BUY (Maintain)

CMP: **INR 1,695** Target Price: **INR 2,450** ▲ 45%

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09 November 2026

India | Equity Research | Results update

Happy Forgings

Auto Ancillaries

Winning share; widening opportunities

Happy Forgings (HFL)'s Q2FY27 operating performance was a tad ahead of our estimates. HFL's domestic CV/PV/farm segments continue to do well on the back of wallet share gains from existing customers. Exports have also started to accelerate. HFL's healthy order book (OB; INR 10bn executable over 2–3 years) across segments is expected to drive growth, enabling it to continue outpacing peers/industry. Extending capabilities into heavier and complex components could spur profitability further. In our view, HFL has an extensive long-term growth runway given its current scale and large addressable global opportunity, owing to an ongoing global supply chain shift. Retain **BUY** with an unchanged TP of INR 2,450, based on 40x FY29E EPS on expanding capabilities and end-segments.

Q2FY27: Tad ahead of our estimate

HFL reported revenue of INR 5bn (+33% YoY/+11 QoQ), 2% ahead of our estimate. EBITDA came in at INR 1.53bn (+32% YoY/+9% QoQ). EBITDAM stood at 30.6% (-10bps YoY/-80bps QoQ), 10bps ahead of our estimate. PAT stood at INR 975mn (+33% YoY/+7% QoQ), 2% above our estimate.

Operational update

HFL's tonnage growth during Q2 was up ~25% YoY (+5% QoQ) at 18,754MT. Realisation increased 6% YoY to INR 267/kg (+6% QoQ), led by richer product mix and commodity cost pass-through. **Segment-wise:** CVs/PVs/farm/ OHV/industrial grew 25%/161%/8%/71%/63% YoY. Domestic + deemed exports revenue grew 33% YoY. Direct exports revenue also grew ~33% YoY. Share of machining revenue improved to 90% (vs. 88% in H1FY26). In case of CVs – the domestic/exports business grew /(declined) by 33%/(6)% YoY.

Demand outlook

HFL's domestic CV business continues to see healthy momentum led by new order execution (market share gain). In case of farm segment, while industry volumes are expected to decline in H2 owing to a high base, management notes that a rise in wallet share with existing customers and ramp-up of exports would support growth. Execution of new programs in industrial and PV segments (alongside wallet share gain) could propel growth further. Overall, we expect HFL's growth trajectory to improve meaningfully in FY27–29E backed by new order visibility (~INR 10bn OB).

Financial Summary

Y/E March (INR mn)	FY26A	FY27E	FY28E	FY29E
Net Revenue	15,463	19,158	23,161	27,803
EBITDA	4,707	5,849	7,235	8,886
EBITDA %	30.4	30.5	31.2	32.0
Net Profit	3,016	3,709	4,674	5,807
EPS (INR)	32.0	39.3	49.5	61.5
EPS % Chg YoY	12.7	23.0	26.0	24.2
P/E (x)	53.0	43.1	34.2	27.5
EV/EBITDA (x)	37.2	30.0	24.2	19.5
RoCE (%)	13.6	14.5	15.9	17.0
RoE (%)	15.2	16.2	17.6	18.6

Ronak Mehta
ronak.mehta@icicisecurities.com
+ 91 22 6807 7373

Vivek Kumar
vivek.k@icicisecurities.com

Smit Shah
smit.shah@icicisecurities.com

Market Data

Market Cap (INR)	160bn
Market Cap (USD)	1,703mn
Bloomberg Code	HAPPYFOR
Reuters Code	HAPY.BO
52-week Range (INR)	2,484 /970
Free Float (%)	22.0
ADTV-3M (mn) (USD)	2.6

Price Performance (%)	3m	6m	12m
Absolute	(9.4)	25.2	70.4
Relative to Sensex	(12.0)	21.2	73.1

ESG Score	2024	2025	Change
ESG score	59.8	65.4	5.6
Environment	37.6	47.7	10.1
Social	63.5	73.5	10.0
Governance	76.9	75.8	(1.1)

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

Source: SES ESG, I-sec research

Previous Reports

05-08-2026: Q1FY27 results review

25-05-2026: Q4FY26 results review

Margin outlook

HFL has a pass-through arrangement for changes in RM prices with a 1–3-month lag. The company is also negotiating with its customers for a pass-through of other inflationary costs (freight cost, etc.) and is aiming to sustain its margin around FY26 levels. This could be led by a favourable product mix (new orders are at higher realisation), increase in scrap realisation and higher operating leverage.

Other highlights

- Total new business OB stands at INR 10bn – executable over the next 2–3 years. ~60% of this OB is for exports for industrial and PV segment.
- Regarding capex for heavy forged components, management indicated that of the INR 6.5bn capex – INR 1.5bn is for axle components for HHP tractor and wind components; INR 3bn is for hammer forging, which is fungible and can be used across multiple segments (including data centre related gensets); INR 2–2.5bn is for machining capacity for data centre genset related components, for which HFL's customers have also invested and there is a confirmed order of INR 3bn p.a. up to 2033.
- HFL is engaging with NA CV OEMs and secured one test order worth INR 0.8bn from a global large engine manufacturer. HFL is keenly focusing on addressing large opportunity in NA CV segment where it is not present currently.

Exhibit 1: Q2FY27 result review

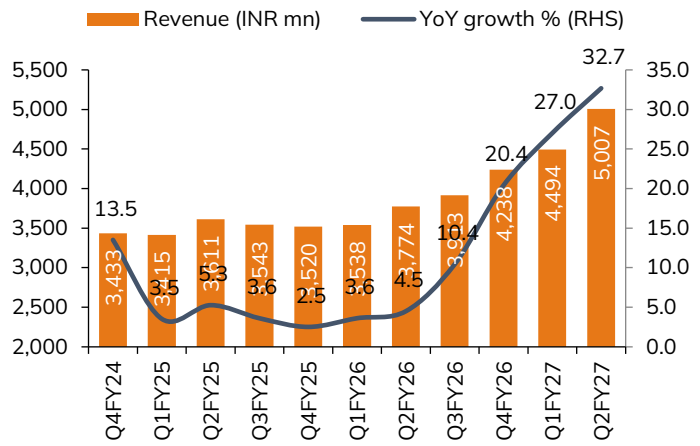
Financial Matrices (INR mn)	Q2FY27	Q2FY26	% YoY	Q1FY27	% QoQ	Q2FY27E	Var (%)
Sales	**5,007**	**3,774**	**32.7**	**4,494**	**11.4**	**4,887**	**2.5**
RM	1,961	1,498	31.0	1,767	11.0	1,945	0.8
as a % of sales	39.2	39.7	-50bps	39.3	-10bps	39.8	-60bps
Employee Exp	409	337	21.2	387	5.6	415	(1.6)
as a % of sales	8.2	8.9	-80bps	8.6	-40bps	8.5	-30bps
Other Costs	1,106	781	41.7	932	18.7	1,036	6.8
as a % of sales	22.1	20.7	140bps	20.7	140bps	21.2	90bps
Expenditure	3,476	2,616	32.9	3,086	12.7	3,397	2.3
EBITDA	**1,531**	**1,158**	**32.2**	**1,409**	**8.7**	**1,491**	**2.7**
EBITDA Margin (%)	**30.6**	**30.7**	**-10bps**	**31.3**	**-80bps**	**30.5**	**10bps**
Other Income	83	63	32.9	111	(25)	120	(30.8)
Interest	30	19	57.1	31	(3)	40	(25.7)
Depreciation	279	216	29.2	262	6	285	(2.3)
PBT	1,306	986	32.4	1,226	6	1,286	1.6
Tax	331	252	31.5	312	6	328	1.0
Tax rate (%)	25.3	25.5	-20bps	25.4	-10bps	25.5	(0.2)
PAT (Adjusted)	**975**	**734**	**32.8**	**915**	**6.6**	**958**	**1.8**
PAT Margin (%)	**19%**	**19%**	**0.0**	**20%**	**(0.9)**	**20%**	**(0.1)**
EPS (INR)	**10.4**	**7.8**	**32.8**	**9.7**	**6.8**	**10.2**	**1.8**

Source: Company data, I-Sec research

Downside risks

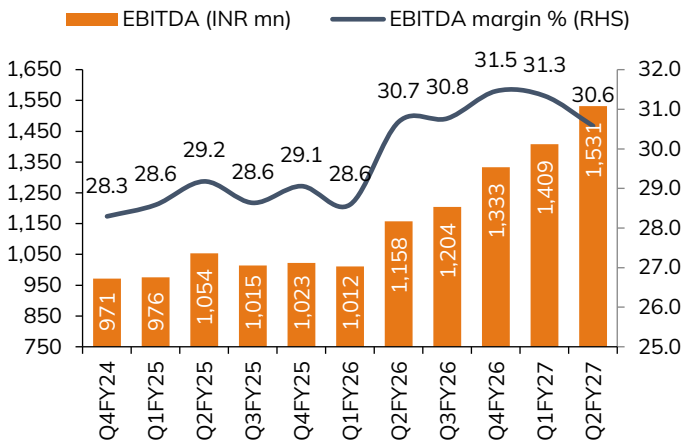
- Slower-than-expected growth in domestic CV/farm segment, or delayed recovery in EU and US CV/farm segment.
- Delay in order execution timeline or inability to win new orders, especially for recently announced capex for heavy-forged components.

Exhibit 2: Revenue and growth trend



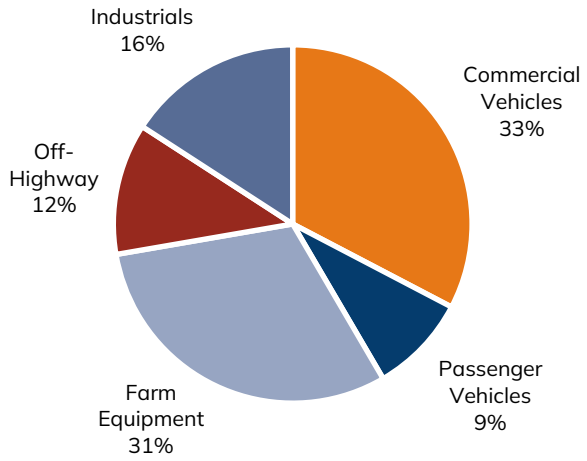
Source: Company data, I-Sec research

Exhibit 3: EBITDA and margin trend



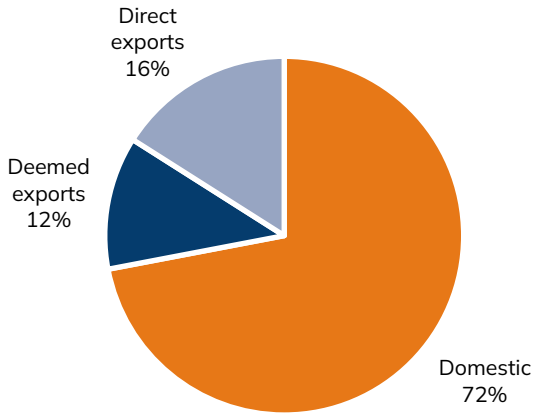
Source: Company data, I-Sec research

Exhibit 4: Revenue mix by segments (H1FY27)



Source: Company data, I-Sec research

Exhibit 5: Revenue mix by geography (H1FY27)



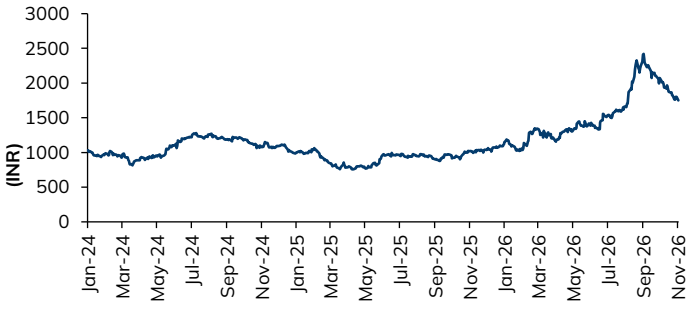
Source: Company data, I-Sec research

Exhibit 6: Shareholding pattern

%	Mar'26	Jun'26	Sep'26
Promoters	78.5	78.5	78.4
Institutional investors	18.2	17.5	17.3
MFs and others	16.3	15.6	13.4
FIs/Banks	0.0	0.0	1.6
Insurance Cos	0.2	0.0	0.0
FIIs	1.7	1.9	2.4
Others	3.3	4.0	4.3

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)

	FY26A	FY27E	FY28E	FY29E
Net Sales	15,463	19,158	23,161	27,803
Operating Expenses	**3,073**	**3,761**	**4,498**	**5,438**
EBITDA	4,707	5,849	7,235	8,886
EBITDA Margin (%)	**30.4**	**30.5**	**31.2**	**32.0**
Depreciation & Amortization	**890**	**1,053**	**1,208**	**1,439**
EBIT	3,816	4,796	6,026	7,448
Interest expenditure	105	137	142	142
Other Non-operating Income	308	284	345	433
Recurring PBT	4,020	4,943	6,230	7,739
Profit / Loss from Associates	**-**	**-**	**-**	**-**
Less: Taxes	1,004	1,234	1,555	1,932
PAT	3,016	3,709	4,674	5,807
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	3,016	3,709	4,674	5,807
Net Income (Adjusted)	3,016	3,709	4,674	5,807

Source Company data, I-Sec research

Exhibit 9: Balance sheet

(INR mn, year ending March)

	FY26A	FY27E	FY28E	FY29E
Total Current Assets	10,439	11,753	13,384	16,456
of which cash & cash eqv.	257	296	186	1,260
Total Current Liabilities & Provisions	1,261	1,642	2,070	2,581
Net Current Assets	**9,178**	**10,110**	**11,314**	**13,874**
Investments	688	709	1,231	1,754
Net Fixed Assets	11,084	13,531	15,823	17,884
ROU Assets	-	-	-	-
Capital Work-in-Progress	2,375	2,375	2,375	2,375
Total Intangible Assets	-	-	-	-
Other assets	1,742	1,829	1,921	2,017
Deferred Tax assets	-	-	-	-
Total Assets	**25,067**	**28,555**	**32,663**	**37,904**
Liabilities				
Borrowings	3,296	3,546	3,546	3,546
Deferred Tax Liability	490	490	490	490
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	189	189	189	189
Reserves & Surplus	21,093	24,330	28,438	33,679
Total Net Worth	**21,281**	**24,519**	**28,627**	**33,867**
Minority Interest	-	-	-	-
Total Liabilities	**25,067**	**28,555**	**32,663**	**37,904**

Source Company data, I-Sec research

Exhibit 10: Quarterly trend

(INR mn, year ending March)

	Dec-25	Mar-26	Jun-26	Sep-26
Net Sales	3,913	4,238	4,494	5,007
% growth (YOY)	10.4	20.4	27.0	32.7
EBITDA	1,204	1,333	1,409	1,531
Margin %	30.8	31.5	31.3	30.6
Other Income	82	60	111	83
Extraordinaries	-	-	-	-
Adjusted Net Profit	789	836	915	975

Source Company data, I-Sec research

Exhibit 11: Cashflow statement

(INR mn, year ending March)

	FY26A	FY27E	FY28E	FY29E
Operating Cashflow	**4,447**	**3,888**	**4,568**	**5,714**
Working Capital Changes	589	(980)	(1,406)	(1,582)
Capital Commitments	(4,610)	(3,500)	(3,500)	(3,500)
Free Cashflow	**(163)**	**388**	**1,068**	**2,214**
Other investing cashflow	(358)	9	(471)	(432)
Cashflow from Investing Activities	**(4,968)**	**(3,491)**	**(3,971)**	**(3,932)**
Issue of Share Capital	21	-	-	-
Interest Cost	(105)	(137)	(142)	(142)
Inc (Dec) in Borrowings	1,016	250	-	-
Dividend paid	(283)	(472)	(566)	(566)
Others	-	-	-	-
Cash flow from Financing Activities	**649**	**(359)**	**(708)**	**(708)**
Chg. in Cash & Bank balance	128	39	(111)	1,074
Closing cash & balance	257	296	185	1,260

Source Company data, I-Sec research

Exhibit 12: Key ratios

(Year ending March)

	FY26A	FY27E	FY28E	FY29E
Per Share Data (INR)				
Reported EPS	32.0	39.3	49.5	61.5
Adjusted EPS (Diluted)	32.0	39.3	49.5	61.5
Cash EPS	41.4	50.5	62.4	76.8
Dividend per share (DPS)	4.0	5.0	6.0	6.0
Book Value per share (BV)	225.6	259.9	303.4	359.0
Dividend Payout (%)	12.5	12.7	12.1	9.7
Growth (%)				
Net Sales	9.8	23.9	20.9	20.0
EBITDA	15.7	24.3	23.7	22.8
EPS (INR)	12.7	23.0	26.0	24.2
Valuation Ratios (x)				
P/E	53.0	43.1	34.2	27.5
P/CEPS	40.9	33.6	27.2	22.1
P/BV	7.5	6.5	5.6	4.7
EV / EBITDA	37.2	30.0	24.2	19.5
EV / Sales	11.3	9.1	7.6	6.2
Profitability Ratios				
Gross Profit Margins (%)	50.3	50.2	50.7	51.5
EBITDA Margins (%)	30.4	30.5	31.2	32.0
EBIT Margins (%)	24.7	25.0	26.0	26.8
Net Profit Margins (%)	19.5	19.4	20.2	20.9
RoCE (%)	13.6	14.5	15.9	17.0
RoE (%)	15.2	16.2	17.6	18.6
Dividend Yield (%)	0.2	0.3	0.4	0.4
Operating Ratios				
Fixed Asset Turnover (x)	1.1	1.2	1.3	1.4
Inventory Turnover Days	55	50	50	50
Receivables Days	93	90	90	90
Payables Days	20	24	27	30
Effective Tax Rate (%)	25.0	25.0	25.0	25.0
Net Debt / Equity (x)	0.1	0.1	0.1	0.0
Net Debt / EBITDA (x)	0.6	0.5	0.4	0.1

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122