

Happy Forgings | BUY

Broadly in-line Quarter; New business wins to aid growth

In 1QFY26, Happy Forgings (HFL) reported EBITDA margin of 28.6%, slightly below JMFe of 28.8%. In the domestic market, CV growth is expected to be driven by ramp-up of new order wins, while tractor segment is likely to sustain its positive momentum going ahead. Industrial and PV segment continued perform well, with management targeting an increase in PV revenue contribution to 8-10% over the next two years (vs. 6% in 1QFY26). Global demand remains muted across segments. However, new order wins are expected to support revenue growth going ahead. Margins are likely to remain under pressure due initial ramp-up cost related to new facilities, partially offset by higher share of value-added components. Owing to new order wins, we have revised our revenue growth estimates upwards by 3.5% / 3.4% for FY26E / FY27E from our previous estimates. We maintain BUY with Mar'27 TP of INR 1,090 (30x FY27E). Pick-up in exports (CVs / Farm / OHV) remains a key monitorable.

- **1QFY26 – Revenue / margin broadly in line:** HFL reported revenue of INR 3.5bn (+4% YoY, flat QoQ), in line with JMFe. EBITDA came-in at INR 1.01bn (+4%YoY, -1% QoQ), 1% below JMFe. EBITDA margin stood at 28.6% (flat YoY, -50bps QoQ), 20bps below JMFe. PAT stood at INR 657mn (+3% YoY, -3% QoQ), in line with JMFe of INR 660mn.
- **Operational update:** During 1QFY26, HFL's volumes grew 3.8% YoY to 14,457 MT. Realisation remained broadly flat YoY at c.INR245/kg, despite moderation in RM price (-3% YoY), owing to higher share of value-added components. Contribution of machined products rose to 88% in 1QFY26 (87% in 1QFY25). Exports continued to remain a drag with c.8% YoY decline, while domestic revenue grew by c.7% YoY. Despite the industry headwinds and RM price correction, its overall revenue grew by 3.6% in 1Q. New business wins and entry into new segment (delivering new revenues to the tune of 15-18%) helped counter slowdown in legacy businesses (down 7-8%). Share of industrials / PV business increased to 13% / 6% in 1QFY26 (vs. 11% / 3% in 1QFY25).
- **Demand outlook:** In the domestic market, MHCV production remained flat YoY, with HFL's CV revenue growth marginally outpacing the industry. The company has secured new business wins in this segment, and expects a strong ramp-up in crankshaft volumes going forward. The farm equipment segment remained healthy, with momentum likely to sustain (management expects 4-7% growth). The off-highway segment saw a mid-single-digit YoY decline in 1QFY26, impacted by delays in road, highway, and mining projects. The industrial segment delivered good growth, supported by strong demand from wind energy, power generation, and oil & gas sectors- a trend expected to continue. The PV segment recorded healthy traction on account of ramp-up in dedicated lines for key SUV platforms, with management targeting an 8-10% revenue contribution over the next two years (vs. 6% in 1QFY26). Internationally, demand in CV, farm, and off-highway segments remained subdued, with near-term headwinds likely to persist. Nevertheless, HFL retains its medium-term revenue growth guidance of 15-18%, underpinned by new product launches, fresh order inflows, and entry into new markets. We transfer coverage to Nitin Agrawal.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,090
Upside/(Downside)	12.4%
Previous Price Target	1,000
Change	9.0%

Key Data – HAPPYFOR IN

Current Market Price	INR970
Market cap (bn)	INR91.4/US\$1.0
Free Float	33%
Shares in issue (mn)	94.2
Diluted share (mn)	94.2
3-mon avg daily val (mn)	INR30.1/US\$0.3
52-week range	1,269/716
Sensex/Nifty	80,604/24,585
INR/US\$	87.7

Price Performance

%	1M	6M	12M
Absolute	3.8	4.2	-21.3
Relative*	6.3	-1.5	-22.2

* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	13,434	13,949	15,656	18,807	22,647
Sales Growth (%)	15.7	3.8	12.2	20.1	20.4
EBITDA	3,875	4,067	4,511	5,454	6,596
EBITDA Margin (%)	28.5	28.9	28.5	28.7	28.8
Adjusted Net Profit	2,430	2,674	2,855	3,421	4,197
Diluted EPS (INR)	25.8	28.4	30.3	36.3	44.5
Diluted EPS Growth (%)	10.6	10.0	6.8	19.8	22.7
ROIC (%)	18.6	15.2	13.7	14.1	15.1
ROE (%)	18.7	15.4	14.4	15.1	16.1
P/E (x)	37.6	34.2	32.0	26.7	21.8
P/B (x)	5.7	4.9	4.3	3.8	3.3
EV/EBITDA (x)	23.6	22.6	20.7	17.1	14.0
Dividend Yield (%)	0.4	0.3	0.3	0.4	0.4

Source: Company data, JM Financial. Note: Valuations as of 11/Aug/2025

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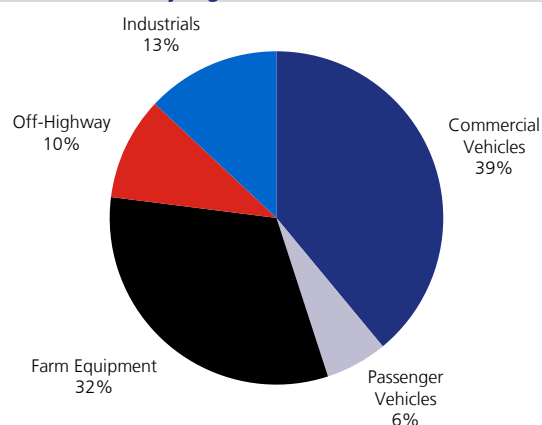
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- **Margin outlook:** We expect margin to remain under pressure, impacted by initial ramp-up cost related to new facilities (heavyweight components forging facilities to commence in FY27), partially offset by higher contribution of value added products.
- **Other highlights:** **1)** Capacity utilisation currently stands at 59% / 77% for Forging / Machining. **2)** Capex guidance for FY26 is INR 3bn (excluding solar-related investments), of which INR 800mn is towards scaling PV segment. This year, HFL plans to commission additional forging presses of 10,000 tonnes and 4,000 tonnes, adding ~20,000 metric tonnes per annum in capacity. **3)** HFL highlighted that INR 6.5bn capex plan (spread over 2-3 years) remains on track. This investment will support the establishment of advanced forging capabilities to serve requirements of heavy forged and machined components (>250 Kgs) in the non-automotive industrial segments (Power generation, Marine, Mining, High-HP farm equipment, etc.). HFL expects this capacity to be operational in FY27. **4)** Direct exposure to US remains modest (3-4%), with no absorption of tariff-related costs. **5)** For FY26, the company targets delivery of 35kunits of axle beams, translating into an estimated revenue of INR 300–400mn.

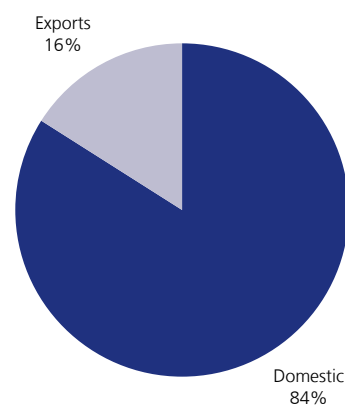
Exhibit 1. Quarterly financial performance – consolidated

Financial Matrices (INR mn)	1QFY26	1QFY25	% YoY	4QFY25	% QoQ	1QFY26E	Var (%)
Sales	3,538	3,415	3.6	3,520	0.5	3,556	(0.5)
RM	1,489	1,486	0.2	1,455	2.3	1,493	(0.3)
as a % of sales	42.1	43.5	-140bps	41.3	70bps	42.0	10bps
Employee Exp	321	290	10.6	323	(0.5)	324	(0.8)
as a % of sales	9.1	8.5	60bps	9.2	-10bps	9.1	0bps
Other Costs	717	663	8.2	719	(0.3)	715	0.3
as a % of sales	20.3	19.4	90bps	20.4	-20bps	20.1	20bps
Expenditure	2,527	2,439	3.6	2,497	1.2	2,532	(0.2)
EBITDA	1,012	976	3.6	1,023	(1.1)	1,024	(1.2)
EBITDA Margin (%)	28.6	28.6	0bps	29.1	-50bps	28.8	-20bps
Other Income	104	76	36.1	100	3	90	15.0
Interest	23	14	67.8	25	(6)	18	28.0
Depreciation	206	180	14.1	203	1	210	(2.1)
PBT	886	858	3.3	896	(1)	886	0.0
Tax	230	220	4.2	219	5	226	1.6
Tax rate (%)	25.9	25.7	20bps	24.5	140bps	25.5	0.4
PAT (Adjusted)	657	638	3.0	676	(2.9)	660	(0.5)
PAT Margin (%)	18.6	18.7	-10bps	19.2	-60bps	18.6	0bps
EPS (INR)	7.0	6.8	3.0	7.2	(2.8)	7.0	(0.5)

Source: Company, JM Financial

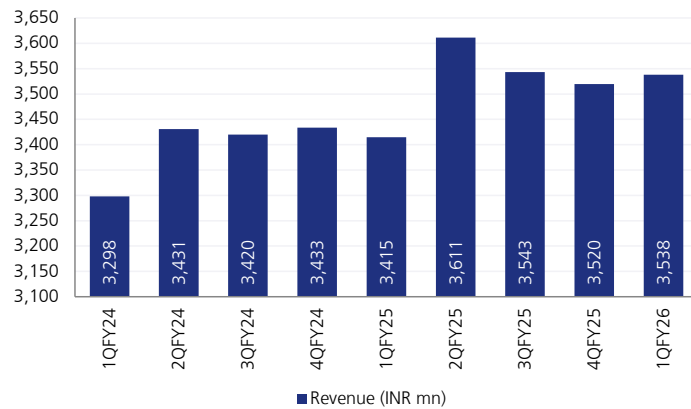
Exhibit 2. Revenue mix by segments-1QFY26


Source: Company, JM Financial

Exhibit 3. Revenue mix by geography-1QFY26


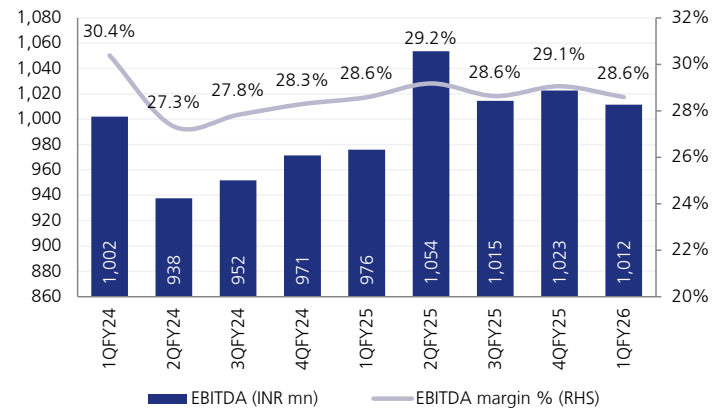
Source: Company, JM Financial

Exhibit 4. Revenue grew 3.6% YoY (flat QoQ) to INR 3.5bn



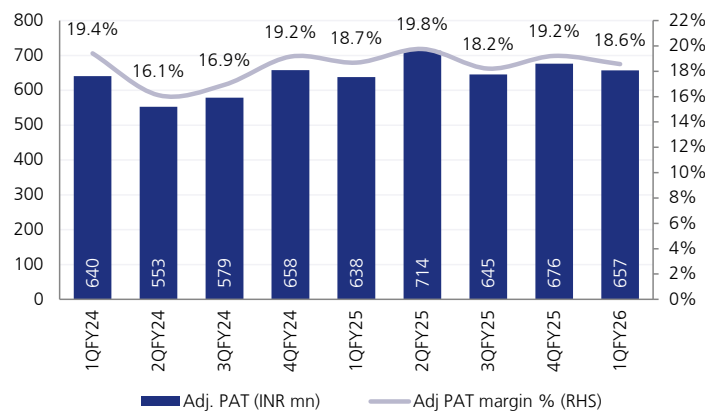
Source: Company, JM Financial

Exhibit 5. EBITDA Margin remained flat YoY (-50bps QoQ) at 28.6%



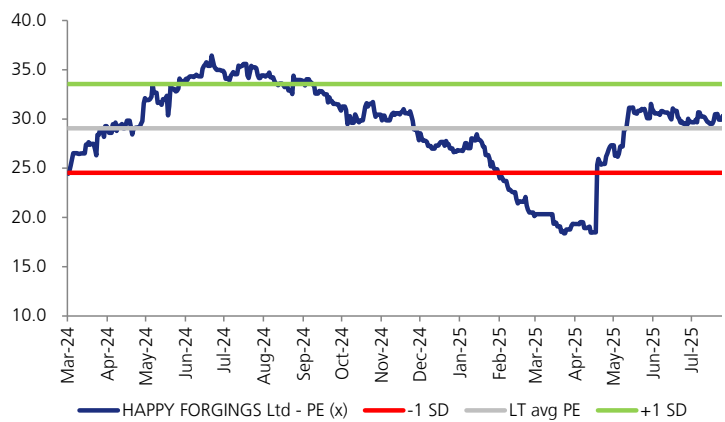
Source: Company, JM Financial

Exhibit 6. PAT grew 3% YoY (-3% QoQ) to INR 657mn



Source: Company, JM Financial

Exhibit 7. 1-yr forward PE chart



Source: Company, JM Financial

Exhibit 8. Change in estimates

Happy Forgings	New assumption			Old assumption			% Change		
	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue (INR mn)	14,089	15,810	18,988	14,089	15,273	18,372	0.0%	3.5%	3.4%
EBITDA (INR mn)	4,067	4,511	5,454	4,067	4,380	5,253	0.0%	3.0%	3.8%
EBITDAM (%)	28.9	28.5	28.7	28.9	28.7	28.6	0bps	-20bps	+10bps
PAT (INR mn)	2,675	2,856	3,421	2,675	2,755	3,267	0.0%	3.6%	4.7%
EPS (INR)	28.4	30.3	36.3	28.4	29.2	34.7	0.0%	3.6%	4.7%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	13,434	13,949	15,656	18,807	22,647
Sales Growth	15.7%	3.8%	12.2%	20.1%	20.4%
Other Operating Income	149	140	154	181	221
Total Revenue	13,582	14,089	15,810	18,988	22,868
Cost of Goods Sold/Op. Exp	5,966	5,917	6,508	7,810	9,372
Personnel Cost	1,145	1,248	1,448	1,680	2,025
Other Expenses	2,596	2,857	3,343	4,045	4,876
EBITDA	3,875	4,067	4,511	5,454	6,596
EBITDA Margin	28.5%	28.9%	28.5%	28.7%	28.8%
EBITDA Growth	13.7%	4.9%	10.9%	20.9%	20.9%
Depn. & Amort.	647	771	975	1,195	1,396
EBIT	3,228	3,296	3,537	4,259	5,200
Other Income	134	375	383	401	475
Finance Cost	118	75	182	182	182
PBT before Excep. & Forex	3,244	3,596	3,737	4,477	5,493
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	3,244	3,596	3,737	4,477	5,493
Taxes	814	921	882	1,056	1,296
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	2,430	2,674	2,855	3,421	4,197
Adjusted Net Profit	2,430	2,674	2,855	3,421	4,197
Net Margin	17.9%	19.0%	18.1%	18.0%	18.4%
Diluted Share Cap. (mn)	94.2	94.2	94.2	94.2	94.2
Diluted EPS (INR)	25.8	28.4	30.3	36.3	44.5
Diluted EPS Growth	10.6%	10.0%	6.8%	19.8%	22.7%
Total Dividend + Tax	377	283	283	377	377
Dividend Per Share (INR)	4.0	3.0	3.0	4.0	4.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	3,244	3,596	3,737	4,477	5,493
Depn. & Amort.	647	771	975	1,195	1,396
Net Interest Exp. / Inc. (-)	118	75	182	182	182
Inc (-) / Dec in WCap.	-1,230	-486	-680	-1,295	-1,590
Others	-50	-200	-57	-13	-16
Taxes Paid	-839	-832	-882	-1,056	-1,296
Operating Cash Flow	1,890	2,923	3,276	3,490	4,170
Capex	-1,941	-2,806	-4,000	-3,000	-3,000
Free Cash Flow	-51	118	-724	490	1,170
Inc (-) / Dec in Investments	-2,765	-592	1,200	0	0
Others	13	195	57	13	16
Investing Cash Flow	-4,693	-3,202	-2,743	-2,987	-2,984
Inc / Dec (-) in Capital	3,810	7	0	0	0
Dividend + Tax thereon	-116	-377	-283	-377	-377
Inc / Dec (-) in Loans	-755	846	0	0	0
Others	-130	-74	-182	-182	-182
Financing Cash Flow	2,809	402	-465	-559	-559
Inc / Dec (-) in Cash	6	123	67	-56	626
Opening Cash Balance	0	6	129	196	140
Closing Cash Balance	6	129	196	140	766

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	16,125	18,495	21,068	24,112	27,932
Share Capital	188	188	188	188	188
Reserves & Surplus	15,937	18,307	20,880	23,923	27,743
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	1,430	2,280	2,280	2,280	2,280
Def. Tax Liab. / Assets (-)	316	393	393	393	393
Total - Equity & Liab.	17,871	21,169	23,741	26,785	30,605
Net Fixed Assets	8,704	10,305	13,330	15,136	16,740
Gross Fixed Assets	9,923	12,334	16,334	19,334	22,334
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	2,487	3,257	4,232	5,427	6,823
Capital WIP	1,267	1,228	1,228	1,228	1,228
Investments	3,252	2,747	1,547	1,547	1,547
Current Assets	6,904	9,100	9,972	11,402	13,843
Inventories	2,242	2,324	2,608	3,132	3,772
Sundry Debtors	3,569	4,265	4,787	5,749	6,923
Cash & Bank Balances	6	129	197	140	766
Loans & Advances	0	0	0	0	0
Other Current Assets	1,087	2,381	2,381	2,381	2,381
Current Liab. & Prov.	988	984	1,108	1,300	1,525
Current Liabilities	555	454	499	599	719
Provisions & Others	433	530	609	701	806
Net Current Assets	5,916	8,116	8,864	10,102	12,318
Total - Assets	17,871	21,169	23,741	26,785	30,605

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	17.9%	19.0%	18.1%	18.0%	18.4%
Asset Turnover (x)	0.9	0.7	0.7	0.8	0.8
Leverage Factor (x)	1.2	1.1	1.1	1.1	1.1
RoE	18.7%	15.4%	14.4%	15.1%	16.1%

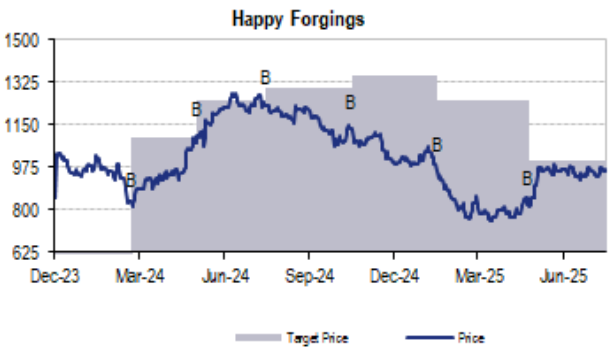
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	171.2	196.3	223.6	255.9	296.4
ROIC	18.6%	15.2%	13.7%	14.1%	15.1%
ROE	18.7%	15.4%	14.4%	15.1%	16.1%
Net Debt/Equity (x)	0.0	0.0	0.1	0.1	0.1
P/E (x)	37.6	34.2	32.0	26.7	21.8
P/B (x)	5.7	4.9	4.3	3.8	3.3
EV/EBITDA (x)	23.6	22.6	20.7	17.1	14.0
EV/Sales (x)	6.7	6.5	5.9	4.9	4.1
Debtor days	96	111	111	111	111
Inventory days	60	60	60	60	60
Creditor days	21	17	16	16	16

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
18-Mar-24	Buy	1,100	
27-May-24	Buy	1,250	13.6
9-Aug-24	Buy	1,300	4.0
10-Nov-24	Buy	1,350	3.8
10-Feb-25	Buy	1,250	-7.4
19-May-25	Buy	1,000	-20.0

Recommendation History



APPENDIX I

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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