15 September 2026

Company Update | Sector: Automobiles

Happy Forgings

BSE Sensex	S&P CNX
74,004	23,119

HAPPY FORGINGS LIMITED

Stock Info

Bloomberg	HAPPYFOR IN
Equity Shares (m)	94
M.Cap.(INRb)/(USDb)	195.8 / 2
52-Week Range (INR)	2484 / 889
1, 6, 12 Rel. Per (%)	4/70/132
12M Avg Val (INR M)	131
Free float (%)	22.0

Financial Snapshot (INR b)

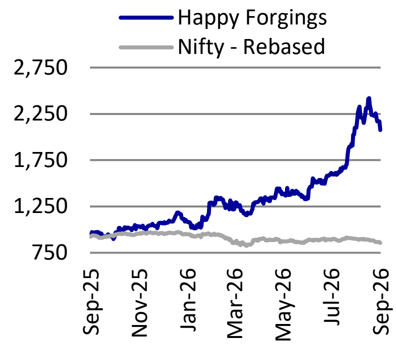
INR b	FY27E	FY28E	FY29E
Sales	19.8	25.1	30.0
EBITDA	6.3	8.2	9.8
Adj. PAT	4.0	5.5	6.6
EPS (INR)	42.6	57.9	70.4
EPS growth %	33.4	35.7	21.7
BV/Sh. (INR)	263	313	372
Ratios			
RoE (%)	17.5	20.1	20.6
RoCE (%)	15.2	17.4	18.6
Payout (%)	12.9	13.8	15.0
Valuations			
P/E (x)	48.7	35.9	29.5
P/BV (x)	7.9	6.6	5.6
EV/EBITDA (x)	31.5	24.0	19.8
Div. Yield (%)	0.3	0.4	0.5

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	78.5	78.5	78.5
DII	15.5	16.5	17.0
FII	1.9	1.7	2.2
Others	4.1	3.3	2.3

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR2,074 TP: INR2,438 (+18%) Buy

Industrials and PVs to drive the next leg of growth

We met with Happy Forgings' (HFL) management, with discussions centered around incremental growth avenues, capacity ramp-up across forgings and machining to cater to the order book, and the steady outlook for the core CV and tractor segments. The ~INR9.5b order book is expected to drive majority of topline growth over FY27-29, with PVs and industrials accounting for ~70% of the order book. While PVs and Industrials combined currently contribute 24% to revenue, management expects their contribution to rise to 45-50% over the medium term. These orders are secured at higher realizations and better margins, which, combined with the captive solar project, is expected to drive structural margin expansion over FY26-29. We expect margins to expand to 33% by FY29 from 31% currently. Driven by new order wins, higher realizations, an improving mix, operating leverage, and benefits of the captive solar plant that will come on stream in FY28, we expect HFL to record revenue/EBITDA/PAT CAGR of 25%/28%/30% over FY26-29. We reiterate our BUY rating on the stock with a TP of INR2,438 (based on 38x Sep'28E EPS).

New order wins from Industrials and PV to drive growth

- HFL has secured an incremental order book of ~INR9.5b, executable over the next 2-3 years. The Industrials segment accounts for the largest share at ~42-45%, followed by PVs and CVs at ~25% each, with the balance coming from off-Highway applications. The order book is heavily export-oriented, with ~60-65% linked to exports and ~35-40% to domestic business.
- Commercial Vehicles remains the company's largest business segment, accounting for ~33% of 1QFY27 revenue, and has continued to demonstrate healthy growth momentum despite a mixed operating environment. The segment delivered single-digit growth on a consolidated basis, supported by strong domestic performance, which more than offset weakness in overseas markets.
- The domestic CV business was a key growth driver, registering ~18% YoY growth and significantly outperforming overall industry production trends. In contrast, the export business faced near-term headwinds, declining ~12% YoY. The weakness was not entirely demand-driven but was largely attributable to operational and logistical challenges. Longer transit times, elevated inventory levels in the distribution channel, and delays in revenue recognition impacted reported export performance during the quarter.
- The company expects export momentum to improve as supply chain constraints ease and channel inventory normalizes. For 2QFY27, management anticipates continued sequential improvement, supported by sustained domestic demand and a favorable low base effect.
- In the medium term, new order wins from leading domestic players, and growth from the underlying domestic industry, we expect the segment to record a 20% revenue CAGR over FY26-29.

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- Farm Equipment was the second-largest business segment, contributing ~32% to 1QFY27 revenue. The segment continued to deliver strong performance, supported by robust volume growth in the domestic market as well as resilient export momentum despite challenging global demand conditions.
- The domestic farm equipment business witnessed healthy volume growth, benefiting from favorable industry trends and improving demand conditions. Growth in the underlying industry, supported by factors such as favorable agricultural activity, has improved rural sentiment and replacement-driven demand.
- The export business also maintained its growth trajectory despite a relatively weak demand environment across key international markets, particularly the US and Europe. The resilience in exports was primarily driven by incremental order wins from marquee global customer.
- Domestic industrials revenue grew 59% YoY in FY26, with the strong growth momentum sustaining into FY27. In 1QFY27, industrials revenue grew ~50% YoY across both domestic and export markets, with the segment now contributing ~16% of HFL's overall revenue.
- In the near term, the focus is expected to be on ramping up existing industrial orders, improving utilization of current capacities, and converting recent order wins into revenue. The segment has already expanded significantly from being a niche business to contributing a meaningful share of revenue. Management has indicated that the Industrials segment could reach ~18–20% of revenue contribution over the next two years, even without considering the full benefit of new heavy component capacity.
- HFL is investing INR6.5b to set up a heavyweight precision components facility, which will be among the largest in Asia, capable of producing 250-3,000kg forged and fully-machined parts. The new heavy-forging line is expected to primarily serve the energy, data center, mining, wind, and earthmoving equipment sectors, where realizations are expected to be in the range of INR800-1,000/kg, vs the average realization of INR253/kg recorded in 1QFY27, due to a higher machining mix.
- For the new facility, HFL has already received orders worth INR3.5b (part of INR9.5b order book), which are expected to start generating revenues from 2HFY28. The company is also in discussions with several other customers, with expectations of more order wins as the capacity comes onstream.
- Given the company's healthy new order wins, we expect overall revenue to record a 26% revenue CAGR over FY26-29, largely driven by 52%/70% CAGR from the Industrials/PV business over the same period.

Capacity ramp-up to service new orders

- The company is strategically expanding its capacity across high-growth segments, including passenger vehicles, industrial applications, heavy engines, wind energy, data center power infrastructure, and export-oriented opportunities.
- Upcoming capacity additions are expected to support the next phase of growth, with meaningful revenue contribution likely from FY28 onwards. Large industrial and heavy forging programs are expected to scale up further from FY29.

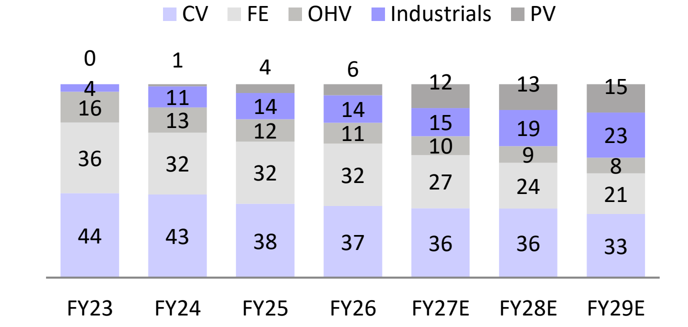
- Management plans to add 35K MT of forging capacity and 20K MT of machining capacity, taking the total forging capacity to ~180–190K MT and machining capacity to ~95K MT by FY28.
- Against the planned INR6.5b capex for heavy forgings, the company has already deployed INR2.5b, with an additional INR1.5b planned in FY28. This will complete Phase 1 of the capacity ramp-up. Further investments will be undertaken based on incremental order wins and customer requirements.
- On a steady-state basis, management expects annual capex of ~INR2.5b to support maintenance and incremental capacity enhancement. However, FY27-FY28 capex is expected to be higher at INR4–5b annually, driven by capacity ramp-up for heavy forgings and passenger vehicle programs.

Superior mix and solar plant to aid margin expansion and PAT

- Recent order wins are being secured at higher realizations, supported by a superior product mix, larger component sizes, higher machining content, and increased complexity. These factors are expected to drive a meaningful improvement in the company's margin profile.
- New industrial programs are expected to deliver superior economics, with gross margins of ~80-85% for machined crankshafts and ~60-65% for forged crankshafts. With ~50% of gross profit potentially translating into EBITDA, these programs could generate EBITDA margin of over 40%, significantly higher than the company's current margin profile of ~31%.
- The captive solar power project is progressing as per schedule, with commissioning targeted from Jan'27. Upon full ramp-up in FY28, the project is expected to contribute ~100bp of EBITDA margin expansion through lower power costs.
- Driven by above-mentioned triggers, we expect EBITDA margin for HFL to expand from the current level of 31% to 33% by FY29.
- This margin expansion, coupled with a strong 26% revenue CAGR, should help drive a 30% PAT CAGR over FY26-29E.

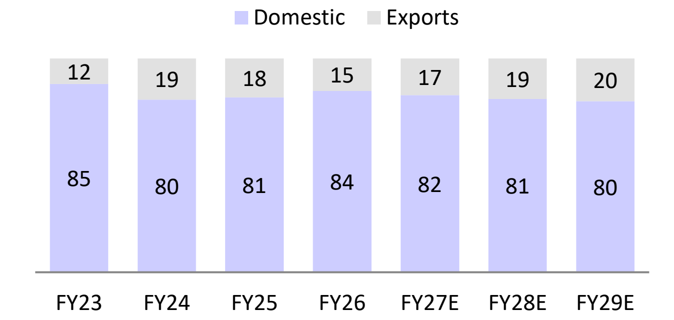
Key operating indicators

Exhibit 1: Revenue mix % – Share of industrials & PVs to rise



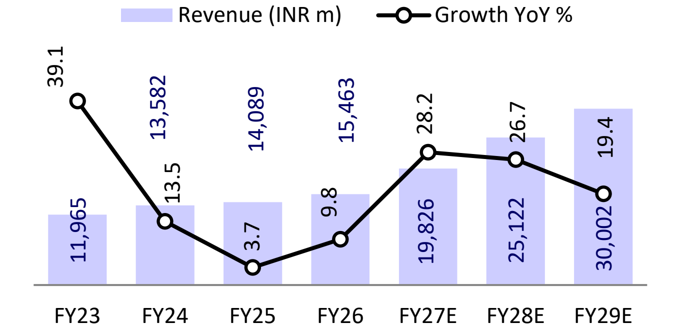
Source: Company, MOFSL

Exhibit 2: Revenue share % of exports to continue improving



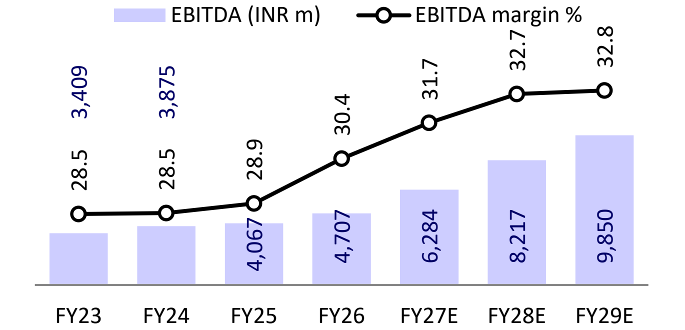
Source: Company, MOFSL

Exhibit 3: Revenue to register ~26% CAGR over FY26-29E



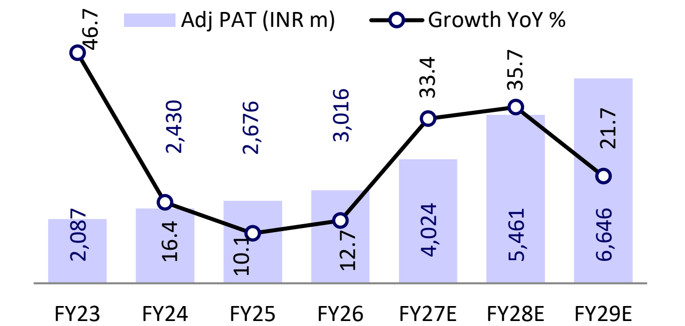
Source: Company, MOFSL

Exhibit 4: EBITDA margin to expand over FY26-29E



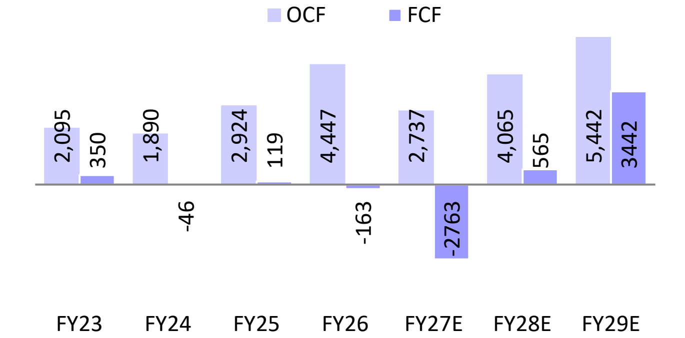
Source: Company, MOFSL

Exhibit 5: PAT to register ~30% CAGR over FY26-29E



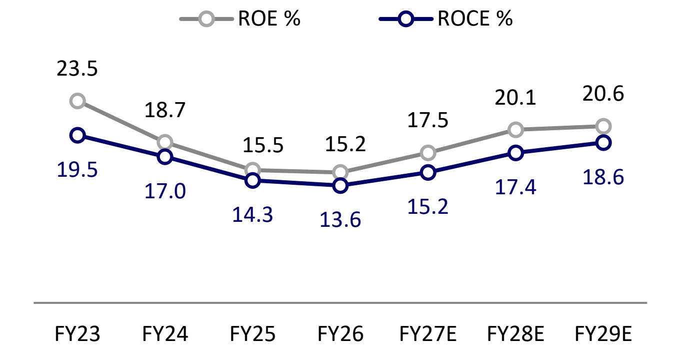
Source: Company, MOFSL

Exhibit 6: Bulk of capex will be met from internal accruals



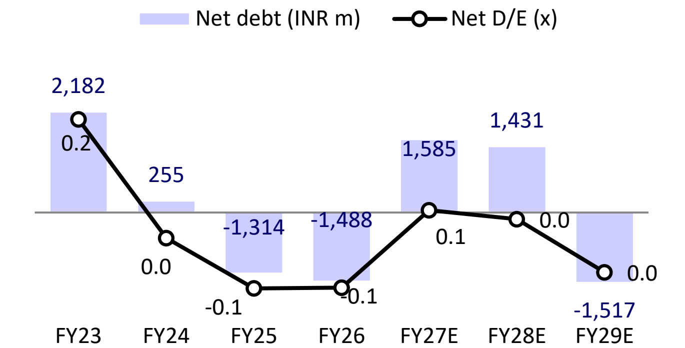
Source: Company, MOFSL

Exhibit 7: Returns set to gradually improve in future



Source: Company, MOFSL

Exhibit 8: Overall debt continues to decline



Source: Company, MOFSL

Valuation and view

- **Industrial business to remain the long-term growth driver:** The Industrials segment remains a key growth driver for the company. HFL is now investing INR6.5b to set up a heavyweight precision components facility, which will be among the largest in Asia, capable of producing 250-3,000kg forged and fully-machined parts. The company has already secured orders worth INR3.5b from this new facility and expects a further boost once the new plant is on stream and customers gain confidence in its execution capabilities. Given the company's healthy new order wins, we expect the Industrials segment to post a robust 52% revenue CAGR over FY26-29.
- **PV mix on track to reach 14% of the mix in a couple of years**: The PV segment, which is a focus area for the management, remains a major growth driver, contributing 6% of revenue in FY26, up from just 1% in FY24. Leveraging its competitive advantage, the company has won multiple orders over the last few years, both for domestic and export businesses. To execute these orders, HFL has invested INR800m in the PV business in FY26. The company has also set a target for PV contribution to rise to 12-15% of revenue over the next three years.
- **Outlook has improved in core segments:** The outlook for HFL's core segment, domestic tractors, has improved following the GST rate cuts announced in Sept and is expected to remain strong in the near term. Despite a slowdown in CV volumes due to the West Asia crisis, commencement of new orders for a domestic CV OEM is expected to drive growth for the segment over FY26-29E. Further, demand in key developed markets such as the US and Europe is now stabilizing at lower levels. The outlook for CV exports has improved for FY27E, as one of the company's key export clients anticipates a recovery. Tractor exports are also expected to drive a revenue pick-up for HFL in FY27, supported by new order wins. Overall, we expect the CV/tractor segments to deliver a 20%/9% revenue CAGR over FY26-29, respectively.
- **Valuation and view:** HFL's cost-competitive advantage is expected to help the company drive sustainable outperformance. Given its healthy new order wins, we expect HFL to post a 25% standalone revenue CAGR over FY26-29. Further, while there could be some margin pressure due to rising input costs in the near term, we expect HFL to post a margin expansion to 33% over FY26-29, led by an improved mix, operating leverage benefits, and the benefit from solar power generation in the coming years. We, thus, expect HFL to post a 30% earnings CAGR over FY26-29. **We reiterate our BUY rating on the stock with a TP of INR2,438 (based on 38x Sep'28E EPS)**.

Financials and valuation

Income Statement							(INR M)
Y/E March	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Net Sales	**11,965**	**13,582**	**14,089**	**15,463**	**19,826**	**25,122**	**30,002**
Change (%)	39.1	13.5	3.7	9.8	28.2	26.7	19.4
EBITDA	**3,409**	**3,875**	**4,067**	**4,707**	**6,284**	**8,217**	**9,850**
Margin (%)	28.5	28.5	28.9	30.4	31.7	32.7	32.8
Depreciation	542	647	771	890	1,128	1,327	1,492
EBIT	**2,868**	**3,228**	**3,296**	**3,817**	**5,156**	**6,890**	**8,357**
Int. and Finance Charges	125	118	75	105	121	144	114
Other Income	58	134	376	308	330	488	618
PBT after EO Exp.	**2,800**	**3,244**	**3,597**	**4,020**	**5,365**	**7,233**	**8,861**
Current Tax	685	748	848	899	1,341	1,772	2,215
Deferred Tax	29	65.67	72.81	104.69	-	-	-
Tax Rate (%)	25.5	25.1	25.6	25.0	25.0	24.5	25.0
Reported PAT	**2,087**	**2,430**	**2,676**	**3,016**	**4,024**	**5,461**	**6,646**
Adj PAT	**2,087**	**2,430**	**2,676**	**3,016**	**4,024**	**5,461**	**6,646**
Change (%)	47	16	10	13	33	36	22

Balance Sheet							(INR M)
Y/E March	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Equity Share Capital	179	188	188	189	189	189	189
Total Reserves	9,704	15,937	18,308	21,094	24,599	29,305	34,954
Net Worth	**9,883**	**16,125**	**18,497**	**21,283**	**24,787**	**29,494**	**35,143**
Deferred Liabilities	230	316	393	490	490	490	490
Total Loans	2,185	1,430	2,273	3,296	4,796	4,796	2,796
Capital Employed	**12,299**	**17,871**	**21,163**	**25,069**	**30,074**	**34,780**	**38,429**
Gross Block	8,591	9,880	12,277	14,871	20,371	23,871	25,871
Less: Accum. Deprn.	1,807	2,444	3,205	3,792	4,920	6,247	7,740
Net Fixed Assets	**6,784**	**7,437**	**9,072**	**11,079**	**15,451**	**17,624**	**18,132**
Capital WIP	748	1,267	1,227	2,374	2,374	2,374	2,374
Total Investments	**3**	**1,169**	**3,457**	**4,528**	**3,028**	**2,928**	**3,428**
Curr. Assets, Loans&Adv.	**5,726**	**8,987**	**8,390**	**8,348**	**10,642**	**13,645**	**16,628**
Inventory	1,696	2,242	2,324	2,328	2,982	3,779	4,513
Account Receivables	3,081	3,569	4,265	3,948	5,265	6,672	7,968
Cash and Bank Balance	0	5	129	256	183	437	885
Loans and Advances	950	3,170	1,671	1,817	2,212	2,758	3,262
Curr. Liability & Prov.	**963**	**988**	**983**	**1,261**	**1,421**	**1,792**	**2,133**
Creditors	477	555	454	594	672	851	1,017
Other Current Liabilities	448	388	481	632	714	904	1,080
Provisions	38	45	49	34	36	36	36
Net Current Assets	**4,763**	**7,998**	**7,407**	**7,088**	**9,220**	**11,854**	**14,495**
Appl. of Funds	**12,299**	**17,871**	**21,163**	**25,069**	**30,074**	**34,780**	**38,429**

Financials and valuation

Ratios							
Y/E March	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Basic (INR)							
EPS	**23.3**	**25.8**	**28.4**	**32.0**	**42.6**	**57.9**	**70.4**
Cash EPS	29.4	32.7	36.6	41.4	54.6	71.9	86.3
BV/Share	110.4	171.2	196.3	225.6	262.7	312.6	372.5
DPS	-	4.0	3.0	4.0	5.5	8.0	10.6
Payout (%)	-	15.5	10.6	12.5	12.9	13.8	15.0
Dividend Yield (%)	-	0.2	0.1	0.2	0.3	0.4	0.5
FCF per share	3.9	-0.5	1.3	-1.7	-29.3	6.0	36.5
Valuation (x)							
P/E	89.1	80.6	73.2	65.0	48.7	35.9	29.5
Cash P/E	70.8	63.6	56.8	50.2	38.1	28.9	24.1
P/BV	18.8	12.1	10.6	9.2	7.9	6.6	5.6
EV/Sales	15.7	14.4	13.8	12.6	10.0	7.9	6.5
EV/EBITDA	55.2	50.6	47.8	41.3	31.5	24.0	19.8
Return Ratios (%)							
RoE	23.5	18.7	15.5	15.2	17.5	20.1	20.6
RoCE (Post-tax)	19.5	17.0	14.3	13.6	15.2	17.4	18.6
RoIC	21.5	17.9	15.4	16.7	18.2	19.4	20.6
Working Capital Ratios							
Fixed Asset Turnover (x)	1.4	1.4	1.1	1.0	1.0	1.1	1.2
Inventory (Days)	54	53	59	55	49	49	50
Debtor (Days)	81	89	101	97	85	87	89
Creditor (Days)	14	14	13	12	12	11	11
Working Capital (Days)	131	171	198	167	146	149	152
Leverage Ratio (x)							
Net Debt/Equity	0.2	0.0	-0.1	-0.1	0.1	0.0	0.0

Cash Flow Statement							(INR M)
Y/E March	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Operating PBT	2,800	3,244	3,597	4,020	5,365	7,233	8,861
Depreciation	542	647	771	890	1,128	1,327	1,492
Interest/Div paid	-125	118	75	105	121	144	114
Direct Taxes Paid	-638	-839	-832	-932	-1,341	-1,772	-2,215
(Inc)/Dec in WC	-779	-1,230	486	589	-2,206	-2,380	-2,193
Other items	295	-50	**-1,172**	**-225**	**-330**	**-488**	**-618**
CF from Operations	**2,095**	**1,890**	**2,924**	**4,447**	**2,737**	**4,065**	**5,442**
(inc)/dec in FA	-1,745	-1,936	-2,804	-4,610	-5,500	-3,500	-2,000
Free Cash Flow	**350**	**-46**	**119**	**-163**	**-2,763**	**565**	**3,442**
(Pur)/Sale of Investments	15	-2,770	-587	-578	1,500	100	-500
Others	5	12	**196**	**212**	**330**	**488**	**618**
CF from Investments	**-1,725**	**-4,694**	**-3,194**	**-4,976**	**-3,670**	**-2,913**	**-1,883**
Issue of Shares	-	3,810	7	21	-	-	-
Inc/(Dec) in Debt	-251	-755	839	1,023	1,500	-	-2,000
Interest Paid	-119	-130	-74	-105	-121	-144	-114
Dividend Paid	-	-116	-377	-283	-519	-755	-997
CF from Fin. Activity	**-370**	**2,809**	**395**	**656**	**860**	**-899**	**-3,111**
Inc/Dec of Cash	**-0**	**5**	124	127	-73	254	448
Add: Beginning Balance	0	0	**5**	**129**	**256**	**183**	**437**
Closing Balance	**0**	**5**	**129**	**256**	**183**	**437**	**885**

E: MOFSL Estimates

N O T E S

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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