

Equity Research Desk

ALPHA



HAPPY FORGINGS LIMITED

Accelerating Engineering Excellence



Founded in 1979, headquartered in Ludhiana.



Specializes in heavy forgings and precision-machined components.



Caters to domestic and global OEMs in automotive, industrial, and renewable sectors.



3 facilities with an annual capacity of 1,20,000 tonnes (forging) and 51,000 tonnes (machining).



International presence in 9 countries, including the US, UK, Japan, and Brazil.

Product Portfolio



Diverse product range: crankshafts, steering knuckles, windmill products, oil and gas components.



Products cater to commercial vehicles, farm equipment, industrial machinery, and more.



Weight range: 3 kg to 250 kg, expanding to 1 tonne in FY25.

Subsidiaries



One subsidiary as of FY24

Growth Strategies



Expanding forging (+12,000 MT) and machining (+11,000 MT) capacities in FY25



Diversifying into new sectors: portable gensets, wind energy, bearing industry, and heavy axles



Entered the passenger vehicle (PV) segment in FY24; revenue from PV to grow from ~6% to ~8%



Multi-year export orders for e-axes starting FY25



Developed 31 new products across key sectors in FY24



Installing advanced press lines (6,300T and 10,000T) and a planned investment in Jammu for machining



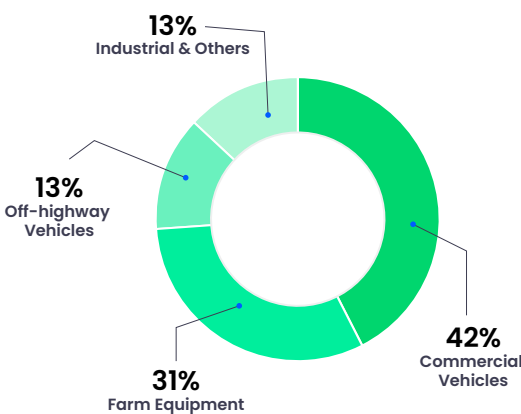
Strategic position: 2nd-largest commercial vehicle crankshaft producer in India



Advanced manufacturing capabilities: 2nd company in India to do 14,000T press for heavier, complex components

Revenue Breakup (FY24)

Total Revenue (FY24) – ₹1,358 crore



Financial Highlights



Q2FY25

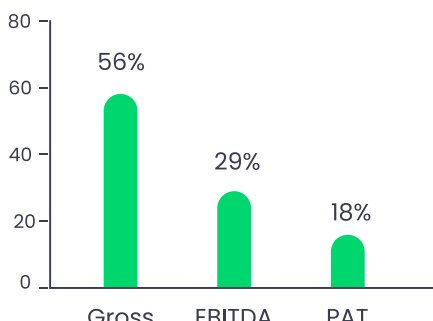
- Revenue: ₹361 Cr (+5% YoY)
- Operating profit: ₹105 Cr (+12% YoY), margin 29%
- Net profit: ₹71 Cr (+29% YoY), margin 20%.



FY24

- Revenue: ₹1,358 Cr (+16% YoY)
- Operating Profit: ₹388 Cr (+22% YoY)
- Net Profit: ₹243 Cr (+27% YoY)

Margins–FY24



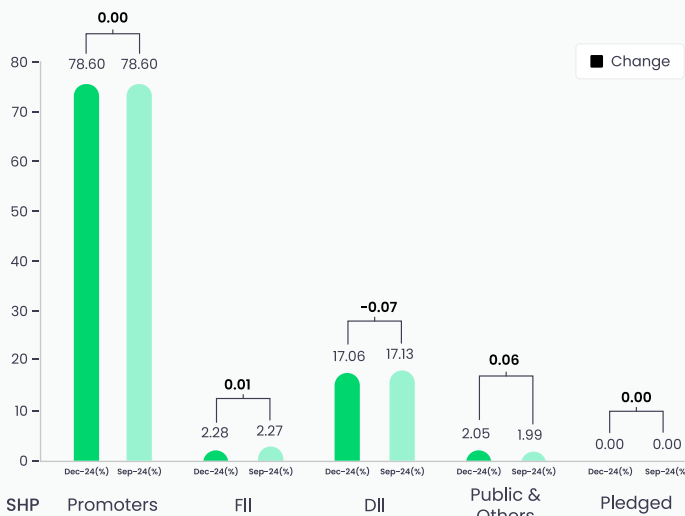
Financial Performance

- Revenue and PAT CAGR: 32% and 41%
- Average ROE: 20%; ROCE: 24%
- Debt-to-equity ratio: 0.09

Market Data

CMP	₹ 1005
Date	24-Jan-25
Target Price	₹ 1184
Upside Potential	18%
52 Week High/Low	1300/813
NSE Code	HAPPYFORGE
Market Cap	Micro
Sector	Castings & Forgings
Rating	BUY

Shareholding Pattern



Ratios–FY24

ROE	19%
ROCE	22%
Div. Yield	0.38%
PE Ratio (x)	34.50
Face Value	2.00
EPS	25.79

Industry Outlook



Manufacturing drives economic growth through the automotive, engineering, and infrastructure sectors



Rising demand in logistics and passenger transport boosts commercial vehicle needs



The government pushes for localizing advanced auto components (₹58,000 Cr by FY28)



Auto component exports are projected to reach \$100B by 2030



India's proximity to major markets positions it as a global auto component hub

Growth Drivers



Government initiatives: Make in India, PLI schemes, and National Manufacturing Policy



100% FDI allowed in the auto components sector



Total FDI inflows: \$36.26B (April 2000–March 2024)



Growing middle class and workforce driving automotive demand

Competitive Advantage



HFL stands out with stable return ratios and sales growth compared to competitors like Bharat Forge and Ramkrishna Forgings

Peer Analysis

Company	CMP	Mcap	ROCE	ROE	5Yr Sales CAGR	P/E	EPS
Happy Forge	1005	9406	23.00%	19.00%	13.00%	37	27.49
Bharat Forge	1217	58303	13.00%	13.00%	9.00%	60	20.34
RK Forge	804	14584	19.00%	17.00%	15.00%	31	25.66

Outlook



Revenue growth: 15%–20% in the medium term through higher capacity utilization and diversification



Focus on value-added products (machined components contribution: 85% in FY24)



Strong order wins and operational excellence to drive momentum



BUY recommendation with a target price of ₹1,184 (42x FY26E EPS)



Healthy margins and a robust financial track record support long-term growth

Indexed Price Chart



Risks



Heavy reliance on the automotive sector—demand fluctuations may impact revenue



Raw material price volatility (primarily steel) could affect profit margins

Note: To read the Disclaimer and Disclosure, [click here](#)

Please note that this is not a recommendation and is intended only for educational purposes. So, kindly consult your financial advisor before investing.

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