

11 August 2025

India | Equity Research | Results update

Happy Forgings

Auto Ancillaries

Resilient performance amidst challenging environment

Happy Forgings' (HFL)'s Q1FY26 performance was broadly in line with our estimates. HFL continued to outperform peers in Q1. While PV / industrial / domestic farm segment continues to do well, domestic CV may likely pick up going ahead. Export (primarily to EU) remains impacted due to weak macro. Nevertheless, we expect, HFL to continue to outgrow peers/underlying industry led by its orderbook / new order wins across segments. US exposure remains limited (~3% of revenue) and the company does not see a challenge to order execution timelines. Given HFL's current scale and a large addressable global opportunity, especially owing to the shifting global landscape, we see long-term runway for growth. Maintain **BUY** with TP of INR 1,150, based on 30x Sept'27E EPS.

Q1FY26: Broadly in-line performance

HFL reported revenue of INR 3.54bn (+4% YoY / flattish QoQ), 2% below I-Sec estimate. EBITDA came in at INR 1.01bn (+4%YoY / -1% QoQ). EBITDAM stood at 28.6% (flat YoY / -50bps QoQ), in line with I-Sec estimate. PAT stood at INR 657mn (+3% YoY/-3% QoQ), broadly in line with I-Sec estimate.

Operational update

HFL's tonnage growth during Q1 was up 4% YoY (+2% QoQ) at 14,457 MT. Realisation was flat YoY at INR 245/kg (-2% QoQ) mainly passthrough of lower RM prices (-3% QoQ). Segment-wise: PVs/industrial/farm led the growth with 107%/8%/7% YoY growth while OHV/CV segment witnessed 10%/4% YoY decline in revenue mainly due to weakness in export (primarily to EU). Overall domestic revenue grew 6% YoY while exports declined 8% YoY. Share of machining revenue remains healthy at 88% (vs. 87% in Q1FY25).

Demand outlook

Domestic CV demand is expected to improve during H2 (high single-digit growth) led by new order execution. Domestic farm segment continues to do well and could grow in mid-to-high single digit YoY. Both EU CV and farm segments are witnessing muted growth (high single-digit / low double-digit YoY decline) but may see some recovery from H2FY26 on a low base. Nevertheless, HFL expects to outperform the underlying market led by new order wins/execution (multiple new order wins from EU farm / US wind customers + strong visibility of new order wins + execution of existing orders).

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	14,089	15,610	17,790	20,745
EBITDA	4,067	4,535	5,171	6,101
EBITDA %	28.9	29.1	29.1	29.4
Net Profit	2,674	2,850	3,212	3,874
EPS (INR)	28.4	30.2	34.1	41.1
EPS % Chg YoY	10.0	6.6	12.7	20.6
P/E (x)	33.7	31.6	28.1	23.3
EV/EBITDA (x)	22.8	20.5	18.0	15.0
RoCE (%)	14.2	13.5	13.6	14.7
RoE (%)	15.4	14.4	14.4	15.3

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Market Data

Market Cap (INR)	90bn
Market Cap (USD)	1,030mn
Bloomberg Code	HAPPYFOR
Reuters Code	HAPY.BO
52-week Range (INR)	1,269 / 716
Free Float (%)	21.0
ADTV-3M (mn) (USD)	0.3

Price Performance (%)	3m	6m	12m
Absolute	21.8	(3.0)	(22.6)
Relative to Sensex	22.4	(5.5)	(23.8)

ESG Score	2023	2024	Change
ESG score	NA	59.8	NA
Environment	NA	37.6	NA
Social	NA	63.5	NA
Governance	NA	76.9	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

17-06-2025: [Initiating Coverage](#)

Margin outlook

The company is aiming to sustain its current margin level (~28-29%) led by a gradual improvement in capacity utilisation (currently at 59%), rising mix of fully-machined components and higher operating leverage.

US-tariff impact

HFL's current US exposure is limited (3-4% of revenue) and the company did not absorb any tariff during Q1 (borne by customers). Its orders from US customers are on track and it is not facing any challenge with regards to execution timeline. Overall, the management indicated that – for the kind of products that HFL makes for CV/farm/industrial, there is no capacity to manufacture locally in the US and some of these order wins are substituting Chinese suppliers.

Other highlights

1) Capacity utilisation currently stands at 59% / 77% for forging / machining. Capacity utilisation of 14k tonne forging press is 55% (on unit basis). HFL indicated that expansion of forging/machining capacity to 150k MT / 62k MT is on track. 2) Capex guidance for FY26 stands at INR 3bn towards scale up of PV segment, 4k and 10k ton press lines, machining capacity, and capex for heavy-duty components.

Exhibit 1: Q1FY26 result review

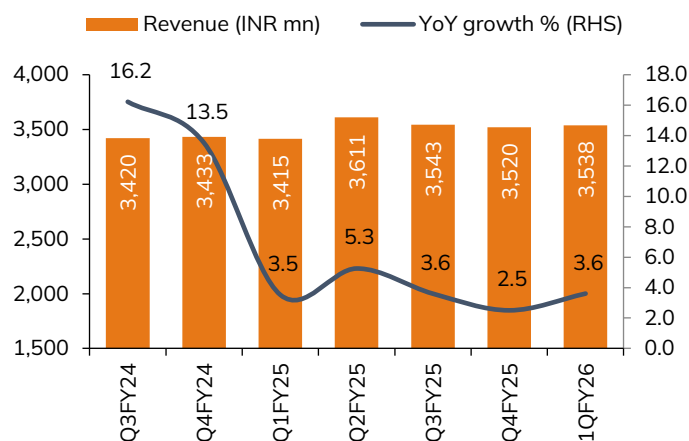
Financial Matrices (INR mn)	1QFY26	Q1FY25	% YoY	Q4FY25	% QoQ	1QFY26E	Var (%)
Sales	3,538	3,415	3.6	3,520	0.5	3,598	(1.7)
RM	1,489	1,486	0.2	1,455	2.3	1,511	(1.5)
as a % of sales	42.1	43.5	-140bps	41.3	70bps	42.0	10bps
Employee Exp	321	290	10.6	323	(0.5)	331	(3.1)
as a % of sales	9.1	8.5	60bps	9.2	-10bps	9.2	-10bps
Other Costs	717	663	8.2	719	(0.3)	730	(1.8)
as a % of sales	20.3	19.4	90bps	20.4	-20bps	20.3	0bps
Expenditure	2,527	2,439	3.6	2,497	1.2	2,573	(1.8)
EBITDA	1,012	976	3.6	1,023	(1.1)	1,025	(1.4)
EBITDA Margin (%)	28.6	28.6	0bps	29.1	-50bps	28.5	10bps
Other Income	104	76	36.1	100	3	90	15.0
Interest	23	14	67.8	25	(6)	30	(23.2)
Depreciation	206	180	14.1	203	1	210	(2.1)
PBT	886	858	3.3	896	(1)	875	1.3
Tax	230	220	4.2	219	5	223	2.8
Tax rate (%)	25.9	25.7	20bps	24.5	140bps	25.5	0.4
PAT (Adjusted)	657	638	3.0	676	(2.9)	652	0.7
PAT Margin (%)	19%	19%	(0.1)	19%	(0.6)	18%	0.4
EPS (INR)	7.0	6.8	2.9	7.2	(2.9)	6.9	0.7

Source: Company data, I-Sec research

Downside risks

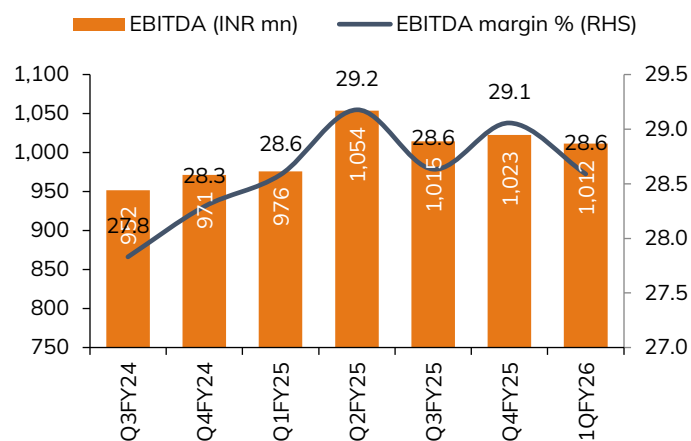
- Slower-than-expected growth in domestic CV/farm segment, or delayed recovery in EU and US CV/farm segment.
- Delay in order execution timeline or inability to win new orders, especially for recently announced capex for heavy-forged components.

Exhibit 2: Revenue and growth trend



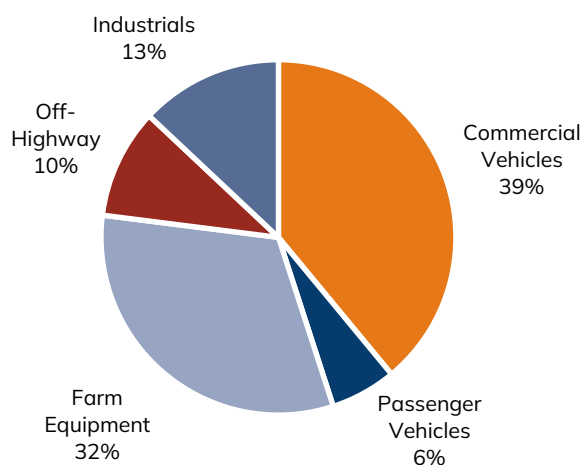
Source: Company data, I-Sec research

Exhibit 3: EBITDA and margin trend



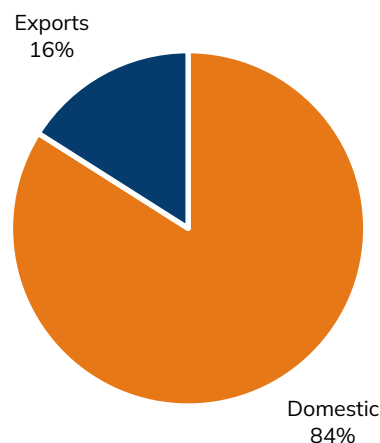
Source: Company data, I-Sec research

Exhibit 4: Revenue mix by segments (Q1FY26)



Source: Company data, I-Sec research

Exhibit 5: Revenue mix by geography (Q1FY26)



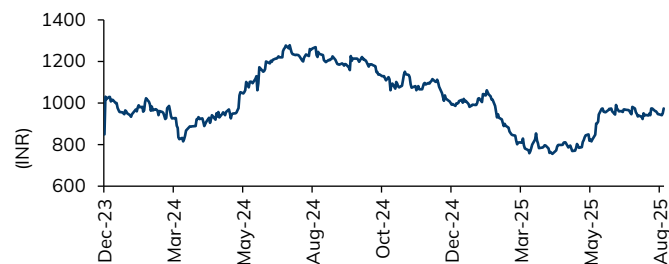
Source: Company data, I-Sec research

Exhibit 6: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	78.6	78.6	78.5
Institutional investors	19.4	19.3	19.1
MFs and others	7.5	11.7	11.5
FIs/Banks	0.0	0.0	0.0
Insurance Cos	0.5	0.3	0.3
FIIIs	11.4	7.3	7.3
Others	2.0	2.1	2.4

Source: Bloomberg, I-Sec research

Exhibit 7: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 8: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	14,089	15,610	17,790	20,745
Operating Expenses	2,857	3,152	3,595	4,176
EBITDA	4,067	4,535	5,171	6,101
EBITDA Margin (%)	28.9	29.1	29.1	29.4
Depreciation & Amortization	771	951	1,127	1,230
EBIT	3,296	3,584	4,044	4,871
Interest expenditure	75	148	132	99
Other Non-operating Income	-	-	-	-
Recurring PBT	3,596	3,811	4,296	5,180
Profit / Loss from Associates	-	-	-	-
Less: Taxes	921	961	1,084	1,307
PAT	2,674	2,850	3,212	3,874
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	2,674	2,850	3,212	3,874
Net Income (Adjusted)	2,674	2,850	3,212	3,874

Source Company data, I-Sec research

Exhibit 9: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	7,950	8,417	9,026	11,426
of which cash & cash eqv.	129	294	128	1,492
Total Current Liabilities & Provisions	984	1,144	1,305	1,504
Net Current Assets	6,967	7,273	7,721	9,922
Investments	2,747	2,272	1,999	1,728
Net Fixed Assets	9,077	11,626	13,500	14,270
ROU Assets	-	-	-	-
Capital Work-in-Progress	1,228	1,228	1,228	1,228
Total Intangible Assets	-	-	-	-
Other assets	1,150	1,242	1,341	1,448
Deferred Tax assets	-	-	-	-
Total Assets	21,169	23,642	25,788	28,596
Liabilities				
Borrowings	2,280	2,280	1,780	1,280
Deferred Tax Liability	393	393	393	393
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	188	188	188	188
Reserves & Surplus	18,307	20,780	23,427	26,735
Total Net Worth	18,495	20,968	23,615	26,923
Minority Interest	-	-	-	-
Total Liabilities	21,169	23,642	25,788	28,596

Source Company data, I-Sec research

Exhibit 10: Quarterly trend

(INR mn, year ending March)

	Sep-24	Dec-24	Mar-25	Jun-25
Net Sales	3,611	3,543	3,520	3,538
% growth (YOY)	5.3	3.6	2.5	3.6
EBITDA	1,054	1,015	1,023	1,012
Margin %	29.2	28.6	29.1	28.6
Other Income	131	66	100	104
Extraordinaries	-	-	-	-
Adjusted Net Profit	714	645	676	657

Source Company data, I-Sec research

Exhibit 11: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	2,923	3,542	3,613	4,126
Working Capital Changes	(486)	(234)	(713)	(945)
Capital Commitments	(2,806)	(3,500)	(3,000)	(2,000)
Free Cashflow	118	42	613	2,126
Other investing cashflow	(396)	648	418	403
Cashflow from Investing Activities	(3,202)	(2,852)	(2,582)	(1,597)
Issue of Share Capital	7	-	-	-
Interest Cost	(74)	(148)	(132)	(99)
Inc (Dec) in Borrowings	846	-	(500)	(500)
Dividend paid	(377)	(377)	(565)	(565)
Others	-	-	-	-
Cash flow from Financing Activities	402	(525)	(1,197)	(1,165)
Chg. in Cash & Bank balance	123	165	(166)	1,364
Closing cash & balance	129	294	127	1,491

Source Company data, I-Sec research

Exhibit 12: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	28.4	30.2	34.1	41.1
Adjusted EPS (Diluted)	28.4	30.2	34.1	41.1
Cash EPS	36.6	40.3	46.0	54.2
Dividend per share (DPS)	3.0	4.0	6.0	6.0
Book Value per share (BV)	196.3	222.5	250.6	285.7
Dividend Payout (%)	10.6	13.2	17.6	14.6
Growth (%)				
Net Sales	3.7	10.8	14.0	16.6
EBITDA	4.9	11.5	14.0	18.0
EPS (INR)	10.0	6.6	12.7	20.6
Valuation Ratios (x)				
P/E	33.7	31.6	28.1	23.3
P/CEPS	26.2	23.7	20.8	17.7
P/BV	4.9	4.3	3.8	3.3
EV / EBITDA	22.8	20.5	18.0	15.0
EV / Sales	6.6	6.0	5.2	4.4
Profitability Ratios				
Gross Profit Margins (%)	49.1	49.2	49.3	49.5
EBITDA Margins (%)	28.9	29.1	29.1	29.4
EBIT Margins (%)	23.4	23.0	22.7	23.5
Net Profit Margins (%)	19.0	18.3	18.1	18.7
RoCE (%)	14.2	13.5	13.6	14.7
RoE (%)	15.4	14.4	14.4	15.3
Dividend Yield (%)	0.3	0.4	0.6	0.6
Operating Ratios				
Fixed Asset Turnover (x)	1.4	1.2	1.2	1.3
Inventory Turnover Days	60	60	60	60
Receivables Days	111	100	95	90
Payables Days	17	18	18	18
Effective Tax Rate (%)	25.6	25.2	25.2	25.2
Net Debt / Equity (x)	0.0	0.0	0.0	(0.1)
Net Debt / EBITDA (x)	(0.1)	0.0	0.0	(0.3)

Source Company data, I-Sec research

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