

Dec 18, 2023

### Happy Forgings Limited

#### Issue Highlights:

- Happy Forging Limited (HFL), established on July 2, 1979, ranks as India's 4th largest engineering-led manufacturer specializing in complex, safety-critical, heavy forged, and high precision machined components as of Fiscal 2023. They operate across the spectrum, handling engineering, process design, testing, manufacturing, and supply of components that offer both margin accretion and value addition.
  - Their primary clientele includes domestic and global original equipment manufacturers (OEMs) engaged in commercial vehicle manufacturing within the automotive sector. Additionally, HFL serves a wide range of non-automotive sectors, supplying manufacturers of farm equipment, off-highway vehicles, and industrial machinery for oil and gas, power generation, railways, and wind turbine industries.
  - With over 40 years of experience, HFL has emerged as a key player in the domestic crankshaft manufacturing industry, boasting the second-largest production capacity for commercial vehicle and high horsepower industrial crankshafts in India. Their product range spans heavy forged and machined items such as crankshafts, front axle beams, steering knuckles, differential cases, transmission parts, suspension products, and valve bodies across various industries.
  - HFL stands out as one of the select companies capable of producing and supplying high precision safety-critical components to leading OEMs in commercial vehicles, farm equipment, off-highway, and industrial machinery for critical sectors like oil and gas, power generation, railways, and wind turbines. Their technological edge includes possessing a 14,000-tonne forging press, a rare capability with only four companies in India owning an 8,000-tonne or higher forging press.
  - Their strategic focus on high horsepower engine segments safeguards them against potential electric vehicle disruptions. The shift towards hydrogen, compressed natural gas (CNG), and liquefied natural gas (LNG) combustion engine technologies complements HFL's crankshaft products with minimal or no alterations.
  - Moreover, HFL's pivotal role as a supplier to the top 5 Indian OEMs in the medium and heavy commercial vehicle industry, and four of the top 5 Indian OEMs in the farm equipment industry by market share in Fiscal 2023, further solidifies their position in the market.
  - Driven by their expertise in machining and product value addition, HFL achieved the highest EBITDA margin among peers in the last two fiscal years. Their revenue surged from ₹584.96 crore in Fiscal 2021 to ₹1,196.53 crore in Fiscal 2023, marking a remarkable growth of 104.55%.
- #### Key Risks:
- The company's reliance on its top 10 customers is significant, around 70% for FY23.
  - The company heavily relies on crankshaft sales for revenue generation.
  - The absence of committed agreements with customers could expose the company to fluctuations in orders.
  - Dependence on a limited number of suppliers for steel, the primary raw material, raises vulnerability.
  - Incurred indebtedness and possible non-compliance with repayment and covenant terms in financing agreements present risks to the company's financial health.

Particulars	No. of shares at Lower Band (Cr.)	No. of shares at Upper Band (Cr.)	Issue Size Amount Lower band (Rs. Cr.)	Issue Size Amount Upper band (Rs. Cr.)	% Of Issue
QIB	0.60	0.59	489.26	504.30	50.00%
NIB	0.18	0.18	146.78	151.29	15.00%
-NIB1 (Bid between ₹ 2 to 10 Lakhs)	0.12	0.12	97.85	100.86	-
-NIB2 (Bid above ₹ 10 Lakhs)	0.06	0.06	48.93	50.43	-
Retail	0.42	0.42	342.48	353.01	35.00%
Total	1.21	1.19	1,200.00	1008.59	100.00%

#### An Indicative Timetable Post Issue Closing

Particulars	Tentative Date
Finalization of Basis of Allotment	December 22, 2023
Refunds/un-blocking of ASBA Accounts	December 26, 2023
Credit of Equity Shares to DP Ac	December 26, 2023
Trading Commences	December 27, 2023

Investors are advised to refer disclosures made at the end of the research report.

#### IPO ANALYSIS

**Sector:** Forging and High Precision Components

**Issue Price:** INR 808 to INR 850

**Issue Size:** INR 979 - 1,009 Crores

**Issue Opens/Closes:** Dec 19 / Dec 21

#### IPO Basics

**Promoters:** Paritosh Kumar, Ashish Garg, Megha Garg, Ayush Capital & Financial Services Private Limited, Garg Family Trust, Paritosh Kumar Garg (HUF) and Ashish Garg & Sons (HUF)

**Selling Shareholders:** Paritosh Kumar Garg (HUF) and India Business Excellence Fund – III

**Lead Managers:** Axis Capital, JM Financial, Equirus Capital, Motilal Oswal

**Registered Office:** Punjab

**Registrar:** Link Intime India Pvt Ltd.

**Listing:** BSE and NSE

#### IPO Capital Structure

Fresh Issue	4,705,882 equity shares upto INR 400 Cr
Offer for Sale	7,159,920 equity shares upto INR 609 Cr
Total Issue as % of total capital (Post-Issue)	12.60%
Post Issue No. of Shares	94,204,882
Post Issue Market Cap	INR 7,632 – 8,007 Cr
Face Value	INR 2
Issue Route	Book Build Issue

All values calculated at upper band

#### Financial Snapshot (INR in crs)

Y/E Mar	FY21	FY22	FY23
Equity Share Capital	8.95	17.90	17.90
Reserves	636.21	769.72	970.41
Net worth	645.16	787.62	988.31
Revenue from Ops	584.96	860.05	1,196.53
Growth (%)	-	47.03%	39.12%
EBITDA	158.75	230.89	340.94
EBITDA (%)	27.14%	26.85%	28.49%
Net Profit	86.45	142.29	208.70
Net Profit (%)	14.78%	16.54%	17.44%
Basic EPS	9.66	15.90	23.32
Diluted EPS	9.66	15.90	23.32
RONW (%)	13.40%	18.07%	21.12%
ROCE (%)	16.13%	19.38%	24.24%
NAV (INR)	72.09	88.00	110.43
P/E (Based on Upper Band)			36.45
Average Industry P/E			70.37
P/B (Based on Upper Band)			7.70

#### Shareholding Pattern

Holders	Pre-issue	Post Issue
Promoters	88.24%	78.60%
Public	11.76%	21.40%
Total	100.00%	100.00%

Particulars	Retail Category	NII bid between Rs 2 lakhs- Rs 10 lakhs	NII bid above Rs 10 lakhs
Minimum Bid Lot (Shares)	17	238	1,190
Minimum Bid Lot Amount (₹)	₹14,450	₹ 2,02,300	₹ 10,11,500
No of Applications for 1x	2,44,296	2,493	4,986

**BACKGROUND****Brief Biographies of Directors**

**Paritosh Kumar** is one of the promoters and Chairman and Managing Director of the company. He has been associated with the company since incorporation and accordingly has over 44 years of experience in the industrial sector.

**Ashish Garg** is a one of the promoters and Managing Director of the company. He has approximately 17 years of experience in the industrial sector.

**Megha Garg** is one of the promoters and Whole-time Director of the company. She has approximately 8 years of experience in the industrial sector.

**Narinder Singh Juneja** is the Chief Executive Officer and Whole-time Director of the company. He has over 35 years of experience in the industrial sector. Prior to joining the company, he served as the assistant engineer with Krishna Forgings.

**Prakash Bagla** is the Nominee Director of the company. He has 18 years of experience in the finance and private equity sector. He joined MO Alternates in 2007 and is responsible for deal sourcing, investing, monitoring, and managing exits. He represents India Business Excellence Fund-III, on the Board of the company. He is also on the board of other companies namely VVDN Technologies Pvt Ltd, Simpolo International Pvt Ltd, Simpolo Vitrified Pvt Ltd, Nexion International Pvt Ltd, Magicrete Building Solutions Pvt Ltd and Glass Wall Systems (India) Pvt Ltd. He is currently designated as managing director at MO Alternates.

**Satish Sekhri** is an Independent Director of the company. He has experience in the field of sales and marketing and the industrial sector. He is currently on the board of Harita Fehrer Ltd, JK Files and Engineering Ltd and Rico Auto Industries Ltd.

**Vikas Giya** is an Independent Director of the company. He has over 17 years of experience in the finance sector. He has been serving as a full-time partner in Anup Kumar Jain and Co., Chartered Accountants since December 15, 2005.

**Ravindra Pisharody** is an Independent Director of the company. He has over 18 years of experience in marketing. Prior to joining the company, he served as an executive director on the board of Tata Motors Ltd, and as a marketing director with BP India Pvt Ltd.

**Rajeswari Karthigeyan** is an Independent Director of the company. She has over 30 years of experience in the credit ratings sector. Prior to joining the company, she served as an associate director of CRISIL Ratings Ltd.

**Atul Behari Lall** is an Independent Director of the company. He has more than 29 years of experience in the electronics manufacturing services industry. He is currently a managing director on the board of Dixon Technologies (India) Ltd.

**Pankaj Kumar Goyal** is the Chief Financial Officer of the company. He has been associated with the company since April 1, 2013. He has over 10 years of experience in the finance sector.

**Bindu Garg** is the Company Secretary and Compliance Officer of the company. She has been associated with the company since November 2, 2021. She has over 18 years of experience in the finance and secretarial sector.

**OBJECTS OF THE ISSUE**

Objects	Amount (₹ Cr)
▪ Purchase of equipment, plant, and machinery;	171.13*
▪ Prepayment of all or a portion of certain outstanding borrowings availed by the company	152.76
▪ General Corporate Purposes	[ • ]
<b>Total</b>	<b>[ • ]</b>

\* This does not include certain portions of the cost, amounting to ₹2.66 crore which will be borne by the company through internal accruals.

## OFFER DETAILS

Fresh Issue	No. of Shares	WACA per Equity Share (₹)
Fresh Issue (₹ 400 Cr)	Upto 4,950,495~ - 4,705,882^ Equity Shares	-
The Offer for Sale by:	Upto 7,159,920 Equity Shares	
The Promoter Selling Shareholders:		
Paritosh Kumar Garg HUF	Upto 4,922,445 Equity Shares	2.02
The Investor Selling Shareholders:		
India Business Excellence Fund-III	Upto 2,237,475 Equity Shares	189.95

(~ at lower price band and ^ upper price band; ) WACA = Weighted Average Cost of Acquisition

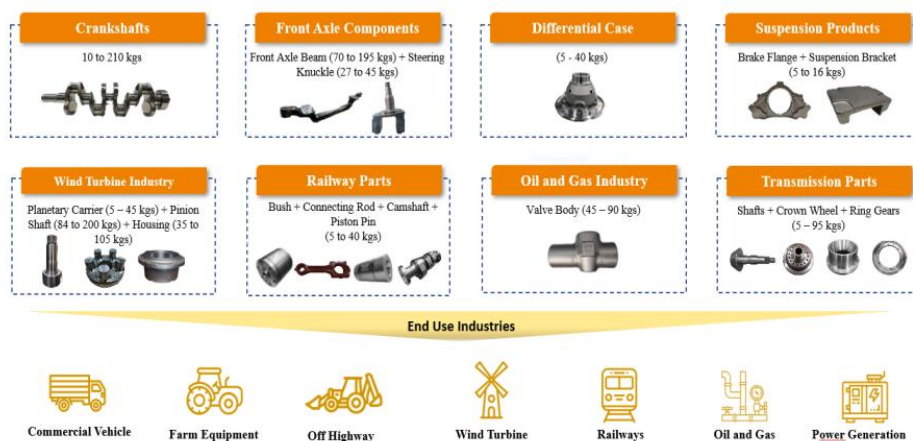
## SHAREHOLDING PATTERN

Shareholders	Pre-offer		Fresh Issue and Offer for Sale Shares	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter	78,970,000	88.24%	4,922,445	74,047,555	78.60%
Total for Promoter and Promoter Group	78,970,000	88.24%	4,922,445	74,047,555	78.60%
Public – Investor Selling Shareholders	10,529,000	11.76%	2,237,475	8,291,525	8.80%
Public – Other	0	0.00%	4,705,882	11,865,802	12.60%
Total for Public Shareholders	10,529,000	11.76%	6,943,357	20,157,327	21.40%
Total Equity Share Capital	89,499,000	100.00%	11,865,802	94,204,882	100.00%

( ^ at upper price band )

## PRODUCTS

HFL manufactures a wide range of heavy forged and machined products which include crankshafts, front axle beams, steering knuckles, differential cases, transmission parts, pinion shafts, suspension products and valve bodies across industries



The revenue from sale of products to automotive and non-automotive sectors for the years/ periods indicated:

Sector	6 months ended Sep' 30, 2023 (Standalone)		6 months ended Sep' 30, 2022 (Consolidated)		CAGR (Fiscal 2021 to Fiscal 2023)	Financial Year 2023 (Consolidated)		Financial Year 2022 (Consolidated)		Financial Year 2021 (Standalone)	
	₹ in Cr	% of Revenue from Sale of Products	₹ in Cr	% of Revenue from Sale of Products		₹ in Cr	% of Revenue from Sale of Products	₹ in Cr	% of Revenue from Sale of Products	₹ in Cr	% of Revenue from Sale of Products
Automotive Sector	246.81	40.38%	220.13	41.74%	50.57%	465.68	43.65%	335.56	42.72%	205.41	37.50%
Non-Automotive Sector	364.35	59.62%	307.24	58.26%	32.53%	601.27	56.35%	450.01	57.28%	342.33	62.50%
Revenue from the Sale of Products	611.16	100.00%	527.37	100.00%	39.57%	1,066.95	100.00%	785.57	100.00%	547.74	100.00%

**KEY CUSTOMERS**

HFL is a supplier to each of the Top-5 Indian OEMs, by market share, in the medium and heavy commercial vehicle industry and 4 of the Top-5 Indian OEMs in the farm equipment industry by market share, in Fiscal 2023. Their long-standing relationships with their customers has positioned them as a trusted supplier for several Indian and global OEMs.

**Some of the Key Customers includes:**

<ul style="list-style-type: none"> <li>AAM India Manufacturing Corporation Pvt Ltd;</li> <li>Ashok Leyland Ltd;</li> <li>Bonfiglioli Transmissions Pvt Ltd;</li> <li>Dana India,</li> <li>IBCC Industries (India) Pvt Ltd;</li> <li>International Tractors Ltd;</li> <li>JCB India Ltd;</li> <li>Liebherr CMCtec India Pvt Ltd;</li> <li>Mahindra &amp; Mahindra Ltd;</li> </ul>	<ul style="list-style-type: none"> <li>Meritor HVS AB,</li> <li>Meritor Heavy Vehicle Systems Cameri SPA,</li> <li>SML ISUZU Ltd;</li> <li>Swaraj Engines Ltd;</li> <li>Same Deutz Fahr India Pvt Ltd;</li> <li>Tata Cummins Pvt Ltd;</li> <li>Watson &amp; Chalin India Pvt Ltd (Hendrickson India Commercial Vehicle Systems),</li> <li>Yanmar Engine Manufacturing India Pvt Ltd.</li> </ul>
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**The revenue from customers, segregated on the basis of the years of relationship with such customers:**

Period of Customer Relationship	6 months ended September 30, 2023			6 months ended September 30, 2022			Fiscal 2023			Fiscal 2022			Fiscal 2021		
	Standalone			Consolidated			Consolidated			Consolidated			Standalone		
	No. of Customers	Revenue from such Customers (₹ Cr)	% of Revenue from Sale of Products	No. of Customers	Revenue from such Customers (₹ Cr)	% of Revenue from Sale of Products	No. of Customers	Revenue from such Customers (₹ Cr)	% of Revenue from Sale of Products	No. of Customers	Revenue from such Customers (₹ Cr)	% of Revenue from Sale of Products	No. of Customers	Revenue from such Customers (₹ Cr)	% of Revenue from Sale of Products
More than 10 years	14	446.57	73%	14	437.99	83%	19	810.64	76%	17	623.53	79%	18	441.87	81%
More than 5 years but less than 10 years	4	46.99	8%	4	55.26	10%	8	191.57	18%	8	125.79	16%	6	69.12	13%
5 years and less	41	117.60	19%	35	34.12	6%	39	64.75	6%	32	36.25	5%	31	36.75	7%
<b>Total</b>	<b>59</b>	<b>611.16</b>	<b>100%</b>	<b>53</b>	<b>527.37</b>	<b>100%</b>	<b>66</b>	<b>1,066.95</b>	<b>100%</b>	<b>57</b>	<b>785.57</b>	<b>100%</b>	<b>55</b>	<b>547.74</b>	<b>100%</b>

As of September 30, 2023, HFL served customers across 9 countries including Brazil, Italy, Japan, Spain, Sweden, Thailand, Turkey, the United Kingdom, and the United States of America. The total revenue from contract with customers:

Period of Customer Relationship	6 months ended September 30, 2023		6 months ended September 30, 2022		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Standalone		Consolidated		Consolidated		Consolidated		Standalone	
	Amount (₹ Cr)	% of Revenue from Contract with Customers Out-side India	Amount (₹ Cr)	% of Revenue from Contract with Customer Out-side India	Amount (₹ Cr)	% of Revenue from Contract with Customer Out-side India	Amount (₹ Cr)	% of Revenue from Contract with Customers Out-side India	Amount (₹ Cr)	% of Revenue from Contract with Customers Out-side India
Brazil	3.86	3.02%	7.89	12.57%	12.89	9.31%	5.92	6.82%	1.75	3.64%
Italy	20.88	16.33%	11.79	18.80%	26.25	18.97%	20.31	23.40%	10.35	21.52%
Spain	15.56	12.16%	11.45	18.26%	21.84	15.78%	11.33	13.05%	0.00	0.00%
Sweden	17.37	13.58%	17.66	28.16%	34.60	25.01%	22.43	25.83%	15.47	32.15%
Turkey	13.78	10.77%	11.73	18.72%	27.50	19.88%	25.96	29.90%	8.58	17.83%
Japan	-	-	0.00	0.00%	-	-	0.03	0.03%	0.23	0.49%
USA	3.09	2.41%	2.03	3.23%	8.63	6.23%	0.56	0.65%	11.72	24.37%
United Kingdom	53.30	41.69%	0.16	0.26%	6.65	4.81%	-	-	-	-
Germany	0.05	0.04%	-	-	-	-	0.27	0.32%	-	-
<b>Revenue from Contract with Customers Outside India</b>	<b>127.88</b>	<b>100.00%</b>	<b>62.71</b>	<b>100.00%</b>	<b>138.35</b>	<b>100.00%</b>	<b>86.81</b>	<b>100.00%</b>	<b>48.11</b>	<b>100.00%</b>

HFL has earned several awards, such as the “Supplier Excellence Award” and accolades from major companies like VE Commercial Vehicles Ltd for outstanding performance. They prioritize investments in machinery and equipment to expand forging and machining capabilities. With a 14,000-tonne forging press, they can produce precise, heavier components, showcasing their capabilities in the Indian forging industry.

They've strategically upgraded facilities, invested in technology, and conducted capital expenditure, resulting in a 39.13% increase in their gross block as of March 31, 2023. These enhancements allow them to manufacture a diverse range of products, reduce costs, drive productivity, and cater to future growth opportunities.

Operating three manufacturing facilities, they've significantly increased forging and machining capacities from 67,000 MT and 29,500 MT in March 2021 to 120,000 MT and 47,200 MT as of September 30, 2023, respectively. Their focus on waste reduction, weight optimization, value engineering, and automation has increased efficiency. Utilizing robots across their facilities and vertically integrated manufacturing processes enable them to create high precision, safety-critical components for various industries.

HFL's consistent revenue growth is evident, with revenue rising from ₹584.96 crore in Fiscal 2021 to ₹1196.53 crore in Fiscal 2023, showing a CAGR of 43.02%. Their restated profit has similarly grown from ₹86.45 crore in Fiscal 2021 to ₹208.70 crore in Fiscal 2023 at a CAGR of 55.38%.

## REVENUE FROM OPERATIONS

(₹ in Cr)

Particulars	For the half year ended September 30, 2023	For the half year ended September 30, 2022	Fiscal 2023	Fiscal 2022	Fiscal 2021
	Standalone	Consolidated	Consolidated	Consolidated	Standalone
<b>Revenue from contract with customer</b>	<b>616.24</b>	<b>528.31</b>	<b>1,073.52</b>	<b>793.70</b>	<b>548.67</b>
Sale of finished goods	611.16	527.37	1,066.95	785.57	547.74
Sale of services	5.08	0.94	6.57	8.13	0.92
- Dye design and preparation charges	5.08	0.94	6.56	8.07	0.77
- Job work charges	-	0.00	0.01	0.06	0.15
<b>Other Operating revenue</b>	<b>56.67</b>	<b>71.50</b>	<b>123.01</b>	<b>66.34</b>	<b>36.29</b>
- Sale of manufacturing scrap	49.60	42.87	87.42	64.39	34.48
- Government Grants	7.06	28.63	35.59	1.95	1.68
- Others	-	-	-	0.01	0.14
<b>Total</b>	<b>672.90</b>	<b>599.80</b>	<b>1,196.53</b>	<b>860.05</b>	<b>584.96</b>

### The revenue from sale of products from forging and machining

Particulars	6 months ended September 30, 2023		6 months ended September 30, 2022		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Standalone		Consolidated		Consolidated		Consolidated		Standalone	
	Amount (₹ Cr)	% of Revenue from Sale	Amount (₹ Cr)	% of Revenue from Sale	Amount (₹ Cr)	% of Revenue from Sale	Amount (₹ Cr)	% of Revenue from Sale	Amount (₹ Cr)	% of Revenue from Sale
Revenue from Sale of Forged Products	96.73	15.83%	120.37	22.82%	227.72	21.34%	193.52	24.63%	148.54	27.12%
Revenue from Sale of Machined Products	514.43	84.17%	407.00	77.18%	839.23	78.66%	592.05	75.37%	399.20	72.88%
<b>Revenue from Sale of Products</b>	<b>611.16</b>	<b>100.00%</b>	<b>527.37</b>	<b>100.00%</b>	<b>1,066.95</b>	<b>100.00%</b>	<b>785.57</b>	<b>100.00%</b>	<b>547.74</b>	<b>100.00%</b>



## FEATURES OF COMPANY PRODUCTS



HFL manufactures and supply a wide range of heavy forged and high precision machined components with closed tolerances (as low as 0.0005 to 0.2 millimetre) that are critical for engine, transmission suspension, braking and chassis for the commercial vehicles in the automotive sector. They also manufacture and supply a wide range of precision components for non-automotive sector, particularly for the manufacturers of farm equipment, off-highway vehicles and industrial machinery and equipment for oil and gas, power generation, railways and wind turbine industries.

The products manufacture for various end-use industries in the automotive and non-automotive sectors:

End-Use Industry	Products Supplied
<b>Automotive</b>	
<b>Commercial Vehicles</b>	Brake Flange, Crankshaft, Crown Wheel, Differential Case, Front Axle Beam, Pinion Shaft, Ring Gear, Shafts, Steering Knuckle and Suspension Bracket
<b>Non-Automotive</b>	
<b>Farm equipment</b>	Crankshaft, Crown Wheel, Differential Case, Pinion Shaft, Ring Gear, Shafts and Suspension Bracket
<b>Off-highway</b>	Crankshaft, Crown Wheel, Differential Case, Housing, Planetary Carrier, Pinion Shaft, Shaft and Suspension Bracket
<b>Industrial*</b>	Bush, Camshaft, Connecting Rod, Crankshaft, Crown Wheel, Differential Case, Housing, Planetary Carrier, Pinion Shaft, Shafts, Suspension Bracket and Valve bodies

\*Includes sale of products to manufacturers of industrial machinery and equipment for oil and gas, power generation, railways, and wind turbine industries.

Details of some of their products that the company manufactures:

**Crankshaft:** Converts piston motion into vehicle propulsion, offering customized crankshafts for commercial vehicles, farm equipment, and power generation industries (10-210 Kgs).

**Differential Case:** Gears dividing engine power between axles, enabling safe, varied wheel speeds, forged and machined (5-40 Kgs).

**Front Axle Beam:** Supports the vehicle's front end and wheel connection, steel-made and drop-forged for strength (70-195 Kgs).

**Steering Knuckle:** A part of the vehicle's front suspension system, connecting wheel hub/spindle, forged (27-45 Kgs).

**Planetary Carrier:** Facilitates power transmission in automatic transmissions, windmills, and industrial gear systems, forged and machined (5-45 Kgs).

**Pinion Shaft:** Transmits rotational energy in wind turbines, forged with precise designs (84-200 Kgs).

**Housing:** Encloses gearbox components, ensuring optimal performance, forged with weights ranging from 35 to 105 Kgs.

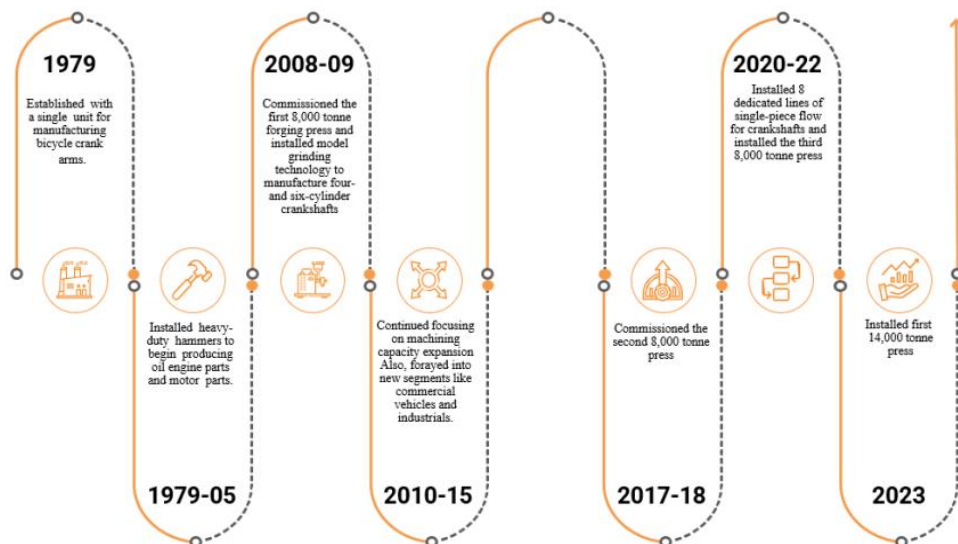
**Suspension Brackets & Brake Flanges:** Forged suspension components (brake flanges & suspension brackets) with weights between 5 and 16 Kgs per piece.

**Transmission Parts:** Offers crown wheels, ring gears, and shafts for manual and automatic transmissions, forged with weights ranging from 5 to 95 Kgs.

**Valve Body:** Forges stainless steel valve bodies for critical fluid control applications in harsh environments (45-90 Kgs).

**Railway Parts (Bush, Camshaft, Connecting rod, Piston Pin):** Bushes prevent metal contact, camshafts control engine valves

## MANUFACTURING UNITS



## The production volume of the machined and forged products

Products	6 months ended Sep'30, 2023	6 months ended Sep'30, 2022	Financial Year 2023	Financial Year 2022	Financial Year 2021
<b>Machined Products</b>					
Crankshaft	10,154.34	8,282.40	17,227.00	13,299.00	11,574.00
Others*	10,845.43	8,699.41	17,637.00	14,482.00	9,244.00
<b>Total</b>	<b>20,999.77</b>	<b>16,981.81</b>	<b>34,864.00</b>	<b>27,781.00</b>	<b>20,819.00</b>
<b>Forged Products^</b>	<b>35,237.43</b>	<b>29,812.46</b>	<b>59,187.00</b>	<b>54,516.00</b>	<b>40,451.00</b>

\* Others include machining of products such as front axle beam, steering knuckle, differential case, brake flange, suspension bracket, planetary carrier, pinion shaft, housing, bush, connecting rod, camshaft, piston pin, valve body, shafts, crown wheel and ring gears.

^ Forged products include forging of brake flange, bush, camshaft, crankshaft, connecting rod, crown wheel, differential case, housing, planetary carrier, pinion shaft, piston pin, ring gear, shafts, steering knuckle, suspension bracket and valve body. Also includes forging of products which underwent machining subsequently.

## The annual installed capacity, annual average available capacity, actual production, and capacity utilisation for Forging:

Facility	As of/ For the 6 months ended							
	September 30, 2023				September 30, 2022			
	Annual Installed Capacity (MT)	Average Available Capacity (MT)	Actual Production (MT)	Capacity Utilisation (%)	Annual Installed Capacity (MT)	Average available Capacity (MT)	Actual Production (MT)	Capacity Utilisation (%)
Kanganwal-I	14,000	7,000	3,490.11	49.85%	14,000	7,000	5,624.19	80.34%
Kanganwal-II	53,000	26,500	19,809.23	74.75%	53,000	26,500	18,620.11	70.26%
Dugri	53,000	20,000	11,938.09	59.69%	14,000	7,000	5,568.16	79.54%
<b>Total</b>	<b>1,20,000</b>	<b>53,500</b>	<b>35,237.43</b>	<b>65.86%</b>	<b>81,000</b>	<b>40,500</b>	<b>29,812.46</b>	<b>73.61%</b>

Facility	As of/ For the year ended											
	March 31, 2023				March 31, 2022				March 31, 2021			
	Annual Installed Capacity (MT)	Average Available Capacity (MT)	Actual Production (MT)	Capacity Utilisation (%)	Annual Installed Capacity (MT)	Average available Capacity (MT)	Actual Production (MT)	Capacity Utilisation (%)	Annual Installed Capacity (MT)	Average available Capacity (MT)	Actual Production (MT)	Capacity Utilisation (%)
Kanganwal-I	14,000	14,000	11,397	81.41%	14,000	14,000	10,284	73.46%	14,000	14,000	10,230	73.07%
Kanganwal-II	53,000	53,000	36,421	68.72%	53,000	53,000	34,049	64.24%	53,000	53,000	30,221	57.02%
Dugri	40,000	27,000	11,369	42.11%	14,000	14,000	10,183	72.74%	-	-	-	-
<b>Total</b>	<b>107,000</b>	<b>94,000</b>	<b>59,187</b>	<b>62.96%</b>	<b>81,000</b>	<b>81,000</b>	<b>54,516</b>	<b>67.30%</b>	<b>67,000</b>	<b>67,000</b>	<b>40,451</b>	<b>60.37%</b>

The annual installed capacity, annual average available capacity, actual production, and capacity utilisation for machining:

Facility	As of/ For the 6 months ended							
	September 30, 2023				September 30, 2022			
	Annual Installed Capacity (MT)	Average Available Capacity (MT)	Actual Production (MT)	Capacity Utilisation (%)	Annual Installed Capacity (MT)	Average available Capacity (MT)	Actual Production (MT)	Capacity Utilisation (%)

#### Kanganwal Facility I

Crankshaft	16,000	8,000	6,644.18	83.05%	16,000	8,000	6,002.21	75.02%
Others	13,500	6,750	6,156.21	91.20%	13,500	6,750	5,081.18	75.27%
<b>Total</b>	<b>29,500</b>	<b>14,750</b>	<b>12,800.39</b>	<b>86.78%</b>	<b>29,500</b>	<b>14,750</b>	<b>11,083.39</b>	<b>75.14%</b>

#### Durga Facility

Crankshaft	6,000	4,000	3,510.16	87.75%	6,000	2,700	2,280.19	84.45%
Others	11,700	5,120	4,689.22	87.68%	8,600	4,000	3,618.23	90.45%
<b>Total</b>	<b>17,700</b>	<b>9,120</b>	<b>8,199.38</b>	<b>89.90%</b>	<b>14,600</b>	<b>6,700</b>	<b>5,898.42</b>	<b>88.03%</b>
<b>Total</b>	<b>47,200</b>	<b>23,870</b>	<b>20,999.77</b>	<b>87.97%</b>	<b>44,100</b>	<b>21,450</b>	<b>16,981.81</b>	<b>79.16%</b>

Facility	As of/ For the year ended											
	March 31, 2023				March 31, 2022				March 31, 2021			
	Annual Installed Capacity (MT)	Average Available Capacity (MT)	Actual Production (MT)	Capacity Utilisation (%)	Annual Installed Capacity (MT)	Average available Capacity (MT)	Actual Production (MT)	Capacity Utilisation (%)	Annual Installed Capacity (MT)	Average available Capacity (MT)	Actual Production (MT)	Capacity Utilisation (%)
<b>Kanganwal Facility I</b>												
Crankshaft	16,000	16,000	12,485	78.03%	16,000	16,000	10,639	66.49%	16,000	16,000	11,574	72.34%
Others	13,500	13,500	10,302	76.31%	13,500	13,500	13,034	96.54%	13,500	13,500	9,244	68.48%
<b>Total</b>	<b>29,500</b>	<b>29,500</b>	<b>22,787</b>	<b>77.24%</b>	<b>29,500</b>	<b>29,500</b>	<b>23,673</b>	<b>80.25%</b>	<b>29,500</b>	<b>29,500</b>	<b>20,819</b>	<b>70.57%</b>
<b>Durga Facility</b>												
Crankshaft	6,000	5,800	4,742	81.76%	4,000	4,000	2,660	66.49%	-	-	-	-
Others	10,600	8,700	7,335	84.31%	2,000	2,000	1,448	72.41%	-	-	-	-
<b>Total</b>	<b>16,600</b>	<b>14,500</b>	<b>12,077</b>	<b>83.29%</b>	<b>6,000</b>	<b>6,000</b>	<b>4,108</b>	<b>68.46%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## COMPETITIVE STRENGTHS

**Industry Position:** HFL is India's 4th largest engineering-led manufacturer specializing in heavy forged and high precision machined components. They focus on producing high-tolerance, safety-critical products.

**Diverse Product Portfolio:** Offers a diverse range of products, such as crankshafts, transmission parts, suspension products, serving various industries including automotive, oil and gas, power generation, railways, and wind turbines.

**Advanced Capabilities:** Possesses a 14,000-tonne forging press, pioneering new products like planetary carriers, pinion shafts for wind turbines, and front axles for electric buses. Utilizes advanced CAD/CAM technology for precision.

**Diversified Business Model:** Serves commercial vehicle OEMs and a variety of industries like farm equipment, off-highway vehicles, and industrial machinery.



**Customer Relationships:** Maintains long-term relationships with over 9 countries, serving 66 customers in Fiscal 2023. Strong ties with Top-10 customers for over 14 years on average.

**Infrastructure and Efficiency:** Operates 3 strategic manufacturing facilities in Ludhiana with upgraded capacities, ensuring cost advantages. Utilization rates for forging and machining capacities at 62.96% and 79.24% respectively in Fiscal 2023.

**Leadership and Financial Performance:** Founded in 1979 by Paritosh Kumar, experienced in precision components manufacturing. The management team holds extensive industry knowledge. Strong financial performance with high EBITDA margins and ROCE among peers in recent years, leveraging growth opportunities in the industry.

## KEY BUSINESS STRATEGIES

**Leveraging Engineering Capabilities:** HFL aims to grow its product range by leveraging its engineering expertise, focusing on industrial applications. They've expanded into power generation, wind turbines, and electric buses.

**Lightweight Forging:** Introducing aluminium components to cater to the rising demand for lightweight materials in automotive, aerospace, and defence industries.

**Customer Relations and Business Expansion:** The company aims to increase market share by deepening relationships with existing OEMs and attracting new customers, recently supplying front axle beams to an Indian automotive manufacturer for electric buses.

**International Market Expansion:** Seizing opportunities presented by increasing global demand by leveraging their engineering strengths to enhance exports.

**Capacity Expansion and Efficiency Improvement:** Investing in new machinery to expand forging and machining operations, focusing on reducing operating costs and improving efficiencies through automation, solar panels, lead-time reduction, inventory management, waste control, and optimized sourcing networks.

**Inorganic Growth via Acquisitions:** Continuously seeking strategic acquisitions and alliances that align with their growth strategy. Notably, they've acquired production lines and machinery from international manufacturers in the past to expand their capabilities.

## COMPETITION

HFL faces competition, both domestically and internationally, in relation to their products. Technology, price, design, quality, delivery, and engineering capabilities are the primary elements of competition in the forging and machining industry.

Category	Key Competitors
Forging and machining industry	Bharat Forge, Sona BLW Precision Forgings, Uno Minda, CIE Automotive, Craftsman Automation, Ramkrishna Forgings, Sansera Engineering, MM Forgings, Endurance and Cummin India
Sale of machined products	Bharat Forge, Craftsman Automation, RK Forging, Thyssenkrupp, American Axle & Manufacturing, Tianrun Crankshaft and Guilin FUDA

## COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2023)

Name of the Company	Consolidated / Standalone	Face Value	Closing price as at Dec'7, 2023 (BSE)	Revenue from Operations (₹ in Cr)	EPS		NAV	P/E	RoNW (%)
					Basic	Diluted			
Happy Forgings Ltd	Consolidated	2	-	1196.53	23.32	23.32	110.43	[ ₹ ]	21.12%
Bharat Forge Ltd	Consolidated	2	1,164.85	12,910.26	11.35	11.35	144.02	102.63	7.88%
Craftsman Automation Ltd	Consolidated	5	5,163.75	3,182.60	117.56	117.56	651.68	43.92	18.04%
Ramkrishna Forgings Ltd	Consolidated	2	761.65	3,192.90	15.52	15.43	82.67	49.36	18.77%
Sona BLW Precision Forgings Ltd	Consolidated	10	577.50	2,655.01	6.76	6.75	39.12	85.56	17.26%

Source: RHP

## Comparison with listed industry peers

Metric	6 months ended September 30, 2023					6 months ended September 30, 2022				
	Happy Forgings	Bharat Forge	Craftsman Auto-mation	Ram-krishna Forgings	Sona BLW Preci-sion Forgings	Happy Forgings	Bharat Forge	Craftsman Auto-mation	Ram-krishna Forgings	Sona BLW Precision Forgings
Revenue from Operations (₹ Cr)	673	7,651	2,217	1,874	1,519	600	5,928	1,453	1,524	1,237
Growth in revenue from operations (%)	12%	29%	53%	23%	23%	NA	32%	44%	52%	15%
Gross Profit (₹ Cr)	378	401	1045	886	848	329	3319	734	752	660
Gross Margin (%)	56%	52%	47%	47%	56%	55%	56%	50%	49%	53%
EBITDA (₹ Cr)	195	1218	452	398	414	182	854	337	325	299
EBITDA Margin (%)	29%	16%	20%	21%	27%	30%	14%	23%	21%	24%
Profit After Tax (₹ Cr)	119	429	185	161	236	116	302	119	119	168
Return on Equity ("RoE") (%)^	11%	6%	12%	10%	9%	13%	5%	10%	10%	8%
Return on Capital Employed ("RoCE") (%)^	12%	7%	11%	9%	12%	14%	4%	12%	9%	10%
Debt/Total Net Worth (in times)	0.23	1.01	0.86	0.99	0.12	0.29	0.94	0.59	1.17	0.08
Cash Conversion Cycle (days)	174	124	74	97	91	169	151	85	129	116
Gross Fixed Assets Turnover Ratio (in times)	0.74	Na	Na	Na	Na	0.90	Na	Na	Na	Na
Metric	For the Fiscal Year 2023					For the Fiscal Year 2022				
	Happy Forgings	Bharat Forge	Craftsman Auto-mation	Ram-krishna Forgings	Sona BLW Preci-sion Forgings	Happy Forgings	Bharat Forge	Craftsman Auto-mation	Ram-krishna Forgings	SonaBLW Precision Forgings
Revenue from Operations (₹ Cr)	1,197	12,910	3,183	3,193	2,655	860	10,461	2,217	2,320	2,110
Growth in revenue from operations (%)	39%	23%	44%	38%	26%	47%	65%	42%	80%	35%
Gross Profit (₹ Cr)	645	695	1553	1582	1435	472	6245	1183	1160	1164
Gross Margin (%)	54%	54%	49%	50%	54%	55%	60%	53%	50%	55%
EBITDA (₹ Cr)	341	1722	684	692	672	231	2108	534	517	551
EBITDA Margin (%)	28%	13%	21%	22%	25%	27%	20%	24%	22%	26%
Profit After Tax (₹ Cr)	209	508	251	248	395	142	1077	163	198	362
Return on Equity ("RoE") (%)^	21%	8%	17%	19%	17%	18%	16%	14%	18%	18%
Return on Capital Employed ("RoCE") (%)^	24%	8%	18%	19%	21%	19%	13%	18%	13%	22%
Debt/Total Net Worth (in times)	0.22	1.02	0.80	0.99	0.09	0.31	0.85	0.63	1.48	0.04
Cash Conversion Cycle (days)	167	137	80	120	105	187	134	82	131	118
Gross Fixed Assets Turnover Ratio (in times)	1.40	1.41	1.06	Na	2.38	1.47	1.37	0.91	1.10	2.76

^not annualized

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