



| IPO Details  |  | Company Background  |                                  |              |          |          |          |
|--|--|---|----------------------------------|--------------|----------|----------|----------|
| <b>Opening Date</b>  | Dec 19, 2023   | <ul style="list-style-type: none"> <li>Happy Forgings Limited was originally incorporated in the year 1979 and had its registered office in Punjab, India.</li> <li>The company is the fourth largest engineering-led manufacturer of complex and safety-critical, heavy forged and high-precision machined components in India.</li> <li>The company is engaged in engineering, process design, testing, manufacturing, and supply of a variety of components that are both margin-accretive and value-additive.</li> <li>The company owns and operates three manufacturing facilities, of which two are located at Kanganwal in Ludhiana, Punjab and one is located at Dugri in Ludhiana, Punjab.</li> <li>As of 30<sup>th</sup> September 2023, the Company had 3,070 employees on its payroll.</li> </ul> |                                  |              |          |          |          |
| <b>Closing Date</b>  | Dec 21, 2023   |   |                                  |              |          |          |          |
| <b>Stock Exchange</b>  | NSE, BSE   |   |                                  |              |          |          |          |
| <b>Lot Size</b>  | 17 Shares  |   |                                  |              |          |          |          |
| <b>Issue Price</b>   | ₹808 to ₹850 per share   |   |                                  |              |          |          |          |
| <b>Issue Size</b>  | Aggregating up to 1,008.59 Cr.                                       |   |                                  |              |          |          |          |
| <b>Fresh Issue</b>   | Aggregating up to 400.00 Cr.   |   |                                  |              |          |          |          |
| <b>Offer for Sale</b>  | Aggregating up to 608.59 Cr.   |   |                                  |              |          |          |          |
| <b>Application Amount (Price at Upper Band)</b>  | Min. Inv. - ₹ 14,450 (17 shares) Max. Inv. - ₹ 1,87,850 (221 shares) |   |                                  |              |          |          |          |
| IPO Objective  |  |   |                                  |              |          |          |          |
| 1. Purchase of equipment, plant and machinery.   |  |   |                                  |              |          |          |          |
| 2. Prepayment of all or a portion of borrowings.   |  |   |                                  |              |          |          |          |
| 3. General corporate purposes.   |  |   |                                  |              |          |          |          |
| Pre-Issue Shareholding   |  |   | Market Capitalization (In Cr.)   |              |          |          |          |
| Category   | No. of Shares  | % of Total Shares   | Pre-Issue                        | Post-Issue   |          |          |          |
| Promoter & Promoter Group  | 7,89,70,080  | 88.24%  | ₹ 7,607                          | ₹ 8,007      |          |          |          |
| Public   | 1,05,29,000  | 11.76%  |                                  |              |          |          |          |
| Promoter of the Company  |  |   | Financial Summary (In Cr.)       |              |          |          |          |
| 1. Paritosh Kumar  |  |   | For the Period Ended             | Mar-21       | Mar-22   | Mar-23   | Sep-23   |
| 2. Ashish Garg   |  |   | <b>Total Assets</b>              | 876.38       | 1,129.87 | 1,326.17 | 1,489.80 |
| 3. Megha Garg  |  |   | <b>Net Assets</b>                | 645.16       | 787.62   | 988.31   | 1,103.33 |
| 4. Ayush Capital and Financial Services Private Limited                                  |  |   | <b>Total Borrowings</b>          | 153.47       | 240.35   | 218.52   | 258.97   |
| 5. Garg Family Trust   |  |   | <b>Total Revenue</b>             | 590.81       | 866.11   | 1,202.27 | 675.73   |
| 6. Paritosh Kumar Garg (HUF)   |  |   | <b>Profit After Tax</b>          | 86.45        | 142.29   | 211.30   | 119.3    |
| 7. Ashish Garg and Sons (HUF)  |  |   | <b>Tentative Timeline</b>        |              |          |          |          |
|  |  |   | <b>Opening Date</b>              | Dec 19, 2023 |          |          |          |
|  |  |   | <b>Closing Date</b>              | Dec 21, 2023 |          |          |          |
|  |  |   | <b>Basis of Allotment</b>        | Dec 22, 2023 |          |          |          |
|  |  |   | <b>Initiation of Refunds</b>     | Dec 26, 2023 |          |          |          |
|  |  |   | <b>Credit of Shares to Demat</b> | Dec 26, 2023 |          |          |          |
|  |  |   | <b>Listing Date</b>              | Dec 27, 2023 |          |          |          |
| Competitive Strengths  |  |   |                                  |              |          |          |          |
| 1. Fourth largest engineering-led manufacturer of complex and safety-critical components |  |   |                                  |              |          |          |          |
| 2. Integrated manufacturing operations.  |  |   |                                  |              |          |          |          |
| 3. Diversified business model.   |  |   |                                  |              |          |          |          |
| 4. Long-standing relationship with customers across industries.                          |  |   |                                  |              |          |          |          |
| 5. Track record of consistently building capabilities and infrastructure.                |  |   |                                  |              |          |          |          |
| 6. Experienced Promoters and senior management team.                                     |  |   |                                  |              |          |          |          |
| 7. Track record of healthy financial performance.  |  |   |                                  |              |          |          |          |



### Company Background and Analysis

Happy Forgings Limited was originally incorporated on July 2, 1979, and has vast experience in the industry. Happy Forgings 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 (Source: Ricardo Report). Company through its vertically integrated operations, is engaged in engineering, process design, testing, manufacturing, and supply of a variety of components that are both margin accretive and value-additive. The company primarily caters to domestic and global original equipment manufacturers (“OEMs”) manufacturing commercial vehicles in the automotive sector, while in the non-automotive sector, the company 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.

With over 40 years of experience in manufacturing and supplying quality and complex components according to customers' specifications, the company has 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.

Company's product portfolio and end-use industries –



Company is among the few companies in India with the capability to manufacture and supply high precision safety critical components to leading OEMs including manufacturers of commercial vehicles, farm equipment, off-highway and industrial equipment and machinery for oil and gas, power generation, railways and wind turbine industries. The following tables set forth below the revenue from sale of products to automotive and non-automotive sectors for the years/ periods indicated:

(Amount in Cr.)

| Particulars           | Mar-21        |               | Mar-22        |               | Mar-23          |               | Sep-23        |               |
|-----------------------|---------------|---------------|---------------|---------------|-----------------|---------------|---------------|---------------|
|                       | Amt           | (%)           | Amt           | (%)           | Amt             | (%)           | Amt           | (%)           |
| Automotive Sector     | 205.41        | 37.50         | 335.56        | 42.72         | 465.68          | 43.65         | 246.81        | 40.38         |
| Non-Automotive Sector | 342.33        | 62.50         | 450.01        | 57.28         | 601.27          | 56.35         | 364.35        | 59.62         |
| <b>Total</b>          | <b>547.74</b> | <b>100.00</b> | <b>785.57</b> | <b>100.00</b> | <b>1,066.95</b> | <b>100.00</b> | <b>611.16</b> | <b>100.00</b> |

To conclude, the company is among the few companies in India with the capability to manufacture and supply high-precision safety critical components to leading OEMs including manufacturers of commercial vehicles, farm equipment, off-highway and industrial equipment and machinery for oil and gas, power generation, railways and wind turbine industries.



## Business Strategies

**1. Leverage in-house engineering and product development capabilities to grow the product portfolio and tap growing business opportunities in the industrial markets.**

The company intends to expand its capabilities by adding new solutions for heavy transmission gear cutting in machining and foraying into heavy forgings up to one tonne. The company intends to achieve this by adding new products that have applications in these industries to increase the revenue from these industries.

**2. Foray into lightweight forging and machining with the introduction of aluminium components.**

The Company aims to introduce aluminium forging and machined components to cater to the growing demand for lightweight materials in various industries such as automotive, aerospace, and defence.

**3. Increase the wallet share and acquire new business by leveraging existing OEM relationships and adding new customers.**

The Company intends to target new business from global customers who were earlier importing from China and Europe, as well as new business from the global counterparts of the existing customers.

**4. Capitalise on increasing demand from international markets to grow exports.**

The company aims to leverage the increasing demand from international markets to enhance exports. The company believes that as it expands its exports to international markets, it will be able to take advantage of the increased margins associated with these markets and improve its profitability.

**5. Continue to reduce operating costs and improve operational efficiencies.**

The company is committed to further optimising production processes, by improving engineering capability, debottlenecking the critical production processes, increasing the flexibility of the manufacturing system and minimizing scrap during production.

**6. Grow inorganically through strategic acquisitions and alliances.**

The company intends to explore and consider opportunities that can create synergies between the target companies and are in line with the growth strategy. The company plans to target entities that expand the opportunities in other end markets, geographic regions, new customers and new products. The company intends to maintain a disciplined approach to acquisitions and consider various selection criteria such as skills of the management team, operation scale, technological capability, product portfolio, customer base, end-market exposures, valuation and estimated costs, as well as cultural fit.

## Competitive Scenario and Peer Mapping

### Competition

The company faces significant competition in India and overseas in the business, which is based on many factors, including product quality and reliability, breadth of product range, product design and innovation, technology, manufacturing capabilities, scope and quality of service, price and brand recognition. The company competes with global competitors to retain the existing business as well as to acquire new business. The company faces competition both domestically and internationally. The company faces competition from larger organisations that possess greater financial resources, patents, underutilized capacity, lower labour costs, lower tax rates, and export or raw materials subsidies. The industry has fewer barriers to entry. The bargaining power with the customers is moderate in the sector in which the company operates.



## Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below -

| Particulars                | Happy Forgings Limited | Bharat Forge Limited | Craftsman Automation Limited | Ramkrishna Forgings Limited | Sona BLW Precision Forgings Limited |
|----------------------------|------------------------|----------------------|------------------------------|-----------------------------|-------------------------------------|
|                            | 31st Mar 2023          | 31st Mar 2023        | 31st Mar 2023                | 31st Mar 2023               | 31st Mar 2023                       |
| Net Profit Margin          | 17.66%                 | 3.93%                | 7.89%                        | 7.77%                       | 14.76%                              |
| EBITDA Margin              | 28.49%                 | 13.45%               | 21.49%                       | 21.74%                      | 26.01%                              |
| Return on Capital Employed | 30.71%                 | 10.05%               | 16.33%                       | 21.76%                      | 20.64%                              |
| Return on Equity           | 10.79%                 | 7.58%                | 18.23%                       | 18.76%                      | 17.25%                              |
| EPS (INR)                  | 23.32                  | 11.35                | 117.56                       | 15.52                       | 6.75                                |

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below -

| Particulars                | Happy Forgings Limited | Bharat Forge Limited | Craftsman Automation Limited | Ramkrishna Forgings Limited | Sona BLW Precision Forgings Limited |
|----------------------------|------------------------|----------------------|------------------------------|-----------------------------|-------------------------------------|
|                            | 31st Mar 2022          | 31st Mar 2022        | 31st Mar 2022                | 31st Mar 2022               | 31st Mar 2022                       |
| Net Profit Margin          | 16.54%                 | 10.30%               | 7.35%                        | 8.53%                       | 16.99%                              |
| EBITDA Margin              | 26.85%                 | 18.96%               | 24.09%                       | 22.33%                      | 26.28%                              |
| Return on Capital Employed | 25.29%                 | 13.36%               | 19.35%                       | 16.95%                      | 18.89%                              |
| Return on Equity           | 9.14%                  | 16.40%               | 14.35%                       | 18.37%                      | 18.10%                              |
| EPS (INR)                  | 15.90                  | 23.23                | 77.19                        | 12.36                       | 6.19                                |

The comparison of the key performance indicators of the listed peers as on Mar-21 is given below -

| Particulars                | Happy Forgings Limited | Bharat Forge Limited | Craftsman Automation Limited | Ramkrishna Forgings Limited | Sona BLW Precision Forgings Limited |
|----------------------------|------------------------|----------------------|------------------------------|-----------------------------|-------------------------------------|
|                            | 31st Mar 2021          | 31st Mar 2021        | 31st Mar 2021                | 31st Mar 2021               | 31st Mar 2021                       |
| Net Profit Margin          | 14.78%                 | -2.00%               | 1.11%                        | 1.63%                       | 13.73%                              |
| EBITDA Margin              | 27.14%                 | 13.13%               | 10.50%                       | 17.38%                      | 28.16%                              |
| Return on Capital Employed | 21.14%                 | 2.57%                | 8.00%                        | 6.53%                       | 19.94%                              |
| Return on Equity           | 6.75%                  | -2.35%               | 21.26%                       | 2.38%                       | 15.63%                              |
| EPS (INR)                  | 9.66                   | -2.71                | 46.08                        | 1.29                        | 3.76                                |



**Industry Overview**

Exhibit 1: Aggregate turnover of Auto Components (US\$ billion)

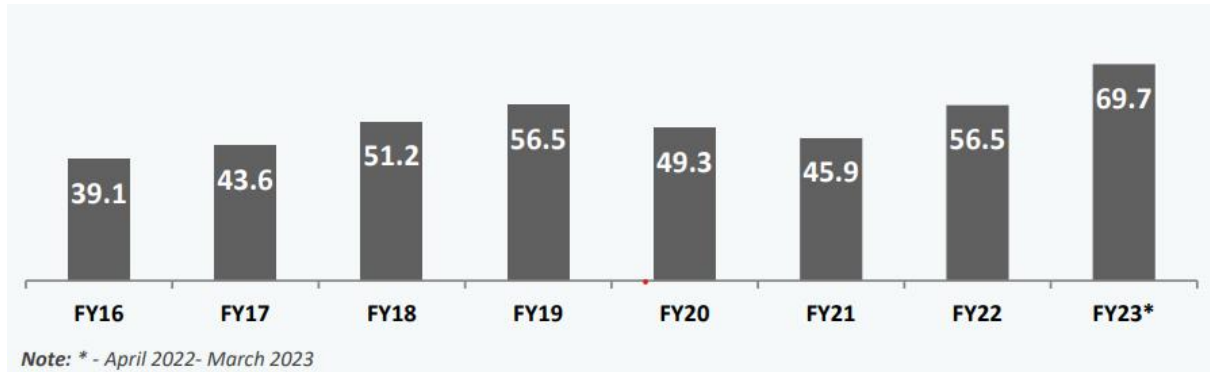
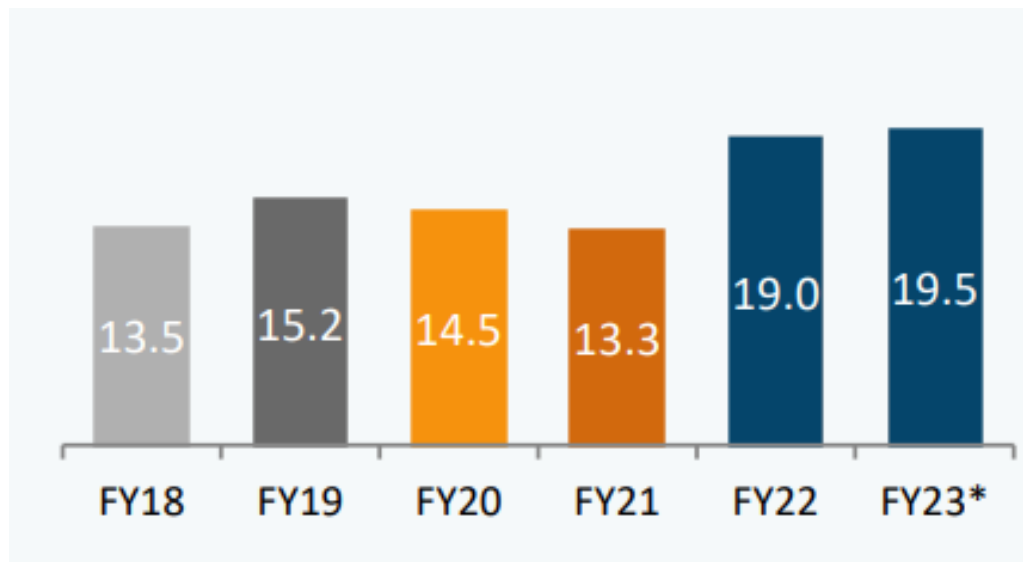


Exhibit 2: Value of Auto Component Export (US\$ billion)



(Source: Prospectus)



### **Indian Automotive Industry -**

India CV production registered a growth of 4.5% CAGR from Fiscal 2014 to Fiscal 2023. Rising demand for pickup trucks, owing to the growing e-commerce and logistics sector is responsible for the growth in this period. HCV more than 16 tonnes registered the highest CAGR of 11.6% during Fiscal 2014 to Fiscal 2023 due to increased government expenditure on infrastructure, BS-VI transition and growth in mining and quarrying sector which is about 3% of the GDP.

The India CV production market is expected to grow at a CAGR of 7.1% over the period Fiscal 2024 to Fiscal 2029 due to rise in government initiatives such as Make in India campaign and PLI (“Production Linked Incentive”) scheme which aims to provide financial incentives to boost manufacturing and attract investments in the commercial vehicle value chain. Moreover, Government’s commitment to invest in major infrastructure projects will play an important role in boosting CV demand. An investment of US\$ 2.5 billion has been announced in 2023 by the National Bank for Financing Infrastructure and Development (“NaBFID”) to fund infrastructure projects related to energy, urban infrastructure, and airports.

With implementation of the scrappage policy from April 2023 onwards and with more than 50 to 55 percent of the existing vehicles above the age of 10 years in Medium and Heavy CVs, these segments are expected to grow at a CAGR of 9.4% and 5.2% respectively during Fiscal 2024 to Fiscal 2029. LCV (3.5 tonnes – 7.5 tonnes) is expected to show a growth of CAGR 9.5% on account of government policies ease of axle norms which will allow freight operators to carry 20-25% extra over payload. Hence, large fleet operators, carrying dense bulk commodities, would be able to carry more freight, improving their margins.

Turnover of India automotive components Industry registered a growth of CAGR 7.7% over the period Fiscal 2014 to Fiscal 2023 with maximum contribution from exports with growth of CAGR 9.4% between Fiscal 2014 to Fiscal 2023 supported by the fact that India has a competitive advantage in categories such as shafts, bearings, and fasteners due to large number of players which is resulting in higher exports. Aftermarket and supply to OEMs also registered a growth of 8.0% and 7.1% CAGR respectively due to cost effective manufacturing base in India which keeps cost lower by 10-25% relative to operations in Europe and Latin America. Additionally, the robust manufacturing ecosystem, the easy availability of skilled labour and key raw materials, and strong government incentive schemes to promote ‘Make in India’ are all contributing to India’s emergence as a global manufacturing hub.

### **Global Automotive Components Industry -**

Global Auto component market is expected to register a growth of 3.7% CAGR during the period calendar year 2023 – calendar year 2029 due to increase in demand for passenger cars and commercial vehicles coupled with increasing trend towards personalisation. Manufacturing of auto components is gradually gaining traction toward Asian countries such as China and India due to the presence of higher market potential and low-cost manufacturing. China accounts for 40 – 50% share in global auto component industry supported by strong exports and domestic sales in the market.

(Source: Prospectus)



## Key Managerial Personnel

**Paritosh Kumar**, aged 68 years, is the Promoter, Chairman and Managing Director of the Company. He holds a bachelor's degree in arts. He has been associated with the Company since incorporation and accordingly has over 44 years of experience in the industrial sector. He is involved in the strategic decision-making of the Company, oversees the Company's business activities and is involved in setting up the governance standards of the Company.

**Ashish Garg**, aged 38 years, is one of the Promoters, and Managing Director of the Company. He holds a bachelor's degree in science (accounting and finance), and a master's degree in science (manufacturing systems engineering). He has approximately 17 years of experience in the industrial sector. He currently manages the Company's business operations, financial performance, growth strategies and investments in different capacities and product developments.

**Megha Garg**, aged 38 years, is one of the Promoters, and Whole-Time Director of the Company. She holds a bachelor's degree in science (economics). She has approximately eight years of experience in the industrial sector. She currently handles the online digital marketing of the Company to engage prospects and capture leads.

**Narinder Singh Juneja**, aged 69 years, is the Chief Executive Officer and Whole-Time Director of the Company. He holds a post-diploma course in mechanical engineering (machine tools operation and maintenance). He has over 35 years of experience in the industrial sector.

**Prakash Bagla**, aged 48 years, is the Nominee Director of the Company. He holds a bachelor's degree in commerce and is an associate member of the Institute of Chartered Accountants of India. He has 18 years of experience in the finance and private equity sector.

**Satish Sekhri**, aged 73 years, is an Independent Director of the Company. He holds a bachelor's degree in science (mechanical engineering), and a master's degree in business administration. He has experience in the field of sales and marketing and the industrial sector.

**Vikas Gupta**, aged 44 years, is an Independent Director of the Company. He holds a bachelor's degree in commerce, a fellow member of the Institute of Chartered Accountants of India. He has over 17 years of experience in the finance sector.

**Ravindra Pisharody**, aged 68 years, is an Independent Director of the Company. He holds a bachelor's degree in technology (electronics and electrical communication engineering), a post-graduate diploma in management, and a post-graduate program in executive coaching. He has over 18 years of experience in marketing.

**Rajeswari Karthigeyan**, aged 53 years, is an Independent Director of the Company. She holds a bachelor's degree in commerce and a diploma in systems management. She has over 30 years of experience in the credit ratings sector.

**Atul Behari Lall**, aged 61 years, is an Independent Director of the Company. He holds a master's degree in management studies. 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) Limited.

To Conclude, the company has 7 promoters out of which 3 are individual promoters who have vast experience in the industry in which the company operates and in the fields which help in the growth of the business. The Remaining Directors of the company have vast knowledge and experience in their respective fields which helps in the overall growth of the company.



## Financial Snapshot

| <b>Profit and Loss Statement</b>   |                 |               |                 |               |
|--|-----------------|---------------|-----------------|---------------|
|  | <b>(In Cr.)</b> |               |                 |               |
| <b>Particulars</b>   | <b>FY 21</b>    | <b>FY 22</b>  | <b>FY 23</b>    | <b>Sep-23</b> |
| Revenue from Operations  | 584.96          | 860.05        | 1,196.53        | 672.90        |
| Other Income   | 5.86            | 6.06          | 5.74            | 2.83          |
| <b>Total Income</b>  | <b>590.81</b>   | <b>866.11</b> | <b>1,202.27</b> | <b>675.73</b> |
| <b>Expenses</b>  |                 |               |                 |               |
| Cost of raw materials and components consumed                                | 257.26          | 435.85        | 547.72          | 320.91        |
| Changes in inventories of finished goods, work-in-process and Stock-in-Trade | -5.65           | -47.46        | 3.33            | -25.90        |
| Employee benefits expense  | 49.00           | 68.68         | 87.78           | 54.20         |
| Finance Costs  | 11.78           | 7.16          | 12.48           | 7.13          |
| Depreciation and Amortization expense  | 35.76           | 37.74         | 54.18           | 31.65         |
| Other expenses   | 125.61          | 172.09        | 216.76          | 128.47        |
| <b>Total Expenses</b>  | <b>473.75</b>   | <b>674.06</b> | <b>922.25</b>   | <b>516.47</b> |
| <b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>      | <b>158.75</b>   | <b>230.89</b> | <b>340.95</b>   | <b>195.21</b> |
| <b>EBITDA Margin</b>   | <b>27%</b>      | <b>27%</b>    | <b>28%</b>      | <b>29%</b>    |
| <b>Profit before exceptional and extraordinary items and tax</b>             | <b>117.06</b>   | <b>192.05</b> | <b>280.02</b>   | <b>159.26</b> |
| <b>Share of net profit of a Joint Venture</b>                                | <b>-</b>        | <b>0.01</b>   | <b>0.01</b>     | <b>-</b>      |
| <b>Profit/(Loss) before tax</b>  | <b>117.06</b>   | <b>192.05</b> | <b>280.03</b>   | <b>159.26</b> |
| Tax Expense  |                 |               |                 |               |
| Current Tax  | 31.58           | 46.92         | 68.54           | 39.19         |
| Adjustments of tax charges relating to earlier periods                       | -               | 0.18          | -0.09           | -0.69         |
| Deferred Tax Charge (Credit)   | -0.97           | 2.67          | 0.28            | 1.46          |
| Total Tax Expense  | 30.61           | 49.76         | 68.73           | 39.96         |
| <b>Profit/(Loss) for the year</b>  | <b>86.45</b>    | <b>142.29</b> | <b>211.30</b>   | <b>119.30</b> |
| Net Profit Margin  | 15%             | 16%           | 18%             | 18%           |

| <b>Balance Sheet</b>                |                 |               |               |               |
|-------------------------------------|-----------------|---------------|---------------|---------------|
|                                     | <b>(In Cr.)</b> |               |               |               |
| <b>Particulars</b>                  | <b>FY 21</b>    | <b>FY 22</b>  | <b>FY 23</b>  | <b>Sep-23</b> |
| <b>ASSETS</b>                       |                 |               |               |               |
| <b>Non-Current Assets</b>           |                 |               |               |               |
| Property, Plant and Equipment       | 414.52          | 454.64        | 676.96        | 696.16        |
| Capital work-in-progress            | 39.42           | 212.26        | 74.75         | 101.53        |
| Intangible Assets                   | 0.13            | 1.56          | 1.48          | 1.30          |
| Intangible assets under development | 0.95            | -             | -             | 0.91          |
| Investment in Joint Venture         | -               | 0.42          | -             | -             |
| Financial Assets                    | -               | -             | -             | -             |
| Other Financial Assets              | 7.17            | 7.47          | 31.50         | 36.38         |
| Non-current tax assets (net)        | 0.17            | 0.17          | -             | -             |
| Other non-current assets            | 76.62           | 27.78         | 51.52         | 76.77         |
| <b>Total non-current assets</b>     | <b>538.98</b>   | <b>704.28</b> | <b>836.21</b> | <b>913.05</b> |
| <b>Current Assets</b>               |                 |               |               |               |
| Inventories                         | 121.57          | 183.98        | 169.60        | 221.02        |
| Financial Assets                    | -               | -             | -             | -             |
| (i) Investments                     | -               | -             | -             | -             |
| (ii) Trade Receivables              | 165.77          | 222.04        | 308.06        | 323.02        |
| (iii) Cash and Cash Equivalents     | 2.89            | 0.02          | 0.01          | 0.65          |
| (iv) Other Bank Balances            | 24.90           | 1.44          | 0.33          | 0.58          |





| <b>Balance Sheet</b>   |               |                 |                 |                 | <b>(In Cr.)</b> |
|--|---------------|-----------------|-----------------|-----------------|-----------------|
| (v) Loans  | 0.13          | 0.19            | 0.27            | 0.15            |                 |
| (vi) Other financial assets  | 2.16          | 3.13            | 0.68            | 1.57            |                 |
| Current tax assets   | -             | -               | 0.23            | -               |                 |
| Other current assets   | 19.38         | 14.17           | 10.16           | 29.16           |                 |
| <b>Total Current assets</b>  | <b>336.79</b> | <b>424.97</b>   | <b>489.34</b>   | <b>576.13</b>   |                 |
| <b>Assets held for sale</b>  | <b>0.62</b>   | <b>0.62</b>     | <b>0.62</b>     | <b>0.62</b>     |                 |
| <b>Total Assets</b>  | <b>876.38</b> | <b>1,129.87</b> | <b>1,326.17</b> | <b>1,489.80</b> |                 |
| <b>EQUITY AND LIABILITIES</b>  |               |                 |                 |                 |                 |
| <b>Equity</b>  |               |                 |                 |                 |                 |
| Share Capital  | 8.95          | 17.90           | 17.90           | 17.90           |                 |
| Other Equity   | 636.21        | 769.72          | 970.41          | 1,085.43        |                 |
| Capital reserve on business combination  |               |                 |                 |                 |                 |
| <b>Total equity attributable to equity holders of the company</b>                      | <b>645.16</b> | <b>787.62</b>   | <b>988.31</b>   | <b>1,103.33</b> |                 |
| Non-controlling interests (NCI)  |               |                 |                 |                 |                 |
| <b>Total Equity</b>  | <b>645.16</b> | <b>787.62</b>   | <b>988.31</b>   | <b>1,103.33</b> |                 |
| <b>Liabilities</b>   |               |                 |                 |                 |                 |
| <b>Non-current liabilities</b>   |               |                 |                 |                 |                 |
| Financial Liabilities  |               |                 |                 |                 |                 |
| Borrowings   | 30.00         | 74.05           | 58.18           | 37.14           |                 |
| Deferred Tax Liabilities (net)   | 20.16         | 22.94           | 23.05           | 26.33           |                 |
| <b>Total non-current liabilities</b>   | <b>50.16</b>  | <b>96.99</b>    | <b>81.22</b>    | <b>63.47</b>    |                 |
| <b>Current liabilities</b>   |               |                 |                 |                 |                 |
| Financial Liabilities  |               |                 |                 |                 |                 |
| (i) Borrowings   | 123.47        | 166.31          | 160.34          | 221.83          |                 |
| (ii) Trade Payables  | -             | -               | -               | -               |                 |
| total outstanding dues of micro-enterprises and small enterprises                      | 6.43          | 5.33            | 6.07            | 5.82            |                 |
| total outstanding dues of creditors other than micro-enterprises and small enterprises | 31.50         | 38.90           | 41.67           | 52.36           |                 |
| (iii) Other Financial Liabilities  | 7.33          | 20.49           | 25.99           | 20.74           |                 |
| Other current liabilities  | 8.49          | 5.47            | 7.77            | 9.27            |                 |
| Provisions   | 1.90          | 2.67            | 3.79            | 3.82            |                 |
| Liabilities for current tax (net)  | 1.94          | 6.09            | 11.02           | 9.15            |                 |
| <b>Total Current liabilities</b>   | <b>181.07</b> | <b>245.26</b>   | <b>256.64</b>   | <b>322.99</b>   |                 |
| <b>Total Liabilities</b>   | <b>231.23</b> | <b>342.25</b>   | <b>337.86</b>   | <b>386.46</b>   |                 |
| <b>Total Equity and Liabilities</b>  | <b>876.38</b> | <b>1,129.87</b> | <b>1,326.17</b> | <b>1,489.80</b> |                 |

| <b>Cash Flow Statement</b>              |              |              |              |               | <b>(In Cr.)</b> |
|---|--------------|--------------|--------------|---------------|-----------------|
| <b>Particulars</b>                      | <b>FY 21</b> | <b>FY 22</b> | <b>FY 23</b> | <b>Sep-23</b> |                 |
| Net Cash Flow from Operating Activities | 49.85        | 80.29        | 209.46       | 80.43         |                 |
| Net Cash Flow from Investing Activities | -58.69       | -165.68      | -172.45      | -100.98       |                 |
| Net Cash Flow from Financing Activities | 9.67         | 82.52        | -37.01       | 21.19         |                 |

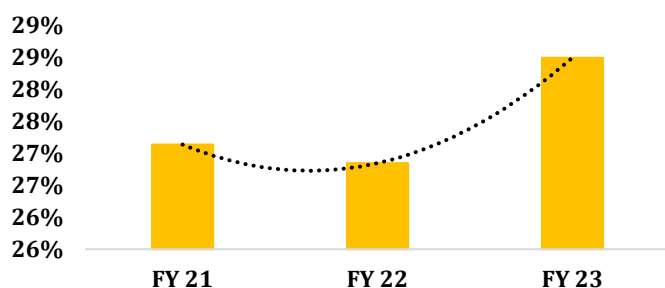


| <b>Ratio Sheet</b>          |              |              |              |                |
|-----------------------------|--------------|--------------|--------------|----------------|
| <b>Particulars</b>          | <b>FY 21</b> | <b>FY 22</b> | <b>FY 23</b> | <b>Sep-23*</b> |
| <b>Per Share Data</b>       |              |              |              |                |
| Diluted EPS                 | 9.66         | 15.9         | 23.32        | 50.59          |
| BV per share                | 68.48        | 83.61        | 104.91       | 197.96         |
| <b>Operating Ratios</b>     |              |              |              |                |
| EBITDA Margins              | 27%          | 27%          | 28%          | 29%            |
| PAT Margins                 | 15%          | 16%          | 18%          | 18%            |
| Inventory days              | 75.85        | 78.08        | 51.74        | 60.11          |
| Debtor days                 | 103.44       | 94.23        | 93.97        | 87.85          |
| Creditor days               | 46.04        | 35.59        | 32.74        | 31.34          |
| <b>Return Ratios</b>        |              |              |              |                |
| RoCE                        | 18%          | 22%          | 27%          | 35%            |
| RoE                         | 13%          | 18%          | 21%          | 26%            |
| <b>Valuation Ratios (x)</b> |              |              |              |                |
| EV/EBITDA                   | 5.01         | 4.45         | 3.54         | 2.69           |
| Market Cap / Sales          | 13.69        | 9.31         | 6.69         | 2.97           |
| P/E                         | 87.99        | 53.46        | 36.45        | 16.80          |
| Price to Book Value         | 12.41        | 10.17        | 8.10         | 4.29           |
| <b>Solvency Ratios</b>      |              |              |              |                |
| Debt / Equity               | 0.19         | 0.21         | 0.16         | 0.13           |
| Current Ratio               | 1.86         | 1.73         | 1.91         | 1.78           |
| Quick Ratio                 | 1.19         | 0.98         | 1.25         | 1.10           |
| Asset Turnover              | 0.67         | 0.76         | 0.90         | 0.45           |
| Interest Coverage Ratio     | 10.44        | 26.98        | 22.99        | 22.93          |

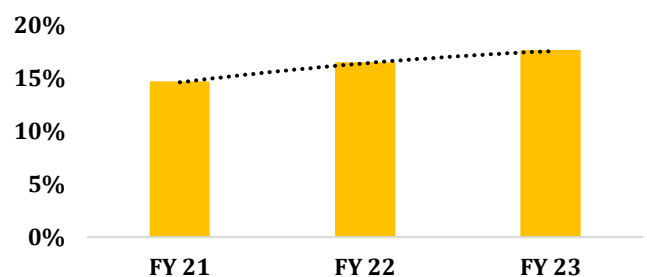
\*Annualized Figures

## Financial Charts

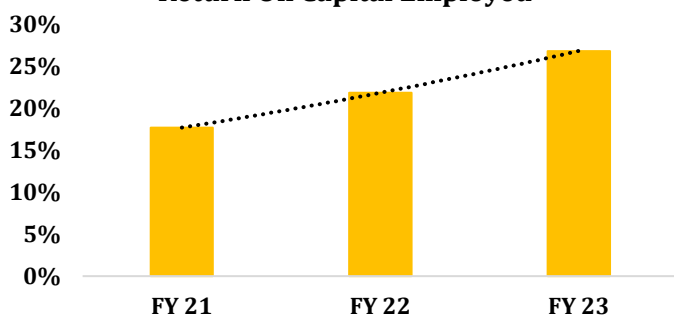
**EBITDA Margin**



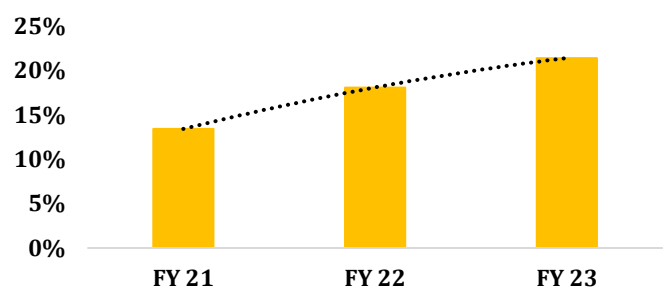
**Net Profit Margin**



**Return On Capital Employed**



**Return on Equity**





### Key Risk Factors

1. The company largely depends upon the top 10 customers. top 10 customers contributed to 70.08%, 74.64%, 79.22%, 68.52% and 71.46% of the revenue from operations for the Fiscal 2023, 2022, 2021 and in the six months ended September 30, 2023, and 2022 respectively.
2. The company has certain contingent liabilities that have been disclosed in the financial statements amounting to Rs. 3.60 Cr, which if they materialize, may adversely affect the results of operations, cash flows and financial condition.
3. The Company, Promoters, and Directors are involved in certain legal and regulatory proceedings amounting to Rs. 8.607 Cr. Any adverse decision in such proceedings may have a material adverse effect on the business, financial condition, cash flows and results of operations.

### Track Record of Lead Manager

The lead manager to the issue is JM Financial Limited, Axis Capital Limited, Equirus Capital Private Limited, and Motilal Oswal Investment Advisors Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

#### JM Financial Limited –

| Sr. No. | Company Name                       | Issue Size in Cr. | Issue Price/Share (In INR) | Listing Date      | CMP* (INR) |
|---------|------------------------------------|-------------------|----------------------------|-------------------|------------|
| 1.      | Fedbank Financial Services Limited | 1,092.26          | 140.00                     | November 30, 2023 | 146.00     |
| 2.      | Tata Technologies Limited          | 3042.51           | 500.00                     | November 30, 2023 | 1,242.0    |
| 3.      | ASK Automotive Limited             | 834.00            | 282.00                     | November 15, 2023 | 287.00     |
| 4.      | Honasa Consumer Limited            | 1,701.44          | 324.00                     | November 07, 2023 | 422.00     |
| 5.      | Cello World Limited                | 1,900.00          | 648.00                     | November 06, 2023 | 788.00     |

The company has had 42 mandates in the past three years (including the current year)

#### Axis Capital Limited -

| Sr. No. | Company Name                     | Issue Size in Cr. | Issue Price/Share (In INR) | Listing Date       | CMP* (INR) |
|---------|----------------------------------|-------------------|----------------------------|--------------------|------------|
| 1.      | Flair Writing Industries Limited | 593.00            | 304.00                     | December 01, 2023  | 371.00     |
| 2.      | ASK Automotive Limited           | 834.00            | 282.00                     | November 15, 2023  | 287.00     |
| 3.      | JSW Infrastructure Limited       | 2,800.01          | 119.00                     | October 03, 2023   | 225.00     |
| 4.      | Signatureglobal (India) Limited  | 730.00            | 385.00                     | September 27, 2023 | 806.00     |
| 5.      | R R Kabel Limited                | 1,964.01          | 1,035.00                   | September 20, 2023 | 1,706.00   |

The company has had 45 mandates in the past three years (including the current year)



**Equirus Capital Private Limited -**

| Sr. No. | Company Name                          | Issue Size in Cr. | Issue Price/Share (In INR) | Listing Date       | CMP* (INR) |
|---------|---------------------------------------|-------------------|----------------------------|--------------------|------------|
| 1.      | Fedbank Financial Services Limited    | 1,092.26          | 140.00                     | November 30, 2023  | 146.00     |
| 2.      | Protean eGov Technologies Limited     | 490.33            | 792.00                     | November 13, 2023  | 1,271.00   |
| 3.      | Zaggle Prepaid Ocean Services Limited | 563.38            | 164.00                     | September 22, 2023 | 234.00     |
| 4.      | TVS Supply Chain Solutions Limited    | 880.00            | 197.00                     | August 23, 2023    | 204.00     |
| 5.      | Netweb Technologies India Limited     | 631.00            | 500.00                     | July 27, 2023      | 1,202.00   |

The company has had 15 mandates in the past three years (including the current year)

**Motilal Oswal Investment Advisors Limited -**

| Sr. No. | Company Name                   | Issue Size in Cr. | Issue Price/Share (In INR) | Listing Date       | CMP* (INR) |
|---------|--------------------------------|-------------------|----------------------------|--------------------|------------|
| 1.      | Cello World Limited            | 1,900.00          | 648.00                     | November 06, 2023  | 788.0      |
| 2.      | Updater Services Limited       | 640.00            | 300.00                     | October 04, 2023   | 305.0      |
| 3.      | Sai Silks (Kalamandir) Limited | 1,201.08          | 222.00                     | September 27, 2023 | 275.0      |
| 4.      | Rishabh Instruments Limited    | 490.78            | 441.00                     | September 11, 2023 | 582.0      |
| 5.      | IKIO Lighting Limited          | 606.50            | 285.00                     | June 16, 2023      | 356.0      |

The company has had 12 mandates in the past three years (including the current year)

\*CMP for the above-mentioned companies is taken as of 19<sup>th</sup> December 2023.

As per the offer document, from the above-mentioned mandates, Fedbank Financial Services Limited and Updater Services Limited have opened at a discount and Protean eGov Technologies Limited, and Zaggle Prepaid Ocean Services Limited have opened at a discount, and the remaining mandates have opened at premiums on the listing day.



## **Recommendation**

The company has been in the industry since 1979 and thus has vast experience in the industry. The company has seen consistency in the increase of its top line and bottom line of its financials which may sustain going forward. The company faces moderate competition. The management outlook of the company is satisfactory.

The P/E on a post-IPO basis is around 16.80 times which makes it fully priced by looking at the performance of the company and its peers. The sector P/E is 27.6 times.

The company faces significant competition. The company has seen consistency in the increase of its top line and bottom line of its financials. The financial outlook of the company is also satisfactory. The company is the fourth largest engineering-led manufacturer of complex and safety-critical. The industry in which the company operates has good demand. Thus, we recommend **APPLY** for this IPO keeping in mind it is for long-term perspective.



**Happy Forgings Limited**

IPO Note

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Enabling Your Path To Success

## **Disclaimer**

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