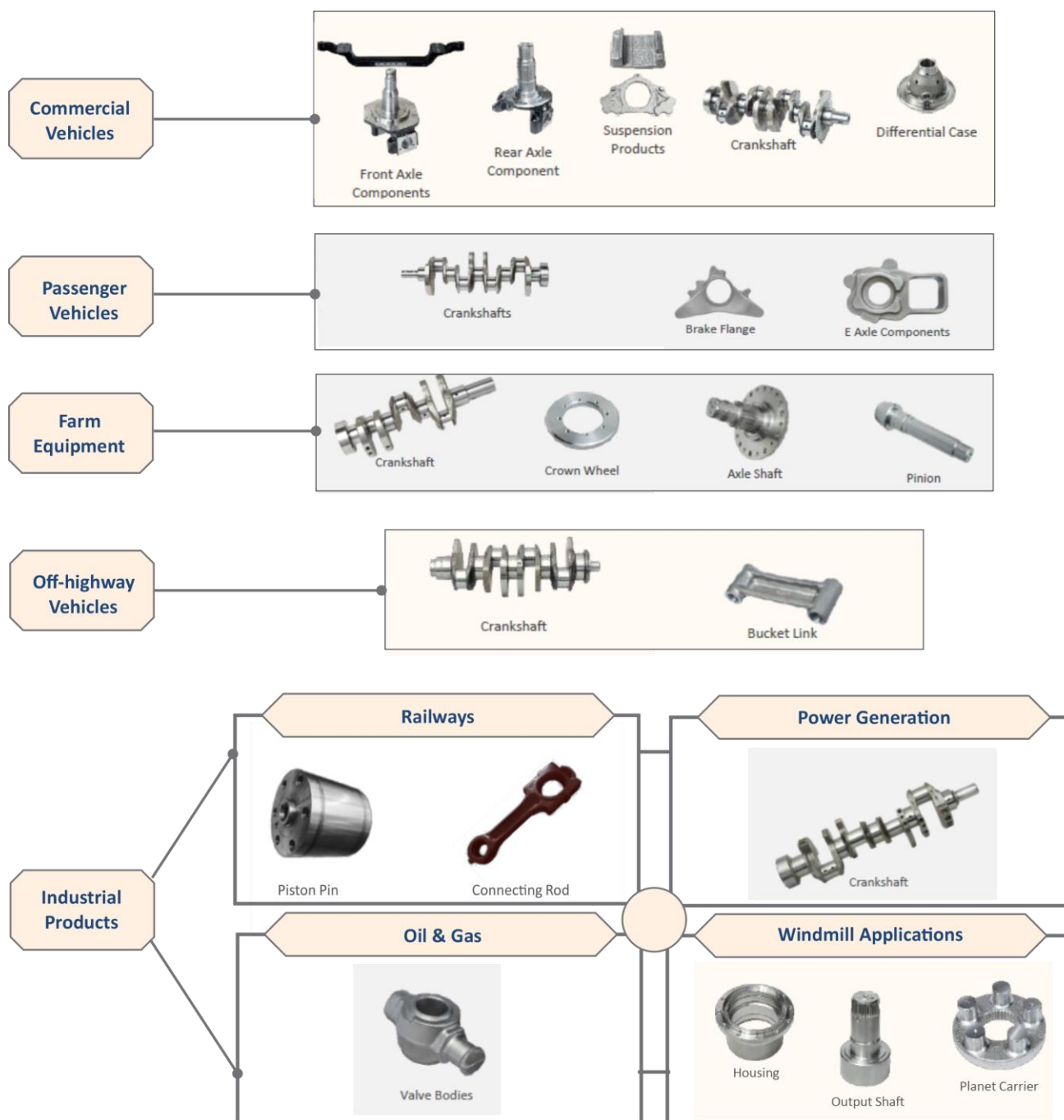
Conclusion & Outlook

HFL's sharp focus on heavy forgings and machining differentiates it from other players in the industry. With exports currently accounting for only 20% of revenue, there is significant room for expansion. The upcoming capacity addition for specialized heavy-weight components catering to Industrials segment, and the increasing focus on PVs should drive strong export growth in the coming years.

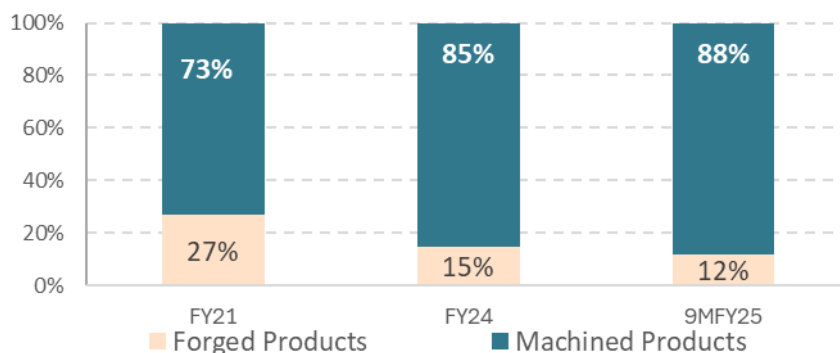
At CMP of 783 , HFL currently trades at 28x TTM EPS of Rs 28.2 We expect HFL's topline to grow at a 15-18% CAGR and EBITDA to expand at 18-22% CAGR until FY30, reinforcing our positive outlook on the company's long-term prospects.

About the Company

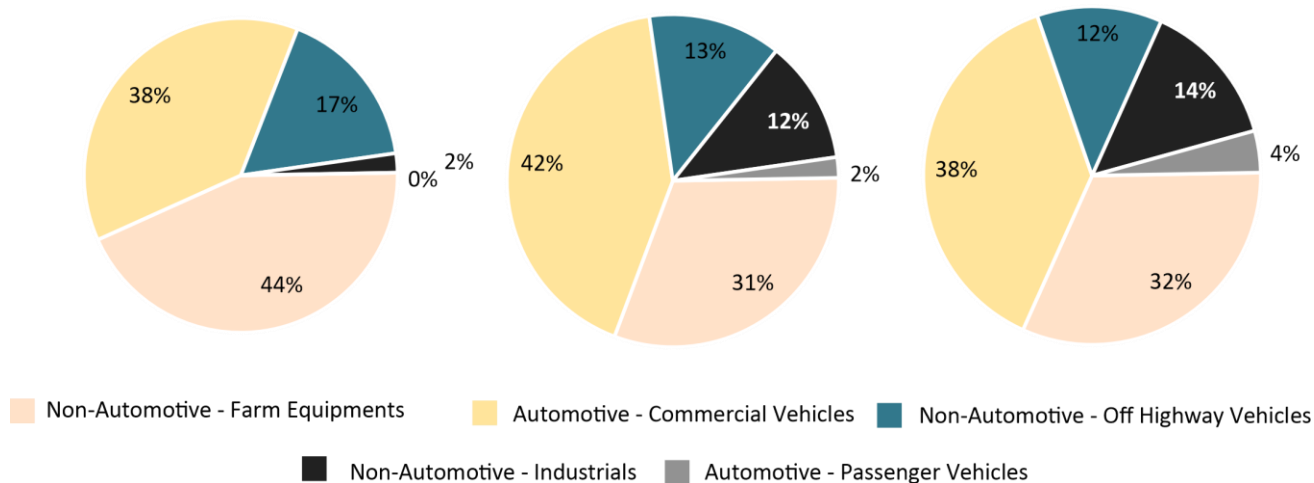
Multi-Segment & Multi- Product offerings



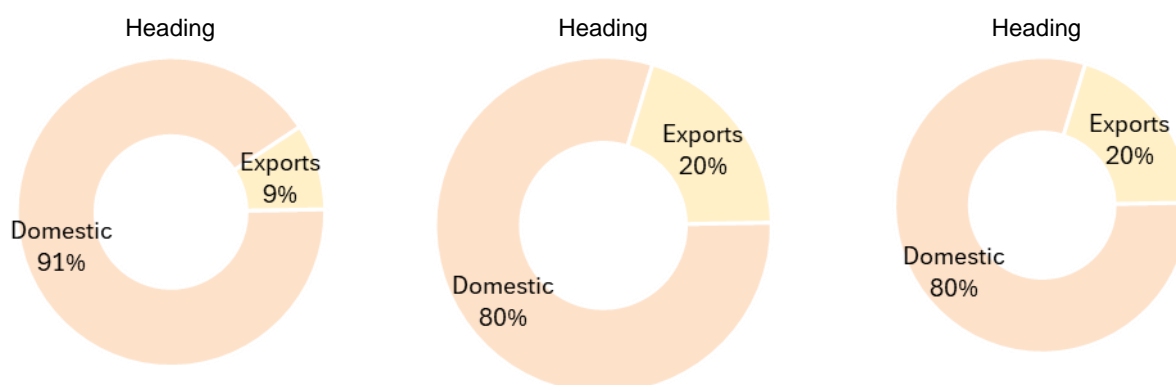
Source: Company Investor PPT

Forging vs Machining Mix

Source: Company Investor PPT

Segmental Mix

Source: Company- Investor PPT

Geographical Mix

Source: Company Investor PPT

Key Customers across Segments

Commercial Vehicles	AAM (American Axle & manufacturing), SML Isuzu, Mahindra, Ashok Leyland)
Farm Equipment	Escorts Kubota, Yanmar, Sonalika
Off Highway vehicles	Dana, JCB, Hendrickson,
Industrial	Bonfiglioli, Liebherr, IBCC, IGW

Source: RHP

Financials

Consolidated Profit and Loss Account

Rs Cr.

	FY22 12 mths	FY23 12 mths	FY24 12 mths	9MFY25 9 months
INCOME				
Revenue From Operations [Net]	794	1,074	1,243	1,057
Other Operating Revenues	66	123	115	-
Total Operating Revenues	860	1,197	1,358	1,057
Other Income	6	6	13	27
Total Revenue	866	1,202	1,372	1,084
EXPENSES				
Cost Of Materials Consumed	436	548	630	458
Changes In Inventories Of FG,WIP And Stock-In Trade	-47	3	-33	-12
COGS	388	551	597	446
Gross Profit	472	645	762	611
Gross margins	54%	54%	56%	56%
Employee Benefit Expenses	69	88	114	93
Other Expenses	172	217	260	214
EBITDA	231	341	388	304
EBITDA margins	27%	28%	29%	29%
Depreciation And Amortisation Expenses	38	54	65	57
EBIT	193	287	323	248
Finance Costs	7	12	12	5
Total Expenses	674	922	1,047	814
PBT before exceptional & extraordinary	192	280	324	270
Exceptional Items	-	-	-	-
Profit/Loss Before Tax	192	280	324	324
Total Tax Expenses	50	71	81	70
etr%	26%	25%	25%	22%
Consolidated Profit/Loss After MI And Associates	142	209	243	254
NPM	16%	17%	18%	23%
TTM EPS	16	23	26	28

Consolidated Balance Sheet

	(Rs Cr.)		
	Mar-22 12 mths	Mar-23 12 mths	Mar-24 12 mths
EQUITIES AND LIABILITIES			
SHAREHOLDER'S FUNDS			
Equity Share Capital	18	18	19
Reserves and Surplus	770	970	1,594
Total Shareholders Funds	788	988	1,612
NON-CURRENT LIABILITIES			
Long Term Borrowings	74	58	-
Deferred Tax Liabilities [Net]	23	23	32
Total Non-Current Liabilities	97	81	32
CURRENT LIABILITIES			
Short Term Borrowings	166	160	143
Trade Payables	44	48	56
Other Current Liabilities	32	45	39
Short Term Provisions	3	4	4
Total Current Liabilities	245	257	242
Total Capital And Liabilities	1,130	1,326	1,886
ASSETS			
NON-CURRENT ASSETS			
Tangible Assets	455	677	742
Intangible Assets	2	1	1
Capital Work-In-Progress	212	75	122
Intangible Assets Under Development	-	-	5
Fixed Assets/ PPE	668	753	870
Non-Current Investments	0	-	-
Other Non-Current Assets	35	83	274
Total Non-Current Assets	704	836	1,144
CURRENT ASSETS			
Inventories	184	170	224
Trade Receivables	222	308	357
Cash And Cash Equivalents	1	0	117
Short Term Loans And Advances	0	0	0
OtherCurrentAssets	18	12	43
Total Current Assets	426	490	742
Total Assets	1,130	1,326	1,886

Consolidated Cash Flow Statement

	(Rs Cr.)		
	Mar-22	Mar-23	Mar-24
	12 mths	12 mths	12 mths
Cash from Operating Activity	80	209	189
Profit Before Tax	192	280	324
Adjustments	40	71	72
OCF Before Working Capital	232	351	396
Working Capital Changes	-109	-78	-123
Taxes Paid	-43	-64	-84
Cash from Investing Activity	-166	-172	-469
Net Fixed Assets Purchased	-191	-174	-194
Fixed Assets Purchased	-191	-175	-194
Fixed Assets Sold		0	0
Investment Purchased	-0	-0	-322
Investment Sold	23	2	45
Interest Recieved	2	0	1
Dividends Recieved			
Subsidiary Investments			
Cash from Financing Activity	83	-37	281
Proceeds From Shares			381
Net Long Term Borrowings	48	2	-84
Proceeds From Borrowings	51	17	
Repayment From Borrowings	-4	-15	-84
Interest Paid	-7	-12	-13
Dividend Paid			-12
Net Cash Flow	-3	-0	1
Opening Cash & Cash Equivalents	3	0	0
Effect of FX			
Closing Cash & Cash Equivalents	0	0	1
Net Capex (est)	191	174	194
Free Cash Flow (est)	-111	35	-5

Source: Company,TijoriFinance,MoneyControl.com

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