HAPPY FORGINGS LIMITED

**November 13, 2026**

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

Dear Sir/Ma'am,

**Sub: Transcript of the Earnings Conference Call for the quarter and half year ended 30th September 2026 held on Friday, 6th November 2026.**

Pursuant to Regulation 30 of the Listing Regulations, kindly find enclosed the copy of the transcript of the Earnings call held on Friday, 6th November 2026 on the Standalone and Consolidated Financial Results of the Company for the quarter and half year ended 30th September 2026.

Kindly take the same on records.

Thanking you

**FOR HAPPY FORGINGS LIMITED**

Bindu Garg

Digitally signed by Bindu Garg
Date: 2026.11.13 12:18:00 +05'30'

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# “Happy Forgings Limited

# Q2 FY27 Earnings Conference Call”

# November 06, 2026

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Happy Forgings Limited Q2 FY27 Earnings Conference Call. Before we begin, a brief disclaimer. 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 the guarantee of future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during this conference, please signal for an operator by pressing star followed by zero on your touch-tone telephones. Please note that this conference call 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:** Good morning, and a very warm welcome to all of you to Happy Forgings Limited Q2 FY27 earnings call. With me, I have Mr. Pankaj Kumar Goyal, our CFO, and Strategic Growth Advisors, our Investor Relations Advisors. I trust everyone had the chance to review our financial statements and the investor presentation for quarter two FY27, which we have filed with the exchanges.

Let me start by outlining the key highlights for Q2 and H1 FY27. At the beginning of the year, we were optimistic about the business outlook for FY27, supported by improving demand conditions across our key end-user segments and good visibility on incremental business opportunities. I am pleased that we have delivered a strong performance during the first half of FY27, sustaining strong growth while maintaining the quality of our earnings.

We have been able to sustain profitability levels at or above those achieved in FY2026, despite an increase in raw material prices and other cost pressures. This has enabled us to deliver profitability growth ahead of revenue growth, reflecting the strength of our diversified business portfolio, increasing value addition, and our continued focus on operational excellence.

For H1 FY27, revenue grew by around 30% year-on-year, supported by a 24% increase in finished goods volume, reflecting a positive demand momentum across our key end markets, and realizations grew by around 5% to Rs.260 per kg.

This growth has translated into improved profitability, with margins remaining healthy and return ratios showing an improvement. ROE increased to 17.1% and ROCE to 19.6%, reflecting

better operational leverage, increasing value addition, and more efficient utilization of our capital.

Growth was also broad-based across geographies, with domestic and export revenues increased by 30% and 36% respectively. Overall, the first half performance reflects our ability to deliver strong growth while maintaining a healthy balance between volumes and profitability.

Moving to our quarterly performance, Q2FY27 was another strong quarter for the company. Our quarterly revenue crossed Rs.500 crores milestone, registering year-on-year growth of approximately 33%. Finished goods volume sales increased by around 25%, where realizations improved by roughly 6% to Rs.267 per kg.

The improvement in realizations was supported by raw material cost pass-throughs, negotiated price increases to recover higher conversion costs, and a favorable product mix. Despite certain cost-related headwinds, our gross, EBITDA, and PAT margins remained healthy and broadly stable year on year, with only a margin moderation sequentially.

This performance reinforces the resilience of our business model and our ability to sustain growth while maintaining profitability. Now moving to the segmental performance. Commercial vehicle continued to be our largest business segment, contributing 33% of our total revenue in H1 FY2027, compared to 37% in H1 FY2026.

The segment registered high-teen growth during the period, primarily driven by a strong domestic performance, which grew in the mid-20s, broadly in line with the growth in the MHCV production and sales in India. Demand was supported by sustained infrastructure development, healthy replacement demand, and continued transportation activity.

Exports, however, remained subdued, largely due to longer shipment times and resulting in higher sales in transit. Farm equipment was our second-largest segment, contributing 30% of our total revenues during H1 FY2027, compared to 34% in the corresponding period last year.

The segment delivered growth of over 20%, with the domestic business registered high-teen growth, outperforming the growth in the domestic tractor production and sales during the period. Our export business also recorded a robust growth, supported by higher sales to some of our key customers, despite a challenging demand environment in key international markets.

The industrial segment contributed 16% to our revenue, compared to 13% in H1 FY2026, registering a growth well above 50%. Growth was supported by strong traction in both domestic and export markets. Looking ahead, our investments in heavy forging capabilities, combined with growing demand for backup power generators for data centers in the energy sector, provide a strong basis for continued growth in this segment.

Off-highway contributed 12% to our total revenue in H1 FY2027, compared to 10% in H1 FY2026, registering a growth of over 50%, with both domestic and export markets contributing to this performance.

The domestic construction equipment segment witnessed healthy growth during the quarter, supported by healthy project awards, particularly across road, highways, and infrastructure segments. On the export front, demand was supported by continued traction in construction and mining equipment markets.

Passenger vehicle contribution has now increased to 9% of our total revenues in H1 FY2027 compared to 5% in H1 FY2026. This segment revenue almost doubled over the corresponding period last year, with contribution coming from both domestic and export markets. Domestic revenues growth was supported by a healthy market demand and an increased wallet share, while export revenues growth was supported by execution of export orders secured in earlier periods.

We continue to focus on improving the quality of our product mix with an increasing emphasis on higher value-added machining operations. Our machining contribution increased to 90% in H1 FY2027 compared to 88% in H1 FY2026.

On the capacity front, our installed capacity forging capacity stands at 1,58,000 metric tons, while our machining capacity stands at 82,000 metric tons. During H1 FY2027, capacity utilization stood at 60% in forging and 77% in machining. We also strengthened our manufacturing capabilities during the period, commissioning a new forging press in Q1 FY2027 and an additional hammer in Q2 FY2027.

Our strategic investments are progressing as planned. The Rs.650 crores capex on ultra-heavy component manufacturing is going as per the scheduled timelines. This facility, with our 20 MW captive solar power plant, is expected to be completed and commence operation in the quarter four of FY2028.

In parallel, we are actively engaged with several OEMs for heavy components catering to data center and gas engine application, as well as the wind program, which are continually in discussion.

These discussions are progressing well, and we expect them to translate into orders in early FY2028. Further considering the strong demand visibility, healthy order books, and existing capacity utilizations now nearing their peak, our board has approved an additional capex of Rs.500 crores.

This investment will be funded through a combination of debt and internal accruals and will be implemented in a phased manner across FY2028 and FY2029. The proposed investment will primarily focus on our expanding machining capabilities while supplementing our existing forging capabilities and will be best suited to growing requirements of our customers.

These investments will mainly support growth opportunities across passenger vehicle, industrials, and export-related commercial vehicle sector. Combined together, the investment is in heavy components and newly approved capex.

These plans involve an additional 59,000 metric tons of forging capacity and 34,000 tons of machining capacity, leading to a total capacity of around 2,17,000 tons in forging and 1,16,000 tons in machining in next two to two and a half years.

We believe that the planned capacity additions along our ongoing strategic investments will further strengthen our manufacturing capabilities and position us to capitalize on emerging opportunities and supporting our long-term growth ambitions.

Looking ahead, we remain optimistic about the demand environment and our growth prospects. Improving industry demand and the ramp-up of recently secured business provide confidence in our volume growth trajectory. Supported by our healthy order book, we remain well-positioned to meet our full-year volume growth guidance.

While higher raw material prices and increased shipment cost may exert some near-term pressure on margins, we expect that our gross margin and EBITDA per kg metrics will continue to trend upwards, supported by a favorable product mix, higher value addition, and continued operational efficiencies. Full-year profitability margin metrics may remain at levels roughly similar to FY2026.

With that, I would like to invite Mr. Pankaj Kumar Goyal, our CFO, to take you through the detailed financial performance of the quarter.

**Pankaj Kumar Goyal:** Thank you, Ashish. Good morning, everyone. Let me take you through the key financials and operational highlights for Q2 and H1 FY2027. First on revenue. Revenue from operation stood at Rs.501 crores for Q2 FY2027 and at Rs.950 crores for H1 FY2027, registering a strong year-on-year growth of 32.7% and 29.9% respectively.

I am pleased to share that our revenue performance for the period reflects both strong operational momentum and the strategic execution of our diversification strategy across key industry verticals and customer accounts.

Looking at the number, our Q2 revenue growth was backed by strong dual engines, a 24.8% expansion in volumes and 6.3% increase in realizations. For the first half overall, this momentum carried through, with H1 volumes growing by 24% and realizations expanding by 4.8%.

Our revenue growth is increasingly supported by broader industry diversification and lower customer concentration, with a growing contribution from customers beyond our top 10 customers.

Turning to profitability and margins. For Q2 FY2027, gross profit reached Rs.305 crores, delivering a robust year-on-year growth of 33.8%, with gross margin expanding 52 basis points to 60.8%. EBITDA for the quarter stood at Rs.153 crores, up 32.2% year-on-year, maintaining healthy and stable EBITDA margins at 30.6%.

Our PAT came in at Rs.98 crores, marking an impressive 32.8% year-on-year growth, with PAT margin holding steady at 19.5%. On a cumulative basis for H1 FY2027, our performance was equally compelling. Gross profit grew 33.5% year-on-year to Rs.577 crores, with gross margin expanding by 161 basis points to 60.8%. EBITDA rose 35.5% year-on-year to Rs.294 crores, expanding EBITDA margin by 127 basis points to 30.9%.

Finally, PAT for the first half expanded 35.8% year-on-year to Rs.189 crores, with PAT margin broadening by 86 basis points to 19.9%. Overall, these numbers demonstrate both operating leverage and disciplined cost management as we scaled.

Moving on to our balance sheet, cash flows, and capital allocation. Our financial position remains exceptionally strong, providing us with immense flexibility to fund ongoing growth. During H1 FY2027, we incurred a total expenditure of approximately Rs.378 crores, funded prudently through a combination of internal accruals, available liquidity, and targeted debts.

Notably, over the last two and a half years, we have almost doubled our gross block, and this base will continue to expand with our current growth projects. On the cash flow front, operating cash flow for H1 stood at around Rs.124 crores.

This temporary impact was primarily driven by working capital investment, especially higher receivables aligned with the high top-line expansions, alongside Rs.35 crores in strategic advance payments to raw material suppliers. We expect working capital movements to normalize over the full year, yielding significantly stronger cash flow conversion.

Crucially, our balance sheet leverage remains extremely low. Our total outside liability to total net worth ratio stands at just 0.21x, leaving ample headroom to support working capital requirements via internal accruals or low-cost lines.

Overall balance sheet health metrics remain best in class. Net debt to equity stands at a conservative 0.08x. ROCE came in at 19.6%, while ROCE on operational assets, excluding cash, CWIP, and capital advances, stood comfortably well above 25%.

Finally, with cash and liquid reserves of approximately Rs.350 crores, we have a strong buffer to execute ongoing and future capex with minimal reliance on external borrowings. That's all from my side. Thank you. With that, we are ready to commence the Q&A session.

I'll turn it back to the moderator to invite the first question. Thank you very much.

**Moderator:** Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Krisha Kansara from Boring AMC. Please go ahead.

**Krisha Kansara** Yes. Firstly, many congratulations to the entire team on continued execution. My first question is on capex. It is really amazing that we have announced yet another capex program while we are on track to commission the heavy forging facility by this financial year end. My question is on the new plant, the capex of Rs.500 crores. I am sure that you have certain commitments and visibility from clients which has led you to announce this capex.

You rightly mentioned also that industrials and PV are the two areas which are driving the decision. It would be helpful if you can help us understand the demand bifurcation within industrials.

Does data center remain the key focus area even for the new capex program, or are there other sub-segments as well which are driving the demand? Also, what percentage of our current order

book and inquiry pipeline is tilted towards exports? If you can quantify, that would be helpful. This is my first question.

**Ashish Garg:** Thank you. This Rs.500 crores of capex which is planned now is largely for the machining facilities. 70% of the capex will be done towards the machining facility.

Land we have already acquired almost six months back, so there is no investment on the land. It is simply on the capex is on the pieces of machining facility, and 30% of the total capex will go also on the forging side of the facilities, largely on the small press lines, where the demand is very strong and we are running at a peak level utilization right now.

We look at our machining capacity utilization levels, they were already peaked out at 80% in last quarter, which is expected to touch close to 90% by Q4. It is very important to have this capacity in hand.

With the type of order books we have in hand, and going forward, this machining capex is relatively very important for the programs which are already running and for the development which is already happening. It is largely, this side of the demand is for the leading series gensets, commercial vehicle exports, and passenger vehicle requirements. I hope I am able to answer your question.

**Krisha Kansara** Sure. What about the percentage of the order book and pipeline which is from exports?

**Ashish Garg:** So right now, we have roughly 50% of the order books that we have in hand is from the export sector. We have also gained almost Rs.95 crores of orders in last quarter, and that is for exports to Asian region, largely for the exports to Asian region. The overall, if you see it, is upwards of 50% that we have from exports.

**Krisha Kansara** Okay. Understood. Next, I have two questions on the 4,000-ton press line that we commissioned in the previous quarter. Firstly, I wanted to confirm if this line was built dedicatedly for a North American PV customer. Secondly, how much revenue did this line generate for us, particularly in this quarter? Also, are there any such dedicated lines for customers which are coming up in the near future?

**Ashish Garg:** You are right that this line was commissioned for a North American client for PV application, and for which we have started ramping up in Q1 and Q2. As most of the sales are on DAP basis, a large part of this sales in this quarter has gone into sale in transit, which will start recognizing from third quarter.

Roughly around Rs.80 crores, Rs.100 crores of sales is projected from this facility. We also have more orders in hand starting from end of FY2027 and 2028, which is for the North American PV program, for which the capacity addition is planned in this capex of Rs.500 crores.

**Krisha Kansara** Understood. Thank you so much, sir, and all the best.

**Moderator:** Thank you. The next question is from the line of Vivek Kumar from ICICI Securities. Please go ahead.

**Vivek Kumar:** Thank you. Good morning, sir. Congratulations to you and the team for a good set of results, and my best wishes for coming quarters. My first question has been answered. If you could highlight the nature of order wins for the data center power backup segment, in terms of, we have had this news coming on things changing in US. Does that change anything for us? What is the percentage of confirmed orders or how the engagement is likely to be panned out? That's also.

**Ashish Garg:** Thank you, Vivek. Yes, out of the Rs.650 crores capex, Rs.500 crores of capex is towards the heavy sector, high horsepower, out of which some Rs.300 crores is on the hammer line, which is completely fungible line, which can be used for any component forging from 300 kg to 3 tons. We have already secured orders of roughly Rs.300 crores, which is for the large data center application, for which customer has already invested, and there is a clear visibility up to 2033, as the customer has also invested on the plants.

At the same time, there is almost Rs.1,000 crores of new orders which are in discussions. We aim to close nearly Rs.500 crores of orders by this financial year, for which these customers are waiting for us to demonstrate our capability. Our equipments have already arrived, and the cold trials will probably start in January and February.

We expect to close to Rs.500 crores of orders on this. This entire business is not only for the data center application. This is also on the existing business of the mid-series gensets, the heavy ones, the 19, up to 19-60 liter, which is also there, which is an established market for which there is already very strong demand is already there, which goes into various applications.

So, it is not a new market for players, plus there is also the Indian OEMs, the global OEMs in India, they are also expanding their engine capability within India. So, the facilities that we are setting up will also cater to that.

**Vivek Kumar:** Great. Great, sir. Perfect. Thank you for that, and good luck, sir, for future. Thank you.

**Ashish Garg:** Thank you.

**Moderator:** Thank you. The next question is from Sahil Sanghvi from Monarch Networth Capital. Please go ahead.

**Sahil Sanghvi** Hi, sir. Good morning, and many congratulations to the whole team for a very excellent performance. The only question I had was, how do you see the domestic tractor demand evolving over the next few quarters from the kind of production schedules you are seeing from your customers?

While some of the OEMs, large OEMs, have been very cautious in their guidance, I just wanted to understand how can this affect our revenues from the domestic market, and the kind of diversification we have done over the last few years, we should be able to offset, if any weakness from the other segments?

**Ashish Garg:** Yes, sure. Thank you. On the domestic farm equipment sector, we have gained a substantial market share this year, from 42% to almost 46%. Even though the market looks nearly, it can

say that it is down for over the last year, probably November and December months looked little weak.

But in terms of the overall positions that we have on the farm equipment side, and with the new orders in hand and the new market share gains, all the lines are fully ramped up and running. In fact, there is a capacity shortage even on that side. We are not seeing, we are not expecting any dip in revenue because of some slight issues in the farm equipment sector. We are not seeing.

**Sahil Sanghvi** Sure. Thank you so much.

**Ashish Garg:** Yes.

**Sahil Sanghvi** Sure. Thank you so much, and wishing a very happy Diwali to the whole team. Thank you.

**Ashish Garg:** Thank you.

**Moderator:** Thank you. The next question is from the line of Mihir Vora from Equirus Securities. Please go ahead.

**Mihir Vora** Yes. Hi. Thanks for taking my question, and season's greetings to the management. My question was regarding when I was going through the presentation. I think on slide nine, we have mentioned that the planned addition, including the heavy hammer line, is to be commissioned in FY2028. But if I recollect previously, you were saying this was supposed to be commissioned by quarter four. Has anything changed here which has caused some kind of delay? Can you throw some color on it?

**Ashish Garg:** No, the equipment has arrived in FY2027. The full trials on the forging lines are planned in quarter four. However, the sample submissions will happen in FY2028. The revenues we have factored in is only from third and fourth quarter in FY2028. This is the same since beginning. There are no changes in fact. Yes.

**Mihir Vora** All right. Apart from that, sir, the Rs.300s crores order which we are saying we have already got for this line. Is it the annual order or is it spread across some years?

**Ashish Garg:** No, no, this is Rs.300 crores per annum.

**Mihir Vora** Per annum.

**Ashish Garg:** It will be roughly till 2033, what we have signed off. You can just multiply and see.

**Mihir Vora** Sure. Apart from that, sir, we also indicated that we are seeing a good interest in terms of orders here. Just one question that if we see a good traction in terms of increase in orders, I think this line can only do a 1.3x asset turns. Post that, we have to get into a capex. How fast can we add the lines here?

**Ashish Garg:** Basically, if you look at the capacity for the hammer line, we have almost 2,000 tons of capacity, and the realization goes up to Rs.800 a kg if we have to sell as machine, which is opportunity size of almost Rs.1,600 crores-Rs.1,800 crores per annum. For that, based on the demand and

commitments, the investments can be done once the machining line utilizations will be peaked out.

Roughly, we can do the sampling and based from the two machining lines that we are adding, which are committed by the customer. At the same time, customers are also willing to invest on the machining lines along with us. We can ramp up as we see there is a large backlog of orders.

Also on the domestic side, we see lot of manufacturing probably will happen within India, and the decision for that is happening. If that happens, then purely this facility will also cater to the domestic requirements.

**Mihir Vora** Sir, the Rs.1,600 crores opportunity you talked was not regarding only the Rs.600 crores capex which we have did, right? It is something which additional will also be required.

**Ashish Garg:** I am saying from the capacity stand, if we are looking at a complete asset turn, that is the kind of the potential based on the capacity we have. It is not only this. We are working more towards the oil and gas, railways, and other defense requirements.

With industrials, this is only one area, but we have other areas as well. Capacity will be there to cater to other sectors as well. Wind is probably a very large sector that can be catered because anything beyond 300 kg will be forged on this.

**Mihir Vora** Okay. Okay, sir. Got it. That is all from my side. Happy Diwali to you all.

**Ashish Garg:** Thank you.

**Moderator:** Thank you. Next question is from the line of Joseph George from IIFL. Please go ahead.

**Joseph George** Thank you. My question is on the margin guidance wherein you mentioned that you expect FY27 margins to be similar to that of FY2026. Now, if you look at 1H, we are clocking much better margins compared to last year. To end the year similar to FY2026 means that we are seeing some moderation in margins.

What I want to understand, first of all, is that understanding correct? Question number two is, when you are guiding to deceleration in margins, is it because of the numerator-denominator effect wherein the revenues or the ASP is inflated because of pass-through and you cannot get profit margin on that pass-through or is it because there is pressure on profitability because of higher cost, which you might be able to recover going forward when consumers pass on that price hike?

**Ashish Garg:** Thank you, Joseph. I think, Joseph, the visibility that we have for H1 will also continue for H2, despite increase in the raw material prices. Raw material prices are a complete pass-through for us. The absolute EBITDA per kg, despite the cost pressures, have improved, if you see, which is an important point to be seen.

That is how we see, despite all the pressures, the EBITDA per kg has improved. Going forward, we see that it will be kind of maintained in H2 as well. If raw material prices go beyond a certain range, probably, but EBITDA per kg for us will still continue to improve. That is what I can say.

We also have the solar line probably starting in Q4, which will start adding almost 1.5% to our EBITDA. We expect this to fully commission by Q4 of this year, and will start contributing meaningfully from Q1 of next year.

**Joseph George** Understood. That is clear. The second thing I wanted to touch upon was this heavy engines, data centers, etcetera. What I want to understand is, how much of the capex that you have incurred till now or you are planning in the next couple of years is dedicated to these heavy machinery or data center kind of applications? Against that capex, how much revenue is potentially generatable?

**Ashish Garg:** Roughly, as of now, Rs.250 crores of machining lines are planned on the heavy data center application, which are completely sold out, against which we have Rs.300 crores of orders. The capex on the forging line is fully fungible. We can forge any components on that. Cumulative capex on both forging and machining, forging is a fungible line, is Rs.500 crores. Balance Rs.150 crores is for the heavy axle shaft and wind programs, which we have already started now.

**Joseph George** The total is about Rs.650 crores?

**Ashish Garg:** Out of Rs.650 crores, Rs.150 crores is towards wind and North American tractor products, which is altogether a different line. We call it as a vertical up setter line. Out of Rs.500 crores, roughly Rs.300 crores is towards the forging line, which is highly fungible line. From 300 kg to 3 tons we can do. Then there are machining lines which are dedicated for which customer has also invested, and we have already secured orders for that.

**Joseph George** Okay.

**Ashish Garg:** Which is close to Rs.200 crores-Rs.250 crores.

**Joseph George** Yes, broadly we are talking about, say, Rs.500 crores of investment for this line of business, right? Broadly. Understood. On this capex, what is the typical asset turn that you can generate with optimum utilization?

**Ashish Garg:** We can go up to 1.3x.

**Joseph George** We are talking about…

**Ashish Garg:** If we will be bringing some more investments on the machining side, probably this investment will be on investment of, say, close to Rs.750 crores-Rs.800 crores, we can go beyond.

**Joseph George** Sorry, go beyond? Sorry, I did not catch the last line.

**Ashish Garg:** Also, this Rs.500 crores is not. This Rs.300 crores of forging line, we can forge any component on it. Traditionally, if you see these lines everywhere globally, they are there, you can forge anything on it. It's not only products related to data center application. The shafts that we are working on, we are also working on the energy needs right now. Energy requirements are going up. So there are gas engine products are also there. There are oil and gas products which are also there, and there are wind sector products which are there. It's a fungible line. The machining lines are kind of a dedicated lines for which we also have investments from our customers.

**Joseph George** Understood. Thank you. That's all I had.

**Moderator:** Thank you. The next question is from the line of Varinder Bansal from Omkara Capital. Please go ahead.

**Varinder Bansal:** Thank you so much. Impressive details. A lot of questions have been answered. But quickly, on the farm equipments and tractors, you said you are confident that any slowdown will not be there compared to what OEMs have been saying. Is that right, from my understanding?

**Ashish Garg:** It is not going to impact us, Varinder ji, much, because see, out of 30% of the farm equipment business that we do, roughly around 4%, 5% comes from indirect exports. So balance is towards 23%, 24%, and we have also market share gains. So we are not seeing any impact of that currently on our order books or on the production demand, on the demand side stuff.

**Varinder Bansal:** Okay. Second question, sir. A lot of people are worried now with this elections happening in the US that the capex on the data centers may come down. Again, I hear you that you already have secured order book and the client has already invested in it. Since that is our next phase of growth, where you have been doing capex, do you see any concerns over there at all?

**Ashish Garg:** Not at all. There is a very strong requirement. The Rs.500 crores of order books that we are seeing to be closed by this financial year is a very small number. In fact, there are substantial numbers that we will be seeing on the data center side, because right now, if you talk about the facilities, there is hardly any facilities available worldwide to manufacture such products of this size.

Indian markets are also expecting this manufacturing to go up within India. For that, they need a source within India as well, which the capex probably is in a right direction. I do not see there is any issue at all, because cumulatively, even at a Rs.1,000 crores order book, we are just talking about 5% of the total market size, which is fairly very small.

**Varinder Bansal:** Sir, if I have to see next three, four years, with your vision, where do you see this piece alone can go? We are doing roughly Rs.750 crores, Rs.760 crores of sales right now. Am I right that this is the kind of number which can get added from this capex what we have been doing in the next three, four years?

**Ashish Garg:** Varinder- ji, it is not only this particular capex. If you see that there is a capex which is happening around, because industrial is a very large field. Not everything comes from data centers today. There is a very large engine family between 19 L to 60 L, which is getting manufactured in India, for which Rs.500 crores, Rs.600 crores of business is already there. That is also growing because of the energy needs.

That is also there for which we are in discussions, and we are expecting to close. Similarly, if you see, then the passenger vehicle application, we are continuously growing. The growth has been very strong for us. Similarly, there is a capex which is planned in that vertical as well. On the export side, when call as industrials for heavy machinery, for off-highway application as well, we are seeing a 50% growth in H1.

That is also one area which is doing really well for us, and we will be putting in investments in that area as well. Cumulatively, all these areas will contribute meaningfully. Yes, along with the data center business, along with the machining lines that we are planning for data center business, you are right that we will be looking at doubling ourselves.

**Varinder Bansal:** All the initiatives put together can give a visibility of the current sales getting added in the next three, four years?

**Pankaj Kumar Goyal:** Yes, you are right.

**Varinder Bansal:** My last question, sir. Sorry, you were saying something, sir.

**Ashish Garg:** No, please go on.

**Varinder Bansal:** Sir, I am sorry to ask this question, but I think the supply side, the stake, the small dilution what the promoters have to do is still pending, right? I believe that you have, I think, one month or one and a half month right now. It creates a supply overhang of the stock as well. Any updates if you can share on that?

**Ashish Garg:** Sir, it will comply as per the SEBI requirements. We are clear that it will be done within the time frames.

**Varinder Bansal:** Okay, sir. On that question, thank you so much. Okay.

**Ashish Garg:** Thank you.

**Varinder Bansal:** Thank you, sir.

**Moderator:** Thank you. The next question is from the line of Aniket Mhatre from JM Financial. Please go ahead.

**Aniket Mhatre:** Hi, sir. Good morning. Thank you for the opportunity. Sir, just one quick question on the Rs.650 crores capex. I understand you have indicated a Rs.300 crores order win. Could you tell us what is the total order win from the Rs.650 crores capex? I understand Rs.300 crores is only from the data center, right? You are doing other applications as well. So what is the total order win so far?

**Ashish Garg:** Aniket, I will just divide it again. First of all, this Rs.650 crores, out of that, Rs.150 crores is on the vertical upsetter line…

**Aniket Mhatre:** That is clear, Yes.

**Ashish Garg:** Which has nothing to do with any sort of data center. That is on farm equipment, North American farm equipment requirements, which are typically 500-600 HP, and wind turbines.

**Aniket Mhatre:** Yes.

**Ashish Garg:** For which customers like Bonfiglioli, Liebherr, and all these customers are there, for which we are already catering, and this is the complete range that we will be offering to them.

**Aniket Mhatre:** Okay.

**Ashish Garg:** Balance Rs.500 crores.

**Aniket Mhatre:** This is already booked, Rs.150 crores?

**Ashish Garg:** Yes, yes. This is already booked, for which development has already started. The line has already started in terms of the developmental activities. Out of the further Rs.500 crores, Rs.300 crores is towards the heavy hammer line. Heavy hammer line can produce anything, which is having a capacity of almost 2,000 tons per month.

**Aniket Mhatre:** Sure.

**Ashish Garg:** It can come from the large engines. We can have anything going for oil and gas. We can have wind application. We can have marine application, for which we are already in discussion with our customers, and also large mining trucks and all.

**Aniket Mhatre:** Sure.

**Ashish Garg:** There is further Rs.200 crores of machining capex, for which it is for the data center application, for the heavy engines, for which we are working with our customer, for which we have secured orders, roughly Rs.300 crores of secured orders we have against that machining line, and for which development has already been started, and the contract is up to 2033. There is also investment by the customer, and we are looking at increased numbers from them, and the visibility is very clear.

**Aniket Mhatre:** Understood. Of this forging line which is fungible, that is also booked?

**Ashish Garg:** The forging line which is fungible, on that, we are in discussion. As I have mentioned that by March, we will have orders of close to Rs.500 crores.

**Aniket Mhatre:** Correct.

**Ashish Garg:** Already customers are waiting for the installations to happen. Installation has just begun. By January, February, we are looking at cold trials. By March, we are looking at hot trials on this one.

**Aniket Mhatre:** Very clear. Got it. Of the Rs.650 crores, how much is invested already?

**Ashish Garg:** Rs.300 crores we have already invested so far.

**Aniket Mhatre:** Okay. The bulk of the balance will be invested this year and next year?

**Ashish Garg:** Okay. So probably this year will be around Rs.50 crores and balance in the next year.

**Aniket Mhatre:** Got it. So around Rs.250 odd crores will be next year?

**Ashish Garg:** Yes.

**Aniket Mhatre:** Sure. And sir, for this new Rs.500 crores capex, based on your expectation, how much debt would you need to raise to fund this?

**Pankaj Kumar Goyal:** Aniket-ji, we are already being very good into that balance sheet being strong enough. Considering just from matching the demand and supply of this money, and already been the project has been going for the Rs.650 crores amount.

We propose there is a Rs.300 crores of the debt, which we will be raising from the banks against this Rs.500 crores expansion. As a bridge loan type, you can say. Of course, we also expect there will be still cash liquidity into the balance sheet at the year-end also, regularly.

**Aniket Mhatre:** Fair enough. At best, Rs.300 crores you will need to raise for funding this?

**Ashish Garg:** Yes. That will be need-based, which we will keep as sanctioned and will be required at the time of opening the LC and all. But looking into the cash flows, probably, if you look at end of financial year, the end of next financial year.

Probably the numbers will look very similar to what we have it now. Since it will be stretching over a period of, you can say, one and a half or two years, there will be a prudent decision mix we will be taking either by way of using internal accruals, liquidity in our hands in the balance sheet, and then debt. Rs.300 crores is the optimum sanction, you can say, but maybe actual utilization can be lower in the area.

**Aniket Mhatre:** Got it, sir. Just one final question on the outlook. I got your outlook for tractors, but if you could also help us understand how you are seeing CV domestic and CV exports, and also industrials outlook for you, both domestic and exports?

**Ashish Garg:** Yes. The growth looks very strong as of now for all the verticals. Talk about CV, domestic looks very strong. Also, on the industrial side, we have been growing very rapidly. There is a very strong order books over there.

The continuity will be there in terms of that businesses as well, because there are recent order wins in terms of the crankshaft businesses for Japanese market, as well as for the Asian region, for which we have been supplying even on the domestic side.

The model mix is there. On the industrial side also, the growth looks strong. On the PV side, we have programs which are ramping up well, and the consumptions will start from Q3 onwards. The PV side as well, the programs are strong. Also the domestic PV, we have entered two new programs, which should be starting in Q4 and Q2 of next financial year. PV also looks strong as of now.

**Aniket Mhatre:** Got it. Just this one final thing, sir. Are you seeing any headwinds in the tractor exports segment for you?

**Ashish Garg:** We have already started doing some components already started, which we started two years back, for our European markets. Plus, the indirect exports that we do on this sector is also strong. It is also improving, I can say.

**Aniket Mhatre:** Fair enough, sir. Thank you. All the best, and wishing you all a very happy Diwali.

**Ashish Garg:** Thank you.

**Moderator:** Thank you. The next question is from the line of Jinesh Gandhi from Oaklane Capital. Please go ahead. Jinesh, your line is unmuted.

**Jinesh Gandhi:** Yes. Am I audible?

**Ashish Garg:** Yes, Jinesh.

**Jinesh Gandhi:** Yes. Hi. Couple of questions from my side. First is, when we talk of tractors, 46% market share now, is it full reflection of the order wins which we have had with one of the large OEMs, or this 46% will inch up further as we fully ramp up that program?

**Ashish Garg:** It has just started coming in, Jinesh, in the last two, three months, whereas we were not having the full market share for that. Now we have kind of full market share for that. It is up to us to ramp up completely on that program.

**Jinesh Gandhi:** Okay, so we should see further…

**Ashish Garg:** We started ramping up two months back. Yes.

**Jinesh Gandhi:** Right. Okay. Got it. Second question pertains to the large hammer, where we have a good visibility on the business front. Given the opportunities which are opening up on the heavy forging side, any sense on what would be the timeline if we have to add more hammers going ahead on the heavy forging side? Is it considerably longer than normal forging press line?

**Ashish Garg:** Yes, Jinesh, on the heavy forging side, I don't think we'll be needing capacity for next four, five years, because if you look at a capacity of say 2,000 tons that we are adding with a higher realization, it's a very large business that we are talking about. We started investing on this two years back. It will be like a premium kind of a business with a very high gross margin.

At the moment, we will be needing more of machining lines as we go ahead and we develop more and more products on the machining side. We'll be needing more machining capacities. Lastly, the lead time for the machining capacity is nearly one year, so we can do sampling from our existing lines and we can ramp up from the new lines, because normally we do even on the existing business.

**Jinesh Gandhi:** Got it. Last question pertains more so from capex intensity perspective. Given, again, the opportunities which are opening up across our business segments, both in India and overseas, should one expect acceleration in capex over next five years versus what we did over last five years?

Particularly because a large part of the opportunities would lead to mix improvement and also lead to higher returns. How should one think of capex over next four, five years? We just announced Rs.500 crores capex, which is to get to the growth which is coming up. How should one think from next five-year perspective?

**Ashish Garg:** Jinesh, definitely on the bigger base, when we are looking at a bigger growth, definitely the capex will also looks bigger in terms of size if you compare with last five years. But definitely the work that company has done in the last couple of years will pay off because there is a lot of new customers, if you see, that we have added, and these customers have a large potential.

The developmental process is over and we just have to ramp up on the businesses. In that case, our assets are not idle. We can very fast, very quickly utilize those assets. If we are investing and we are able to utilize those assets, is the best-case scenario that probably can happen in our industry. Definitely, the capex intensity will be there, but at the same time, the growth prospect that we are looking at is also strong.

**Jinesh Gandhi:** Sure. Obviously, I am thinking from growth capex perspective only. Opportunities are emerging across segments. Is the percentage of sales that should be slightly higher than what we have seen in the last four, five years, where also we had a good amount of capacity?

**Pankaj Kumar Goyal:** The base is bigger. We are looking at, say, adding Rs.500 crores of top line in one year.

**Jinesh Gandhi:** Right.

**Pankaj Kumar Goyal:** If that is the case, and we will start adding Rs.150 crores of EBITDA, then definitely capex intensity will be bigger than what we have done in the last three years.

**Jinesh Gandhi:** Got it. Great. Thanks and all the best, and Happy Diwali to the team.

**Ashish Garg:** Thank you.

**Pankaj Kumar Goyal:** Thank you.

**Moderator:** Thank you. Next question is from the line of Arjun Khanna from Kotak Mutual Fund. Please go ahead.

**Arjun Khanna:** Sure. Thank you for taking my question, and congratulations on a good set of numbers. The first question is on the exports bit. We were building up a strong export profile. Could you talk a little bit on the business development activities on the automotive side, MHCV, etcetera, where we have gained on the Indian side? How are we doing on the export side, especially in US, while Europe we have had very strong inroads?

**Ashish Garg:** Sure. Thank you, Arjun. On the export side, we already have good order wins from North American region, and the PV programs and the industrial programs for the small portable gensets are all for the North American market, which is going well on time. The PV program also that we have won, we have already started supplying, but that's on the DDP terms, which is in transit right now.

It will start contributing from third quarter, and it's also coming up from our new line, and we have a full visibility on that business as well. Besides this, there are further programs that we have developed for North American region. You will see a region contributing meaningfully from third quarter onwards in terms of our wins.

**Arjun Khanna:** What about the MHCV side, sir?

**Ashish Garg:** On the MHCV side, we have some programs which are already in trial phase and testing phase, for which we have secured some Rs.80 crores of business out of this Rs.950 crores order books, plus some Rs.500 crores we have gained in last quarter. Out of that, if you see, some Rs.80 crores are towards the North American CV programs, which is for the new global development for one large engine manufacturer, which we are doing now.

That's also coming up well right now. And we have some programs which are running within India, where the companies are setting up the transmissions plant within India. That's also coming up well, which is largely for the European market on the CV side.

**Arjun Khanna:** Sure. Sir, fair. Sir, the second question is just on the settlements that we do with our OEMs. Given the volatility in raw material prices, and we have actually seen across India, heightened labor costs, other consumables, etcetera, moving up. Has the settlement done for the entire amount, or is it till now just the normal pass-through which you're getting for key commodities?

**Ashish Garg:** Commodity pass-through, see, even despite of all the cost increases, if you look at our EBITDA per kg as well, has an improvement on that.

**Arjun Khanna:** Right. Fair.

**Ashish Garg:** The 80% of the cost increases have been passed through. But if you look at last quarter, there has been a substantial increase in the ocean freights particularly, and not everything is kind of paid off, which is kind of softening now. But the ocean freights were at its peak in last quarter. So, our selling costs in the case of exports have nearly doubled in the last quarter. But on the domestic side, almost 80% of the OEMs have already paid off the increases.

**Arjun Khanna:** Sure. Just to understand, because while we run very efficient labor operations, there would be, across India, substantial pressure on labor costs. So, essentially, does that mean that our product would become even more competitive versus other players in the market?

**Ashish Garg:** If that is the case, then probably you can say that we will be more competitive than others if we are able to maintain these margins and others are facing margin pressure. You can think in that manner, but yes, definitely, you can say that we are better placed amongst the players in terms of our…

**Arjun Khanna:** Sure. In terms of our renewable energy, is there any other further plans, and how do we should see the benefits of that roll in?

**Ashish Garg:** Yes. The renewable energy program, which is nearly for 33 megawatt, 30 megawatt DC plus another 3.5 megawatt, is on track, and we expect some generations to happen in Q4. Next year, Q1, probably we will start seeing the full generation from that plant.

We are looking at almost Rs.30 crores of power saving on account of this plant. This is our first ground-mounted solar project. Once it is fully commissioned and running, we can decide on more as our power consumption and requirements are also going up.

**Arjun Khanna:** Sure. In some states, there have been some changes to rules regarding wheeling, etcetera. Is there any incremental change in regulations impacting us?

**Ashish Garg:** Not really, Arjun, because this is a full capex project for us. Once the capex is done, whatever power is generated is kind of a saving for us.

**Arjun Khanna:** Sure.

**Ashish Garg:** Almost 90% of the capex on this project is already done. As Pankaj mentioned, the 19.6% ROCE that we have generated on the assets, including the CWIP. If we exclude all the CWIP assets, we have probably generated close to 25% in this quarter.

**Arjun Khanna:** Sure. Perfect. Thank you, and wishing you all the best.

**Ashish Garg:** Thank you.

**Moderator:** Thank you. We will take the last question from the line of Ronak Mehta from ICICI Securities. Please go ahead.

**Ronak Mehta:** Thank you for the opportunity. Congratulations, team, for a good set of numbers. All my questions have been answered. Just one question. One of our recently added CV customer in the domestic market has acquired a European CV company, and they are now looking at supply chain synergies. If you can please share if we are engaging with them for the new business, or are we already supplying them? This could be a very large opportunity for us. That would be.

**Ashish Garg:** Ronak, thanks. Yes, they have started looking at, and the main purpose for the CV company to buy that asset outside India was the cost rationalization and using the current base, the supply base. They have started suggesting, and the discussions are ongoing, but as of now, immediately, the RFQ processes have started, but immediately, the business award probably will not happen.

It is going to take some time. That is my take on it. Yes, definitely, from the perspective of for them to buy this company, the main thing is cost rationalization, but it will happen in the near future.

**Ronak Mehta:** Okay, perfect. This could be more of a medium-term opportunity over the next three or five years?

**Ashish Garg:** Yes, next, you know, let us say two to three years, yes.

**Ronak Mehta:** All right. Thank you. Thank you, sir.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

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

I would like to end by wishing everyone a very happy Diwali and a prosperous new year. Thank you, and have a very nice day. I would like to take this opportunity to wish all the analysts, investors a very happy Diwali and a prosperous new year. Thank you once again.

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