



HAPPY FORGINGS LIMITED

August 18, 2025

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Dear Sir/Ma'am,

Sub: Transcript of the Earnings Conference Call for the Quarter ended 30th June 2025 held on Monday, 11th August 2025.

Pursuant to Regulation 30 of the Listing Regulations, kindly find enclosed the copy of the transcript of the Earnings call held on Monday, 11th August 2025 at 10:30 a.m. (Indian Standard Time) on the Standalone and Consolidated Financial Results for the quarter ended 30th June 2025.

Kindly take the same on records.

Thanking you

FOR HAPPY FORGINGS LIMITED

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Happy Forgings Limited Q1 FY26 Earnings Conference Call

August 11, 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 11th August 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



Happy Forgings Limited
August 11, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY26 Earnings Conference Call of Happy Forgings Limited.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' 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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

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

Ashish Garg: Thank you. Good morning, everyone and thank you for joining us today for the Q1 FY26 Earnings Call of Happy Forgings Limited.

FY26 has started on a resilient note with positive growth and sustained margins despite of ongoing industry headwinds.

For the quarter ended June 30, 2025, we achieved a revenue of Rs.354 crores (*it was erroneously said as Rs. 350 crores*), marking a year-on-year growth of 3.6% despite of raw material price correction of 3%, driven by our forays into new business segments and onboarding of new business, which helped counter the slowdown in some of our old businesses.

Top-line growth of 3.6% was driven primarily by a 3.8% year-on-year increase in finished goods volume, with total volume for the quarter reaching 14,457 MT. Realizations remain strong at Rs.245 per Kg on a year-on-year basis, despite of moderation in raw material prices, supported by higher share of value-addition components.

Our gross profit margins remain healthy at 57.9% while our EBITDA margins stood at 28.6%, both around peak levels. This performance comes at a time when the industry is facing pressures on both growth and margins. We remain confident of sustaining these margins going forward as well.

Uncertainty in the export market continues. Influenced by a shift in tariff regimes, our direct exposure to the US remains modest. However, there is a possibility of indirect impacts on the European market arising from recent tariff measures by the US. At present, our business pipeline has not been adversely affected. On the contrary, we are working towards securing new orders from customers in Europe.

Although tariff-related headwinds could temper revenue growth trends across the broader industry, our endeavor will be to protect revenue growth by focusing on securing new business, maintaining our margins, which we are confident of sustaining going forward. These dynamics also reinforce the importance of diversification strategy and focus on high-value-added products, which help cushion volatility. We continue to monitor developments closely and await greater clarity on tariff situations.

Now, talking about segmental performance:

From a reported geographical market segments perspective, our domestic business grew by almost 7% year-on-year, while the export segment saw a decline due to continued weakness in commercial vehicles and off-highway and farm equipment segments as well as tariff-related uncertainty.

From an end-user industry segment's perspective, starting with Commercial Vehicles:

This segment contributes 39% to the overall revenues for the quarter. The global commercial vehicles industry continues to operate in a challenging environment. Several large US and European OEMs reported 8-10% decline in CV unit sales for the April-June quarter, marking seven to eight consecutive quarters of decline. In India, MHCV production was flat, while sales declined by 4% in Q1-FY26.

The market outlook for US and European CVs in calendar year 2025 remains negative, with sales expected to be lower by 8-10%. Given the negative momentum, our sales in this segment were also impacted and declined by a mid single-digit percentage year-on-year for the quarter.

Moving to the Farm Equipment Sector, which accounted for 32% of our revenue, India's rural market continues to show strength. Tractor sales grew by about 9% year-on-year for the June quarter, while production increased by 13%.

The outlook for the rest of the year remains positive, with forecasted tractor volume of 4% to 7% growth, supported by an above-average monsoon and improving rural sentiment.

However, export markets in US and Europe remain under pressure. With high single-digit volume declines, large OEMs in this sector have forecasted a 5% to 15% decline for the calendar year 2025. As our direct exports in this sector are limited, we have managed to register better-than-overall revenue growth on a year-on-year basis.

Now, on the Off-Highway segment, which constitutes 10% of our top-line, this segment also experienced softness both domestically as well as globally. In India, the sector saw a mid-single-digit decline during the quarter, largely due to the delay in activity in end-user sectors such as roads,

highways, mining, as well as regional disparities in project execution. Internationally, and more specifically in Europe and the US, the off-highway market declined by a further 10% to 12%. Unit sales in these geographies are expected to stay subdued during 2025. However, industry analysts anticipate a recovery beginning in 2026, with revival in infrastructure spending likely to support medium-term growth.

Coming to Industrials, which made 13% of our revenues in this quarter. On a year-on-year basis, this segment reported good growth, especially in the domestic sub-segment, with growth led by strong demand for wind energy, power generation, and oil and gas sectors. We are confident that this momentum will continue, and we are looking to deepen our presence in these critical areas.

Finally, let me touch upon the passenger vehicles segment, which contributed 6% of our overall revenues in Q1 FY26. This is a segment where we are seeing strong traction, driven by a successful ramp-up of dedicated production lines for key SUV platforms. Our PV business is scaling rapidly. We expect this segment to grow 8-10% of our total revenues over the next two years, with domestic momentum and export contributions both acting as growth levers. To support this growth, we have committed a capital expenditure of Rs.80 crores, which will go towards enhancing production capacities and strengthening our position in the evolving market.

In summary, our diverse segment mix contributes to be a key strength, enabling us to weather volatility in global markets, while capitalizing on domestic structural demand themes that are playing out strongly in India. We remain confident in our ability to sustain growth across our core verticals in the coming quarters.

We also remain on track with our Rs.650 crores CAPEX plan to create a best-in-class forging infrastructure for heavyweight precision components. This facility will position us uniquely to serve complex and high-value-addition parts for oil and gas, marine, wind, and defense sectors.

During the year, we expect additional commissioning for 10,000-ton press and 4,000-ton press with annual capacity addition of approximately 20,000 MTPA. With this, our total forging capacity will be close to 1,50,000 tons. This capacity expansion elevates our operational strength, accelerates our ability to meet rising demand, and cements our position for long-term growth and innovation.

To conclude:

Looking ahead while macroeconomics and industry developments are beyond our control, we will stay focused on our endeavor of adding new businesses, maintaining efficiency and profitability, and preserving the strength of our balance sheet to build a strong foundation for the future. Our approach to capital allocation will remain judicious, always guided by our goal of creating long-term value.

I will now request our CFO – Mr. Pankaj Kumar Goyal, to walk you through the Financial Highlights in a more detailed manner.

Pankaj K. Goyal:

Thank you. Good morning, everyone.

Let me take you through the Key Financial Metrics of Q1 FY 26:

Revenue from operations stood at Rs.354 crores and up 3.6% on YoY basis. EBITDA was Rs.101 crores translating into an EBITDA margin of 28.6%, up 3.6% on YoY basis. Profit after tax stood at Rs.66 crores, reflecting a PAT margin of 18.6% and up 3.20% YoY.

Our volume for the quarter increased to 14,457 MT compared to 13,933 MT in the same quarter last year, marking a 3.8% increase. Importantly, realization per Kg held steady at Rs.245 per Kg, despite softer raw material prices supporting our gross margin performance. The machining share of our revenue remains strong at 88% with focus on value addition and precision-engineered components gaining ground. This continues to be a key margin lever and a strategic priority going forward. During the quarter, HFL has concluded negotiations with some of its customers on payment terms and INCOTERMS, resulting in improved cash flows.

On the balance sheet front, we continue to maintain a healthy financial position with strong internal accruals and adequate liquidity of more than Rs.350 crores to support ongoing investment. Our working capital cycle remains efficient, and we have not seen any major stress across receivables or inventory. That concludes our update. The floor is now open for questions. Thank you very much.

Moderator:

We will now begin the question-and-answer session. The first question is from the line of Pratik Jain from Solidarity Investment Managers. Please go ahead.

Pratik Jain:

Yes, thank you for the opportunity. So, my first question is, if I see your capacity utilization, it has been around 57%-59% since the past few quarters, right? And if I look at your EBITDA margin, you are still able to hold on to your EBITDA margin despite a little lower capacity utilization. If you can explain what helps you to maintain the margin despite low-capacity utilization? And is there any scope of improvement once you start increasing your utilization?

Ashish Garg:

Yes. Good morning, Pratik.

Pratik Jain:

Hey, hi. Good morning. Yes.

Ashish Garg:

So, as I have understood you correctly, yes, the forging utilization right now is around 59%. And that is in terms of tonnage. But in terms of numbers if you see the forging utilization is close to 74% in

terms of numbers. So, we have possibility to increase this utilization by almost 18%-20%. As forging infrastructure takes a long time to build, and we have seen a slowdown in the market for the last four, five quarters, we expect once the momentum is there, definitely this utilization levels will improve, because the same die runs will be bigger, longer, and we can easily cash on this opportunity. And definitely, some bit of fixed cost will get divided and definitely there is room for further improvement in terms of EBITDA margin as well as the operational efficiencies will improve. Quantifying it will be very difficult. But in terms of machining, our utilization remains strong. And we are adding lines as and when required, because we can ramp up on the machining within four to six months' timeframe.

Pratik Jain: Got it. Thank you. That is it from my end.

Moderator: Thank you. Our next question is from the line of Ronak Mehta from ICICI Securities. Please go ahead.

Ronak Mehta: Yes. Hi. Thanks for the opportunity. Hi, Ashish, congratulations on a resilient performance despite challenging environment. My question is on the order book. So, you used to highlight that you have about Rs.600 crores of order book in one of the quarters earlier. Can you update on that, what is the status, what is the order book right now? Also, if you can highlight what are the orders that are likely to come into execution this year, specifically on the CV and the farm side? That is my first question. Second is, also, if you can highlight what is the growth for the India CV business and what is the decline in the export CV? So, the blended CV growth I think there is a decline of about 4%. So, if you can just break that down into India growth versus domestic, versus exports decline? Yes. Thank you.

Ashish Garg: Yes. Hi, Ronak. So, your first question was with regards to the new order wins is what I have understood. Yes, in terms of our old order books, if you see the last three to four months passed by, HFL has won almost Rs.250 crores business with one of the largest farm equipment OEMs in Europe, which is close to Rs.50 to Rs.60 crores per annum, and for which the work has already been started in terms of development. There is another farm equipment order, a large farm equipment business, which is in discussions, almost at finalization in Europe. This is because of the ongoing prolonged slowdown in global farm equipment sectors, where HFL will be directly exporting for farm equipment products in European market. Currently, we are tier 2 right now. On the wind side as well, we have already won a business close to Rs.300 crores, which comes out to around Rs.60 to 70 crores per annum, which is for one of the wind lines, which the company is installing, which is getting started by January this financial year, which is for the heavy sector for the wind shafts, which are in a range of 150 Kg to 300 Kg size range. Further, we have quoted several businesses for our high horsepower line, for which OEMs are waiting for us to speed up on our infrastructure, but we see a strong traction over there. Already, a very large order, which we have signed is close to Rs.180 crores

per annum, which is on the industrial side and for the large requirement of data centers, which will be for full machine components, which is ongoing for which the CAPEX is already planned and which is ongoing. Besides this, we are anticipating winds coming up in the next three to four months, which is on the PV side or European market, which we have quoted and negotiating for the last couple of months, and also for one of the CV clients who is setting up their complete transmission plant in India. So, there is a strong business flow, there is a strong pipeline and we expect a lot of businesses converted for the European markets given the currency situation. Even for the US market, we have expected ramp up this year from November, December for one of the large PV order wins that we have achieved, which we have recently, which we have won in the last one and a half years, for which testing is ongoing. And despite of the tariff situation, we expect things to normalize and ramp up in a normal manner. Even though we will see some reduction in schedules because of the ongoing slowdown in the domestic PV business, but we do not see any shift of business in that sector as well. At the same time, we have also quoted some of the new businesses. I think once the tariff situation is settled, I think we will get a better clarity on that.

Ronak Mehta:

Thank you. Yes, also on the breakup of CV growth revenue from India and exports?

Ashish Garg:

At the moment, the European CV business has kind of witnessed almost 8% to 10% fall in the last quarter. And this year, if you are looking at most of the commentaries from the European OEMs we are looking at around kind of a 10% fall in the CV production numbers in Europe. So, if you look at our growth on the CV side, we have picked up some new businesses on the domestic side as far as crankshafts are concerned, and for the CV players, and we expect this ramp up to be very strong going forward as well and this will continue. So, it is because of the growth that we will be seeing in the domestic CVs because of the new business picks that we have already done in the past one and a half, two years, which will be ramping up, which have already started ramping up and will continue to ramp up going forward as well.

Ronak Mehta:

So, is it fair to assume that even for this quarter, your domestic CV revenue growth was higher than the industry volume growth?

Ashish Garg:

Slightly better I can say.

Ronak Mehta:

All right. On the heavy component side, so last time you indicated one order win of about Rs.180 crores. Any update on more order wins because I believe the total revenue potential from that facility would be somewhere between Rs.500 to 600 crores?

Ashish Garg:

We have quoted to almost all clients on the high horsepower category. And in fact, the clients are waiting for us to be ready with the infrastructure. Because right now, we are in a phase where it is coming up and the CAPEX will get finished by, say, second quarter or third quarter of next financial

year. So, we are in the midst of discussing with all our customers. We remain very bullish on this sector. And at the same time, we have one business of Rs.60 crores per annum on the wind side on these lines. But at the same time, we are in a place where we have quoted and a lot of customers are waiting for us to get close to the infrastructure.

Ronak Mehta:

All right. Just last one. So, what would be the utilization level of the 14,000 tonnage press right now, given that your total utilization is about 58-59%? And the front axle beam order, is that ramping up when?

Ashish Garg:

We are at around 46-48% in terms of tonnage basis, and around 55% in terms of units, because we do a lot of industrial production on these lines. So, you look at it, we are close to 55% in terms of the units, in terms of tonnage, it is close to 45%. And the front axle beam business is ramping up because of the ongoing slowdown in the domestic market the units are little less, but we expect to deliver close to 35,000 units in this year.

Ronak Mehta:

All right. Thank you. Thank you so much. All the best.

Moderator:

Our next question is from the line of Sahil Rohit Sanghvi from Monarch Network Capital. Please go ahead.

Sahil R Sanghvi:

Good morning. Thank you for the opportunity and well done on holding on to the results. I have two questions. First, we were expected to start the orders for the precision machine components for power sector from 2QFY26. So, is that on track? And secondly, we were also looking to commission the 25 MW solar CPP captive power plant. So, any updates on that?

Ashish Garg:

Sahil, can you just repeat your first question?

Sahil R Sanghvi:

So, there was a Rs.145 crores order that we received for the precision machine components for power sector, roughly some Rs.30 crore annually expected to start in 2QFY26. So, just was looking to get some timeline or an update for that?

Ashish Garg:

Okay. This is for the industrial genset business I think you are talking about which is for the North American market and for which the testing is almost over the line is ready with us and we are expected to start ramp up in this quarter. And we expect full utilization to come from fourth quarter and around 50% utilization by third quarter on this line. But despite of the ongoing tariff situation, the business is stable, we see good numbers because the business is kind of shifting from China.

Sahil R Sanghvi:

Sure. Sure.



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- Ashish Garg:** And on the second question regards to the solar project, yes, the solar CAPEX is ongoing. And we have already acquired 40 acres of land on this, already signed agreement for this. We expect the project to commence by first quarter of next financial year. We are expecting closure by March, but to be on a safe side, we expect it by first quarter of next financial year.
- Sahil R Sanghvi:** Sure. Sure. Thank you so much and all the best.
- Moderator:** Next question is from the line of Aniket Mhatre from Motilal Oswal Securities. Please go ahead.
- Aniket Mhatre:** Hi, sir. Thank you for the opportunity. Just a couple of questions. One was, could you help us understand your contribution from CV exports and farm exports to your revenues?
- Ashish Garg:** So, CV exports is close to 50% of the total exports, which is close to 9% to 10%, and farm direct exports are negligible, which is close to 1% right now, but we do a lot of indirect exports as well as deemed exports for farm equipment products, which goes as semi-machined. But direct exports are close to 1%. And this is one area where we have won new orders, which is for farm equipment direct exports.
- Aniket Mhatre:** Right. The deemed exports, would you have a number in terms of the contribution in direct exports for farm?
- Ashish Garg:** Around 10%.
- Aniket Mhatre:** Sure. And you did mention about the weak outlook for CV exports. Anything on the farm exports, what is the outlook for the industry and how are you looking at the industry for this year and the next based on your order wins?
- Ashish Garg:** Farm exports, as we are working with two large clients in Europe as well as US and we are working on several projects with them. So, the first order that we are executing is close to Rs.50 crores per annum, but we have several projects in pipeline with the same customer. At the same time, we also have another large OEM from Europe where we are working on developing some projects. Already the plant approval has taken place. Everything has gone well. So, we expect farm exports to be a good business. It is a little early to quantify on the business for next year, but definitely the new businesses are coming up well from Europe for Farm Equipment sector.
- Aniket Mhatre:** But is the industry picking up or it continues to be weak?
- Ashish Garg:** Industry continues to be weak. If you look at some of the large players' commentary from CNH or John Deere or AGCO, the industry continues to remain weak to the tune of 10% to 15%. But these

order wins are because of the current situation as most of the OEMs are trying to cut on the cost. It is an opportunity from the Indian sector plus currency is also playing a better role.

Aniket Mhatre: Sure. And for the deemed exports, how have we delivered in terms of our growth or our performance in this quarter?

Ashish Garg: It is almost flat.

Aniket Mhatre: Understood. Related to the industry decline, right?

Ashish Garg: Yes. Sure.

Aniket Mhatre: Just one other question I had was on the CV domestic front. While you are indicating an order win and you also indicate the front axle beam is ramping up, but at the same time, you mentioned we have grown in line with the industry. So, I mean, what are you missing? I mean, we thought we should be outperforming the industry because of the new orders?

Ashish Garg: We are large suppliers to one of the OEMs and that particular OEM has kind of witnessed a sharp fall specifically in the month of June, the production levels were really low because of the AC cabin norms. Overall, if you see particular OEM has gone down by almost 10% to 12%. So, despite of that, if you look at our growth numbers, it was kind of flattish. Plus, some of the new businesses have already started taking place in terms of the front axle beams. But we are yet to see a big quantum coming up from that business.

Aniket Mhatre: Sure. So, that should start ramping up from Q2 and that should help in our upcoming quarters?

Ashish Garg: Yes.

Aniket Mhatre: Yes. Got it. So, thanks. That is it from my side. Thank you and all the best.

Moderator: Next question is from the line of Vijay Pandey from Nuvama. Please go ahead.

Vijay Pandey: Thank you, sir, for taking my question. I have a couple of questions. I wanted to check on what was impact from the raw material pricing or steel inflation in terms of realization?

Ashish Garg: It was close to Rs.4 to 5 a Kg. If you see in percentage terms, it is close to 3%, 3.5%.

Vijay Pandey: Okay. So, if that would have not been the case, our prices would have been around 250, 255 per Kg?



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- Ashish Garg:** So, despite of fall in raw material prices, the realizations remain flat, which shows overall improvement in the realization despite of a falling steel price.
- Vijay Pandey:** Okay. Second question is, North America order for the industrial business, do you have any chance for interaction like how the tariff situation will work, who will be bearing those incremental tariffs, will it be us, will it be the OEM or how is it going to be? And is there any risk of substitution from other players or are we looking to potentially do an export to another market and then export to US, are we thinking on that line?
- Ashish Garg:** So, our direct exposure to US currently is around 3% to 4%, where at the moment, we are not selling on the basis of DAP. So, we are not in discussions for the tariffs at the moment for this business. For the new businesses where we were expecting US exports to be 10% to 12% by next year, as some of the new CAPEX is done around the US market and order wins are already there, for those customers as well, our terms are not DDP. But if the tariff settles at 25%, 26% for the automotive components, I think we are in a safe situation. Because if you look at the currency has played out well, the steel prices also have gone down from the settlement which has happened in the last two years. So, we are not looking at sharing these tariffs at all for the businesses as we work on a model basis where the model is completely signed off with the OEM. So, in terms, we will be under the pressure to pass on any of the tariff increases. But if North America will see a slowdown on the PV side as well as on the industrial side, it can impact the numbers, but not the margins.
- Vijay Pandey:** Okay. We will not be bearing that tariff impact? Probably, it will be borne by the OEM?
- Ashish Garg:** Yes.
- Vijay Pandey:** Just lastly, sir, one more question I had was on how do you see the utilization moving forward, the machining utilization because it came at 77% for first quarter, should we expect it to return to around 84-85% which was seen previously, or will it be below 80%?
- Ashish Garg:** It is just the capacity addition which has recently happened for which we will be ramping up very soon. So, that is the reason it looks low. But as we ramp up on the new projects for which already we are just waiting for the green signal, these levels will again improve to 84-85% levels, because we have invested close to Rs.110 crores in Quarter 1 on the new line, that is the reason it looks slightly low.
- Vijay Pandey:** Okay. Thank you.
- Moderator:** Our next question is from the line of Akash Vora from Dalal & Broacha. Please go ahead.

- Akash Vora:** Yes. Thank you for the opportunity. Sir, firstly, I would just like to complete one of the questions earlier participant had asked to you. So, basically, I think we have reported a total exports of 16% this quarter, out of which you mentioned that around 9% to 10% is CV, 1% is direct exports for farm equipment. So, the balance I can consider for industrial, is it right, that is correct to understand, right, balance 5-6%
- Ashish Garg:** Yes.
- Akash Vora:** And then, again, you had mentioned earlier that you all are starting to win quite a few orders on the farm equipment side, especially on exports and those are direct exports to OEMs and not via the tier two, tier three players. So, I just wanted to ensure that we also have a lot of deemed exports, right? So, it will not be the case that our deemed exports will go down and our direct exports will increase, or this is fresh new business coming our way, right?
- Ashish Garg:** No. These are all fresh new businesses. It has nothing to do with the old deemed exports. It is not a conversion.
- Akash Vora:** Wow! That is great to hear, sir. Now, I will come back to my question, sir. So, two questions from my side. Firstly, sir, I just wanted to ensure that we have a new industrial program starting Q2 onwards and two new PV programs starting from Q3 and Q4 respectively. So, just wanted to ensure that those businesses are on track and not hampered by the current tariff uncertainties.
- Pankaj K. Goyal:** So, right now, as per the latest announcement, the auto component business to US stands at around 25-26% tariff. And with that, the last discussion that we had with our customers, it is fully protected because we are the only company where the testings have been done in the last two years. So, we do not see any threat of business of ramp up on those. Only thing is that we have to see how the volumes will look like next year in US for these passenger vehicles for these models. So, otherwise, in terms of tariffs or in terms of ramp up, we do not see any threat.
- Akash Vora:** Understood. And sir, I wanted to understand, I mean, overall, I was just looking at the industry numbers for the farm equipment on the domestic side has been strong, almost double digit, 10-11% kind of a growth. Why are farm equipment domestic business being slower in terms of growth, like around 7-8%, any specific reason?
- Ashish Garg:** Depending on customer-to-customer, it will vary by 1% or 2%, but we are more or less aligned. I do not think it depends on the production or some stock levels over there. More or less, it is kind of aligned only.

- Akash Vora:** Okay. And if I have to ask the overall outlook for farm equipment and CV on the domestic side for FY26, I mean, what kind of growth are you looking at for those two segments in domestic?
- Ashish Garg:** On the domestic side, I think we will be outpacing the growth on the CV side in the third and fourth quarter depending on the ramp up for the new products that we have launched on the CV side and should be expecting a good high single digit kind of growth on the CV side. On the farm side, again, we should be looking at high single-digit growth as we have started to ramp up, started to see some green shoots and production levels are improving for each OEM. So, it is a positive sign as of now. We have to see what happens in third quarter, but till Diwali, we are seeing a good production rate from farm equipment sector.
- Akash Vora:** Understood, sir. That is helpful. I will come back in the queue.
- Moderator:** Our next question is from the line of Aditya from Oldbridge Mutual Fund. Please go ahead.
- Aditya:** Hi. Thank you for the opportunity, sir and congratulations on good set of numbers. Sir, my question is on front axle beams. So, you said you are expecting 35,000 units of front axle beams to be delivered this year. So, what would be this number for last year, sir, for FY25?
- Ashish Garg:** We will just confirm you the number, Aditya. Any other question you have?
- Aditya:** Okay. Okay. On this part only, so we have seen Happy Forgings making close to 2,80,000, 2,90,000 per ton kind of realization in crankshaft. So, similarly, what kind of realizations are we expecting in this new part that we have developed?
- Ashish Garg:** Our average realization today stands at almost Rs.250 per Kg. But our crankshaft realization is much higher. So, crankshaft being 55-60% of our business realization is higher, but we also have a legacy business, which is as forged. On the front axle beam business, the realizations will be in a range bound of Rs.180 to 220 per Kg as the machining content is not the same. So, last year's numbers will be in a range of 3,000 to 4,000 units for the electric front axle beams and some new launches that we have done.
- Aditya:** And expecting to do 35,000 kind of units this year, right?
- Ashish Garg:** Yes, yes.
- Aditya:** All right. All right. Good to hear that. And second, so just a follow up on that. So, going forward, what are the kind of expectations? How much of the revenue can we expect from front axle beams coming from in the next year?

- Ashish Garg:** Can have close to Rs.50 crores of revenue coming from front axle beam business. This year probably in a range of Rs.30 to 40 crores can ramp to Rs.50 to 60 crores next year.
- Aditya:** One last question is on the PV part. So, in PVs currently we offer crankshafts and there are two, three more other products that we have. So, are we developing new products to be delivered in PV? Do we see gaps in the market where we can deliver such products and have a better market share there?
- Ashish Garg:** Yes, we were working with some of the North American clients. They are not willing to invest on their own facilities with regards to some of the suspension components. And going forward as well, once the tariff situation is clear, I think we will get a lot of clarity. We have put in a lot of projects in terms of new developments in North America. And yes, these are again suspension components and new product range for us. And on that side as well, we did deliver front steering knuckles, which was the new product in the market. Unfortunately, the EV market in US is seeing a significant around 40% fall in that business, but it is still ramping up for us.
- Aditya:** Okay. Okay. Thank you. Thank you so much.
- Moderator:** Our next question is from the line of Mitul Shah from DAM Capital. Please go ahead.
- Mitul Shah:** Yes, sir. Thank you for the opportunity and congratulations on a relatively much better performance compared to other forging companies in this environment. Sir, first clarification, as you highlighted, roughly about 3-4% is the export revenue direct to USA. On that part, though it is small, what was the tariff impact during the quarter, whether we were able to pass on or for the time we have absorbed it in this and what is the amount?
- Ashish Garg:** Thanks, Mitul. For the business that we do for North America, for us, we have not kind of passed on because the DDP, the Incoterms that we have set the client is not a duty paid. So, it is like in certain cases, CIF or DIP. So, we are protected over there. We have not passed on any tariff cost to the customer.
- Mitul Shah:** I am still not getting clearly. That means we absorbed it for the time?
- Ashish Garg:** No, no, it is paid by the customer, Mitul, because the Incoterms for these deliveries are not DDP. These are CIF in most of the cases. So, it is not our liability. We are not absorbing anything.
- Mitul Shah:** Okay. And second question is on your future growth plans. As in previous call, you highlighted that though US is very small, but future potential on various auto as well as non-auto side including oil and gas all lies in the USA. So, that is a very important market for us. So, in case this situation does

not normalize this too much or though tariff may settle down at certain level, but if still issue persists to some extent, what could be our Plan B on this side in terms of the export other than USA?

Ashish Garg:

So, Mitul, as of now, it looks like it is around 25%-26%. But if we compare with some of the other countries, probably it is 5%-6% more than that, which will not impact exports to US what I can see, because the sourcing will happen in manufacturing for these products as of now is not much within US. So, we do not see any major impacts coming up that side. Only on the PV side, certain capacities are available with North American OEMs, which they can go live once again. But certainly for our projects, as the testing has happened with us, no OEM has invested in the capacity, we expect the business to remain as it is. But for the newer projects, we have to study how the market will react, because right now, the discussions are ongoing, but every OEM is actually looking at clarity on it. But the industrial order wins that we already have in place are from Europe. And again, that is ramping up, for which already the CAPEX is going on well. There is no change in any CAPEX plans.

Mitul Shah:

What I am asking is that because in our peer group, be it a leader or second, third, all these players are having sizable exports to that 40%-45%, and within that, North America is nearly 60%-70%. So, in both cases, we are lacking or I would say it is a growth opportunity or area of improvement or focus for us. So, export is very key and in that North America becomes always a dominating geography for us.

Ashish Garg:

No, that is okay, Mitul. But so far, the products we have developed, we are not alternate to the US manufacturers. We are either alternate to a Chinese manufacturer for our products, or they were doing it in-house. So, the plan for them is not to manufacture it in-house, which they have already offloaded. And that is the reason the projects which is going for the industrial engine side, the line is almost ready, the testing is kind of about to be over, which will be ramping up very soon. The business shifted from China. And not only it was also casting to Forging conversion. So, we remain strong on the North American business even in the current environment. It should not be 50%-60% on auto components, but 20%-25% on auto components is still digestible. I think it will still be a win-win situation as we can grow business in North America.

Mitul Shah:

Okay. Last question on this new CAPEX of Rs.650 crores for heavy weight forging components, primarily from non-auto side. So, whatever is the initial discussion, any order visibility or based on the discussion with the industry, within all these sub-segments, defense or railway or aerospace, which segment you are finding is getting better traction or in a very first or initial one or two years, which segment will be the larger pie of the revenue?

Ashish Garg:

So, we have already received orders from the wind sector. And these are very large components up to the weight range of 1.2 tons. And also, the first order that we have received for large engine families, those engines will be delivered for data center application, which is a large order of almost

Rs.180 crores as a full machine order. So, I think these are the two large orders, which we are starting on a priority for which machine lines are also getting established, and then the subsequent orders coming for large crankshafts as well.

Mitul Shah: Rs.180 crores is annual or it is over a lifetime order?

Ashish Garg: Annual, annual. And Rs.60 crores is also annual order.

Mitul Shah: And lastly, anything on the defense side, any visibility or any prototyping submitted anything?

Ashish Garg: We have quoted certain projects, but yet to receive the green signal, but we have started participating in the tenders for some of the parts, sir, and we are hopeful that we will have a breakthrough very soon.

Mitul Shah: So, that means we have participated in tender, that means we got initial approval, right, on the -?

Ashish Garg: Yes, yes. All the initial approvals have been received, and we started participating in the tenders.

Mitul Shah: Okay. Okay, sir. Great and all the best. Thanks a lot.

Ashish Garg: Thank you, Mitul.

Moderator: We will take our next question from the line of Preet from InCred AMC. Please go ahead.

Preet: Thank you for the opportunity, sir. I would like to ask about the revenue guidance. Last quarter, you mentioned that you are guiding for around 15% revenue growth this year. Now, considering all these headwinds which are happening in the sector, are you still positive on this guidance and what would be your growth outlook for the next three years?

Ashish Garg: Can you just repeat your question in the beginning? Your voice was not very clear.

Moderator: Preet, can you use your handset mode, please?

Preet: Yes. Last quarter, you guided of around 15% revenue growth in the full year. I would just like to ask, do you still maintain this kind of growth outlook and also your growth outlook for the next three years or five years down the line? Thank you.

Ashish Garg: Last year as the industry has witnessed a sharp fall, even this year if you look at domestic as well as export markets, we have seen a sharp fall because the CV market not performing well, even the farm equipment sector on top of last year number is down by 12%-15%, impacting our domestic as well

as the deemed export business as well as the direct export business. So, the way we have seen is that we have just compared our numbers. We have lost almost 8% business of last year in June quarter and the growth was around 3.5% in terms of numbers. And if we exclude the steel price impact, it was close to 6%-6.5% growth for Q1. And so basically, the way we have seen is that almost 15% growth is there in the company just on account of new product developments that we have done. So, the way we look at is that we are generating 15%-18% kind of a growth from the new businesses. It is just that the markets have to be stable or markets have to start performing well. If the markets are coming back to its normal levels, we will definitely start seeing bigger growth. But in terms of the new product acquisition and new developments, we are very clear that the company is doing its best and is picking up better businesses in terms of realization and profitability, which will kind of help us once the market is back. So, we remain bullish on a medium-term basis on kind of 15%-18% kind of a growth, which we have been doing in the last 10-12 years.

Preet: Thank you, sir. That was helpful. One more question on CAPEX upfront. What are you planning to do CAPEX for this year and how much you have already done in the June quarter?

Ashish Garg: So, this year's plan is close to Rs.300 crores excluding the CAPEX on the solar side. In Q1, we have done close to Rs.120 crores. Cumulatively, it is close to Rs.300 crores including advances for this year, excluding the solar CAPEX. If the solar CAPEX happens completely in this year, it will be close to Rs.60 to Rs. 70 crores addition to that.

Preet: Thank you, sir. I will join back in the queue.

Moderator: Next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Namaskar, sir. Thank you for this opportunity. So, I just joined late. So, you just alluded to the fact of a 15% revenue growth for the current financial year or for the ensuing year also, if you could just repeat your statement?

Ashish Garg: Because Quarter 1 is already gone, it is a medium-term outlook and if you look at it, industry dynamics plays a major role in this, we are still waiting for the tariffs to settle. But yes, for the new projects which are in place and for the new business that we are picking up, the new businesses are delivering new revenues to the tune of 15% to 18%. It is just that the old businesses, all the industry has to perform. So, if that performs well, I think we should be looking at higher kind of growth numbers in next year or probably next to next year once the industry is back. So, I am kind of giving you a medium-term outlook.

Saket Kapoor: Sir, in your annual results in your investor presentation, you did alluded to Rs.1,600 crores new worth of orders for the PV and the industrial segment. So, you are alluding to this getting executed. I think

so you mentioned about Rs.250 crores of peak annual sales revenue. This is what you are alluding will be at the high margin and will be helping us in achieving this 15% growth going ahead?

Ashish Garg:

See, our endeavor is to pick on new businesses. And as already explained, even in Quarter 1, the new businesses have delivered close to 16% kind of a growth. It is just that the old businesses were down to the tune of 7% to 8%, which has kind of resulted in a lower growth number. It is because of the industry trend. Because if you look at the current situation, the growth for the Quarter 1 excluding the steel price is close to 6.5% to 7% for Q1 if we exclude the steel price. And so that is for the Q1. And that has come majorly from the new businesses that have picked up. And industry if we see will come back say in next three to four quarters, I think the growth numbers will look a lot better.

Moderator:

We will take that as the last question for today. I will now hand over to Mr. Ashish Garg for closing comments. Over to you, sir.

Ashish Garg:

So, to conclude, our Quarter 1 performance reflects a resilient business model, a well-calibrated growth strategy, and the collective strength of our teams in navigating a complex operating landscape. We are confident that the investments we are making today in capacity technology and customer engagement will lay a foundation for long-term sustainable value creation. Thank you for your continued support and confidence in Happy Forgings Limited. 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 advisor. Thank you once again.

Moderator:

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