



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Happy Forgings Q4FY24 revenues came in at ₹343.34 Cr, up 13.51% YoY and up +0.40% QoQ.
- Op Profit for Q4FY24 stood at ₹97.14 Cr, up 13.14% YoY and up 2.06% QoQ.
- Op margins for Q4FY24 came at 28.29%, -9 bps YoY and +46 bps QoQ.
- PAT for Q4FY24 stood at ₹65.78 Cr, up 29.74% YoY and down +13.62% QoQ.

### 2. MANAGEMENT COMMENTARY:

- Management aims to achieve 15-20% growth in coming years led by capacity expansion and increasing utilization.
- Rs 250 Cr Capex planned for FY25.

### 3. SEGMENTAL ANALYSIS:

- FY24 Sector Mix: Commercial Vehicles (42%), Passenger Vehicles (1%), Farm Equipments (31%), Off Highway Vehicles (13%), Industrials (12%)
- FY24 Geographic Mix: Domestic (80%), Exports (20%)
- FY24 Product Mix: Forged Products (15%), Machined Products (85%)

### 4. CONCALL SUMMARY

- Q4FY24 Revenue grew 14%, EBITDA grew 13% and PAT grew 30% YoY.
- Q4FY24 Volume grew 4% to 12955 MT, Realisation/kg grew 9% to Rs 255 and EBITDA/kg grew 9% to Rs 72.
- Co plans to increase its machining capacity to 62000 MT from 51000 MT in FY25. 50% of this increase is expected to be done by Q2FY25.
- The Co is also adding 3000 T and 6000 T press lines by Q3FY25.
- For FY25, Co expects low single digit growth for Cv segment, 8-10% growth for Farm segment.
- Co expects the share of industrials to increase from 25% to 30% of revenue.
- Co also expects to achieve 8-10% revenue mix from PV segment over next few years. Currently PV segment contributes only 1% of revenue.
- Export segment is expected to reach ~28-30% of revenues from 20% over next few years.
- Co is also in the process of acquiring land for its new subsidiary.

### 5. VALUATION AND OUTLOOK:

Overall Co is well position to beat the industry growth led by capacity expansion, increasing utilization and addition of new customers.

Co has very healthy order book executable over next 18-12 months.

We believe with ramp up od capacities Co is expected to gain the market share in its segments.

We reiterate a “BUY” rating on the stock and value the stock at 31.5x FY26E earnings to arrive at the target of ₹1293.

## RECOMMENDATION - BUY

**CMP – 1116**

**TARGET – 1293 (16%)**

Industry	Forgings
NSE CODE	HAPPYFORGE
BSE CODE	544057
Market Cap (₹ Cr)	10126.08
Shares Outstanding (in Cr)	9.42
52 wk High/Low (₹)	1124 / 813.2
P/E	41.67
P/BV	6.28
Face Value (₹)	2.00
Book Value (₹)	171.17
EPS (FY24) (₹)	25.79
Dividend Yield (%)	0.00
Debt / Equity	0.09
Interest Coverage	28.5

## SHAREHOLDING PATTERN

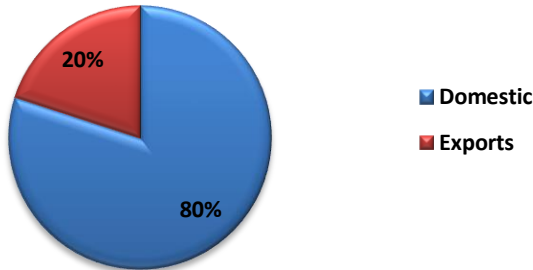
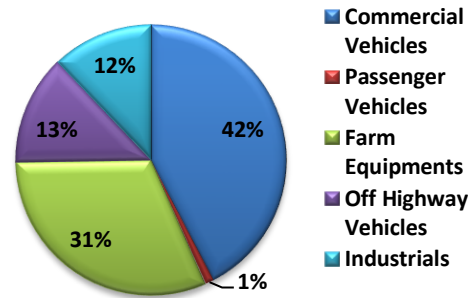
	Mar 24	Dec 23
Promoters	78.60	78.60
MF/ DII	7.42	5.14
FII/FPI	1.12	2.06
Retail & Others	3.35	13.50
Promoter Pledging	0.00	0.00

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2023A	2024E	2025E
<b>Crore</b>			
Sales	1358	1630	1956
Sales Gr. (%)	13.5	20	20
EBITDA	388	481	587
EBITDA %	28.5%	29.5%	30%
PAT	243	312	387
EPS (₹)	25.79	33.11	41.06
EPS Gr. (%)	10.59	28.36	24.04
<b>Ratios</b>			
RoE (%)	18.7	19.2	20.5
RoCE (%)	21.8	22.2	22.5
<b>Valuation</b>			
P/E (x)	43.27	33.71	27.18

## Historical & Industrial Val Ratios

Historical P/E	41
Industry P/E	29
Historical P/B	6.4
Industry P/B	3.57

**REVENUE SPLIT (FY24)**
**Geography Mix (FY24)**

**Sector Mix (FY24)**

**QUARTERLY PERFORMANCE (CONSOLIDATED)**

(₹ Cr)

Y/E March	FY23		FY24				FY24	FY25E*
	Q3	Q4	Q2	Q3	Q4	Q1E*		
<b>Net sales</b>	<b>294</b>	<b>302</b>	<b>343</b>	<b>342</b>	<b>343</b>	<b>380</b>	<b>1358</b>	<b>1630</b>
YoY change (%)				16.22%	13.51%	15%	13.51%	20%
<b>Total Expenditures</b>	<b>221</b>	<b>217</b>	<b>249</b>	<b>247</b>	<b>246</b>	<b>269</b>	<b>971</b>	<b>1149</b>
<b>EBITDA</b>	<b>73</b>	<b>86</b>	<b>94</b>	<b>95</b>	<b>97</b>	<b>110</b>	<b>388</b>	<b>481</b>
Margins (%)	25%	28%	27%	28%	28%	29%	29%	29.5%
Other income	2	2	1	3	7	4	13	15
Interest	3	5	4	4	1	2	12	8
Depriciation	16	14	16	17	16	18	65	72
<b>PBT</b>	<b>56</b>	<b>68</b>	<b>74</b>	<b>78</b>	<b>87</b>	<b>94</b>	<b>324</b>	<b>416</b>
Rate (%)	26%	25%	25%	25%	25%	25%	25%	25%
<b>Adjusted PAT</b>	<b>42</b>	<b>51</b>	<b>55</b>	<b>58</b>	<b>66</b>	<b>71</b>	<b>243</b>	<b>33.11</b>
<b>EPS in Rs</b>	<b>4.65</b>	<b>5.67</b>	<b>6.17</b>	<b>6.15</b>	<b>6.98</b>	<b>7.49</b>	<b>25.79</b>	<b>41.06</b>

**Key Performance Indicators**

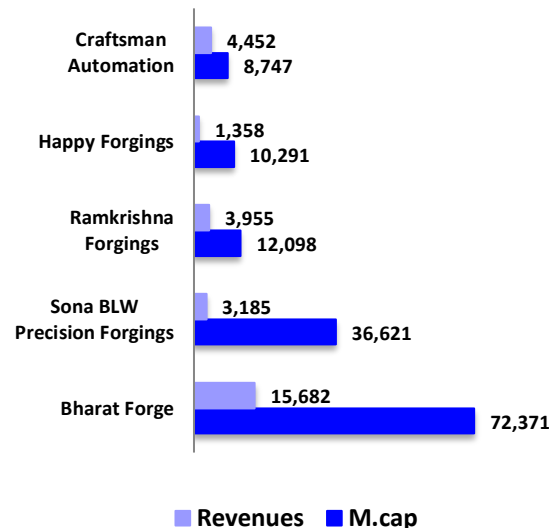
	FY23	FY23	FY23	FY24	FY24	FY24	FY24	FY25E*
RM Cost (% of Sales)	49	45	45	45	44		44	
Staff Cost (% of Sales)	8	8	9	9	9		8	
Other Costs (% of Sales)	18	18	19	19	20		19	
EBITDA Margin (%)	25%	28%	27%	28%	28%		29%	
PAT Margin (%)	14%	17%	16%	17%	19%		18%	

Source: Company, Hem Securities Research.

## INDUSTRY OVERVIEW

- Global commercial vehicle production registered a CAGR 0.3% by volume and a CAGR 2.9% by value from calendar year 2014 to calendar year 2019.
- Global commercial vehicle market is expected to see a growth rate of 3.8% by volume and 5.6% by value during the period between the calendar year 2023 and calendar year 2029.
- India CV production registered a growth of 4.5% CAGR from Fiscal 2014 to Fiscal 2023.
- Rising demand for pickup trucks, owing to the growing e-commerce and logistics sector is responsible for the growth in this period.
- The India CV production market is expected to grow at a CAGR of 7.1% over the period Fiscal 2024 to Fiscal 2029 due to rise in government initiatives such as Make in India campaign and PLI
- India tractor sales registered a growth of 3.5% CAGR from Fiscal 2014 to Fiscal 2023 driven by the factors like above average monsoon and rise in minimum support prices (MSP) which led to an increase in farm income and thereby an increase in total tractor sales.
- The India tractor volume market is expected to grow at a CAGR of 6.3% over the period Fiscal 2024 to Fiscal 2029

## KEY PLAYERS



## PEER PERFORMANCE

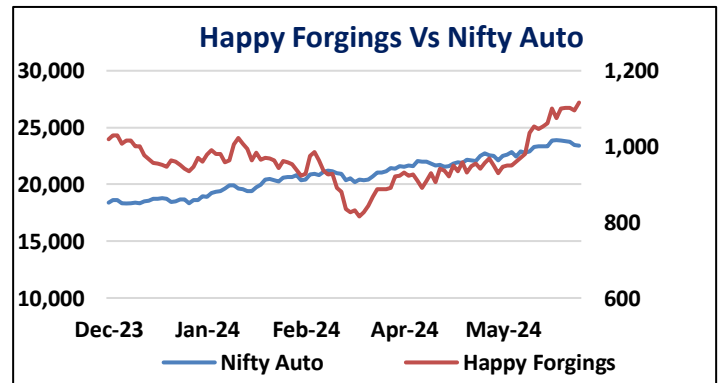
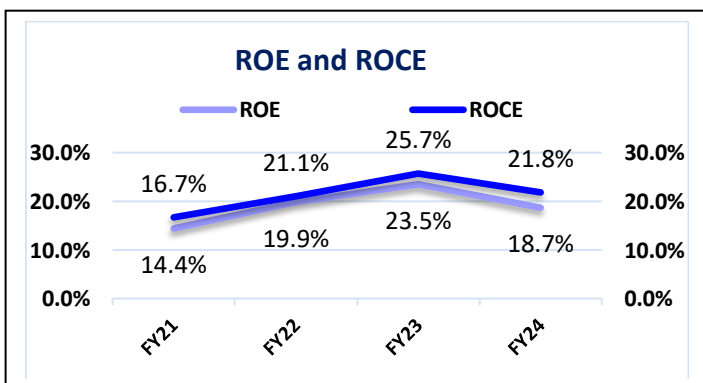
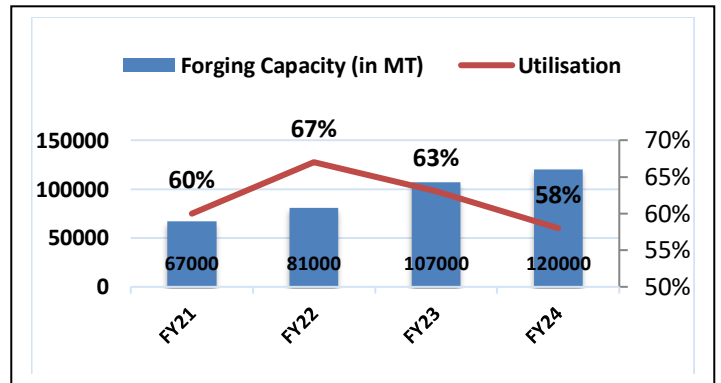
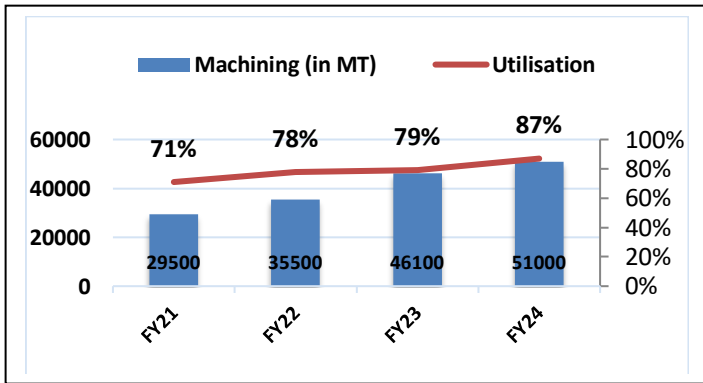
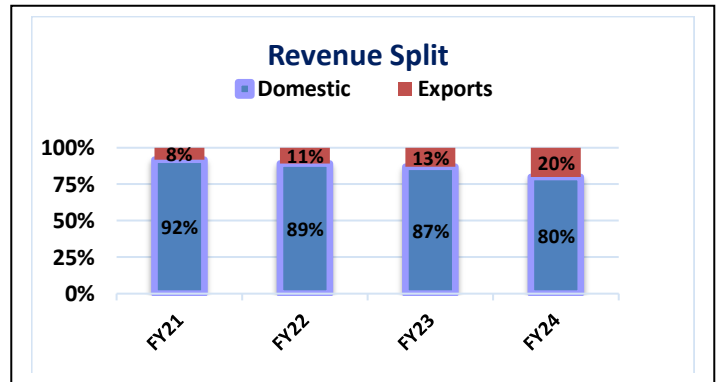
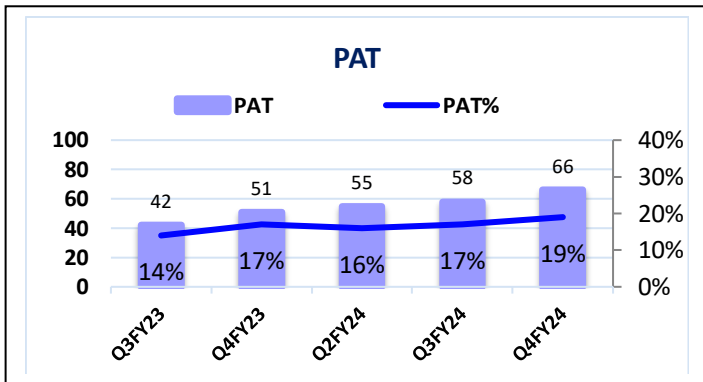
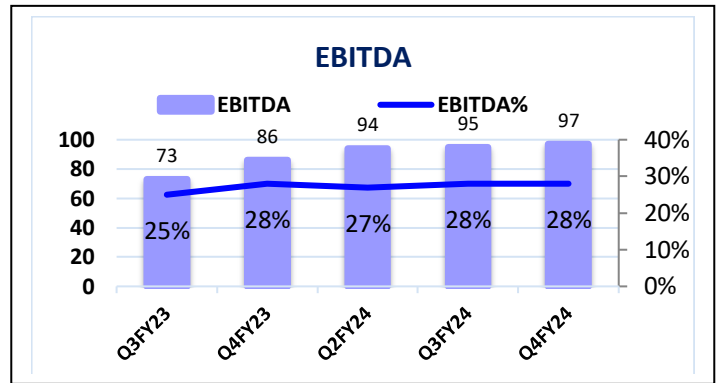
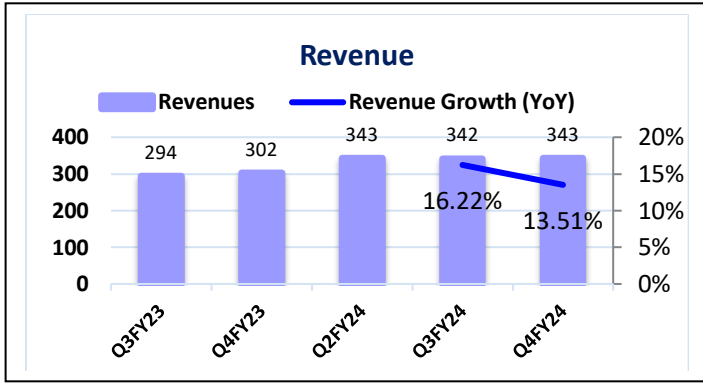
(₹ Cr)

Particulars	Happy Forgings Ltd.	Bharat Forge Ltd.	Craftsman Automation Ltd.	Ramkrishna Forgings Ltd.	Sona BLW Precision Forgings Ltd.
Market Cap	10291	72371	8747	12098	36621
Net Sales	1358	15682	4452	3955	3185
EBITDA	388	2558	879	839	902
PAT	243	910	337	341	518
EPS(₹)	25.79	20.43	144.11	18.89	8.82
EBITDA MARGIN %	29%	16%	20%	21%	28%
PAT MARGIN %	17.9%	5.8%	7.6%	8.6%	16.3%
ROCE %	22.7	13.3	20.0	18.7	24.1
ROE %	18.7	13.2	20.0	17.0	20.4
P/E TTM	42.4	78.9	28.8	35.5	74.6
P/B TTM	6.37	10.1	5.28	4.55	14.2
EV/EBITDA	25.7	28.2	11.6	15.1	42.5
Dividend Yield %	0.00	0.44	0.27	0.29	0.47
MCap/ Sales TTM	7.58	4.61	1.96	3.06	12.7

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- Strong Fundamentals with 3Y Revenue and PAT CAGR of 32% and 41% respectively.
- Management is confident of achieving 15-20% growth in coming years.
- Co has better margins than peers due to state-of-the-art technology in product manufacturing, and superior machining product mix.
- Healthy order book executable over 18-24 months.
- Planning to add 11k ton of machining capacity in FY25. The company is also adding 3K and 6K tons press lines.
- Well diversified business model; focus on non-automotive segment / exports to offset cyclicality
- Increasing utilization, capacity expansion and addition of new customers.
- Company is trading at attractive valuation as compared to industry peers.

## RISK / NEGATIVE FACTORS:

- 70-80% of Revenues comes from CV and Farm segment. Slower than expected growth in above industries may impact the business performance of the company.
- 20% of the revenues comes from Exports. Slowdown in US, EU and UK geographies can impact the export performance of the company
- Faster adoption of EVs in CVs/tractors can adversely impact the overall business growth.

## COMPANY RECAP

- Incorporated in July 1979, Happy Forgings Limited is an Indian manufacturer specializing in designing and manufacturing heavy forgings and high-precision machined components
- The company manufactures high precision products such as crankshafts, front axle carriers, steering knuckles, differential housings, transmission parts, pinion shafts, suspension products and valve bodies catering to different industries and customers
- 2nd Largest Producer of commercial vehicle and high horse-power industrial crankshafts in India
- 4th Largest Engineering-led manufacturer of complex and safety-critical, heavy forged and high-precision machined components in India
- 2nd Company in India to have 14,000 T forging press
- 3 Manufacturing Facilities. 1,20,000 tonnes Forging capacity. 51,000 tonnes Machining capacity.
- Plan to install 6,300-ton and 10,000- ton forging press lines
- Diversified Customer Base Across Indian & Global OEMs
- EBITDA % FY24 – 28.5%. 5yr Avg. EBITDA % – 27.1%. PAT% FY24 – 17.9%.
- Net Debt/EBITDA FY24 – 0.1x

**ANNUAL PERFORMANCE**
**Financials & Valuations**

<b>Income Statement</b>							(₹ Cr)
Y/E March	2020	2021	2022	2023	2024	2025	2026
<b>Revenue from operations</b>	<b>558.09</b>	<b>584.96</b>	<b>860.05</b>	<b>1,196.53</b>	<b>1358.2</b>	<b>1629.8</b>	<b>1955.8</b>
Growth YoY (%)	48.94	4.81	47.02	39.12	13.5	20%	20%
<b>Total Expenditure</b>	<b>415.65</b>	<b>426.21</b>	<b>629.16</b>	<b>855.59</b>	<b>970.7</b>	<b>1149.0</b>	<b>1369.1</b>
(%) of sales	74.48	72.86	73.15	71.51	71.47%	70.50%	70.00%
<b>EBITDA</b>	<b>142.44</b>	<b>158.74</b>	<b>230.89</b>	<b>340.94</b>	<b>387.5</b>	<b>480.8</b>	<b>586.7</b>
EBITDA Growth (%)	94.87	10.28	45.44	46.31	13.7%	24.1%	22.0%
EBITDA Margin (%)	26.75	28.14	27.55	28.97	28.5	29.50%	30%
Depreciation	28.40	35.76	37.74	54.18	64.7	72	80
<b>EBIT</b>	<b>120.86</b>	<b>128.84</b>	<b>199.21</b>	<b>292.50</b>	<b>322.8</b>	<b>408.8</b>	<b>506.7</b>
EBIT Growth (%)	146.24	6.61	54.61	46.83	10.36%	26.64%	23.96%
Net Interest Expenses	25.06	11.78	7.16	12.48	11.8	8	6
Other Income	6.82	5.86	6.06	5.74	13.4	15	15
<b>Earnings before Taxes</b>	<b>95.80</b>	<b>117.06</b>	<b>192.05</b>	<b>280.03</b>	<b>324.4</b>	<b>415.8</b>	<b>515.7</b>
EBT Margin (%)	17.17	20.01	22.33	23.40	23.88%	28.2%	24.0%
Tax-Total	15.86	30.61	49.76	71.33	81.4	104.0	128.9
Rate of tax (%)	16.56	26.15	25.91	25.47	25.09%	25%	25%
<b>Net Profit</b>	<b>79.94</b>	<b>86.45</b>	<b>142.29</b>	<b>208.70</b>	<b>243</b>	<b>311.9</b>	<b>386.8</b>
PAT Growth (%)	371.30	8.14	64.59	46.67	16.44%	28.3%	24.0%
PAT Margin (%)	14.32	14.78	16.54	17.44	17.89%	19.13%	19.78%
Minority Interest	0.00	0.00	11.95	0.00	0.00	0	0
<b>Adjusted PAT</b>	<b>79.94</b>	<b>86.45</b>	<b>142.29</b>	<b>208.70</b>	<b>243</b>	<b>311.9</b>	<b>386.8</b>
<b>EPS</b>	<b>8.93</b>	<b>9.66</b>	<b>15.90</b>	<b>23.32</b>	<b>25.79</b>	<b>33.11</b>	<b>41.06</b>
EPS Growth (%)	315.86	8.14	64.59	46.67	10.59%	28.36%	24.04%

**Balance Sheet**

Y/E March	2020	2021	2022	2023	2024
Equity Capital	9	9	18	18	19
Reserves	550	636	770	970	1,594
Borrowings	105	150	240	219	143
Other Liabilities	100	79	102	119	130
<b>Total Liabilities &amp; Equity</b>	<b>763</b>	<b>874</b>	<b>1,130</b>	<b>1,326</b>	<b>1,886</b>
Fixed Assets	275	415	456	678	748
CWIP	109	40	212	75	122
Investments	0	0	0	0	0
Other Assets	378	419	461	573	1,015
<b>Total Assets</b>	<b>763</b>	<b>874</b>	<b>1,130</b>	<b>1,326</b>	<b>1,886</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Profitability and return ratios</b>					
Net profit margin (%)	14.32	14.78	16.54	17.44	17.9
EBITDA margin (%)	26.75	28.14	27.55	28.97	28.5
EBIT margin (%)	21.66	22.03	23.16	24.45	23.76
ROE (%)	23.19	14.36	18.07	23.50	18.7
ROCE (%)	23.88	17.46	19.38	26.18	21.8
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)	54.91	53.56	41.57	30.46	34
Inventory (Days)	48.74	61.53	78.08	53.93	53
Receivables (Days)	66.91	94.66	94.23	80.85	89
Current Ratio (x)	2.15	1.91	1.73	1.91	3.07
<b>Valuations Ratios</b>					
EV/sales (x)	0.13	0.23	0.30	0.20	7.76
EV/EBITDA (x)	0.48	0.82	1.08	0.68	26.3
P/E (x)	0.00	0.00	0.00	0.00	42.4
P/BV (x)	0.00	0.00	0.00	0.00	6.52
Dividend Yield (%)	0.00	0.00	0.00	0.00	0.00
Return on Assets (%)	13.64	10.56	12.59	16.99	15.1
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.21	0.24	0.31	0.22	0.09

<b>Cash Flow Statement</b>				
<b>Y/E March</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>CF from Operating activities (A)</b>	<b>60</b>	<b>80</b>	<b>209</b>	<b>29</b>
<b>CF from Investing Activities (B)</b>	<b>-59</b>	<b>-166</b>	<b>-172</b>	<b>-309</b>
<b>CF from Financing Activities (C)</b>	<b>-0</b>	<b>83</b>	<b>-37</b>	<b>281</b>
Net Cash Flow	1	-3	-0	1

Source: Company, Hem Securities Research.



## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
31 May 2024	Buy	1293

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recommendations or views expressed in this report.

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There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.