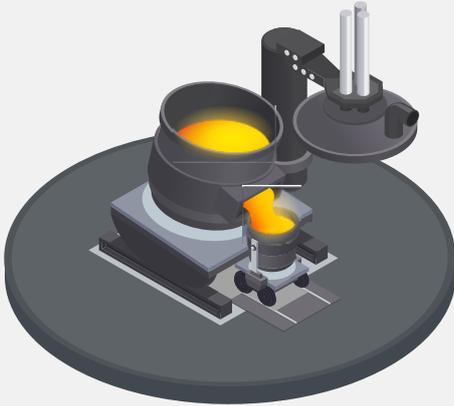




IPO DETAILS

#IPOology

HAPPY FORGINGS LIMITED



 **ISSUE OPEN**

19th December 2023

 **ISSUE CLOSE**

21st December 2023

Min. Lot Size

17 Shares

Issue Price Band

₹808 - ₹850

Issue Size

Fresh Issue:
4.71 mn equity shares
(₹4,000.00 mn)

OFS:
7.16 mn equity shares
(₹6,085.93 mn)

Face Value

₹2

Industry

Auto Ancillary

Listing at

NSE, BSE

RATING

SUBSCRIBE

OPEN ACCOUNT

APPLY NOW

Marwadi Shares and Finance Limited

Corporate Office: Marwadi Financial Plaza, Nana Mava Main Road, Off 150ft Ring Road, Rajkot - 360001, Gujarat.

Registered Office: X-Change Plaza, Office No. 1201 to 1205, 12th Floor, Building No. - 53E, Zone - 5, Road 5E, Gift City, Gandhinagar - 382355, Gujarat
0281 7174 100/0281 6192 100 **CIN of MSFL:** U65910GJ1992PLC017544

SEBI Reg. No. of MSFL for NSE, BSE, MCX, NCDEX: INZ000174730 | Membership No.: NSE:08760, BSE:0910, MCX:56410, NCDEX:1280 | SEBI Regn.No. of DP: IN-DP-476-2020 (NSDL DPID:IN300974) (CDSL DPID:12035100) | Research Analyst: INH 000002186 AMFI: ARN-42506 | PFRDA: POP07082018

Disclaimer: 'Investment in securities market are subject to market risks, read all the related documents carefully before investing'.

[For Facts & Figures](#)



HAPPY FORGINGS LIMITED

Rationale

Considering the TTM (Sept-23)/ FY24 Annualized EPS of Rs 22.46/25.33 on a post issue basis, the company is going to list at a P/E of 37.84x/33.56x with a market cap of Rs. 80,074 mn. whereas its peers namely Bharat Forge, Craftsman Automation Limited, Ramkrishna Forgings Limited and Sona BLW Precision Forgings Limited are trading at a P/E of 85.04x, 36.84x, 46.62x and 69.18x respectively.

We assign "Subscribe" rating to this IPO as the company is the fourth largest engineering led manufacturer of complex and safety critical, heavy forged and high precision machined components in India. Also, it is available at reasonable valuations as compared to its peers.

Objectives of the issue

- Purchase of equipment, plant and machinery.
- Prepayment of all or a portion of certain outstanding borrowings availed by the Company.
- General corporate purposes.

Company Overview

Happy Forgings Ltd is the fourth largest engineering led manufacturer of complex and safety critical, heavy forged and high precision machined components in India as of Fiscal 2023 in terms of forgings capacity.

The company, through their vertically integrated operations, are engaged in engineering, process design, testing, manufacturing, and supply of a variety of components that are both margin accretive and value-additive.

They primarily cater to domestic and global original equipment manufacturers ("OEMs") manufacturing commercial vehicles in the automotive sector, while in the non-automotive sector, they cater to manufacturers of farm equipment, off-highway vehicles and manufacturers of industrial equipment and machinery for oil and gas, power generation, railways and wind turbine industries.

They manufacture 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 for a diversified base of customers.

With over 40 years of experience of manufacturing and supplying quality and complex components according to customers specifications, they have emerged as a leading player in the domestic crankshaft manufacturing industry with the second largest production capacity for commercial vehicle and high horse-power industrial crankshafts in India.



Revenue Breakdown and Sector Distribution in FY23

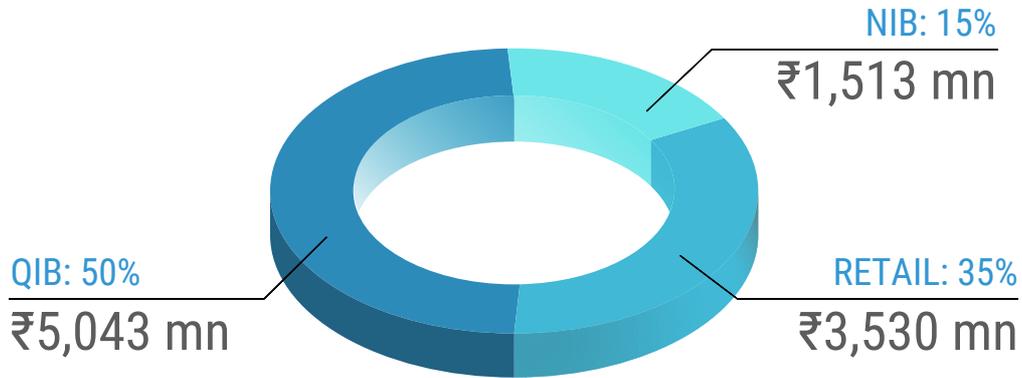
Their revenue from sale of products break-up comprises of forged products (21.34%) and machined products (78.66%) as of FY23. The break-up of sale of products to automotive sector and non-automotive sector is 43.65% and 56.35% respectively as of FY23.



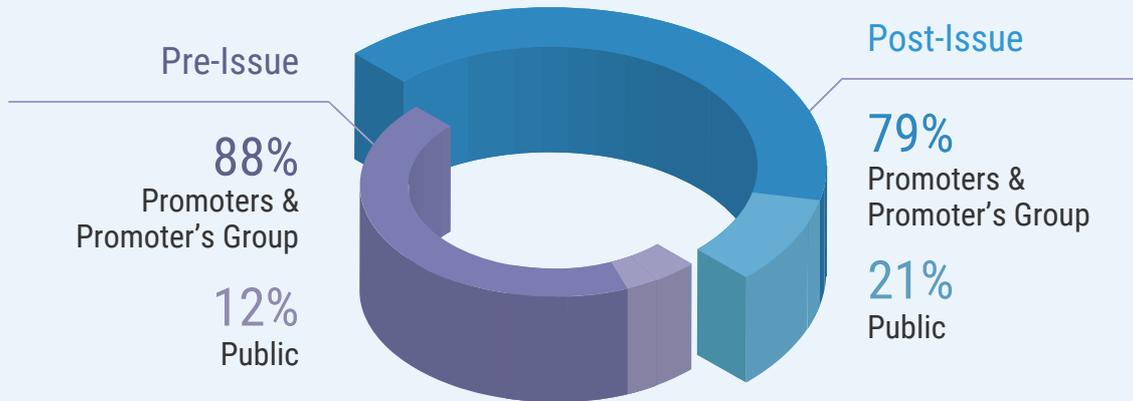
HAPPY FORGINGS LIMITED

Issue Details

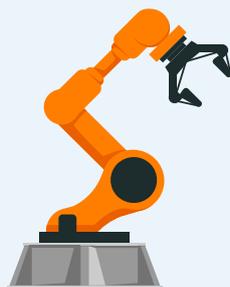
Issue Break-Up



Shareholding Pattern



Capital Structure (in ₹)



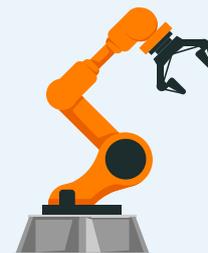
300 mn

Authorised Equity Share Capital



179 mn

Paid-Up Capital (Pre-Offer)



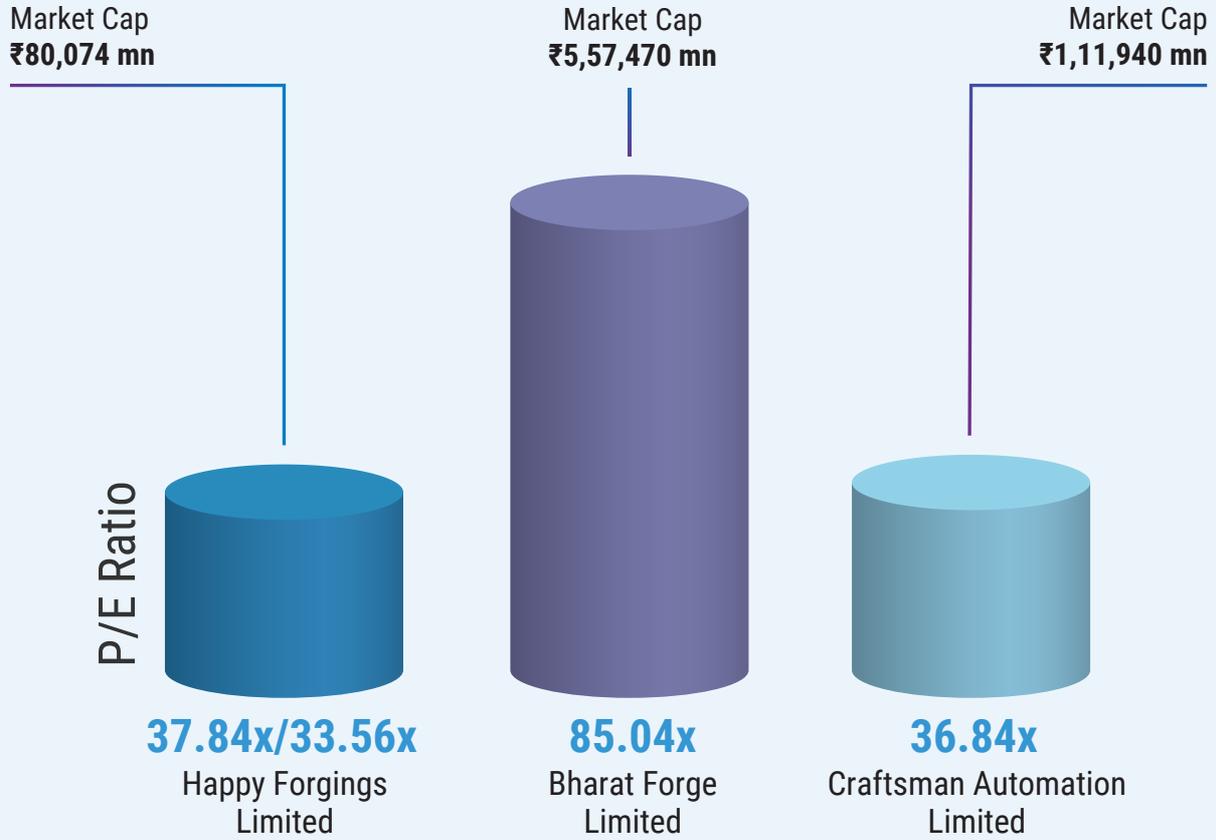
188 mn

Paid-Up Capital (Post-Offer)



HAPPY FORGINGS LIMITED

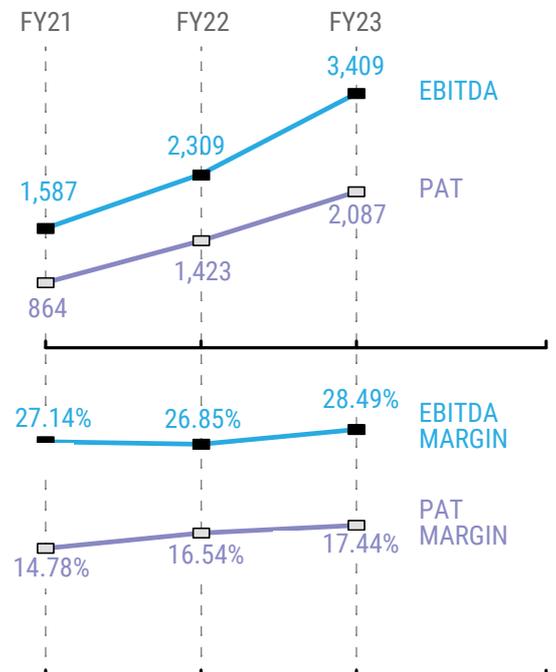
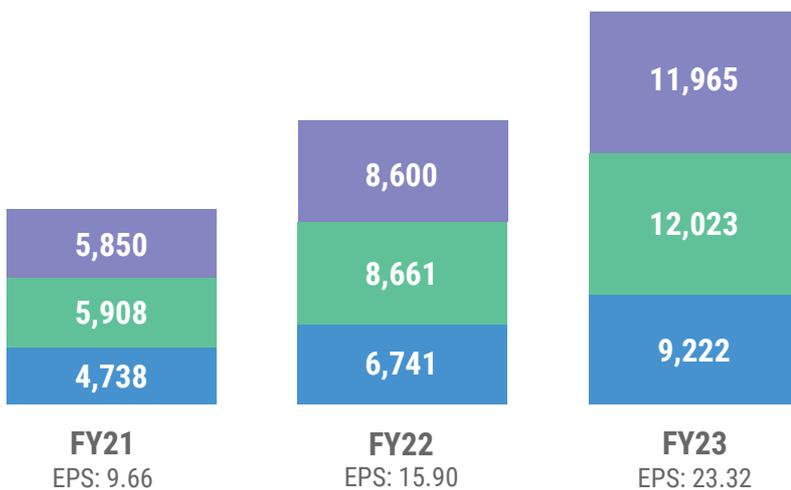
Valuations and Peer Comparison



Market Cap data of listed securities as on December 15, 2023

Financial Snapshot (in ₹ mn)

- Revenue
- Total Income
- Total Expenses





HAPPY FORGINGS LIMITED

Business Insights



Competitive Strengths

- Fourth largest engineering led manufacturer of complex and safety critical, heavy forged and high precision machined components in India
- Integrated manufacturing operations coupled with in-house product and process design capabilities resulting in a diverse product portfolio with increasing value addition
- Diversified business model, well placed to take advantage of potential alternative engine technologies
- Long-standing relationships with customers across industries
- Track record of consistently building capabilities and infrastructure, with focus on capital efficiency
- Experienced Promoters and senior management team
- Track record of healthy financial performance



Business Strategy

- Leverage in-house engineering and product development capabilities to grow their product portfolio and tap growing business opportunities in the industrial markets
- Foray into lightweight forging and machining with introduction of aluminium components
- Increase their wallet share and acquire new business by leveraging existing OEM relationships and adding new customers
- Capitalise on increasing demand from international markets to grow exports
- Expand capacity at their existing manufacturing facilities
- Continue to reduce operating costs and improve operational efficiencies
- Grow inorganically through strategic acquisitions and alliances



Risks

- Their business largely depends upon their top 10 customers. The loss of any of these customers could have a material adverse effect on their business, financial condition, results of operations and cash flows.
- They do not have agreements having commitment on part of their customers to purchase or place orders with them. If their customers choose not to source their requirements from them, there may be a material adverse effect on their business, financial condition, cash flows and results of operations.
- They depend on a few suppliers for the supply of steel, their primary raw material. Further, they do not have definitive supply agreements with their suppliers for the supply of steel. Interruptions in the supply of steel could adversely affect their business, financial condition, results of operations and cash flows.

Promoters and Management Details

Paritosh Kumar - Chairman and Managing Director

Ashish Garg - Managing Director

Megha Garg - Whole-time Director

Narinder Singh Juneja - Chief Executive Officer and Whole-time Director

Research Disclaimer <https://bit.ly/2RK2tzc>

