HAPPY FORGINGS LIMITED

May 23, 2025

BSE Ltd, Corporate Relationship Department, Phiroze Jeejebhoy Towers, Dalal Street, Mumbai - 400 001 **Scrip Code: 544057**	National Stock Exchange of India Ltd. Listing Department, Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai- 400 051 **Symbol: HAPPYFORGE**

Dear Sir/Ma'am,

Sub: Transcript of the Earnings Conference Call for the Quarter and year ended 31st March 2025 held on Monday, 19th May 2025.

Ref: Intimation of Earnings Conference Call Invite to discuss operational and financial performance of the Company for the Quarter and Year ended 31st March 2025.

Pursuant to Regulation 30 of the Listing Regulations, kindly find enclosed the copy of the transcript of the Investor call held on Monday, 19th May 2025 at 10:00 a.m. (Indian Standard Time) on the audited standalone and consolidated financial results for the quarter and year ended 31st March 2025.

Kindly take the same on records.

FOR HAPPY FORGINGS LIMITED

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Happy Forgings Limited

Q4 & FY25 Earnings Conference Call

May 19, 2025

E&OE - This transcript has been edited for grammatical and other transcribing errors. In case of discrepancies, the audio recordings uploaded on the stock exchange on 19th May 2025 will prevail. In case of any conflict of factual information with published data in the Investor Presentation, the latter should be considered to be accurate.

MANAGEMENT: **MR. ASHISH GARG – MANAGING DIRECTOR – HAPPY FORGINGS LIMITED**
MR. PANKAJ KUMAR GOYAL – CHIEF FINANCIAL OFFICER – HAPPY FORGINGS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Happy Forgings Limited Q4 and FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashish Garg, Managing Director of Happy Forgings Limited. Thank you, and over to you, sir.

Ashish Garg: Good morning, and a very warm welcome to all of you to Happy Forgings Limited Quarter 4 and FY '25 Earnings Call. With me, I have Mr. Pankaj Kumar Goyal, our CFO; and Strategic Growth Advisors, our Investor Relations advisers.

I trust everyone has had the chance to review our financial statements and investor presentations for quarter 4 and full-year FY '25, which we have filed with the exchanges. Let me start by outlining the key highlights for the full-year.

In FY '25, we delivered stable growth in absolute revenue, EBITDA and PAT despite persistent challenges across key end-user sectors and roughly a 4% impact on top line growth due to declining steel prices.

The year was marked by significant headwinds, including a double-digit decline in international CV, farm equipment and off-highway segments as well as domestic slowdown in MHCV segment. However, our entry into the new segments navigated these challenges, highlighting the strength and resilience of our business model.

Our continued focus on diversification and higher value-add businesses enabled us to improve profitability and outperform broader market trends. On an adjusted basis, overall revenue grew by 4.7%, while gross profit, EBITDA and PAT rose by 9.1%, 7.4% and 11.2%, respectively. We have consistently improved our margins over the years and in FY '25, we achieved our highest ever full-year profitability with gross margin of 58%, EBITDA margin of 28.9% and PAT margin of 18.6%

Realizations also continued to strengthen, reaching at INR248 per kg, up from INR243 per kg despite declining raw material prices, which are to the tune of INR7 to INR8 a kg on the finished weight, driven by an improved product and machining mix. This represents a 1.5x increase in realization since 2021.

In FY '25, our domestic business, representing approximately 82% of our revenues recorded a healthy year-on-year growth of around 6%. Direct exports, which contributed around 18% of our revenues remained flat on an adjusted basis due to higher realizations on one export order in FY '24, but declined marginally on a reported basis, reflecting the impact of significant slowdown in commercial vehicle segment across key international markets, particularly in Europe.

As guided previously, our passenger vehicle and industrial segments are progressing in line with expectations. The passenger vehicle segment now contributes 4% of our sales and is well on track to reach 8% to 10% over the next 2 years. The Industrial segment has shown remarkable growth, increasing its share from 2% to 14% of sales from the past 3 years.

During the year, we announced new orders exceeding INR1,600 crores across these 2 segments to be executed over the next 5 to 8 years. These orders have an annual peak revenue potential of INR250 crores per annum, strengthening our confidence that passenger vehicles and industrial business will together contribute more than one-fourth of our total revenues in the coming years.

Mr. Pankaj will share more details on the balance sheet in his address, but I would like to highlight that our improved profitability and strong cash flow generation have positioned us well to lay a solid foundation for the future growth. We remain firmly committed to our strategic priorities and our capex plan to invest in capabilities to serve diversified end markets and pursuing value-accretive opportunities that strengthen our long-term growth trajectory.

Talking about segmental performance, starting from commercial vehicles. In FY '25, the commercial vehicle segment contributed 30% of our revenues. The industry faced challenges both domestic as well as internationally, driven by global macroeconomic headwinds and reduced production volumes by OEMs.

In India, MHCV truck production declined by 4% year-on-year with the 2 largest OEMs accounting for majority of its drop. In international markets, all major OEMs in Europe and North America reported double-digit declines in CV deliveries. These factors also impacted our CV segment performance, which recorded a mid-single-digit revenue decline on a year-on-year basis.

Looking ahead, India's MHCV industry is expected to return to growth, supported by a new highway infrastructure projects and improved financing availability. OEM commentary reflects a mixed outlook and the domestic players are optimistic about an improving trucking cycle and increasing replacement demand, particularly in the heavy segment, but also remain cautious about lingering global tariff-driven uncertainties.

Europe's heavy truck market has been adversely affected partly due to the US tariff on EU exports and is expected to recover only gradually. In the US and broader North American markets, Class 8 truck demand continues to soften, influenced by elevated interest rates and inventory normalization. Most large OEMs and industry analysts now forecast a further high single-digit to mid-teens decline in global CV sales for calendar year 2025.

Farm Equipment. In FY '25, the Farm Equipment segment contributed 30% of our overall revenue, achieving a mid-single-digit growth rate. In the domestic segment, our revenue outpaced industry tractor production, which grew by 6% during FY '25 as tractor production surpassed 1 million units once again in this financial year.

However, the European and North American farm equipment markets are facing a significant downturn. Major OEMs in these regions reported mid-teen declines in unit sales for calendar year '24. With the first quarter of '25 continuing to show similar year-on-year declines. This slowdown impacted our sales as well, including direct exports as well as deemed and indirect exports.

Despite these challenges, we delivered mid-single-digit growth in this segment for FY '25. Domestic tractor segment remains healthy. India's farm sector began FY '26 strongly with tractor sales in April '25 rising approximately 8% year-on-year, supported by a good harvest and a favorable monsoon forecast.

Leading OEMs project high single-digit growth for FY '26, driven by sustained rural income and planned irrigation and infrastructure investments. In contrast, the global farm equipment market outlook remains subdued. Major OEMs forecast 5% to 10% decline in the European market and a double-digit decline in North American market in calendar year 2025.

As highlighted earlier, our passenger vehicle segment continued to make strong progress, contributing 4% of our total revenues in FY '25, driven by the successful ramp-up of dedicated production lines for key PV orders. We expect domestic sales in this segment to accelerate further in FY '26, supported by sustained momentum in the SUV segment.

In FY '25, SUV production significantly outpaced overall passenger vehicle production, a trend expected to continue with the rising share of utility vehicles and growing premiumization of the market.

Our export sales in the PV segment are also set to contribute meaningfully in FY '26, adding to the growth in this segment. To support this expansion, we have lined up capital expenditure of approximately INR80 crores. Overall, we remain confident of scaling this segment to contribute 8% to 10% of our total revenues over the next 2 years.

The off-highway vehicle segment contributed 12% to our revenues in FY '25 and remained broadly flat in terms of revenue growth. In terms of underlying industry segment, construction equipment sales in India grew at a slower pace of 4% in FY '25 as compared to previous years. Internationally, the off-highway segment witnessed double-digit decline.

In developed markets, demand remained weak and Europe's construction equipment sales declined sharply, led by significant drops in Germany and France, while North America also saw a double-digit decline in 2025 following earlier inventory build-up.

Key challenges, including elevated finance costs, continued tariff related trade pressures and cyclical slowdowns in government capital expenditure. In contrast, India's construction sector continued to show resilience buoyed by ongoing infrastructure and real estate development. Several OEMs have reported strong domestic order flows, reinforces the strength of the Indian market against global softness.

Industrial segment contributed 14% to our FY '25 revenue, up from 12% last year, representing a significant growth of year-on-year basis, which is close to 30% if one has to adjust for the extra realization on one export order in 2024. We are seeing a good traction in wind segment and some of our new clients added in this segment.

Talking about our recently announced capex plan in the heavy components segment, our INR650 crores capex plan is progressing well and remains on track. As disclosed previously, we are establishing a state-of-the-art forging facility focused on heavyweight components like large crankshafts, axles, gears, oil and gas valves and other precision machine parts.

This facility will be first of its kind in Asia and second largest globally. We will serve high potential sectors like power generation, marine, mining, oil and gas, wind, energy, aerospace and defense.

The investment will be phased over the next 2 to 3 years, primarily funded by internal accruals and partially through debt. Production is expected to commence in FY '27. This strategic initiative will strengthen HFL's position in the global high weight component supply chain, enhance profitability and broaden our export footprint.

I'm pleased to report that in line with our commitment to creating shareholder value, the Board of Directors has recommended a final dividend of INR3 per equity share on the face value of INR2. We remain optimistic about our long-term growth, supported by a robust price pass-through mechanism that helps us maintain stable margins and drive sustainable growth.

Our business is built on a solid foundation of expertise in complex safety-critical components, heavy forgings and high-precision machine parts. We will continue to harness these core strengths to scale our operations and broaden our presence across diverse industry sectors.

Now I would like to hand over the call to Mr. Pankaj Goyal, the CFO of our company.

Pankaj Goyal: Thank you, sir. Hi, everyone. Myself Pankaj Goyal, CFO of the company. Good morning. I would like to walk you through the financial performance of the company. So firstly, I will start with the quarterly numbers. Revenue for Q4 FY '25 stood at INR350 crores, showing a growth of 2.5% despite a decline in steel prices.

Our realization stood stable and in line with full-year average. EBITDA for Q4 FY '25 was INR102 crores, representing again a growth of 5% Y-o-Y basis. EBITDA margin for Q4 stood at 29.1%. Profit after tax for Q4 was INR68 crores, translating to a PAT margin of 19.2%.

Now I'll come to the full-year numbers. As you may recall, the FY '24 financials were previously favorably impacted by higher realization due to air freight cost recovery from our specific order, which contributed approximately INR13 crores to revenue, INR9 crores to EBITDA and INR7 crores to PAT during this period last year. To enable a fair year-on-year comparison, we have provided adjusted growth metrics, excluding the onetime impacts.

Revenue from FY '25 stood at INR1,409 crores, reflecting a Y-o-Y growth of 4.7% for FY '25 on an adjusted basis. EBITDA for FY '25 stood at INR407 crores, representing a growth of 7.4% on a Y-o-Y basis adjusted basis. EBITDA margin for FY '25 stood at 28.9%. For the FY '25 period, PAT stood at INR263 crores and PAT margin was 18.6% *(erroneously stated as 8.6% on call)*. This is again on an adjusted basis for one-off income during that period.

Our total finished goods volume for FY '25 increased by 2.8% to the tune of 56,906 metric tons. Realization per kg stood at INR248 per kg, reflecting a stable improvement of INR5 per kg if adjusted for higher realization on order in FY '24. We remain well supported by a robust balance sheet, which position us to seize growth opportunities and continue to deliver value to our shareholders.

Our cash balance plus short and long-term FDR and some liquid investment in mutual fund are worth around INR356 crores. Our debt equity remains low at 0.1. And coming to the net debt, the net debt to EBITDA, including liquid investment is zero.

Further, we generated INR292 crores cash from operation after adjusting the working capital and taxes during the year. With improved profitability and high cash flow conversion rate, we remain confident that we will be able to maintain significant balance sheet strength going forward as well. That concludes our update.

The floor is now open for questions. Thank you very much.

Moderator: Thank you very much, sir. We will now begin the question and answer session. We have our first question from the line of Pankaj Tibrewal from IKIGAI Asset Manager.

Pankaj Tibrewal: Obviously, the performance of last year had a good part also on the margin side. But what I wanted to understand from a growth perspective, in next 2 to 3 years with all the initiatives which the management is taking, the company is taking, what could be the size and shape of the company we visualize could happen as you move ahead, which is next 3 years?

I understand there is underlying slowness in some of the user industry. But all the initiatives like passenger vehicle, industrials, everything, what could be the size of the company we should keep in mind?

Second, you have a very decent balance sheet now. Anything on the inorganic and the white spaces we want to fill in? That will be my second question. So 2 questions. One is on the outlook of next 2, 3 years, how the shape and size of the company could be? And the second one is on the inorganic side on the white spaces.

Ashish Garg: Pankaj. So in terms of on medium-term kind of guidance. So specifically for a short-term guidance, normally, we don't provide. But in terms of a medium-term guidance, company has been growing at a rate of, say, 15%, 18% organically so far. We maintain to keep this trajectory going forward as well because the new order flow and the new markets that we are developing and the new products in the existing markets will keep up this growth going forward as well.

What we need to see is how the existing markets are catching up in the next 2 to 3 years because if you look at the farm equipment sector globally, they are almost at 14-year low kind of a registration now in Europe. Some of the large players like John Deere, AGCO and some other players seeing kind of a 35%, 40% kind of a slowdown growth. So we need to see that how that is kind of panning.

But I'm sure that things will be back on track. And with the new positive roles that we have taken on the pass car side, the new capex that we are building and the new capex that we are building on the industrial side, we are looking at this type of growth to continue.

Whereas in terms of realization, even in the current year, despite of fall in raw material prices by INR7 to INR8 per kg, realizations have moved up by INR5. That means almost INR12 to INR13 per kg realizations have moved up despite of this fall in raw material prices. We feel that because of the quality businesses that we have picked up, the realizations will keep on improving year-on-year.

And next 4 to 5 years, we should be looking at a realization between INR275 to INR280 on a stable steel price basis. So that's because of the new businesses are picked at a higher gross margin and the machining content is far superior than the material content. So we are confident of growing at this rate, and we also expect that markets will improve going forward as well.

In terms of inorganic, yes, we are almost at INR380 crores of cash today in terms of our balance sheet. Our CFO is also very strong, and we are scouting for some inorganic opportunities. So far, we have not clicked, but we are kind of working on it. And be in the tune of INR50 crores to INR100 crores size of EBITDA is what we are looking at and majorly towards machining. I hope I'm able to answer.

Pankaj Tibrewal: Yes. And just one last bit on the on the scrap sales. Normally, I've observed from your annual reports that scrap sales is a decent portion of your overall business. Last couple of years, steel prices have been subdued. With now steel prices moving up, can this be also a contributor? And also some light on the other income. Is this other income sustainable as you move ahead? Can you give us some color on that, please?

Ashish Garg: So yes, we generate a considerable amount of scrap sales. The scrap sale is because our machining content is very high. So we generate over 30,000 tons of scrap every year. Probably this will go up in the coming year. And so INR4 to INR5 a kg impact on the scrap prices, which is nearly affecting 1% of our EBITDA has gone in this year.

And with improvement in scrap prices, surely, we can see some upward trend. And because for us, it is not a pass-through in terms of our working, and it definitely affects us. So secondly, in terms of the other income, the other income for us today is a mix of forex benefit is a mix of the incentives that we receive on our revenues from the Punjab government.

And also it's because of the FDRs that we have. So certainly, on the other income, we will be seeing some impact, but not a major one. We'll be seeing some impact for sure on the other income, but not a major impact because we have a stable cash flows and most of the capex will be funded through our cash flows.

So if there is some inorganic capex, which is taken within the year, then certainly, yes, there will be an impact on the other income. Otherwise, 70% to 75% of the other income will be maintained.

Pankaj Tibrewal: That's good to hear that. And wish you all the best. I just hope growth comes back. We have all the hygiene in terms of capital efficiency, margins, balance sheet, cash flow. Once growth comes back, I think it will be much, much better.

Moderator: We have our next question from the line of Mitul Shah from DAM Capital.

Mitul Shah: Sir, first clarification on this scrap sales in terms of tonnage. If I hear you clearly, 30,000 tons is a scrap we are saying for the FY '25, right?

Ashish Garg: Yes, Mitul.

Mitul Shah: So if I add that to the finished goods, which is about 57,000 tons, so that goes to nearly like 87,000 tons, 88,000 tons. So that means roughly when we take raw material and convert it to finished goods, it's final outcome is roughly 67% type of, right? One-third goes as a scrap or if I assume 100 tons of raw material purchase, my final product would be like a 67 kg type.

Ashish Garg: Yes.

Mitul Shah: That is more or less a ballpark ratio one should consider for the future also?

Ashish Garg: Yes.

Mitul Shah: Okay. So my first question is on last 2 months' experience in terms of after this US tariff thing and particularly on the China-related restriction by this country. Are we getting any inquiries, new inquiries or any view in terms of these global giants are thinking of changing the sourcing from China to India or any such experience?

Ashish Garg: So in some industrial segments, we are seeing where the sourcing was happening from China. So we are seeing some trend over there. And the discussions are ongoing. We are waiting for US to announce its tariff for India. So clarity will come on that and probably that will be a good trigger.

But as far as large CV players or large industrial, some of the players who are already established in India in terms of their sourcing offices, over there, the discussions have been the same because they were not sourcing much from China.

But on the power generation side, on the portable genset side, on the wind side, definitely, there has been some sourcing coming from China, which are in discussions, but not on the commercial vehicles or not on the farm equipment side.

Mitul Shah: The second question is on commercial vehicle, we have reported roughly 6% decline in revenues. And if we adjust for this 3% to 4% pricing, then it's roughly about volume decline could be 2% or 3%, whereas you highlighted domestic CV production down by 4%. Can you give a ballpark number for CV, domestic and CV export decline?

Ashish Garg: There has been more decline on the export side. And even in the domestic CV production when OEMs have reported 4% decline, and actual, this decline is more in terms of the component sourcing. This 4% decline is because the bus sales were more this year. But if you look at the total BOM consumption, total BOM consumption is around 15% lower than last year in terms of the component requirement.

So for us, we have gained some market share in the domestic segment as well with our new businesses picking up. But if you look at the European CV side of it, we have seen a high 18% to 20% kind of a dip in the pickups in the pickup of orders from some of the players like Daimler, Volvo, and also from Iveco, where we supply through Dana as well as Meritor. So that side, we have seen a sharper decline.

Mitul Shah: Or is there any angle of like a more complex machining has increased, that has also helped in terms of higher revenue?

Ashish Garg: It is because of the new product introduction we have introduced front axle beam for which the pickup has started also because of the new businesses we have picked in the domestic segment from large CV players.

Mitul Shah: Sir, lastly, on this 15% to 18% growth guidance, do we see similar growth even for FY '26 considering the current scenario?

Ashish Garg: See, we do not provide specific growth guidance for the short term, but we maintain that we aim to register a 15% kind of organic CAGR revenue growth in medium to long term as we are going into different sectors. And at the same time, we expect recovery to happen in the existing sectors as well, which will contribute to the growth.

Also, if there is any positive on the raw material prices, that will also add up to this growth. Our endeavor is to improve our business in the new sectors and to increase our share of business and also to add new products, and that is what company is doing at the moment.

Moderator: We have our next question from the line of Sonal Gupta from HSBC Asset Management.

Sonal Gupta: Just on -- I mean, could you give us what is the full-year number for scrap and other operating income for the full-year in terms of revenue?

Ashish Garg: So we have around INR108 crores of income from scrap this year and INR14 crores of incentive income this year. This is the revenue from operations. It's part of the revenue from operation because, yes, it's generated because of the manufacturing activities.

Sonal Gupta: Sure. No, fair enough. I just wanted to -- I mean, like the product mix revenue that we show is ex of these 2, right?

Ashish Garg: Yes.

Sonal Gupta: Okay. Yes, that's good. And just on the -- I mean, like the export side, I mean, should we look at -- I mean, would you be able to tell us how much is dollar versus euro denominated?

Ashish Garg: It is majorly in euros for us. You can say 70%, 75% is in euros.

Sonal Gupta: Okay. And I mean, what sort of an impact do you see with the current US tariffs, I mean, like in terms of for the coming year or whichever way, right, like, I mean, in the near term?

Ashish Garg: Currently, our overall direct exports and sales mix is around 18% to 20% for FY '25, and additional 10% to 11% of sales is reported in the form of the exports or indirect exports, taking our total exposure to 30%. Our exposure to the US market in direct and indirect exposure is around 5% of the total sales, where our supplies are either DAP or CIF values.

So as of now, we don't see there is any negative impact of this on the existing business. But for the new businesses, which are in discussions for the PVs as well as for the industrial businesses, definitely, we need to see how the tariffs are shaping up. But if it is to the tune of 10%, then definitely, it's not impacting anything.

And we can certainly see because the capacities for these products are not available in the US, plus it cannot be created overnight. So we don't see any long-term impacts on this as well. Only on the pass car new businesses that are in discussions, if the tariffs are 25%, that can impact the business. But if the tariffs are in the range of 8%, 10%, it's not going to impact the business at all, even for the new discussions which are ongoing.

Sonal Gupta: So this is for the existing pass car orders, which are ramping up in FY '26?

Ashish Garg: For the existing order, which is planned to ramp up, the impact is not going to be there because capacities are created by us only. So there are no capacities available in US for that. Whether it is 10% or more, it's not going to impact because the products have been tested from our facility and accordingly, capacities are being created for that.

Sonal Gupta: Right. No. I was just trying to understand, so will it be a pass-through from your side? Or will there be a negotiation with the customer?

Ashish Garg: It's a pass-through, so on 10%, whatever discussions we had, there's no issue at all because if we look at the past things, even the freight prices that we have were quite higher in comparison to what they are today, also the currency we see. So 10% is kind of absorbed in so many other things. But if it is more than that, then also it's not in our preview because the terms are CIF for that and OEM will take the impact of that. But we are hoping that the tariffs will remain below 10% to 12%.

Sonal Gupta: Got it. And just in terms of, could you update us on the capacities that we've added this year and because I think you were adding some presses and then we have some more additions coming in FY '26. And what sort of ramp-up has happened on the new facilities? If you could just give us some updates on those?

Ashish Garg: So in terms of our forging facility, we are adding 4,000 ton new press line, which is coming up for this pass car order. There is another industrial line, which is coming up for wind pinions and also for very heavy axle shafts for North American market, which is also coming in third quarter of this year will probably go in production in the fourth quarter, both the line, including the ring mill, which is coming in second quarter, which is going to be in production in third quarter of this.

So these are the 3 equipments which are planned to come in this year. And the new investment of big Hammer, which is for the industrial units will come in next year, probably by third quarter.

Sonal Gupta: Got it. And what did we added -- sorry, if I'm not wrong, 6,500 tons this year?

Ashish Garg: Yes, 6,300 ton line was added in last year, primarily to cater to pass car production, on which we are kind of ramping up for the PV orders and also some of the new developments are on pace. And that's kind of that came like last year, so which is in production now.

Sonal Gupta: Got it. And there was earlier we had some plans for machining capacity in Jammu, investments in Jammu. Any update there?

Ashish Garg: So on the Jammu and the machining capacities over there, so far, only INR50 lakhs have been spent by our company only for the approval processes. And also, we have not gone ahead with the land procurement because there were certain issues from the government in terms of the policies. So if there is a clearance in terms of policies, then we were thinking of going ahead. But because of the war situation, we are holding up for the decision at the moment.

Sonal Gupta: Got it. And so overall capex this year will be in what range? Just the capex number for the '26.

Ashish Garg: So it will be close to INR300 crores without the solar capex. If the solar capex kicks in this year, then it will be close to INR400 crores. We are in the process of buying land for solar, 35 acres is already acquired. Balance 60 acres is planned to be acquired in the next 2 months. So we expect the solar capex to happen in this year. So if the solar capex is in place, then around INR400 crores is what we are planning in this year.

Moderator: We have our next question from the line of Lakshminarayanan from Tunga Investments.

Lakshminarayanan: Just looking at the last year, what are the things that have disappointed you? And what are the things that you think have been very successful for you? Can you just run through maybe segments or markets or clients?

Ashish Garg: So yes, we were expecting last year CVs to perform better. But as you can see that post-election, CVs have not picked up the way we were expecting. And at the same time, the European slowdown in terms of double digit in CV was not expected, which has also gone through, which we have seen.

And also on the farm side, we have seen a sequential drop quarter-on-quarter in terms of the farm equipment manufacturing activity. Like if you look at the tractor production for some of these large players in Europe as well as US, we have seen a sequential dip, which has happened in the last year, starting from the first quarter, which is the January, February, March for them.

We have seen dip in the last 5 quarters straight happening in terms of production, which was not kind of turn in the favor or which was not seeing that probably can happen. Positive side, yes, the PV production in terms of SUV has kicked off pretty well. It's a high gross margin business, which has kind of overall helped us in the entire situation.

And also the new businesses which are coming from the pass car side is kind of seeing -- we were also able to get close a large order win for the very large industrial business, which is close to INR150 crores per annum, where the realizations are quite higher. That shows that confidence in the current capability. So it was the large order win, which probably positive for the company.

Lakshminarayanan: And if I just look at your exports, can you just give me a mix of your exports in terms of the various segments?

Ashish Garg: It is around 8% into CVs *(erroneously mentioned as 12% on the call)* and around 9% into industrials *(erroneously mentioned as 5% on the call)*.

Lakshminarayanan: Okay. So it's around 17%. And if I look at the commercial vehicle growth in India and also the farm equipment volume growth in India, their decline or the growth has been -- when I compare to your numbers, your numbers have been a little underwhelming. Is it because the clients you chose to work like perhaps -- I mean, ESCORTS didn't do well or maybe clients who you work with in commercial vehicle, they didn't do well?

Or is it because a particular product became shifted to another competitor? What there seems to be an underperformance with respect to farm equipment domestic and commercial vehicle domestic? Is my observation right? And if so, what led to it?

Ashish Garg: Just want to confirm you're saying that the farm equipment sales were not in line with the market that is what your question is?

Lakshminarayanan: No, no. For example, farm equipment sales in India appears to have grown, whereas our growth doesn't mirror the growth in revenue numbers, at least looks of it, right? I haven't worked out the exact numbers. If my observation is right, what led to it is my question? And on the commercial vehicle also, if my observation is right, what led to that seemingly a decline or underperformance with respect to the market?

Ashish Garg: No, on the farm equipment side, the business contributed 32% to our overall revenue, and there was a mid-single-digit growth in this sector, which is in line or better than the industry growth. However, we are not suppliers to Mahindra tractors. We have just started our supplies in that domain as well.

And Mahindra has seen a better growth in comparison to some of the other players. So our revenue growth in terms of farm equipment is, in fact, better than the industry. On the CV side, as we can see because we have a large chunk in export as well where we have seen a dip and on the European business.

On the CV side, we have seen a little subdued trend in terms of our revenues. But if you look at the numbers which are reported by the CV players, there has been a dip in CV production as well to the tune of 4%, which includes the bus sales. But if you look at their total input in terms of the BOM cost because of the multi-axle truck, this decline is to the tune of 15%, 16% in the last year. So if you compare to that over there as well, we have performed better.

Lakshminarayanan: And last question is in terms of crankshafts revenue, what is your revenue from crankshaft for this year? And what was it last year?

Ashish Garg: In FY '25, it is exceeding 50%, above 50%. I will just check for FY '24 as well, just 47% last year. It was 47%, which is upwards of 50% now.

Lakshminarayanan: And I assume that, that has driven your EBITDA up?

Ashish Garg: Yes, that has driven the overall realization, which is now to the tune of INR248 a kg despite of falling RM prices. So there's a decline of almost INR7 to INR8 in terms of RM prices on the finished product. So despite of that, it has improved from INR243 to INR248. So if you look at it on a stable raw material price basis, it has gone up by almost INR12 a kg.

Moderator: The next question is from the line of Vijay Pandey from Nuvama Wealth.

Vijay Pandey: Sir, I have just one question. Just wanted to get your overview about the defense and farm equipment sector, both the outlook both for the export as well as for the domestic market? When do you see the turnaround happening? And is it like second half of FY '26, FY '27, starting of FY '27? What is your expectation for both domestic as well as export market?

Ashish Garg: So domestic market on the farm equipment side has started showing some green shoots, some positive trend. But over there, different OEMs are reporting different numbers, Mahindra being very strong in terms of its growth showing good growth. But in actual, the VAHAN data shows a different trend.

So we still have to see 1 or 2 more months of vehicle registrations, which will be a right way of looking at things. But on the domestic side, as farm equipment side, farm equipment sector has witnessed a slowdown for the past 2 years, we should be seeing a high single-digit kind of a growth. That is what we have been seeing or we have been discussing with other OEMs also.

On the export side, on the farm equipment side, there is certainly in terms of guidance, what we have seen from some of the large players, we are seeing that it's kind of will be kind of a flattish or the improvements will start seeing from third quarter of this financial year is what we are seeing.

But it's kind of bottomed out. And in terms of stocks, it's kind of liquidated. So we should not be seeing any worsening happening from these levels. But there is definitely expectation in terms of improvement can trigger anytime soon.

Vijay Pandey: Okay. Should we expect like kind of a mid-single-digit growth or low single-digit growth for exports in second half?

Ashish Garg: Could be better because it's actually at a very low level right now. So any positive trigger can improve the number then with the improvement, there could be a healthy pipeline also that can be -- we need to build because right now, the stocks that we are carrying is as per the current production rate.

So if there is any improvements at those levels, then the push in terms of requirement can come before that. But as of now in terms of the guidance, we are seeing it's kind of flattish.

Moderator: We have a follow-up question from the line of Mitul Shah from DAM Capital.

Mitul Shah: First question on, again, scrap related, as you highlighted, INR4 to INR5 per kg increase in the scrap sales possible. And our scrap volume is roughly half of the finished products. So that implies around INR2 to INR2.5 per kg improvement on the finished goods. That is nearly 100 basis at EBITDA level. So are we able to retain this entire 100 basis?

Ashish Garg: Mitul, we have not said that INR5 is what we are expecting in this year. We said that we lost INR5 a kg in last financial year. And that is not a pass-through and because of which the impact on EBITDA is close to 1%. So we said if there is any improvement that will happen on the steel price front, then definitely it will be positive.

Mitul Shah: Okay. Understood. So second question on the industrial side. Are we doing anything related to defense in terms of any development phase products? And secondly, within this industrial, if you can highlight top 3 segments within industrial, non-auto in terms of percentage contribution approximately?

Ashish Garg: Wind is one large sector in industrials, which contributes almost 50% of the industrial share and then balance is split between oil and gas and power generation, industrial gen sets.

Mitul Shah: Any development on the defense side?

Ashish Garg: Defense side, we are still quoted some tenders for the tank applications, which can be done through our facilities and kind of working on it. But the large portion of it will probably start once our new facility started where we can do heavier component range.

Mitul Shah: Last question on this new project of INR650 crores, which will become operational end of next financial year. You earlier highlighted asset turnover of possible about 1.1x to 1.3x type. But can you give more details in terms of the -- what kind of product segments and margin profile of this?

Ashish Garg: Mitul, so a large portion of this sales, approximately 50% of the revenues on this line will come from higher horsepower engines, which are majorly consumed for data center requirements, mining, defense and marine applications. So 50% of those business will be catered from this line. And balance will be split between oil and gas, defense and aerospace as we'll be having the capability to forge heavier range of parts.

And in terms of asset turns, it will depend on how much business we'll pick on machining and how much will be done as forged. If we are able to do more forging business, then the asset turns could be in the range of 1.2x to 1.3x. But if it is a full purely machined business, then probably asset turns will be around 1x.

And definitely, on the machined business, as you picked up certain businesses, the realizations will be around INR600 per kg-plus. So it is expected to benefit the overall realization of the company.

Mitul Shah: Margin would be much higher than what we are doing, right?

Ashish Garg: Yes.

Mitul Shah: And sir, lastly, on the passenger vehicle side, you highlighted 4% will go to 10% in next 2 to 3 years, right?

Ashish Garg: Yes.

Mitul Shah: So that means more than 100% growth type of nearly 100% CAGR possible. Is it like that?

Ashish Garg: Yes.

Moderator: As there are no further questions, I now hand the conference over to management for closing comments.

Ashish Garg: Yes. So to conclude, we are confident that our investments in innovation, capacity and customer partnerships will drive sustainable growth and value creation. With this, I would like to thank everyone for joining the call. I hope we have been able to address all your queries. For any further information, kindly get in touch with SGA, our Investor Relations advisors. Thank you once again.

Moderator: Thank you, sir. On behalf of Happy Forgings Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines