

## ISSUE DETAILS

### Issue Details

<b>Price Band:</b> ₹ 808 to ₹ 850
<b>Issue Opens on:</b> December 19, 2023
<b>Issue Closes on:</b> December 21, 2023
<b>Lot Size:</b> 17 Shares & in Multiples thereafter

### Issue Highlights

<b>Issue Size:</b>	₹ 1,008.59 Cr.
<b>No of Shares:</b>	11,865,802
<b>Face Value:</b>	₹ 2

### Offer Structure

Issuance	₹ in Cr.
Fresh Issue	400.00
Offer for Sale	608.59
<b>Total</b>	<b>1,008.59</b>

### Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	504.30
HNI	15	151.29
Retail	35	353.01
<b>Total</b>	<b>100</b>	<b>1,008.59</b>

### Listing

BSE & NSE

### Lead Managers

- Axis Capital Limited
- JM Financial Limited
- Equirus Capital Private Limited
- Motilal Oswal Investment Advisors Limited

### Registrar

Link Intime India Pvt. Ltd.

### ANALYST

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## COMPANY OVERVIEW

With over 40 years of experience of manufacturing and supplying quality and complex components according to customers specifications, Happy Forging Ltd. have emerged as a leading player in the domestic crankshaft manufacturing industry with the 2nd largest production capacity for commercial vehicle and high horse-power industrial crankshafts in India. through vertically integrated operations, they are engaged in engineering, process design, testing, manufacturing, and supply of a variety of components that are both margin accretive and value-additive. Their focus on producing margin accretive value-added products has led to transition from being a forging led business to a machined components manufacturer.

It primarily caters to domestic and global original equipment manufacturers ("OEMs") manufacturing commercial vehicles in the automotive sector, while in the non-automotive sector, it caters 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. The company own and operate three manufacturing facilities, of which two are located at Kanganwal in Ludhiana, Punjab and one is located at Dugri in Ludhiana, Punjab.

They are a supplier to each of the top five Indian OEMs, by market share, in the medium and heavy commercial vehicle industry and four of the top five Indian OEMs in the farm equipment industry by market share, in Fiscal 2023. Some of their customers include AAM India Manufacturing Corporation Private Limited, Ashok Leyland Limited, JCB India Limited etc.

## HIGHLIGHTS

1. Fourth largest engineering led manufacturer of complex and safety critical, heavy forged and high precision machined components in India
2. Diverse product portfolio with continuous value addition
3. Diversified business model
4. Long-standing relationship with customers across industries
5. Track record of consistently building capabilities and infrastructure, with focus on capital efficiency

## OBJECTS OF THE ISSUE

1. Purchase of equipment, plant and machinery (₹ 171.13 Cr.\*)

[\*This does not include certain portions of the cost, amounting to ₹26.55 million which will be borne by the Company through internal accruals.]

2. Prepayment of all or a portion of certain outstanding borrowings availed by our Company (₹ 152.76 Cr.)
3. General corporate purpose.

Offer for sale of up to 7,159,920 Equity Shares by the Selling Shareholders.

## OUR VIEW

Happy Forgings Ltd. (HFL) 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. It is among the few companies in India with the capability to manufacture and supply high precision safety critical components.

The revenue CAGR for the period FY21-23 stood at about 43%. The company operated on an EBITDA margin of 28.49% and PAT margin of 17.44% for year ended FY 2023. The number was 29.01% and 17.73% respectively for H1FY24. Generating an ROE and ROCE of 21.12% and 24.24% respectively for FY23. The company is asking for a PE multiple of 36.45x on the upper end of the price band and using diluted EPS for FY23 (₹ 23.32) and a PE of 31.88x annualizing diluted EPS for H1FY2024 (₹ 13.33). Industry average PE is 70x, so the issue is attractively priced.

The company is poised for some risks like dependency on top 10 customers as well as suppliers, also depends on the performance of specific industries, particularly commercial vehicles, farm equipment, and off-highway vehicles, both in the Indian and overseas markets, availability of raw material, markets trend impact especially in EV segment. etc.

However, the company's strong financials coupled with its dominant position in the market and tough entry barrier for new entrants, the company has a good potential to grow in the future.

Looking at all the factors, risks, opportunities and valuation, investors may apply for the issue with a medium to long-term view.

### Brief Financials

PARTICULARS	As at September 30, 2023			₹ in Million
		FY '23	FY '22	FY '21
Total Income	6,757.33	12,022.71	8,661.05	5,908.13
Total Expenditure	5,164.73	9,222.47	6,740.58	4,737.52
EBITDA	1,952.14	3,409.40	2,308.87	1,587.46
Profit before Tax	1,592.60	2,800.29	1,920.52	1,170.61
Profit after Tax	1,192.99	2,087.01	1,422.89	864.48
E.P.S. (Diluted)	13.33*	23.32	15.90	9.66
P/E (x) (Diluted)	-	36.45	-	-
RONW (%)	10.81*	21.12	18.07	13.40

\* Not Annualized

### PRICE CHART (@ ₹ 850) (Retail Category)

LOT SIZE	Amount
17	14,450
34	28,900
51	43,350
68	57,800
85	72,250
102	86,700
119	101,150
136	115,600
153	130,050
170	144,500
187	158,950
204	173,400
221	187,850

### HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount (Rs.)
Small HNI	238	202,300
Big HNI	1,190	1,011,500

### Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	22/12/2023
Initiation of refunds/unblocking ASBA Fund	26/12/2023
Credit of Equity Shares to demat accounts of Allottees	26/12/2023
Commencement of trading of the Equity Shares on the Stock Exchanges	27/12/2023

**For more details, Please refer RHP,**

[https://www.sebi.gov.in/filings/public-issues/dec-2023/happy-forgings-limited-rhp\\_79787.html](https://www.sebi.gov.in/filings/public-issues/dec-2023/happy-forgings-limited-rhp_79787.html)

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