7 March 2025

Update | Sector: Auto Ancillary

Happy Forgings

BSE Sensex	S&P CNX
74,333	22,553

HAPPY FORGINGS LIMITED

Stock Info

Bloomberg	HAPPYFOR IN
Equity Shares (m)	94
M.Cap.(INRb)/(USDb)	76.1 / 0.9
52-Week Range (INR)	1300 / 789
1, 6, 12 Rel. Per (%)	-14/-22/-13
12M Avg Val (INR M)	87
Free float (%)	21.4

Financial Snapshot (INR b)

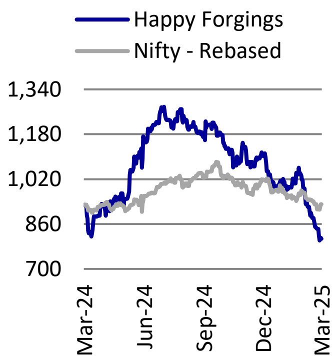
INR b	FY25E	FY26E	FY27E
Sales	14.2	16.0	18.2
EBITDA	4.1	4.6	5.4
Adj. PAT	2.6	3.2	3.7
EPS (INR)	27.9	33.5	39.2
EPS growth %	8.2	20.0	17.0
BV/Sh. (INR)	194	222	255
Ratios			
RoE (%)	15.3	16.1	16.4
RoCE (%)	14.4	15.2	15.4
Payout (%)	17.0	17.0	17.0
Valuations			
P/E (x)	29.1	24.2	20.7
P/BV (x)	4.2	3.7	3.2
EV/EBITDA (x)	18.3	16.4	14.3
Div. Yield (%)	0.6	0.7	0.8

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	78.6	78.6	78.6
DII	17.1	17.1	5.8
FII	2.3	2.3	2.1
Others	2.1	2.0	13.5

FII includes depository receipts

Stock Performance (1-year)



CMP: INR808 **TP: INR980 (+21%)** **Buy**

Multiple growth drivers in place

Diversification has helped offset demand weakness in core segments

Happy Forgings' (HFL) stock has corrected 34% from its peak over the past six months, driven by slower-than-expected revenues (9MFY25 growth was just 4% YoY), largely due to the ongoing slowdown in its core segments. However, we believe there are multiple growth drivers for HFL moving forward that will help offset the underlying demand weakness, including: 1) new order wins in the Industrials segment, which will increase its contribution to 18-20% over the next 2-3 years from the current 14%, and further to 30% post-peak revenues from the new INR6.5b capex; 2) new order wins in the PV segment, which will help increase the segment's contribution to 8-10% of revenues over the next three years; 3) a gradual revival in both domestic and European CVs; and 4) recovery in domestic tractors, while exports are expected to stabilize at lower levels. While we have maintained our FY25 estimates, we have lowered our FY26 EPS estimates by 5% to factor in the adverse global macro. Backed by its new order wins and an improving mix, we expect HFL to post a 19% PAT CAGR over FY25-27. Following the correction, valuations at 24.2x FY26E and 20.7x FY27E appear attractive. We reiterate BUY with a TP of INR980, valued at a 26x Dec'26E EPS.

Industrials segment to continue as a key growth driver

- While HFL has historically focused on auto segments like CV and farm equipment, it has strategically expanded into the non-auto space over the past few years as part of its de-risking efforts. It is now experiencing strong order wins in segments like wind energy (with this business expected to grow 20-25% in the coming years) and portable gensets.
- To further strengthen its presence in this segment, HFL has now announced an INR6.5b capex to establish advanced forging facilities for heavyweight components (>250kg and up to 3MT in weight), targeting industries such as power generation, marine, mining, oil & gas, wind energy, and aerospace & defense.
- Given the strong order visibility in this segment, HFL expects its revenue contribution to increase to 18-20% over the next 2-3 years, up from the current 14%, and further exceed 30%+ once the INR6.5b capex is fully utilized over the next 4-5 years. Thus, the Industrials segment is expected to remain a key growth driver, helping to offset the near-term slowdown in its core auto and farm segments, both globally and in India.

PV segment contribution to inch up to 8-10% over the next three years

- In Feb'24, HFL announced its foray into the PV segment after receiving an order worth INR4b from a leading Indian OEM. As a result, HFL's contribution from PVs has already increased to 4% of revenues as of YTDFY25 from 0.9% in FY24.
- Following this, HFL secured three more orders, two of which were from US OEMs, including one for e-axle components, marking its entry into the US EV market. These order wins provide revenue visibility of around INR2b pa in PVs (domestic + exports) by FY27, once volumes are fully ramped up. Based on this growth trajectory and the strong order visibility, the company is confident that the PV segment's contribution will increase to 8-10% over the next three years.

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CV and domestic tractors likely to revive; HFL to outperform core segments

- A notable slowdown in HFL's core segments, such as CVs and tractors, has led to only a 4% YoY growth in its 9MFY25 revenue, despite its strong order book.
- While domestic MHCV demand is likely to remain weak in Q4 (low single-digit growth expected), we expect the MHCV goods segment to post ~5% CAGR over FY25-27, led by favorable demand indicators. Moreover, following a sharp decline in CY24 and the subsequent inventory correction, experts expect CV demand in Europe to revive from May-June 2025 onwards.
- In tractors, while the domestic industry is experiencing a healthy revival in demand from Q3FY25 onwards, driven by positive farm sentiments, the export market (mainly in the US and Europe) has stabilized at lower levels after a sharp decline in CY24 and a corresponding inventory correction.
- Thus, the outlook for both CVs and tractors is now on an improving trend, with a revival expected from FY26 onwards. HFL is expected to outperform the underlying segments, benefitting from its new order wins.

Resilient performance amid weak macros

- While HFL has corrected by almost 34% from its peak due to global demand headwinds, we anticipate multiple growth drivers for the company in the coming years, including: 1) significant new order wins in the Industrials segment, which will help increase its contribution to 18-20% over the next 2-3 years, up from the current 14%, and further to 30% post-peak revenues from the new INR6.5b capex; 2) new order wins in PVs, with peak annual revenues of INR2b, which will help increase the segment's revenue contribution to 8-10% by FY27; 3) a gradual revival in both domestic and European CVs, with HFL positioned to outperform the industry; 4) a recovery in domestic tractors, with exports expected to stabilize at lower levels and the company likely to outperform due to new order wins.
- While we have maintained our FY25 estimates, we have lowered our FY26 EPS estimates by 5% to factor in the adverse global macro. Backed by its new order wins, we expect HFL to post a 13% revenue CAGR over FY25-27. This is likely to drive a healthy PAT CAGR of ~19%. We, hence, believe the recent stock correction presents a strong buy opportunity for HFL at reasonable valuations of 24.2x FY26E and 20.7x FY27E. We reiterate BUY with a TP of INR980, valued at 26x Dec'26E EPS.

Industrials to continue as a key growth driver

Strong ramp-up in Industrials has helped partially offset the auto slowdown

While HFL has historically focused on auto segments like CV and farm equipment, it has strategically expanded into the non-auto space over the last few years as part of its de-risking efforts. HFL has progressively expanded its industrial portfolio by entering multiple high-value sectors over the years. It first ventured into gensets and industrial engines, leveraging its expertise in heavy-duty forged components. Over time, it diversified into wind energy in 2019 by supplying pinion shafts, marking its entry into renewables. The company further strengthened its position in power generation by producing critical components for turbines and high-horsepower applications. HFL is experiencing significant traction in several industrials segments, with strong growth expected in the coming years. Some of the key areas include:

- **Wind segment**: While this is a new business for HFL, it expects this business to grow 20-25% and contribute almost 8-10% of revenues over the next 2-3 years driven by strong order wins.
- **Portable gensets**: HFL is expanding its industrial portfolio by developing small crankshafts for portable gensets and the power sector, marking its entry into a new segment. The company has recently secured orders from new OEMs in portable gensets and expects a healthy ramp-up from H2FY25 onwards. While HFL can cater to this business from its existing forging capacity, an investment in machining capacity will be needed. For higher HP gensets, additional capacity would be required (currently in discussion with customers). Material ramp-up for this segment is expected to start in the third year. Overall, management expects the higher HP gensets business to emerge as a key growth driver for HFL in the long run.

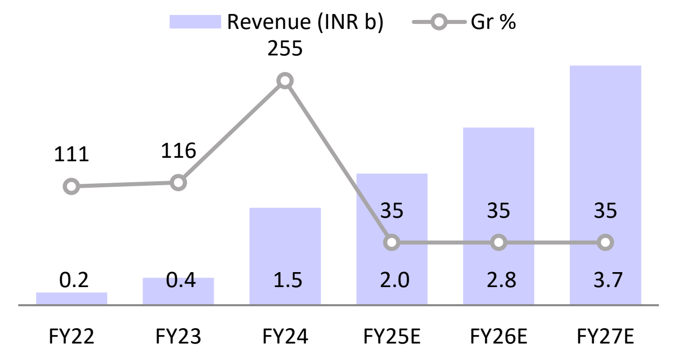
New capex announced to make further inroads in the Industrials segment

- To further enhance its capabilities, HFL has announced an INR6.5b capex plan to establish advanced forging facilities for heavyweight components (>250kg and up to 3MT in weight), targeting power generation, marine, mining, oil & gas, wind energy, and aerospace & defense. This is likely to be the second-largest facility globally and the largest in Asia.
- As part of this capex plan, HFL targets to invest about INR1.5b in two forging lines dedicated to wind pinions and axle shafts. The balance INR5b is expected to be invested in two machining lines and one forging line, which will have the capacity to forge components weighing up to 3T.
- The global industry for large industrial forged components is about INR100b in size and is currently dominated by a European player, which holds close to 40% of the market share in this category. HFL aims to target about 7% share of this industry at full capacity (asset turns likely to be at 1.2-1.3x).
- Given the long gestation period for such projects, management expects commercial production to begin in Q4FY27 or early FY28, with full ramp-up anticipated to take about three years from then. The ASP for these components is likely to be INR300 per kg in raw forged form and almost INR600 per kg in fully machined form. Gross margins from this project are expected to be 10-

12% higher than the company's current average margins. Additionally, RoCE is expected to be >30% for this project.

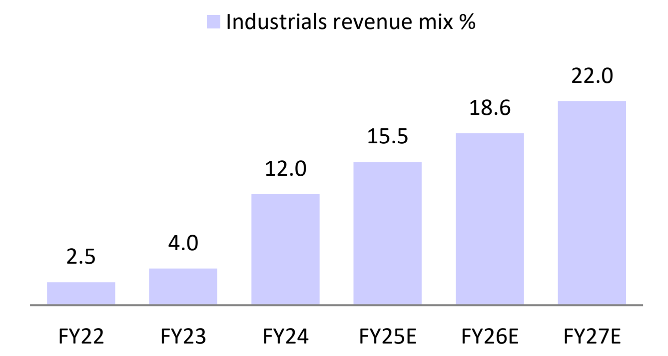
- HFL's diversification strategy over the past few years has proven highly successful, with the industrials segment effectively offsetting the current slowdown in its auto segment, both domestic and global. This segment now contributes 14% of revenues (for YTDFY25), up from just 2% contribution in FY21, driven by its strong traction. Further, given its current order book visibility (excluding this new capex), it expects the industrials segment's contribution to reach 18-20% of revenues over the next two years. Following the full ramp-up of the new capex of INR6.5b highlighted above, the company expects the industrials segment's contribution to further improve to 30%+ over the next 4-5 years. Thus, the industrials segment is likely to remain a key growth driver for HCL, helping to offset the near-term slowdown in its core auto and farm segments globally and in India.

Exhibit 1: Industrials to grow at 35% CAGR over FY25-27E



Source: Company, MOFSL

Exhibit 2: Industrial mix to grow to 22% by FY27E



Source: Company, MOFSL

Exhibit 3: HFL's presence in different verticals of industrials divisions

Industrials division	Products
Power generation	❖ Crankshaft
Windmill Application	❖ Planet carrier, pinion shaft, housing
Oil & Gas	❖ Valve bodies
Railways	❖ Bush, connecting rod, and camshafts
Marine	❖ Propeller blades

Source: Company, MOFSL

New order wins in PVs to help improve product mix

New customer and product additions to drive growth

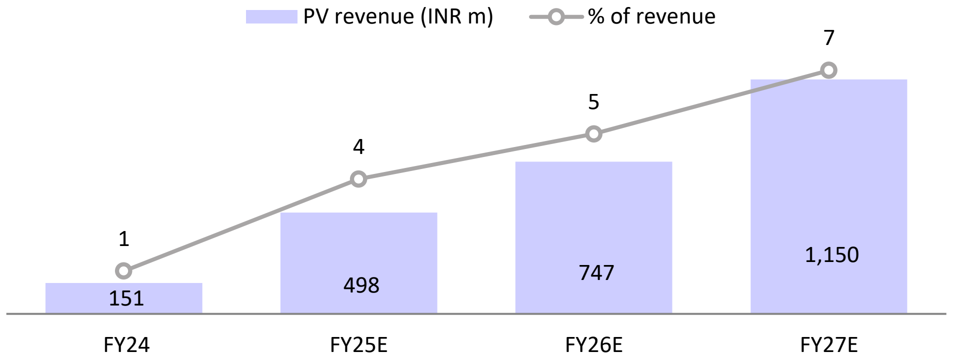
- In Feb'24, HFL announced its foray into the PV segment after receiving an order worth INR4b from a leading Indian OEM. The order is for the supply of fully machined components over a period of six years. In Apr'24, HFL announced another order win for the supply of brake flanges for PVs to a major global Tier-1 manufacturer of automobile driveline components and systems. Supplies under this contract will commence from Q4FY26/Q1FY27, following the interim part approval process. The total order value is estimated to be INR600-700m p.a., with ~INR5b for the entire agreement period, which runs through Dec'34. This order marks HFL's entry into the US PV segment, enhancing its export share, improving its product mix, and geographically diversifying its revenue.
- In May'24, the company announced another order win worth INR3.5b from a North American OEM for the supply of e-axle components for EVs in the US market. The order is worth around INR500m pa at full supply capacity, totaling an estimated INR3.2-3.5b over the entire contract period. The contract includes the supply of machined axle seats and steering knuckles for electric SUVs. The deliveries of e-axle components for this client commenced in Q3FY25 and are expected to continue through FY32.
- Additionally, in Dec'24, HFL announced the receipt of an order from another Indian PV OEM for the supply of crankshafts. The initial order for this component is valued at ~INR1.4b, spread over FY26-FY31. Deliveries are scheduled to begin in FY26, following the successful completion of the testing and approval processes. Peak annual revenues under this order are expected to reach INR270m. Depending on the sales performance of the vehicles using the crankshaft, a subsequent order could potentially double the supply volumes starting in FY28, increasing peak annual revenues to over INR500m.
- As a result of the domestic PV order wins, HFL's contribution from PVs has already increased to 4% of revenues as of YTDFY25 from 0.9% in FY24. These order wins provide revenue visibility of around INR2b pa in PVs (domestic + exports) by FY27, once volumes are fully ramped up. Based on this growth trajectory and the strong order visibility, the company is confident that this segment's contribution will increase to 8-10% over the next three years.

Exhibit 4: Order wins in PVs across different product segments

Product	Crankshaft	Brake Flange	E-axle component
Customer Type	❖ **Existing customer**: A large Indian automobile manufacturer of a diverse range of passenger vehicles, including SUVs	❖ **Existing customer**: A large, leading global Tier 1 manufacturer of automobile driveline components and systems	❖ **Existing customer**: A leading global manufacturer and supplier of automotive components
End Use Segment	❖ Passenger Vehicles; SUVs	❖ Passenger Vehicles; SUVs	❖ Passenger Vehicles; SUVs
Order Size	❖ ~INR 600-700 m per annum (Total order size: ~INR4b)	❖ ~INR 600-700m per annum (Total order size: ~INR5b)	❖ ~INR 500 m per annum (Total order size: ~INR3.2-3.5b)
Contract period	❖ Six years starting from 1st April 2024	❖ Eight years starting from Q4FY26 or Q1FY27	❖ Seven years starting from Q3FY25

Source: Company, MOFSL

Exhibit 5: PV's contribution expected to increase to 7% by FY27 from just 1% in FY24



New orders to help offset weakness in core segments

CVs (domestic + exports) and domestic tractors expected to revive

While HFL has diversified its revenue base over the last few years, a notable slowdown in its traditional core segments, such as CVs and tractors, has led to only a 4% YoY growth in HFL's 9MFY25 revenue, despite its strong order book. Given the slowdown in these core segments, the revenue contribution from CVs/tractors has declined to about 38% / 32% for 9MFY25 (down from 43% / 37% in FY23). We elaborate on this below and highlight why we believe the worst may now be behind the company.

What happened in CVs in FY25?

The domestic MHCV goods industry remained weak in 9MFY25, with volumes declining ~7% YoY, following flat growth in FY24. While domestic industry volumes were down, the product mix was also unfavorable. Specifically, demand for the MAV segment lagged behind industry growth, resulting in lower content growth for HFL in FY25. Additionally, the European CV market saw a significant decline of almost 40-50% YoY, leading to a substantial inventory buildup of 3-4 months with OEMs. As a result, OEMs shifted their focus to streamline their inventory levels, which further reduced offtake from vendors like HFL throughout this year.

CV outlook for FY26 and beyond

- While domestic MHCV demand is likely to remain weak in Q4 (low single-digit growth expected), we foresee a gradual recovery in the domestic CV segment starting from Q1 onwards. This recovery will be driven by: i) a rebound in replacement due to record-high fleet age; ii) strong profitability among fleet operators, supported by better pricing discipline and improved turnaround times, and iii) the government's renewed focus on infra spending. Consequently, we expect MHCV goods volumes to achieve ~5% CAGR over FY25-27.
- While the industry is expected to see a gradual revival, HFL is poised to outperform, driven by its new order wins. The company has already secured an order from a leading domestic CV OEM, set to commercialize in April. Additionally, HFL has won an order for crankshafts from the same OEM, which is expected to begin in Q4FY27. The company has also received an order for front axle beams from another CV OEM, with supplies anticipated to commence in FY26.
- Further, following the sharp decline in CY24 and the resulting inventory correction, experts anticipate a revival in CV demand in Europe starting from May-June 2025. Even in Europe, HFL expects to outperform industry growth, driven by its new order wins.

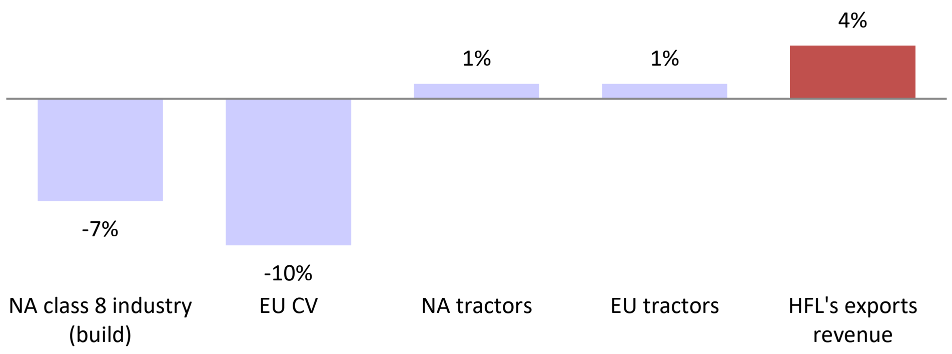
What happened in tractors in FY25?

While domestic tractor demand picked up in Q3FY25, the overall industry grew by ~5% YoY in 9MFY25. However, the bigger impact came from tractor exports to the US and Europe, where major OEMs like JD and CNH saw a decline in production by ~50%. This slowdown was primarily driven by the rise in the interest rate cycle, as farmers appeared unwilling to purchase tractors at these rates.

Tractors outlook for FY26 and beyond

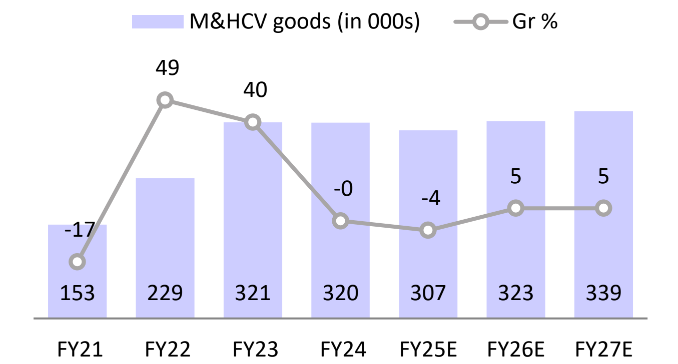
- As highlighted above, the domestic tractor industry has been experiencing a healthy recovery since Q3, and the industry is likely to post high single-digit growth for FY25E. Given the positive terms of trade for farmers and a strong rabi sowing season, tractor OEMs are confident that the industry will continue to show growth, even in FY26E. Further, HFL has recently won new orders from a leading tractor OEM, which is expected to ramp up in FY26.
- While the outlook for tractor demand in Europe/US has not improved yet, the industry appears to have stabilized at these low levels and is no longer declining. Additionally, some of the large MNCs are posting losses for the first time due to weak demand, which has prompted them to explore alternative supply sources in an effort to reduce costs. HFL is emerging as a major beneficiary of this shift, as it is experiencing a noticeable rise in inquiries for direct orders from large MNC tractor OEMs.
- Therefore, the outlook for both CVs and tractors is now on an improving trend, with a revival expected from FY26 onwards. HFL is positioned to outperform both the underlying segments, driven by its new order wins.

Exhibit 6: HFL's 9MFY25 exports revenue grew despite weakness in end markets



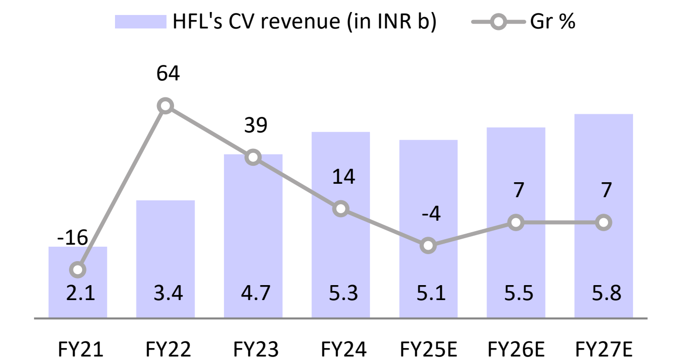
Source: SIAM, MOFSL

Exhibit 7: MHCV volumes to clock ~5% CAGR



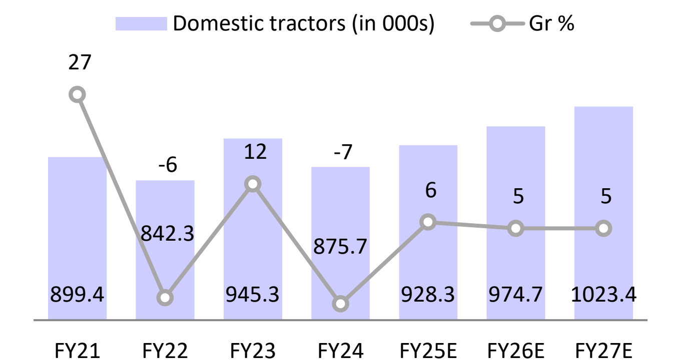
Source: Company, MOFSL

Exhibit 8: HFL CV revenue to grow ~7% over FY25-27E



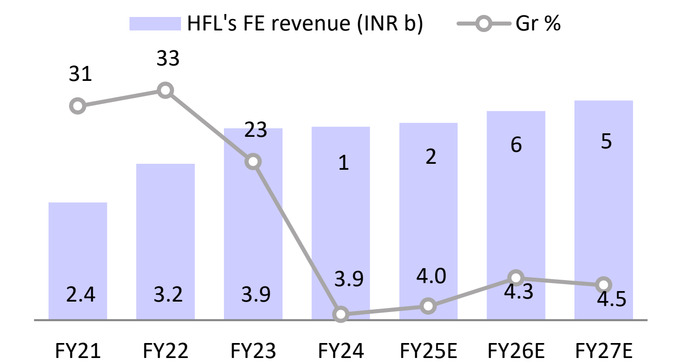
Source: Company, MOFSL

Exhibit 9: Domestic tractor volumes to clock 5% CAGR



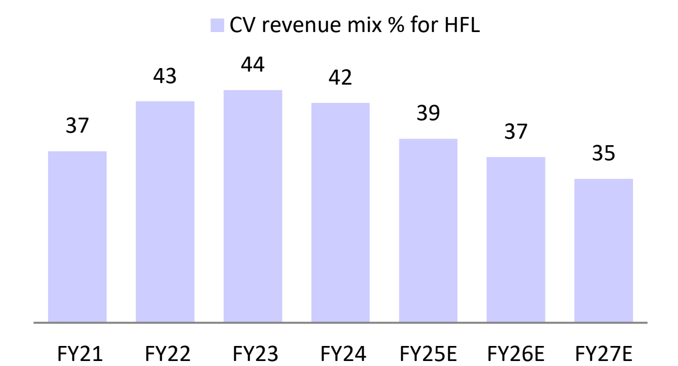
Source: Company, MOFSL

Exhibit 10: HFL's FE division to clock 6% revenue CAGR



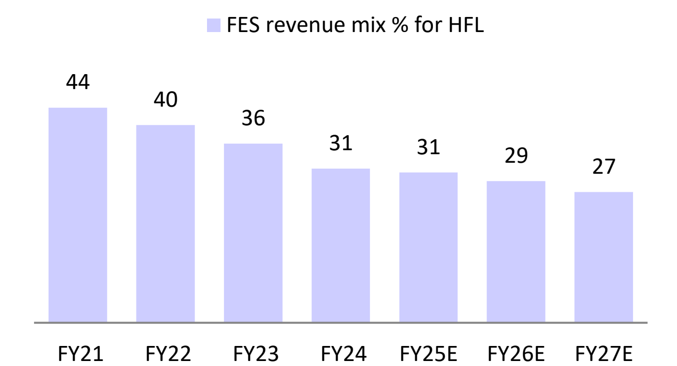
Source: Company, MOFSL

Exhibit 11: Led by strong growth in others, mix of CV…



Source: Company, MOFSL

Exhibit 12: … and FES to decline over FY25-27E



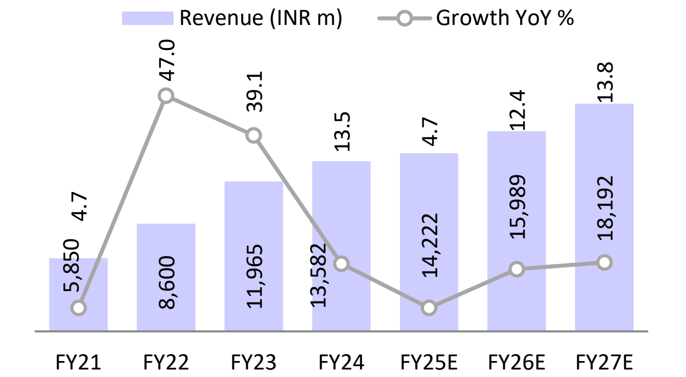
Source: Company, MOFSL

HFL to post healthy PAT growth, led by new order wins

Expect 19% PAT CAGR, led by 13% revenue CAGR and margin expansion

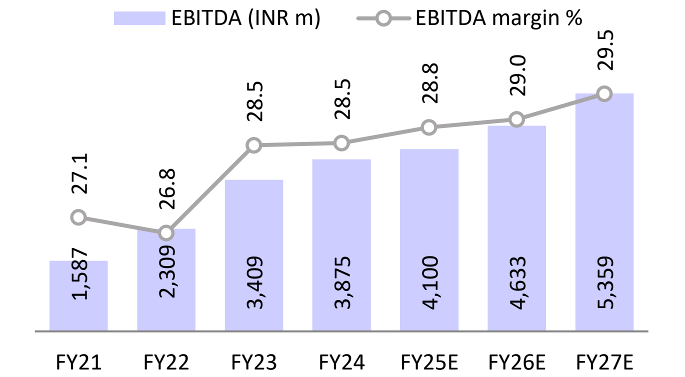
- HFL maintains a well-diversified product portfolio, with CVs contributing 38%, tractors 32%, OHV 12%, Industrials 14%, and PVs 4%. We anticipate a 13% standalone revenue CAGR over FY25E-27E, driven by: i) growth in the Industrials segment, led by new order wins; ii) new order wins in PVs; and iii) stable growth from the CV and farm equipment segments.
- Despite a challenging business environment and export market volatility, HFL has consistently delivered strong profitability, maintaining EBITDA margins of 28.3-29.2% over the past four quarters. We expect HFL's margins to gradually expand to 29.5% in FY29e from 28.5% in FY24, driven by a rising share of machining and a better product mix towards the Industrials segment. As a result, EBITDA is projected to clock ~14% CAGR over FY25-27, while PAT is expected to clock a ~19% CAGR.
- The current capacity utilization stands at ~85% for machining and ~57% for forging, against total capacities of 57k tons and 127k tons, respectively. Utilization is expected to increase with volume growth, particularly in the 14k-ton press, which is currently at 57%. The company is also adding 10,000- and 4,000-ton press lines to enhance forging and machining capabilities.
- To strengthen its capabilities, HFL has announced an INR6.5b capex plan to establish advanced forging facilities for heavyweight components (>250kg and up to 3MT in weight). Apart from this, HFL expects to invest another INR3.5b in its existing business, bringing the total capex to INR10b over the next three years. Management expects to fund majority of this through internal accruals (cash balance of INR2.5b), and any remaining amount, if needed, will be funded via debt.
- We estimate operating cash flow/free cash flow of INR10.6b/INR0.6b over FY25-27E, compared to INR4.8b/-0.8b over FY22-24.
- ROE and ROCE are projected to rise to 16.4%/15.4% by FY27E from 15.3%/14.4% in FY25E. The company has utilized INR2.2b from its INR4b fresh issue for debt repayment (INR1.53b), capex (INR1.49b), and general corporate purposes (INR5.4b). Its net cash balance is expected to reach INR1.3b by FY25E, compared to a net debt of INR255m in FY24.

Exhibit 13: Revenue to register ~13% CAGR over FY25-27



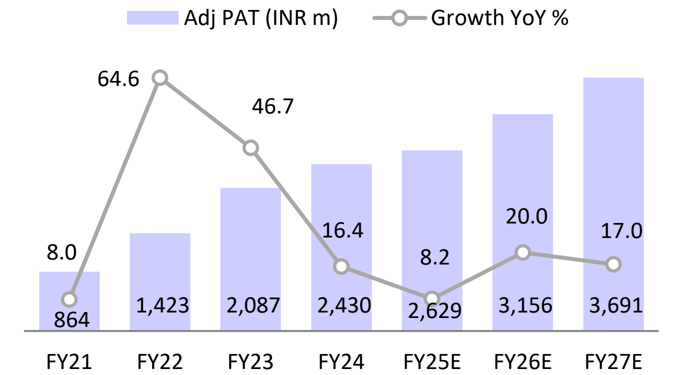
Source: Company, MOFSL

Exhibit 14: EBITDA margin to expand ~70bp over FY25-27



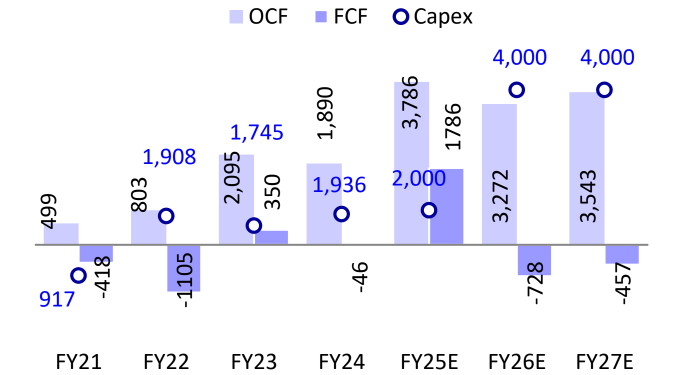
Source: Company, MOFSL

Exhibit 15: PAT to register ~19% CAGR over FY25-27



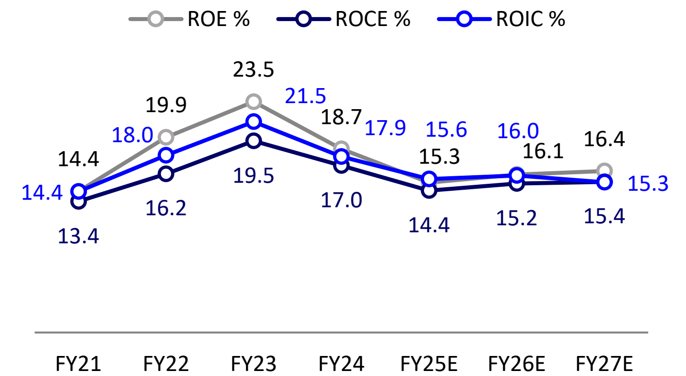
Source: Company, MOFSL

Exhibit 16: FCF/OCF has increased over the years



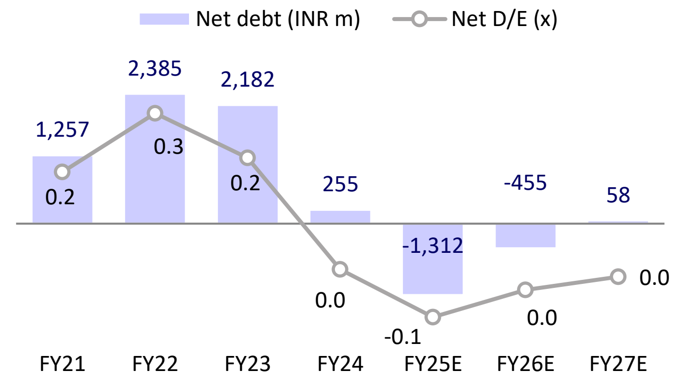
Source: Company, MOFSL

Exhibit 17: Returns to improve steadily in the coming years



Source: Company, MOFSL

Exhibit 18: Expected to remain net debt-free



Source: Company, MOFSL

Stock correction provides favorable opportunity to buy

Valuations at 24.2x FY26E and 20.7x FY27E appear attractive

Given the ongoing slowdown in both domestic and export auto segments, the domestic auto ancillary industry has seen a sharp correction over the last six months, with many stocks declining by 25-50%. The uncertainty around demand dynamics has been exacerbated by the new US government's potential move to levy tariffs on imports for many sectors, including automobiles, leading to supply chain disruptions. We tabulate below the stock corrections that leading auto ancillaries have seen relative to the Auto Index in the recent past.

Exhibit 19: Performance of ancillary companies under our coverage universe

Company Name	6 month stock performance %	EPS growth % FY25-27E	PE (x) FY27
NIFTY Auto	**-18**		
Nifty Index	**-10**		
TIINDIA	-31	25	39
BHFC	-30	45	25
HAPPYFORG	**-30**	**18**	**21**
ARENM	-29	12	15
CIEINDIA	-28	7	16
SAMIL	-26	16	18
SONACOMS	-26	14	41
ENDU	-25	19	23
EXID	-25	9	23
MSUMI	-24	20	27
APTY	-20	23	12
MRF	-20	13	21
Bosch Ltd	-19	15	30
CRAFTSMA	-17	64	23
Balkrishna Industries Ltd	-14	19	20
CEAT Ltd	-9	35	12

Source: MOFSL

- While HFL has corrected almost 34% from its peak, we anticipate multiple growth drivers for the company in the coming years, which include: 1) significant new order wins in the Industrials segment, which will help increase its contribution to 18-20% over the next 2-3 years, up from the current 14%, and further to 30% post-peak revenues from the new INR6.5b capex; 2) new order wins in PVs, with peak annual revenues of INR2b, which will increase PV's revenue contribution to 8-10% over next 3 years; 3) a gradual revival in both domestic and European CVs, with HFL expected to outperform the industry; and 4) a marked recovery in the domestic tractor segment, with tractor exports expected to stabilize at lower levels, and HFL set to outperform due to new order wins.
- While we have maintained our FY25 estimates, we have lowered our FY26 EPS estimates by 5% to factor in the adverse global macro. Backed by its new order wins and a well-diversified revenue base, we expect HFL to post a 13% revenue CAGR over FY25-27E. With an improving product mix, we expect margins to expand to 29.5% in FY27E from 28.5% in FY24. This is likely to drive a healthy PAT CAGR of ~19% over the forecast period. We, hence, believe the recent stock correction presents a strong buying opportunity for HFL at reasonable valuations of 24.2x FY26E and 20.7x FY27E. We reiterate our BUY rating with a TP of INR980 valued at 26x Dec'26E EPS.

Exhibit 20: REVISED FORECAST

	FY25E			FY26E		
(INR b)	**Rev**	**Old**	**Chg (%)**	**Rev**	**Old**	**Chg (%)**
Net Sales	14.2	14.2	0.0	16.0	16.6	-3.7
EBITDA Margin (%)	**28.8**	**28.8**	**0bp**	**29.0**	**29.2**	**-30bp**
PAT	2.6	2.6	0.0	3.2	3.3	-5.0
EPS (Rs)	**27.9**	**27.9**	**0.0**	**33.5**	**35.3**	**-5.0**

Financials and valuation

Income Statement							(INR M)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Net Sales	**5,850**	**8,600**	**11,965**	**13,582**	**14,222**	**15,989**	**18,192**
Change (%)	4.7	47.0	39.1	13.5	4.7	12.4	13.8
EBITDA	**1,587**	**2,309**	**3,409**	**3,875**	**4,100**	**4,633**	**5,359**
Margin (%)	27.1	26.8	28.5	28.5	28.8	29.0	29.5
Depreciation	358	377	542	647	766	888	1,073
EBIT	**1,230**	**1,931**	**2,868**	**3,228**	**3,334**	**3,744**	**4,286**
Int. and Finance Charges	118	72	125	118	67	59	79
Other Income	59	61	58	134	295	468	650
PBT after EO Exp.	**1,171**	**1,920**	**2,800**	**3,244**	**3,563**	**4,153**	**4,857**
Current Tax	316	471	685	748	933	997	1,166
Deferred Tax	-10	27	29	65.67	-	-	-
Tax Rate (%)	26.2	25.9	25.5	25.1	26.2	24.0	24.0
Reported PAT	**864**	**1,423**	**2,087**	**2,430**	**2,629**	**3,156**	**3,691**
Adj PAT	**864**	**1,423**	**2,087**	**2,430**	**2,629**	**3,156**	**3,691**
Change (%)	8	65	47	16	8	20	17

Balance Sheet							(INR M)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Equity Share Capital	90	179	179	188	188	188	188
Total Reserves	6,362	7,697	9,704	15,937	18,119	20,738	23,802
Net Worth	**6,452**	**7,876**	**9,883**	**16,125**	**18,307**	**20,927**	**23,991**
Deferred Liabilities	202	229	230	316	316	316	316
Total Loans	1,535	2,404	2,185	1,430	1,230	1,730	2,230
Capital Employed	**8,188**	**10,509**	**12,299**	**17,871**	**19,854**	**22,973**	**26,537**
Gross Block	5,066	5,858	8,591	9,880	11,880	15,880	19,880
Less: Accum. Deprn.	919	1,296	1,807	2,444	3,210	4,098	5,171
Net Fixed Assets	**4,147**	**4,562**	**6,784**	**7,437**	**8,671**	**11,782**	**14,710**
Capital WIP	404	2,123	748	1,267	1,267	1,267	1,267
Total Investments	**0**	**4**	**0**	**1**	**2,001**	**1,501**	**1,501**
Curr. Assets, Loans&Adv.	**4,214**	**4,610**	**5,730**	**10,155**	**8,938**	**9,567**	**10,356**
Inventory	1,216	1,840	1,696	2,242	2,062	2,318	2,637
Account Receivables	1,658	2,220	3,081	3,569	3,397	3,658	4,087
Cash and Bank Balance	278	15	3	1,174	541	684	671
Loans and Advances	1,062	535	950	3,170	2,939	2,908	2,960
Curr. Liability & Prov.	**576**	**790**	**963**	**988**	**1,023**	**1,145**	**1,296**
Creditors	379	442	477	555	541	608	692
Other Current Liabilities	178	321	448	388	438	492	560
Provisions	19	27	38	45	45	45	45
Net Current Assets	**3,638**	**3,821**	**4,767**	**9,167**	**7,915**	**8,423**	**9,059**
Appl. of Funds	**8,188**	**10,509**	**12,299**	**17,871**	**19,854**	**22,973**	**26,537**

Financials and valuation

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
EPS	**19.3**	**15.9**	**23.3**	**25.8**	**27.9**	**33.5**	**39.2**
Cash EPS	27.3	20.1	29.4	32.7	36.0	42.9	50.6
BV/Share	144.2	88.0	110.4	171.2	194.3	222.1	254.7
DPS	-	-	-	4.0	4.7	5.7	6.7
Payout (%)	-	-	-	15.5	17.0	17.0	17.0
Dividend Yield (%)	-	-	-	0.5	0.5	0.7	0.8
FCF per share	-9.3	-12.4	3.9	-0.5	19.0	-7.7	-4.8
Valuation (x)							
P/E	45.2	54.9	37.4	33.8	31.3	24.2	20.7
Cash P/E	32.0	43.4	29.7	26.7	24.2	18.9	16.1
P/BV	6.1	9.9	7.9	5.1	4.5	3.7	3.2
EV/Sales	6.9	9.4	6.7	6.1	5.7	4.8	4.2
EV/EBITDA	25.4	34.9	23.6	21.3	19.7	16.4	14.3
Return Ratios (%)							
RoE	14.4	19.9	23.5	18.7	15.3	16.1	16.4
RoCE (Post-tax)	13.4	16.2	19.5	17.0	14.4	15.2	15.4
RoIC	14.4	18.0	21.5	17.9	15.6	16.0	15.3
Working Capital Ratios							
Fixed Asset Turnover (x)	1.2	1.5	1.4	1.4	1.2	1.0	0.9
Inventory (Days)	62	65	54	53	55	50	50
Debtor (Days)	95	82	81	89	89	81	78
Creditor (Days)	37	17	14	14	14	13	13
Working Capital (Days)	169	152	131	171	197	172	162
Leverage Ratio (x)							
Net Debt/Equity	0.2	0.3	0.2	0.0	-0.1	0.0	0.0

Cash Flow Statement (INR M)

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Operating PBT	1,171	1,921	2,800	3,244	3,563	4,153	4,857
Depreciation	358	377	542	647	766	888	1,073
Interest/Div paid	-118	-72	-125	118	67	59	79
Direct Taxes Paid	-399	-431	-638	-839	-933	-997	-1,166
(Inc)/Dec in WC	-825	-1,088	-779	-1,230	619	-364	-650
Other items	312	96	295	**-50**	**-295**	**-468**	**-650**
CF from Operations	**499**	**803**	**2,095**	**1,890**	**3,786**	**3,272**	**3,543**
(inc)/dec in FA	-917	-1,908	-1,745	-1,936	-2,000	-4,000	-4,000
Free Cash Flow	**-418**	**-1,105**	**350**	**-46**	**1,786**	**-728**	**-457**
(Pur)/Sale of Investments	288	230	15	-2,770	-2,000	500	-
Others	41	21	5	**12**	**295**	**468**	**650**
CF from Investments	**-587**	**-1,657**	**-1,725**	**-4,694**	**-3,705**	**-3,033**	**-3,350**
Issue of Shares	-	-	-	3,810	-	-	-
Inc/(Dec) in Debt	351	895	-251	-755	-200	500	500
Interest Paid	-254	-68	-119	-130	-67	-59	-79
Dividend Paid	-	-	-	-116	-447	-537	-628
CF from Fin. Activity	**97**	**825**	**-370**	**2,809**	**-714**	**-96**	**-207**
Inc/Dec of Cash	**8**	**-29**	**-0**	5	-633	143	-13
Add: Beginning Balance	20	29	0	**0**	**1,174**	**541**	**684**
Closing Balance	**29**	**0**	**0**	**5**	**541**	**684**	**671**

E: MOFSL Estimates

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SELL	< - 10%
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