



HAPPY FORGINGS LIMITED

November 13, 2025

BSE Ltd, Corporate Relationship Department, Phiroze Jeejeebhoy 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
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Dear Sir/Ma'am,

Sub: Transcript of the Earnings Conference Call for the quarter and half year ended 30th September 2025 held on Friday, 7th November 2025.

Pursuant to Regulation 30 of the Listing Regulations, kindly find enclosed the copy of the transcript of the Earnings call held on Friday, 7th November 2025 on the Standalone and Consolidated Financial Results of the Company for the quarter and half year ended 30th September 2025.

Kindly take the same on records.

Thanking you

FOR HAPPY FORGINGS LIMITED

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Happy Forgings Limited

Q2 & H1 FY26 Earnings Conference Call”

November 07, 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 07th November 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 GOYAL – CHIEF FINANCIAL OFFICER -- HAPPY FORGINGS LIMITED

Moderator:

Ladies and gentlemen, good day, and welcome to Q2 and H1 FY '26 earnings conference call of Happy Forgings Limited. 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 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashish Garg, Managing Director, 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 quarter 2 FY '26 earnings call of Happy Forgings Limited. With me, I have Mr. Pankaj Kumar Goyal, our CFO; and Strategic Growth Advisors, our Investor Relations team. I trust everyone has had the chance to review our financial statements and investor presentations for Q2 and H1 FY '26, which we have filed with the exchanges.

I am delighted to share that Happy Forgings Limited sustained its positive growth momentum through the second quarter and first half of fiscal year 2026, delivering a robust and highly encouraging performance. Our performance in Q2 and H1 FY26 was defined by industry-leading profitability and strong cash generation, achieved even as we navigated through softening steel prices and amidst of global demand environment.

For the second quarter we achieved our highest ever quarterly gross margin of around 60% and an EBITDA margin of approximately 31%. This clearly demonstrates the quality of our business and resilience of our operations.

Let me walk you through some of the key financial highlights for Q2 FY '26. Revenue for operations stood at INR 377 crores, reflecting 4.5% year-on-year growth. Gross profit grew by 7% year-on-year to INR 228 crores. EBITDA came at INR 116 crores, marking a 10% increase Y-o-Y. Profit after tax grew 10% on an adjusted basis to INR 73 crores.

Importantly, our profit growth outpaced the revenue growth supported by margin expansion of about 150 basis points each in gross margin as well as EBITDA margins as our product mix continues to have a higher share of value-added machining of around 88%.

For the first half, revenue stood at INR 731 crores and PAT at INR 139 crores, reflecting consistent performance across periods. Our quarter 2 revenue was boosted by a 5.2% operational growth in volumes, which offset stable pricing. Notably, realizations for the quarter were held stable at INR 251 per kg despite falling raw material costs, demonstrating the strength of our precision engineering and premium product mix.

The domestic market was the growth engine driven by healthy demand across all major sectors, including commercial vehicles, farm, industrial and passenger vehicles. The primary challenge

was the export market where volumes remained low due to global market weaknesses, customer side destocking in the Commercial Vehicle, Off-Highway, Farm Equipment sectors due to ongoing uncertainty because of the U.S. tariffs.

Now coming to segmental highlights for Q2 FY '26. Our diversified segment portfolio continues to be a key strength, helping us navigate global volatility while leveraging domestic growth opportunities.

Commercial Vehicles:

Our Commercial Vehicles segment contributed 37% of our total revenues in H1 FY26, supported by steady domestic demand. However, export segment witnessed challenges.

The domestic CV industry witnessed marginal growth in MHCV segment on account of domestic infrastructure, higher freight activity and strong demand from steel, cement and construction sector. While international markets continue to face subdued demand, particularly across North America and Europe, our limited exposure partially offset the impact.

Farm Equipment:

Indian tractor industry posted solid growth in Q2 FY '26, supported by favorable rural conditions with FY '26 volumes projected to rise 4% to 7%, which also supported similar growth in our operating revenues and share of farm equipment increases slightly to 34% of our revenues. However, the U.S. and European tractor market remains soft, showing only modest recovery late in the quarter. Our Farm Equipment segment maintained its healthy trajectory in line with industry trends, registering a high single-digit Y-o-Y growth for the quarter.

Passenger Vehicle:

Passenger Vehicles segment contributed 5% of the total operating revenue for H1 FY26. The Passenger Vehicle industry was supported by strong domestic and export demand and festive season demand. Our PV business achieved mid double-digit Y-o-Y growth, supported by the successful ramp-up of the key SUV platform production line.

We expect this segment to contribute 8% to 10% of our total revenues within 2 years, driven by a robust domestic and export demand. To fuel this growth, we have budgeted INR 80 crores capital outlay for FY '26 for capacity expansion.

Off-Highway:

Off-Highway contributed 10% of total operating revenue in H1 '26. Both domestic and global market degrew in Q2 and H1 FY '26. Reflecting this, we saw a decline in both of our domestic and export sub-segments. Domestic market and developed markets such as Europe, Japan, North America continue to witness softness. Sustained investment in critical minerals, renewable energy and infrastructure and data center-driven power projects is likely to support equipment uptake in select categories going forward.

Industrials:

Industrial segment accounted for 13% of our total operating revenue in H1 FY26. Domestic demand remained healthy across sectors in H1 FY26 with strong traction in wind energy and new installations and steady demand in power generation and oil and gas despite monsoon-related softness. This was reflected in strong growth in our domestic industrial equipment demand. Globally, renewable investments continue to drive growth.

Our balance sheet remains one of the strongest in the industry. We achieved nearly 100% operating cash flow conversion in H1 FY '26, reflecting consistent operating performance and improved working capital efficiency through prudent debtor and inventory management. Cash liquidity stood at approximately INR 315 crores, providing ample financial flexibility to pursue long-term growth opportunities. Looking ahead, we remain steadfast on executing our INR 650 crores strategic capex program, which is progressing well on schedule.

This investment is creating state-of-the-art forging infrastructure to cater to heavy segment, precision components and support future growth. The company is driving strong new business growth, supported by a healthy order book.

We are expanding partnerships with leading domestic OEMs and working to build partnerships with new larger European OEMs and advancing diversification into higher value-add industrial applications. With a balanced mix across businesses, we are positioned to sustain our growth momentum and build on in the coming quarters.

I will now request our CFO, Mr. Pankaj Kumar Goyal, to walk you through our financial highlights in a more detailed manner.

Pankaj Goyal:

Thank you. So good morning, everyone, myself Pankaj Goyal. Let me take you through the key financial metrics for Q2 FY '26 and H1 FY '26. Revenue from operations stood at INR 377 crores for Q2 FY '26 and INR 731 crores for H1 FY '26. This represents Y-o-Y growth of 4.5% and 4.1% for Q2 and H1, respectively.

Gross profit stood at INR 228 crores in Q2 FY '26 and INR 433 crores in H1 FY '26, reflecting year-on-year growth of 7.1% and 6.7%, respectively. This performance translated to healthy gross margins of 60% for the quarter and 59% for the half year. EBITDA was INR 116 crore and INR 217 crores for Q2 FY '26 and H1 FY '26, reflecting Y-o-Y growth of 9.9% and 6.9% respectively, translating to an EBITDA margin of 30.7% and 29.7%.

Profit after tax grew to INR 73 crore and INR 139 crores for Q2 FY '26 and H1 FY '26 respectively, reflecting a Y-o-Y growth of 10.2% for Q2 and 6.7% for H1 on an adjusted basis. This Y-o-Y PAT growth is computed after excluding insurance income of INR 6.4 crore which is INR 4.8 crore post tax in Q2 FY '25 and H1 FY '25 of previous year. PAT margins for Q2 FY '25 and H1 FY '25 are 19.5% and 19.0%, respectively.

As highlighted by our MD, I reiterate that our balance sheet continues to rank among the strongest in the industry, supported by improved working capital efficiency and robust operating cash flow generations. Our total net worth stands at INR 1,900 crores approximately and our debt-equity ratio as on 30th September continues to be below 0.1.

We hold a cash liquidity of approximately INR 300 crores plus as on 30th September and remain positive about our cash accrual capabilities. That position us strongly to capitalize on any organic or inorganic growth opportunities in future. ROCE was 18.1% and ROE stood at 14.6% for H1 FY '26. And we expect this return ratio to improve going forward. That's all from my side. Now I open the floor for question and answers. Thank you.

Moderator:

The first question is from the line of Pankaj Tibrewal from IKIGAI Asset Manager.

Pankaj Tibrewal:

I must compliment the company on the cash generation, that in these difficult times the cash generation has been very, very good. So compliment on that. What I wanted to understand, Ashishji is slightly from a medium-term perspective. Always the company has been a 20% CAGR growth company for last 5 years, last decade.

However, the last 12, 18 months have been a little challenging because of the industry. From a growth perspective, what is the company doing over the next couple of years, which brings us back to that 15%, 20% CAGR growth again? If you can just elaborate different pieces. And Industrial today is about 13% of our overall revenue, how big it can be as you move ahead with the new capex coming in? So if you can give a color on how growth can be revived back, what are the projects you are doing? And also some update on inorganic, if you have pursued anything, cash is there on the balance sheet. So how is the company looking from that? So all will combine into a growth number. So how should we look at growth going forward?

Ashish Garg:

Thank you, Pankaj ji. So thanks, first of all, for your compliment on cash conversion. Regarding the growth outlook, we have generated close to INR 80 crores of new orders, new businesses in H1 of this financial year with even at better realizations. The growth is not being witnessed because of the fall in our old existing businesses, because of the challenging environment globally. So also we have around 10% direct or indirect business to U.S., which fell almost 35%, 40% in second quarter, which also impacted the growth.

In order to come up with a strong growth, we have taken up capex projects which are in different verticals, which company is currently not doing, which is passenger vehicle, which is a new sector for us where we have forayed.

Again, at the same time, Off-Highway, within Off-Highway, we are working with certain German companies where we are working on very large axles programs. And also the new lines which are starting in the coming year, which is for the wind sector and heavy tractor sector, which is also an additional line, which currently is not catering to such sizes.

Plus, the industrial business and the heavy programs of INR 650 crores capex, which will probably start from third quarter of next year, will diversify the complete business for Happy Forgings. We are very bullish on the overall scenario going forward. With these capex in place, the growth momentum will continue.

At the same time, if we are seeing a better GST incentive push in the domestic industry, we should be seeing some positive traction in the coming quarters as well. As far as inorganic side is concerned, we are working very effectively. It's been almost 1.5 years that we have been seeing opportunities.

It's just that the opportunity should be a right fit for our company and should be strategically aligned. We are very hopeful that in next 6 to 8 months, probably we should be able to close something on the inorganic side as well. So, on the growth side, we expect that from next year onwards, the growth trajectory should be better, and we should be back on a full trend.

Pankaj Tibrewal: Okay. That's great. And if you crystal ball gaze Ashish ji for the next few years, today, 1/3 roughly equally is between Commercial Vehicles and Farm. 5% is Passenger Vehicles and 13% is Industrial. In your view, the way the business is shaping up, how will the mix look like 3 years hence when all the capex are done, the new presses come on stream, how will the mix look like from the current mix today? If you can give us some texture, it will be great.

Ashish Garg: Yes. CV and Farm put together will be 50% what we see, what we estimate and balance 50% will come from Industrial, Passenger Vehicle, Off-Highway and also other sectors which we are working on. So you can roughly say it will be 50% from Farm and CVs and 50% from PV, Industrial, Off-Highway and other areas.

Pankaj Tibrewal: Okay. Great. And the inorganic which you are pursuing will be in your area or any white spaces which you think which we are targeting into either defense, aerospace, some of our peers are also doing. So just if you can give us some flavor where is the inorganic likely to be? Any white spaces you like to cover?

Ashish Garg: Sir, we are actually evaluating 2 or 3 options right now. It will be a little early to comment on this. Probably in next quarter or so we'll be in a better position to answer on this one.

Pankaj Tibrewal: Okay. Great. Thank you and wish you all the best and please continue the basic financial hygiene which you guys have been doing. Thank you.

Moderator: The next question is from the line of Mitul Shah from DAM Capital.

Mitul Shah: Congratulations on a very strong performance, particularly one of the highest margins in the industry, 30% plus, and highest also in last 10 quarters. Sir, my first question is on this new project, this new INR 650 crores capex, which you told that on track and probably in next 1 year by Q3 will be operational. So, any further detail in terms of any visibility of any orders we procured on initial pilot orders or something like that? And which are the segments where we want to start with?

Ashish Garg: So, thanks, Mitul. Mitul, out of this INR 650 crores capex, first of all, this capex is planned in 2 phases, where the machining lines out of this INR 650 crores, around INR 250 crores is into machining, which will be planned in 2 phases depending on the utilization levels. So you can say that INR 550 crores will be coming up in the first phase. Out of INR 550 crores, INR 150 crores is towards wind and farm and balance INR 400 crores is towards the heavy hammer line.

Out of this INR 550 crores of the total capex farm, wind and the heavy hammer side, almost INR 350 crores of annual orders are already there in hand now on which company have started working on. And we are very hopeful once the infrastructure is on stream and is visible to some of the OEMs we will be in a position to take more orders as well.

It is just the timing that this is a very critical project and our customers are waiting for us to actually execute and display. So, it's very important for us. And next 2 or 3 quarters, once the infrastructure is in place, I think the order conversion will be much faster.

Mitul Shah: This INR 350 crores is non-auto industrial, right?

Ashish Garg: Yes, yes, it's completely non-auto industrials. INR50 crores out of it is also on account of very heavy 500 HP tractors which are for European region and North America.

Mitul Shah: So out of this INR350 crores, how much would be export, how much domestic or majorly export only?

Ashish Garg: You can say that around 15% to 20% is domestic and balance is all export.

Mitul Shah: Okay. Sir, second question on this U.S. side, in earlier con calls you highlighted that we are always very ambitious to grow on the U.S. because it's one of the biggest market for forging industry and from the export from India also. But because of this tariff thing, almost in last 2, 3 quarters, nothing much has happened. But now it seems that things are favoring slowly and negotiation is probably in favor. So what are our plans for next 1 to 2 years in terms of U.S. expansion of the revenue?

Ashish Garg: So, sir, yes, you are right that passenger vehicle is under 25%. But besides passenger vehicle, the genset business or oil and gas and other farm equipment comes under 50% category, for which under 50% things have been on hold right now. But on the Passenger Vehicle, we are going ahead, and we are also quoting new projects to the same customer on the PV side.

And it is expected that things will ease out in the next coming months. It's not a sustained number of 50%. Once things eases out to the level of 20%, I think things will be back on track. So it's not that we are not working on, we are working on. But certainly at 50% rate, it will not make sense. So, it's kind of a wait-and-watch situation.

So, the order books that we have in hand right now are largely from the European region for the bigger ones. The PV orders that we have from North America is ongoing. And one of the genset, portable genset orders for North America is in testing phase, is expected to start soon, but it currently is having around 50% tariff.

So over there, customer is also waiting for the further clarification on it because that business is kind of shifted from China. And if it eases to around 20%, 25%, I think it will be a win-win situation for the customer as well as for us. So, at this point of time, it's kind of on hold. But yes, things are going on in terms of working because everyone is aware that it will settle very soon.

Mitul Shah: Lastly, on non-auto side, we are working on various segments and of course like wind or defense and all. Defense would be taking more time, maybe about 3, 4 years. But on a near-term basis from next 1, 1.5 years point of view, within all this non-auto segment, which segment you believe will provide much better traction and rapid growth is possible in that?

- Ashish Garg:** So sir, wind as a sector, as we have invested on a near-net technology, so the wind will grow for us, the heavy engines for mining, defense, data center will grow for us for which machining lines we are investing on. Within heavy axles, which are for material handling systems and military axles we are working on, which will be a part of it. And oil and gas as well as some of the other areas with regards to mining application will be part of it.
- Mitul Shah:** So, this is all we are talking from FY '27 point of view, right? I'm saying 1, 1.5 years perspective.
- Ashish Garg:** Yes, 1.5 years perspective. Some projects on wind side will start a little early and balance probably will start from 1.5 years.
- Moderator:** The next question is from the line of Mihir Vora from Equirus Capital Private Limited.
- Mihir Vora:** Sir, my question was basically on the Agri and CV division. We saw a decent growth relative to the industry. So just some more color into it, whether it was purely driven by the domestic business and new product addition? Or was there some element of exports also improving like new customer addition into the exports part also?
- Ashish Garg:** Yes. See on the CV side, basically, we have gained new orders for which we are working on, but that has not executed in revenue so far in this quarter. So, the growth that you have seen is largely on the domestic side, whereas on the export side we have seen a dip because some of the orders for Brazil as well as Europe we have seen a substantial dip in this quarter.
- But on the domestic side, yes, as our projects are moving ahead with the large OEMs in the domestic side, it's going well. So, we expect the domestic CV business will further improve as we were working on some of these orders for the last couple of years.
- Mihir Vora:** Right. Sir, and on the agri side, are we seeing some traction maybe from Europe or other regions as such?
- Ashish Garg:** On the agri side, we are very positive on the medium term, and we are working on very large projects with 2 large OEMs based, having their plants in North America, in Europe and Brazil. These large bids because of the slowdown in the European and U.S. markets, they are working on cost-cutting programs.
- And we have recently got the approvals in the last 6 months with both these clients, and we are kind of working on. We have already developed some programs for European plants and we'll be working in the next 6 months very closely with these clients. So these are on high horsepower tractors. This is a new range which currently company was not doing and the parts are very heavy.
- So we expect good growth coming from these sectors going forward. Also, the expansion on the axle business, which company is doing on the near-net technology is one of the heaviest lines in Asia Pacific, which will also help us in increasing our market share for the heavy tractors.
- Mihir Vora:** Right. So basically, going ahead, we may see our crankshaft share in the revenue going down, basically, the new product which you are adding?

- Ashish Garg:** We also have the industrial crank shafts, which are very high in value. So once that will kick off, I think that will happen. So crankshaft business is doing well for us. I think we'll keep on performing well. We also have certain programs on PV side on that lines, that will continue to do well.
- Mihir Vora:** Sure. Sir, and lastly in terms of the inorganic part, which you had mentioned. So basically, we are a good return generating and a decent margin company. So going ahead in the inorganic space, are we okay to say, acquire something like a lower margin or a lower return ratio company and then improve on it? Or how are we looking at the dilution in terms of financial ratios point of view in inorganic part?
- Ashish Garg:** As Pankaj already said that we have one of the strongest balance sheets. It will be very difficult to actually find a similar company or a company with very similar numbers. So definitely, the idea is to see the strategic benefit and how company can improve on it. But definitely it will not be in a basic commodity as our working is into specialized businesses.
- So we are very clear that whatever acquisitions will be done will be centric to the benefit to HFL as well and also the benefit that a company can actually provide in that business. So as of now, I think I can comment that much. But yes, definitely, it will be very difficult to have a company with similar margins.
- Moderator:** The next question is from the line of Joseph George from IIFL Capital Services Limited.
- Joseph George:** So, I had a question in relation to exports. So, the direct exports that we see is approximately 20% of revenue. But in the past you had mentioned that including deemed and indirect, the number is slightly higher. If you can just refresh that number for us. That is one.
- And second question in relation to exports, as you mentioned that some of your customers overseas are destocking. So, if you can just give a sense of where the stock levels are now and whether it's reached a level where further destocking is difficult. And as a result, we should start to see normalization of volumes from here?
- Ashish Garg:** Yes. Thanks, George. Yes, our direct exports are in the range of 18% to 20% and our deemed exports, which are like done from the port, are in the range of 10% to 12%. But we also have supplies to our domestic customers, which are further converted into complete transmission or axle or engine and are being exported. So, if you take that percentage, it comes close to 40%.
- So yes, in terms of the stock inventory correction for us as the U.S. exports are not very large, yes, the inventory correction is more or less done for the European customers and should be seeing revival from these levels. Secondly, but one of our customers, especially in U.K. has seen a sharp fall in the last almost 24 months.
- In the last 2 years, we have seen numbers declining from almost 48,000 units to almost 24,000 units in this year, where we have seen a major effect. So, we have been discussing with the customer and we are seeing close to 50% improvement in next year, close to 36,000 units. So that happens, probably we'll be able to have a better growth in terms of our export share.

So as far as North America is concerned, as already explained, we have 2 large projects where we are working on. And one of the projects on the PV side is starting from Q4 and Q1 of next financial year. And these projects in terms of tariffs will be continuing as it is, and we have done almost INR 80 crores of capex in this financial year.

The second program for exports is for, which is going to start very soon is for the portable gensets for which we have done the capex, which comes under a category of 50% for which testing is going on. At the same time, we are waiting for some tariff relief. So that's on the export side. But at the same time, we are working on wind and other farm -- large farm equipment businesses for Europe.

Joseph George:

Understood, sir. So that's quite elaborate. The second question that I had was in relation to the U.S. piece. So you mentioned that the U.S. exposure total that is indirect plus direct is about 10% of your revenue where you have seen a 35% plus 40% year-on-year decline. So I wanted to understand when did this impact really start?

Was it in the month of September? Or so when you think about it from a 2Q perspective, did we see that impact for 1 month or 2 months? How is it? And secondly, when you think about 3Q, will the impact be much more because for 3Q we'll see the full quarter impact. So just some thoughts there.

Ashish Garg:

Yes, sir. So the commodities which are falling under 50% over there, customer is very cautious and are taking deliveries when they are seeing that the stock is to the min levels. Otherwise, we are not in a position to actually take the deliveries because 50% is a big number.

But they certainly have to run the lines and there are no alternatives. So they'll be continuing with this. But at the same time, there is a dip in the production in U.S. as well, which is kind of reflecting in terms of the inventory, the pipeline inventories for which the inventory was good enough for them to actually serve them till December. That is what we have been hearing.

So we have seen the impact in the last 2, 3 months where with some of the customers it was a complete blackout and for which some discussions are ongoing because on the indirect business further our customer is in discussion. And we are Tier 2 in some areas where we have been discussing and we've been told that some discussions are ongoing.

And hopefully, from Q3 onwards that some businesses will improve. So, we cannot say that because different customers have different stock levels at their plants. So it will affect. But yes, certainly some improvement can happen in third quarter.

Moderator:

The next question is from the line of Sahil Sanghvi from Monarch Network Capital.

Sahil Sanghvi:

Yes. First of all, congratulations for maintaining a very strong profitability even in difficult times. I have 2 questions. First, if you can split the volume growth number for domestic and export for Q2 that will be really helpful to understand how we are doing on both the geographies?

And second, I wanted to understand with respect to margins. Now do we have a pass on clause with respect to the RM cost? And do we expect margins to kind of normalize going ahead? Or we largely retain this number until the raw material cost starts going up again?

Ashish Garg:

For volume split, Vikas will just check. Volume for quarter 3 for domestic and export. So in the meantime, Pankaj and Vikas is checking this, I will just talk on the margin front. Yes, it's the steel and -- steel is a pass-through for us. And the way it is -- but definitely steel is passed through in some cases with a lag of 1 month and in some cases with a lag of 1 quarter. So, in exports majorly it is passed through with a lag of 1 quarter. In some cases for our export customers, it is also that raw material is settled after 6 months so you can say that.

But in terms of our currencies, we do a long-term hedge. So, we have seen some losses in that as well because euro was booked at a currency level of INR 95 - INR 96. So we have some losses over there. But in terms of our steel pricing is concerned, it's a pass-through.

As far as margins are concerned, I can say that realizations improved in this quarter despite a fall in raw material prices. It has improved from almost INR 245 to INR 251 despite of raw material falling from almost INR 10 per kg in this quarter, pushing gross margin to 60.3%, which is an increase of approximately 150 basis points.

So it's kind of improvement in product mix, which was there in this quarter and some INR 80 crores of new businesses added in H1 also supported better realizations. And so that's -- we can say that on a long-term basis, we have to see 1 or 2 more quarters to say what numbers can sustain.

Sahil Sanghvi:

Okay. Do we have the data on volume growth? Or should I take it offline?

Ashish Garg:

Yes. On the volume growth. You're asking volume split or volume growth?

Sahil Sanghvi:

Volume growth will also do. That is -- volume growth is what I want, to understand the demand dynamics in both the markets.

Ashish Garg:

So Y-o-Y growth in domestic is 10% and on export it is, there is a dip, right? There is a dip of - there is a marginal dip. Okay. So on the export side, it is similar and export side it is -- on the domestic side it is 10%.

Sahil Sanghvi:

Export is how much you said, dip of?

Ashish Garg:

Almost similar.

Moderator:

The next question is from the line of Akash from Dalal & Broacha Stock Broking Private Limited.

Akash Vora:

Once again, congrats Ashish sir on posting such a good set of numbers and strong margins. Sir, my question, I'd like to bifurcate into 2. Firstly, from a short-term perspective, I'd like to understand that going forward due to the GST cut and the traction in the domestic economy, do you expect this INR 375 crore plus run rate that we have picked up to hold in in the next couple

of quarters? And will our margins, especially the EBITDA margin hold up to current levels of 30%.

Ashish Garg:

So, hi, Akash, thank you. Akash, we expect revenues to grow in the coming quarters. And the company is working on different projects and different ramp-ups are planned. So going forward, quarter 4 should definitely be better because we have some projects starting from Q3 onwards. So we expect better run rate from Q4 onwards.

As far as margins are concerned, as we have already discussed that we have to see 1 or 2 more quarters to see this can be sustained, but it's too early to say that we can permanently sustain on these margins because it depends on various sectors, product mix, BOM cost and other stuff.

So, realizations surely improved, which probably helped us you can see from the gross margins. And that has happened largely in H1 because of the product mix. The product mix keeps on changing depending on the product orders. We also executed some railway tenders for which we are import substitute and which comes at a very high realization in Q2. So that has also helped us. So going forward, we have to see how the product mix will be and then only we can say that these margins can be sustained or not.

Akash Vora:

Understood, sir. And I think we had 2 programs lined up, especially on the PV front for North American exports, I think we had one to be lined up on Q3 and one was going to start in Q4. And also, we had also wanted to understand on the large genset crankshaft business that we are going to start in the new plant. So, considering the tariff scenario, these programs hold up well, right? I mean they are on track.

Ashish Garg:

Considering this, there is only one program for the portable genset for which we have already done the investment which comes under the 50% category for North America, for which testing is ongoing and customer is kind of waiting for things to settle down in terms of tariff because at 50% they might not be able to kick off the program, but it's a shift from China.

So China is also under a higher tariff category. So we eventually have to see things going forward on this, probably a month or so we'll have a better clarity on this program. The PV program is going ahead as it is.

There will be some drop in terms of the volumes in North America, but it's not going to affect the overall situation. So we are going ahead with the machining lines and all capex is ongoing for this, which is expected to start from Q4 of this financial year.

For the large genset business it is largely for Europe. For the large genset business that you're talking about, we have orders largely from Europe. So that's completely free from the tariff.

Akash Vora:

Understood. Sir, last question from my side, sir. On the INR 350 crores, I think you said that for the new plant, we have -- we already have INR 350 crores per annum business of orders that we have won. So out of that, sir, how much would be plain vanilla machining -- plain vanilla forging business and forging and machining business. So if you can just give some color there.

Ashish Garg: Out of this INR 350 crores, you can say that INR 250 crores is highly machined and other INR100 crores is, you can say it's a semi-machined business, but everything is machined.

Moderator: The next question is from the line of Aniket Mhatre from Motilal Oswal.

Aniket Mhatre: Sir, just quickly on the outlook on exports, both CVs and tractors, could you just comment what are you hearing from your clients? How can we expect exports to shape up from here?

Ashish Garg: For domestic or for export, Aniket?

Aniket Mhatre: Exports, sir, both tractors and CVs. We have seen exports because of the weakness in exports your revenue has not ramped up to the expectation. So how are you seeing that? I mean, while you alluded in your comments that inventory is sort of normalizing now. But I mean, in terms of ramp-up, how should we look at ramp-up from here in terms of outlook, both for second half and for the next year? For CVs and tractors, sir?

Ashish Garg: Yes. So besides, we don't have much of exports, direct exports for farm products, Aniket. So we have taken a hit of CV as well as the Off-Highway business from exports. As already explained, one of the customers, we have seen almost a 50% dip in the last 2 years. And from almost 48,000 numbers, we'll be reporting around 24,000 numbers in this calendar year for that customer.

It is expected around 36,000 units for next year, which is kind of 50% and this is a substantial business for one of our clients. So there is the demand decrease because some of these machineries were being exported to Russia and also to U.S., where they have taken a hit in the last 2 years because of the war situation.

Next year, probably the numbers are looking better because the resultant is both the destocking and all levels. So we should be seeing better levels on Off-Highway side in next financial year. And on the CV side, the European market, we have some programs on the European market as of now where -- and also in Brazil, so -- and Turkey as well. So Brazil and Turkey market, we have seen a major dip over there. It should be back on track from Jan onwards on the CV side in these markets. But overall situation is that 8% to 10%, there is a dip in the European market as well.

Aniket Mhatre: And on farm, while we know it's just about 1%, but you do have deemed exports, right? So from that perspective thinking about farms. For the farms revenue could get impacted, which is where I was asking from a farm perspective also.

Ashish Garg: So yes, you're right. On the deemed export side, we have farm revenues which are done through some of our clients where we supply PAN India. Over there, the dip is substantial and the dip is close to 45% and the revival is not yet seen even if we have seen some of the results for some of the large players in North America and Europe.

So as of now, for next 2 quarters, the projections that we have are similar to what we have seen in the past. So no improvement that we are seeing right now from the European farm equipment as well as the North American clients, North American tractor clients right now. We should be seeing further. But at this point of time, it is fairly at a low level.

Aniket Mhatre: Sure. And any expectations that these OEMs are giving out for next year, anything that you're hearing from them?

Ashish Garg: For the tractor side?

Aniket Mhatre: Yes.

Ashish Garg: So, on the commentary that we have seen from CNH, AGCO and John Deere, so they are not too bullish right now for next year. But next 2 quarters, they are saying that it's kind of a range-bound number. So, it's kind of a wait and watch till March. So, we have been seeing -- because ultimately, these are the customers where directly or indirectly these parts are being consumed. And we have seen the numbers. So, there is still a decline that we are seeing.

Aniket Mhatre: Understood. And sir, just one clarification. In the last con call, in Q1, you had mentioned about a INR300 crores order on the wind side and another INR180-odd crores on the data center side. So both these orders are for the large INR650 crores capex or these are from existing capex?

Ashish Garg: So basically, out of the INR650 crores, there are 2 lines as I've explained. So these all orders are for those lines.

Aniket Mhatre: Right. So this is from those as well. Understood.

Ashish Garg: Yes.

Aniket Mhatre: And just as a clarification, you had mentioned the capex for machining separately, right, for the INR 650 crores line. I missed that part. Could you please repeat that?

Ashish Garg: Out of the INR 650 crores, some INR 200 crores of capex is into machining. And that INR 200 crores will come in 2 phases once the utilization levels are achieved 70% - 80% on the line 1. And so basically, it's like INR 550 crores is going in first phase. Out of INR 550 crores, INR 150 crores is on the capex for the wind and heavy tractor program for the large axles and pinions and balance INR 400 crores is towards the large hammer and machining line.

Aniket Mhatre: Understood. And just one final clarification, sir. This near-net technology that you talked about, that is only for wind pinions or that's also for farm equipment?

Ashish Garg: Also for the farm equipment large axles.

Aniket Mhatre: Understood. So it works for both. Got it.

Ashish Garg: Yes, yes. It's a fungible capacity.

Moderator: The next question is from the line of Lakshminarayan Ganpathi from Tunga Investments.

Lakshminarayanan G.: Couple of questions. First, in terms of your exports mix, just want to understand what is the mix of various categories of vehicles/industrial you actually supply to. Second, I want to understand what is the percentage of crankshaft in your overall revenues for the first 6 months and when compared to the previous year 6 months.

And the third, I just want to understand from the industry point of view, how are you thinking, is it there is a consolidation in the industry that is taking place? Or it is clear that India would actually win in the entire global scenario when we see a lot of forging capacities are actually getting closed in some of the developed markets. So I just want to understand how the industry is progressing conceptually as well as tactically when you look at in the next 6 months to 1 year. So these are my 3 questions.

Ashish Garg: Thank you. So I think the first question was the share of sectors within industrials.

Lakshminarayanan G.: Within exports.

Ashish Garg: In exports, we have roughly 50% exports for industrials and 50% for CV. So, I hope I'm able to -- this is what you want? So the share for crankshaft for H1 last year was 40% and it's almost 41% now *(Note: erroneously stated as 40% for H1FY25 and 41% for H1FY26. In value terms, share of crankshafts was marginally above 50% in H1FY25 and is around 50% in H1FY26).* And on the consolidation side, yes, we've been hearing a lot that we expect that the European industry will consolidate.

There are a lot of plants which are on sale right now. And with very high energy costs and manpower costs, the simpler projects which are related to CV and PV programs will not sustain in a long-term scenario. That is what our view is.

And the businesses will come out and OEMs are now working on reducing their cost adverse as well. So that's something that probably will happen on a medium term because projects like this move very slowly.

But definitely we will be seeing consolidation happening. But there will be some quality businesses that will still sustain and work in Europe. So, we are seeing that some of the businesses are doing well as well. It's not up on account of all the forging companies. But yes, a lot of companies, we are seeing a trend where the cost is very high right now.

Moderator: Sorry to interrupt. Sir, actually, his line got disconnected. So can we move on to the next?

Ashish Garg: Yes.

Moderator: Okay. So the next question is from the line of Jinesh Gandhi from Oakland Cap.

Jinesh Gandhi: Ashish, congrats on a great set of numbers. Just one clarification first. When we talk of the large genset business from EU, this was supposed to be catered from 14,000 ton press, right?

Ashish Garg: No, Jinesh, this is high horsepower business. This is not from the 14k line. We have another genset business for one of the clients, which is for the domestic and North America, which is from the 14k line. But this is a large order, which is on the high horsepower side.

Jinesh Gandhi: Okay. Okay. And what is the status of the earlier business, which was from 14,000 ton press because that also was supposed to be...

- Ashish Garg:** That has already picked up. Those projects have already picked up. And the INR 80 crores of business, which we have done in H1, that business is also part of it.
- Jinesh Gandhi:** Okay. That's including. So that is part of that INR 80 crores.
- Ashish Garg:** Yes.
- Jinesh Gandhi:** Got it. And second question is on when we're talking of M&A, while it may take its time and what we do will only certify later. But what is our basic approach for M&A from here on? Are we looking for addition of customers, addition of capacities, the market entry? What is the basic objective which we are looking at?
- Ashish Garg:** Certainly, we are not looking at similar capacities because we are building in capacities and are going into different verticals now. So idea is to enter into a different business within forging space, which we are not catering. So that is the idea, which is a niche business. Again, we work on niche side.
- And will be related with the higher machining content where the customers are new and where HFL can add value in terms of sourcing of raw material or execution in terms of machining and also acquiring the technology, which currently we don't have. So that's all the idea is.
- Jinesh Gandhi:** Okay. And given that objective, would it be fair to say this would be outside India given that similar businesses in India are either not available or not there? So would it be largely outside India?
- Ashish Garg:** At this point of time, it will be too early to say, Jinesh. But I think a quarter or so probably we'll be in a better position to answer.
- Jinesh Gandhi:** Got it. And lastly, with respect to the 14,000 ton press, so how -- where are we in terms of the utilization considering that the genset business has started to ramp up. I believe railway business also probably will be from 14,000 ton press. So where are we in terms of utilization?
- Ashish Garg:** We are doing close to around 55%-65% levels right now. So we can go up to 75% levels. But because of industrial businesses and also the front axle beam business has picked up for us, we have started doing around 2,500 beams a month. The expectation was to do around 35,000 units in this year. We expect that, yes, next year probably we should be doing close to 40,000, 45,000 units for front axle beams also. So the developments are ongoing. So I think it's on track.
- Moderator:** Due to time constraint, that was the last question. I would now like to hand the conference over to management for closing comments. Over to you, sir.
- Ashish Garg:** Thank you. Thank you, everyone, for joining the call. To conclude, our quarter 2 and H1 performance underscores the strength of our business fundamentals, the effectiveness of our growth strategy and the dedication of our teams in navigating a dynamic environment. We remain confident that our ongoing investments in capacity expansion, technology and customer relationships will drive sustainable growth and sustained long-term 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 advisers. 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.