



### IPO Details:

Happy Forgings Ltd is coming out with an IPO of about Rs. 1,008.59 cr consisting of 1,18,65,802 shares of face value of Rs. 2 each in a price band of Rs. 808 – Rs. 850. The IPO comprises of Fresh Issue of Rs. 400.0 cr and Offer for Sale of Rs. 608.6 cr by the Promoter as well as Non-promoter shareholder of the Company. The IPO opens on 19<sup>th</sup> December and closes on 21<sup>st</sup> December.

### Company Details:

- **4<sup>th</sup> largest** engineering led manufacturer of **complex and safety critical, heavy forged and high precision machined components** in India with forging capacity of **120,000 MT** and machining capacity of **47,200 MT**.
- **Manufactures products like** crankshafts, front axle beams, steering knuckles, differential cases, transmission parts, pinion shafts, suspension products and valve bodies across industries.
- Primarily **caters to domestic and global OEMs** manufacturing Commercial Vehicles in automotive sector and farm equipment, off-highway vehicles and manufacturers of industrial equipment and machinery for oil and gas, power generation, railways and wind turbines in non-automotive sector.
- **Owns and operates 3 manufacturing facilities** – 2 are located at Kanganwal in Ludhiana, Punjab and one is located at Dugri in Ludhiana, Punjab.
- **Caters to marquee customers** viz. AAM India Manufacturing Corporation Pvt. Ltd, Ashok Leyland, JCB India Ltd, Mahindra & Mahindra, SML Isuzu, Sawraj Engines, Tata Cummins Pvt. Ltd.

### Strength:

- **Leading player in** the domestic crankshaft manufacturing industry with the second largest production capacity for CVs and high-horse power industrial crankshafts in India.
- Focus on **producing margin accretive value-added products** has enabled to transition from being a forging led business to a machined components manufacturer.
- **Supplier to each of the top 5** Indian OEMs by market share in the MHCV industry and **4 out of the top 5** Indian OEMs in the farm equipment industry by market share in FY23.
- **Long-standing relationships** with its customers has positioned the Company as a trusted supplier for several Indian and global OEMs.



- **Vertically integrated manufacturing** facilities enables to undertake a variety of processes, enabling it to manufacture a wide range of products weighing majorly between 3 kgs to 250 kgs.

#### **Growth Drivers:**

- Global forging market is expected to grow from **US\$ 71.9 bn** in 2023 to **US\$ 97.0 bn** by 2029, at a CAGR of **5.1%**.
- Global machining market is expected to grow from **US\$ 52.5 bn** in 2023 to **US\$ 71.2 bn** by 2029, at a CAGR of **5.2%**.
- Global crankshaft market for automotive, farm tractors, off-highway vehicles and industrial and others is expected to grow at a CAGR of **5.3%** from **Rs. 3,450 cr** in 2023 to **Rs. 4,710 cr** by 2029.
- Crankshaft market in India for automotive, farm tractors, off-highway vehicles and industrial and others which is estimated at **Rs. 5,180 cr** in FY 2024 is expected to grow at a CAGR of **8.3%** between FY2024 – 2029.
- Installation of its **new 14,000 tonne press** will enable the Company to forge heavier and safety critical parts up to 250 kgs using the close-die forging process, which **expands its capabilities** to cater to different industries.

#### **Objectives of Fund Raise – Fresh Issue of Rs. 400 cr:**

- Rs. 171.13 cr will be utilized towards purchase of equipment, plant and machinery.
- Rs. 152.76 cr will be utilized towards pre-payment/re-payment of all or a portion of certain outstanding borrowings availed by the Company
- Balance funds out of the net proceeds of the fresh issue will be utilized towards general corporate purposes.



## Key Financial Highlights –

### Happy Forgings Ltd (Rs. Cr)

Year	Revenue	Ebitda	Ebitda Margins (%)	PAT	EPS	RoCE (%)	RoE (%)
FY21	584.96	158.75	27.1%	86.45	9.66	16.1%	13.4%
FY22	860.05	230.89	26.8%	142.29	15.90	19.4%	18.1%
FY23	1,196.53	340.94	28.5%	208.70	23.32	24.2%	21.1%
H1 FY24	672.90	195.21	29.0%	119.30	13.33	12.2%	10.8%

- Operating Revenues of the Company has grown at a CAGR of 43.0% between FY21 – FY23 to touch Rs. 1,196.53 cr in FY23..
- Ebitda margins has inched up from 27.1% in FY21 to 28.5% in FY23 on the back of operating leverage.
- Profits after tax has grown from Rs. 86.45 cr in FY21 to Rs. 208.70 cr in FY23, translating into CAGR of 55.4% between FY21 – FY23.
- Capital efficiency of the business has been good with both RoCE and RoE steadily increasing between FY21 – FY23. RoCEs have inched up from 16.1% in FY21 to 24.2% in FY23 while RoEs have inched up from 13.4% in FY21 to 21.1% in FY23.

### Valuations:

- At Upper end of the IPO price band of Rs. 850, Happy Forgings Ltd will be valued at about Rs. 8,007.42 cr.
- On EV/Ebitda basis (T\*TM), Company is available at 23.3x while on PE (T\*TM) basis it will be available at 35.96x.
- **Investments in Happy Forgings Ltd can be made from long term perspective considering the critical application of its products and stringent quality requirements of OEMs serve as an entry barriers for new players to qualify as suppliers for the products it manufactures, having marquee customer base, growing market opportunity, healthy operating performance, strong capital efficiency and fair valuations.**



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\*Long Term Investments could range from 3-5 years.