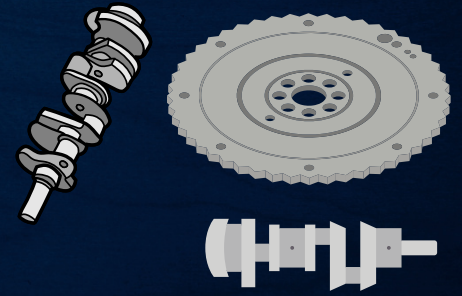




# IPO NOTE

## HAPPY FORGINGS LIMITED



Rating:

**SUBSCRIBE**




(FOR LISTING GAIN AND LONG TERM)



### ISSUE OFFER

Issue Opens on	DEC 19, 2023
Issue Close on	DEC 21, 2023
Total IPO size (cr)	1008.59
Fresh issue (cr)	400.00
Offer For Sale (cr)	608.59
Price Band (INR)	808-850
Market Lot	17
Face Value (INR)	2
Retail Allocation	35%
Listing On	NSE, BSE

### ISSUE BREAK-UP (%)

QIB Portion		50%
NIB Portion		15%
Retail Portion		35%

### INDICATIVE TIMETABLE

Finalisation of Basis of Allotment	22-12-2023
Refunds/Unblocking ASBA Fund	26-12-2023
Credit of equity shares to DP A/c	26-12-2023
Trading commences	27-12-2023

Happy Forgings Limited is an Indian manufacturer specializing in designing and manufacturing heavy forgings and high-precision machined components. The company manufactures, designs and tests various products such as crankshafts, front axle carriers, steering knuckles, differential housings, transmission parts, pinion shafts, suspension products and valve bodies for different industries and customers.

### OBJECTS OF THE ISSUE

- Purchase of equipment, plant and machinery.
- Prepayment of all or a portion of certain outstanding borrowings

### OUTLOOK & VALUATION

Happy Forging is a well-experienced and fourth-largest manufacturer of complex machine components. The company shares a long-standing relationship with its large customer base. It has a diversified business model and a track record of consistent growth. The financial performance of the company has also been strong. Further, it has plans for capacity expansion and new business acquisitions.

However, investors should remain mindful of certain business dependencies. Reliance on the top 10 customers, potential pricing pressure from clients, and competition within the industry introduce some risks. Dependence on a limited number of suppliers also merits consideration.

Despite these considerations, Happy Forgings' attractive valuation of 36.44x P/E, coupled with its impressive track record and promising outlook, makes it a worthy investment option for investors seeking exposure to the manufacturing sector.



## KEY MANAGERIAL PERSONNEL

01

### Paritosh Kumar

Chairman and Managing Director of the Company. He has been associated with the Company since incorporation and accordingly has over 44 years of experience in the industrial sector. He is involved in the strategic decision making of the Company, oversees the Company's business activities and is involved in setting up the governance standards of the Company.

02

### Ashish Garg

Managing Director of the Company. He has approximately 17 years of experience in the industrial sector. He currently manages the Company's business operations, financial performance, growth strategies and investments in different capacities and product developments.

03

### Narinder Singh Juneja

Chief Executive Officer and Whole-time Director of the Company. He has over 35 years of experience in the industrial sector. Prior to joining our Company, he served as the assistant engineer with Krishna Forgings.

04

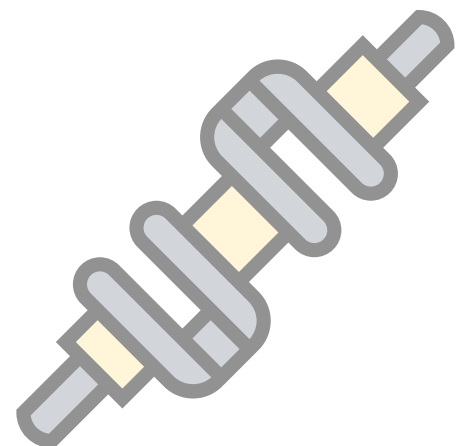
### Pankaj Kumar Goyal

Chief Financial Officer of the Company. He has been associated with the Company since April 1, 2013. In the Company, he handles finance and accounts department. He has over 10 years of experience in the finance sector.

05

### Bindu Garg

Company Secretary and Compliance Officer of the Company. She has been associated with the Company since November 2, 2021 and was appointed as the Company Secretary of the Company since July 12, 2022. In the Company, she handles the secretarial functions. She has over 18 years of experience in the finance and secretarial sector.



## COMPANY PROFILE

- The company's customer base includes AAM India Manufacturing Corporation Private Limited, Ashok Leyland Limited, Bonfiglioli Transmissions Private Limited, Dana India, IBCC Industries (India) Private Limited, International Tractors Limited, JCB India Limited, Liebherr CMCTec India Private Limited, Mahindra & Mahindra Limited, Meritor HVS AB, Meritor Heavy Vehicle Systems Cameri SPA, SML ISUZU Limited, Swaraj Engines Limited and others.
- With over 40 years of experience of manufacturing and supplying quality and complex components according to customers' specifications, it has emerged as a leading player in the domestic crankshaft manufacturing industry with the second largest production capacity
- The company has served customers in various regions including Brazil, Italy, Japan, Spain, Sweden, Thailand, Turkey, the United Kingdom and the United States of America.
- Happy Forging Limited has three manufacturing facilities, two in Kanganwal and one in Dugri, all located in Ludhiana, Punjab. As of FY 2023, the operational revenue of the company has increased by 43.02%.

## COMPETITIVE STRENGTHS

- Fourth largest engineering-led manufacturer of complex and safety-critical, heavy forged, and high precision machined components in India.
- Integrated manufacturing operations coupled with in-house product and process design capabilities.
- Diversified business model, well placed to take advantage of potential alternative engine technologies.
- Long-standing relationships with customers across industries.
- Track record of consistently building capabilities and infrastructure, with a focus on capital efficiency.
- Experienced Promoters and senior management team.

## KEY STRATEGIES

- Leverage in-house engineering and product development capabilities.
- Foray into lightweight forging and machining with the introduction of aluminum components.
- Increase the wallet share and acquire new business.
- Capitalize on increasing demand from international markets to grow exports.
- Expand capacity at its existing manufacturing facilities.

## KEY CONCERNS

- Its business largely depends upon its top 10 customers.
- The company does not have agreements having commitment on the part of its customers.
- It depends on a few suppliers for the supply of steel, its primary raw material.
- Its business is dependent on the performance of certain industries, particularly commercial vehicles.
- It faces competition in India and overseas in its business.
- Due to the geographic concentration of its manufacturing facilities, its operations are susceptible to local and regional factors.
- Pricing pressure from its customers may adversely affect its business.



## COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2023)

Name of the Company	EPS (Basic)	P/E	Total Income (ML)	NAV	RoNW (%)
Happy Forgings Limited	23.32	-	11,965.30	110.43	21.12%
<b>Peer Group</b>					
Bharat Forge Limited	11.35	102.63	1,29,102.59	144.02	7.88%
Craftsman Automation Limited	117.56	43.92	31,826.00	651.68	18.04%
Ramkrishna Forgings Limited	15.52	49.36	31,928.95	82.67	18.77%
Sona BLW Precision Forgings Limited	6.76	85.56	26,550.10	39.12	17.26%

## FINANCIALS (RESTATED CONSOLIDATED)

PARTICULARS (RS. IN MILLIONS)	FY 2023	FY 2022	FY 2021
Equity Share Capital	179.00	179.00	89.50
Other Equity	9,704.07	7,697.24	6,362.09
Net Worth	9,883.07	7,876.24	6,451.59
Total Borrowings	1,603.40	1,663.06	1,234.74
Revenue from Operations	11,965.30	8,600.46	5,849.58
EBITDA	3,409.40	2,308.87	1,587.46
Profit Before Tax	2,800.29	1,920.52	1,170.61
Net Profit for the year	2,087.01	1,422.89	864.48



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