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India | Equity Research | Initiating Coverage

Happy Forgings

Auto Ancillaries

Forging ahead: A precision play in a heavyweight market

Happy Forgings (HFL) is a leading manufacturer of complex, heavy-forged and precision-machined components. HFL's focus on enhancing its capabilities has helped expand the company's product portfolio and customer base across diverse segments (CV, PV, farm, OHV, industrials) and geographies. This has enabled HFL to consistently outperform the underlying industry. Given HFL's current scale and a large addressable global opportunity, especially owing to the shifting global landscape, we see long-term runway for growth. With ~20% pre-tax RoCE (depressed due to high capex phase), we expect HFL to deliver ~13% earnings CAGR during FY25–28E despite a muted outlook for the underlying industry. We initiate coverage on HFL with a **BUY** rating and TP of INR 1,150 based on 30x Sep'27E EPS.

Scaling-up capabilities into complex, value-added components

HFL has evolved from a basic forging player to a leading supplier of complex, safety-critical heavy-forged and precision-machined components. Its strong engineering and in-house design capabilities have helped HFL drive industry-leading profitability and outperform its peers. The company's 14k-tonne forging press has helped HFL expand its product range to up to 250kg components (second player in India to do so). It is now investing INR 6.5bn to further expand its capabilities to manufacture components up to 3,000kgs, targeting non-automotive industries such as power, marine and mining. This expansion positions HFL among the few players globally (first in Asia) to cater to a large addressable market of heavy-weight components.

Healthy outperformance over the years; new orders to support near-term weakness in end-markets

HFL has a track record of consistently outpacing the underlying industry's growth (15%/17% growth CAGR for HFL's CV/FES segments vs. 11%/6% growth CAGR for industry) driven by product diversification and customer expansion. Near-term demand outlook for the end markets remains mixed (domestic CV/FES expected to grow by mid-single-digit but EU CV/FES market is expected to see a decline) with a likely recovery in FY27. Despite this, we expect HFL to continue its growth outperformance led by recent order wins (pending orderbook at INR 6.5bn to be executed over next 2–3 years) in PV and industrial segments.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	14,089	15,610	17,790	20,745
EBITDA	4,067	4,535	5,171	6,101
EBITDA %	28.9	29.1	29.1	29.4
Net Profit	2,674	2,850	3,212	3,874
EPS (INR)	28.4	30.2	34.1	41.1
EPS % Chg YoY	10.0	6.6	12.7	20.6
P/E (x)	34.9	32.8	29.1	24.1
EV/EBITDA (x)	22.8	20.5	18.0	15.0
RoCE (%)	14.2	13.5	13.6	14.7
RoE (%)	15.4	14.4	14.4	15.3

Ronak Mehta

ronak.mehta@icicisecurities.com
+ 91 22 6807 7260

Vivek Kumar

vivek.k@icicisecurities.com

Vishakha Maliwal

vishakha.maliwal@icicisecurities.com

Market Data

Market Cap (INR)	93bn
Market Cap (USD)	1,086mn
Bloomberg Code	HAPPYFOR IN
Reuters Code	HAPY.BO
52-week Range (INR)	1,300 / 716
Free Float (%)	21.0
ADTV-3M (mn) (USD)	0.5

Price Performance (%)	3m	6m	12m
Absolute	28.4	(3.7)	(16.7)
Relative to Sensex	17.6	(3.8)	(23.0)

ESG Score	2023	2024	Change
ESG score	NA	59.8	NA
Environment	NA	37.6	NA
Social	NA	63.5	NA
Governance	NA	76.9	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.








Source: SES ESG, I-sec research

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Story in charts

Exhibit 1: Evolution of HFL's capabilities and product portfolio

Capability Introduced	Year	Key Products		Application / Industry Served	Product Weight
Forged	1979	Forged Bicycle Pedals		Bicycle	450-550 gms
	1981	Forged Camshafts		Portable Gensets	2.5 kgs
Forged & Rough Machined	1996	Forged Bull Gears and Semi Machined Transmission Parts		Farm Equipment	Up to 30 kgs
	2007-2015	Forged Engine and Axle Components (incl. Crankshafts)		Farm Equipment and Commercial Vehicles	30-80 kgs
Fully Machined	2015-2019	Fully Machined Products (including crankshafts)		Farm Equipment, Commercial Vehicles, Industrial	Up to 90 kgs
	2019-2023	Fully Machined Heavy Crankshafts, Pinion Shafts, Planetary Carriers, Valve Bodies		Farm, Commercial Vehicles, Off-Highway, Wind Turbine, Oil and Gas, Power Generation	Up to 250 kgs
	2027-2028	Large crankshafts, Axles, Gears, Propeller Blades O&G valves, Flanges, Spindles.		Power Generation, High HP Farm Equipment, Marine, Mining, Wind	Up to 3,000 kgs

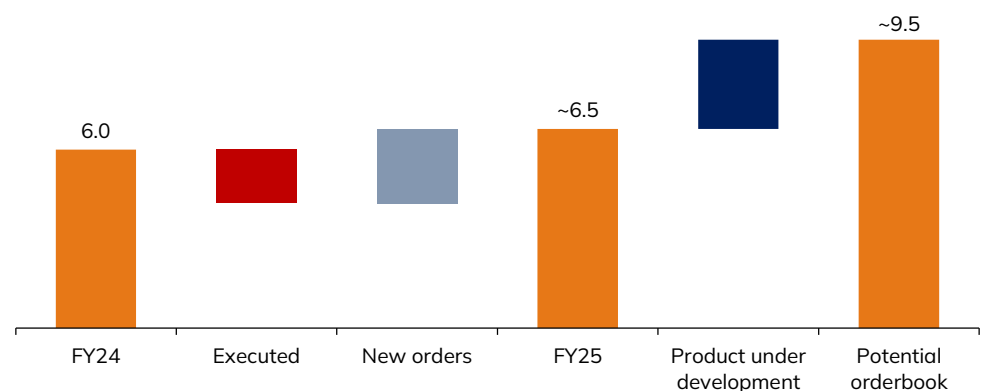
Source: Company data, I-Sec research

Exhibit 2: Long standing association with marquee clients across segments

Commercial Vehicles										
Farm Equipment										
Off Highway										
Industrials (Power Equipment, Wind Power etc.)										

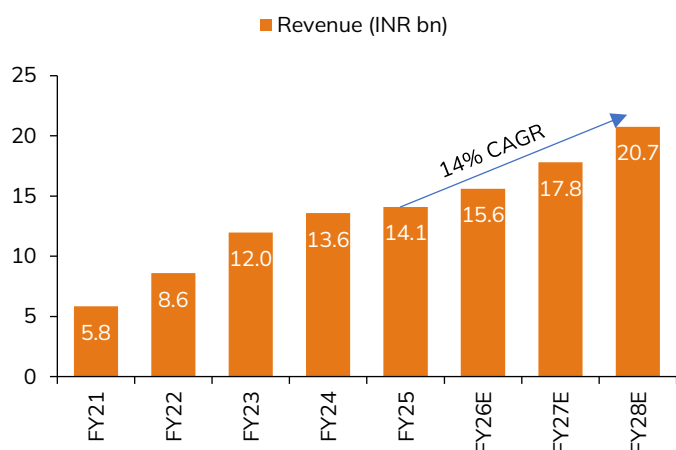
Source: Company data, I-Sec research

Exhibit 3: Orderbook (OB) to be executed over next 2-3 years (INR bn)



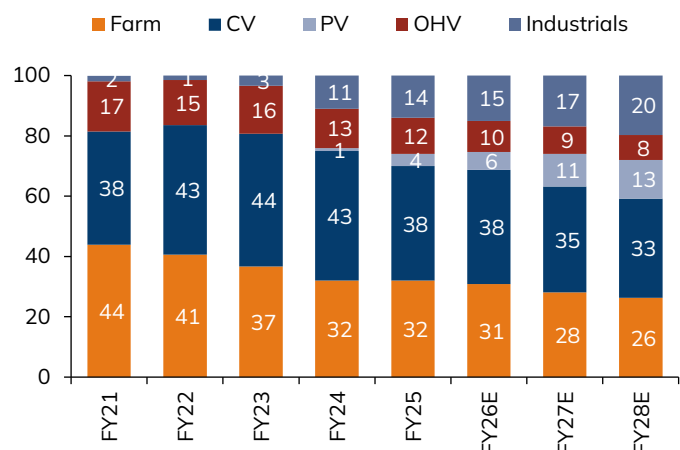
Source: Company data, I-Sec research

Exhibit 4: Expect 14% revenue CAGR over FY25-28E...



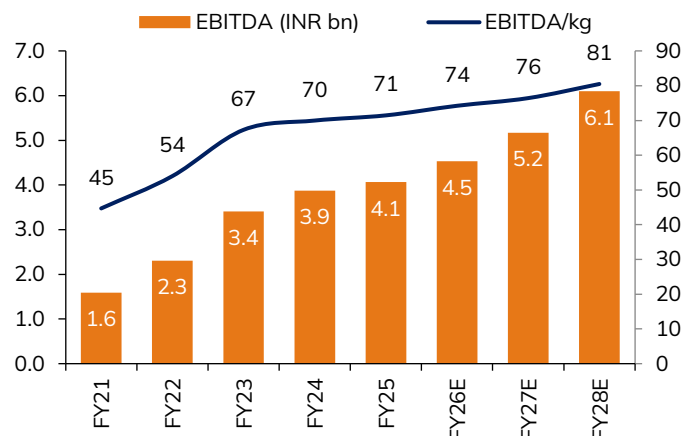
Source: Company data, I-Sec research

Exhibit 5: ...led by Industrials and PV segments



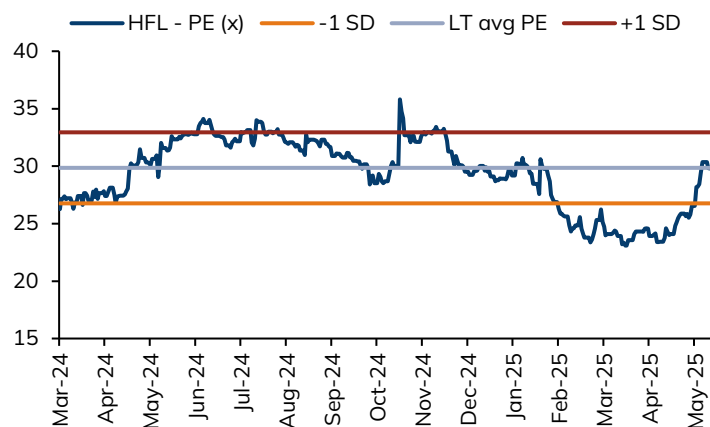
Source: Company data, I-Sec research

Exhibit 6: EBITDA to grow at 14% CAGR over FY25-28E; EBITDA/kg to improve



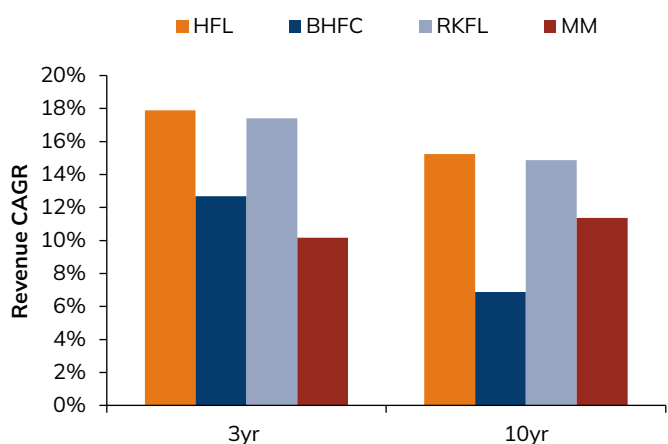
Source: Company data, I-Sec research

Exhibit 7: 1-year forward PE ratio



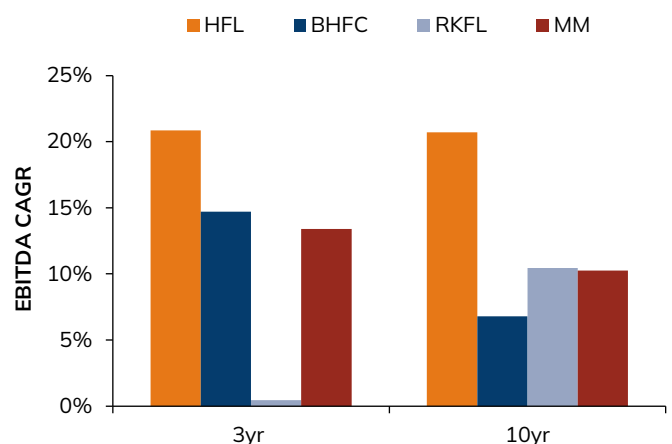
Source: Company data, I-Sec research

Exhibit 8: HFL vs peer revenue growth



Source: Company data, I-Sec research

Exhibit 9: HFL vs. peer EBITDA growth



Source: Company data, I-Sec research

Scaling-up capabilities into complex, value-added components with high entry-barriers








- Having started as a basic forged and machined component player, Happy Forgings (HFL), over the last 10 years, has consistently expanded its capabilities to emerge as a leading supplier of complex, safety-critical heavy-forged and high-precision machined components.
- Functional criticality for some of these components (for instance, crankshaft is used in an engine) serve as an entry barrier for new players to enter this segment (owing to long and stringent approval process for OEMs and capital-intensive nature of the business with long-lead time).
- HFL's engineering, product development capabilities (including in-house die-designing) and advance manufacturing facilities enable it to manufacture complex, heavy, high precision components (with closed tolerance) that meet stringent quality requirements of OEMs.
- With the addition of a 14,000-tonne forging press in FY22/23, HFL can now manufacture even heavier-complex components ranging up to 250 kg (vs. 90kg earlier), allowing it to offer an expanded range of products to a diverse range of industries and customers such as front axle beam for buses, heavy crankshaft for up to 19–20L engine, planetary carriers and valve bodies for industrial segment, etc.). HFL is only the second player in India (among very few in Asia) to operate such a heavy forging press.
- Further, the company recently announced a capex of INR 6.5mn for advanced forging capabilities to serve requirements of heavy forged and machined components of up to 3,000kgs (from up to 250kgs currently). These components (large crankshafts, axles, gears, propeller blades for marine applications etc.) would serve a range of non-automotive industries such as power generation, marine, mining, high-horsepower farm equipment (farm), material handling equipment and cranes, wind energy and oil & gas.
- This would be one of the largest facilities in Asia and the second-largest globally with limited number of suppliers globally. HFL indicated an INR 100bn addressable market opportunity, globally, from these components.

Exhibit 10: Evolution of HFL's capabilities

Year	Particulars
1979	Established a single unit for manufacturing bicycle crank arms.
2005	Heavy-duty hammers installed for oil engine and motor parts production.
2008	Initiated installation of 8,000-tonne forging press and model grinding for 4/6-cylinder crankshafts.
2010-15	Expanded machining capacity. Entered CV and industrial segments.
2017-18	Commissioned the second 8,000-tonne press.
2019	Forayed into wind turbine segment.
2020-21	Installed eight single-piece flow lines for crankshafts and the third 8,000-tonne press
2022	Commissioned its first 14,000-tonne forging press.
2022-23	Installed multiple dedicated lines for crankshaft and addition in machining capacity.
2024-26E	Installation and commencement of 6,300 and 10,000-tonne press lines and additions in machining capacity.
2027-28E	Installation heavy-duty hammer to manufacture heavy forged and machined components of up to 3,000kgs.

Source: Company data, I-Sec research

Exhibit 11: Evolution of HFL's product portfolio, moving-up to basic forged and semi-machined components to complex, heavy-forged and precision machined components

Capability Introduced	Year	Key Products		Application / Industry Served	Product Weight
Forged	1979	Forged Bicycle Pedals		Bicycle	450-550 gms
	1981	Forged Camshafts		Portable Gensets	2.5 kgs
Forged & Rough Machined	1996	Forged Bull Gears and Semi Machined Transmission Parts		Farm Equipment	Up to 30 kgs
	2007-2015	Forged Engine and Axle Components (incl. Crankshafts)		Farm Equipment and Commercial Vehicles	30-80 kgs
Fully Machined	2015-2019	Fully Machined Products (including crankshafts)		Farm Equipment, Commercial Vehicles, Industrial	Up to 90 kgs
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	2027-2028	Large crankshafts, Axles, Gears, Propeller Blades O&G valves, Flanges, Spindles.		Power Generation, High HP Farm Equipment, Marine, Mining, Wind	Up to 3,000 kgs

Source: Company data, I-Sec research

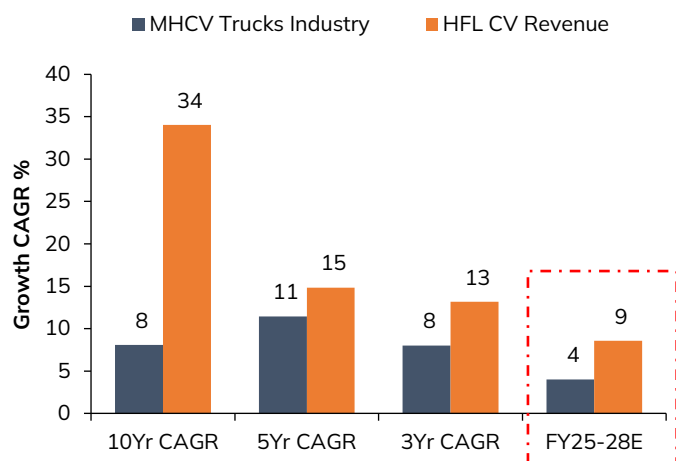
Exhibit 12: HFL is only the second player in India to operate heavy forging press and among the few globally

Company	Range of Tonnage Presses
Indian players	
Happy Forgings	2,500T to 14,000T
Bharat Forge*	1,600T to 16,000T
CIE Automotive*	150T to 6,300T
Sansera Engineering	630 T to 2,500T
MM Forgings	1,600T to 8,000T
RK Forging	2,000T to 12,500T
Global players	
Thyssenkrupp	600T to 32,000T
American Axle & Manufacturing	1,600T to 8,000T
Tianrun Crankshaft	600T to 14,000T
Guilin FUDA	2,000T to 14,000T

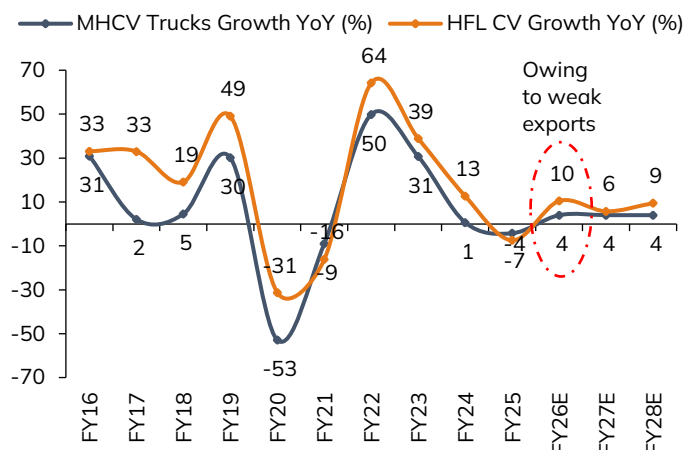
Source: Company data, I-Sec research *Global capacities, including their overseas entities.

Track record of outperformance; weakness in global macro – a near-term challenge; domestic outlook remains healthy

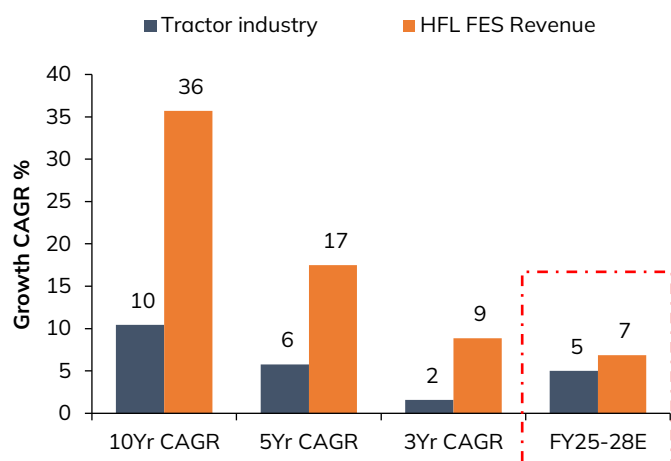
- HFL has been outperforming the underlying industry. Against the ~8%/~10% domestic MHCV trucks/tractor industry CAGR over 10 years (FY15–25), HFL's CV/FES revenue CAGR has been ~34%/~36%. Even over a 5-year period (FY20–25), HFL's CV/FES revenue has grown at 15%/17% CAGR vs. 11%/6% growth in the underlying industry. This was led by an expansion in its product portfolio, addition of new customers and increase in the wallet share of HFL's existing customers. For instance, in the last 3–5 years, HFL started manufacturing and supplying new components to existing and new segments such as passenger vehicles (PV), wind turbine segment, large crankshaft for gensets, electric buses, etc.
- During FY25, HFL's CV segment declined by 7% vs. 4% decline in domestic truck volumes due to significant drop in CV exports (~25–30% CV revenue is from exports to EU where volumes declined in double-digits). HFL's domestic CV revenue continued its outperformance. Similarly, high double-digit decline in EU farm segment, dragged the overall FES revenue growth for HFL.
- Going forward, we expect domestic CV industry volumes to grow at a 4–5% CAGR over FY25–27E led by higher government spends on infra, sustained growth in GDP, steady fuel prices and vehicle scrappage policy. Near-term demand is also expected to remain healthy (expect positive growth from Q2FY26) led by healthy fleet utilisation levels, an increase in transport operators' profitability and strong bus demand from state transport undertakings.
- Similarly, we estimate domestic tractor industry to grow at ~5% CAGR over FY25–27 led by rising farm mechanisation, expectation of normal monsoon, healthy reservoir levels and continued government support via MSP increase.
- HFL's direct exports form ~20% of its revenue, largely to Europe. Its overall exports (direct + indirect via domestic subsidiary of global customer) form ~30% of its revenue. >40% of these exports are for CV segment, which is expected to decline in high single-digits in 2025. EU farm/OHV segment (<10% of exports) declined in high double-digits in 2024 and is expected to range between flattish and a 5% decline in 2025. Industrial segment (>40% of exports) continues to do relatively better supported by new order wins. Given, the low base, we expect both EU CV and farm/OHV segments to witness a gradual recovery in 2026.
- With respect to US (currently, 1% of HFL's direct exports revenue), delay in CV emission norm change may postpone strong pre-buy demand to 2026–27. US farm segment is also expected to see a recovery in 2026 post weak demand during 2023–25 (declined in strong double-digits during this period). Given HFL's limited exposure to US, it largely remains unaffected due to recent increase in tariff. The company indicated that new orders from US OEMs (for PVs and industrial segment) that are expected to be executed over the coming quarters are on track and they do not expect any major impact due to US-tariff.

Exhibit 13: Outperformed domestic MHCV industry...

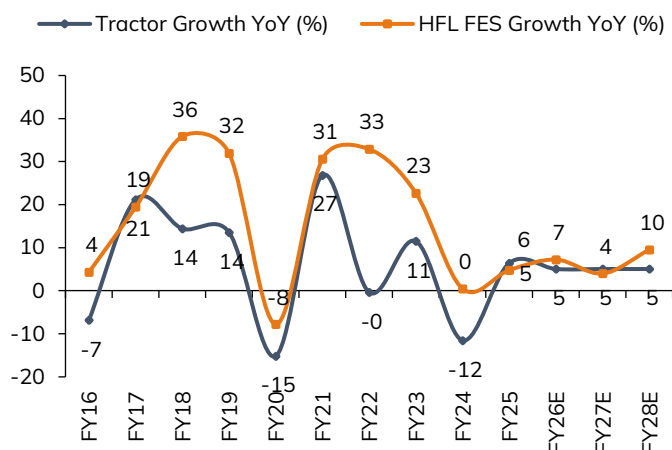
Source: Company data, SIAM, Industry I-Sec research

Exhibit 14: ...over years and we expect the same to continue

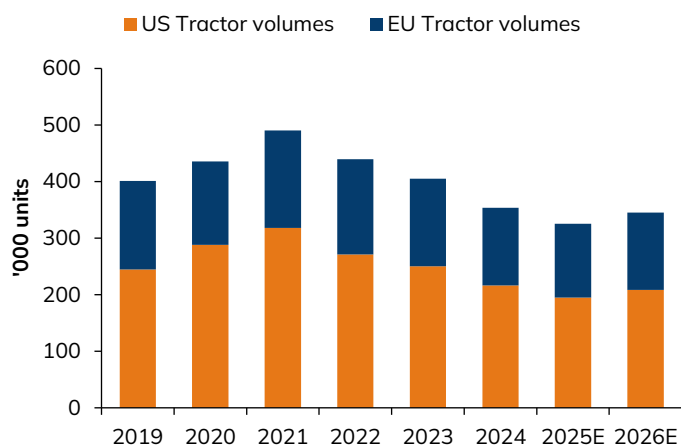
Source: Company data, SIAM, Industry, I-Sec research

Exhibit 15: Outperformed domestic tractor industry...

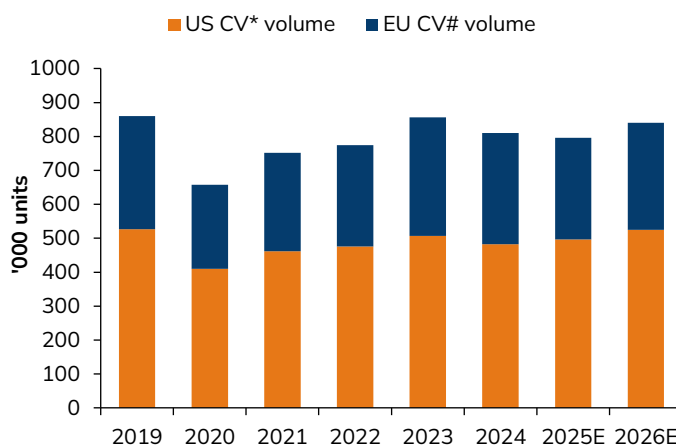
Source: Company data, SIAM, Industry, I-Sec research

Exhibit 16: ...over years and we expect the same to continue

Source: Company data, SIAM, Industry, I-Sec research

Exhibit 17: US and EU tractor industry is expected to remain muted in 2025; likely moderate recovery in 2026

Source: Company data, Bloomberg, I-Sec research

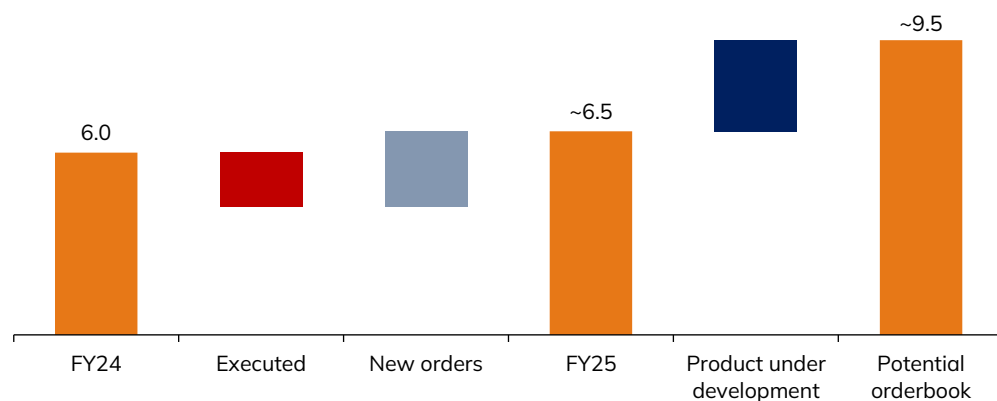
Exhibit 18: US CV outlook for 2025 largely flattish with likely pre-buy-led recovery in 2026; EU CV industry expected to decline by high single-digit in 2025

Source: Company data, Bloomberg, ACEA, S&P Global, US NADA, I-Sec research
 Note: *US CV volumes are for class 4 and above trucks; # EU CV volumes are for 3.5tn and above trucks

New orders to drive growth

- Led by consistent expansion in capability and capacity, HFL added multiple new products and entered into various segments (for instance front axle beam for buses, planetary carriers and pinion shafts for wind turbine) in the last 5–7 years. The company also added 40+ new customers across segments (CVs, OHVs, and industrials) driven by a shift in the global supply-chain landscape (OEMs adopting China+1 and Europe+1 strategy). Further, the company has also leveraged its long-standing relationships with OEMs to gain new business; thereby, being able to increase its wallet share.
- At the start of FY25, HFL had a new order book (OB) of INR 6bn. Of this, INR 1.8bn came into execution and the company added new orders worth INR 2.5bn during FY25. Its OB, as on Mar'25, stood at INR ~6.5bn, which will likely be executed over the next 2–3 years. Further, basis the products under development, the company expects INR 3bn worth of new orders to flow over the next 12–24 months. A large part of these orders is for the PV and industrial exports segments. Hence, we expect new orders in both these segments to support growth despite near-term weakness in EU/US CV and farm/OHV segment.

Exhibit 19: ~INR 6.5bn OB, as on Mar'25, to be executed over next 2–3 years; products under development can potentially increase this to INR 9.5bn



Source: Company data, I-Sec research

Exhibit 20: Details of recent order wins announced by HFL

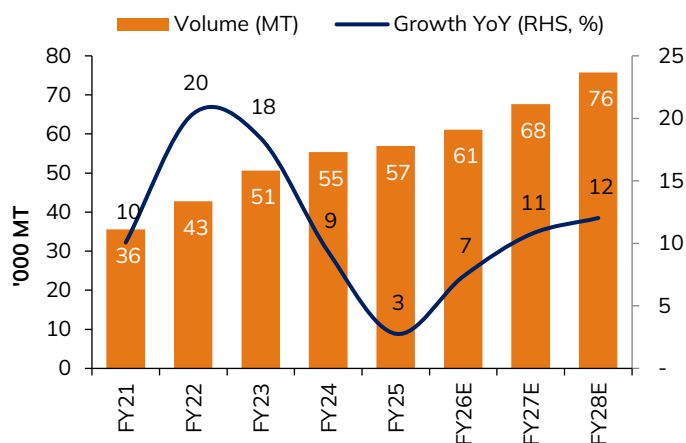
Date	Segment	Customer	Region	Peak revenue (INR Mn)	SOP
Feb-24	PV	Indian OEM	Domestic	~600	1QFY25
Apr-24	PV	Global Tier-1 manufacturer of auto driveline components	Exports	~600	4QFY26
May-24	PV	Global manufacturer of auto components	Exports	500	3QFY25
Nov-24	Industrial	North American manufacturer of Genset equipment	Exports	280	2QFY26
Dec-24	PV	Indian OEM	Domestic	~500	2HFY26
Feb-25	Industrial	Global manufacturer of industrial & construction machinery equipment	Exports	~1600	CY28

Source: Company data, I-Sec research

Expect ~14% revenue/EBITDA CAGRs over FY25–28E; high capex intensity in the near-term to keep RoCE steady

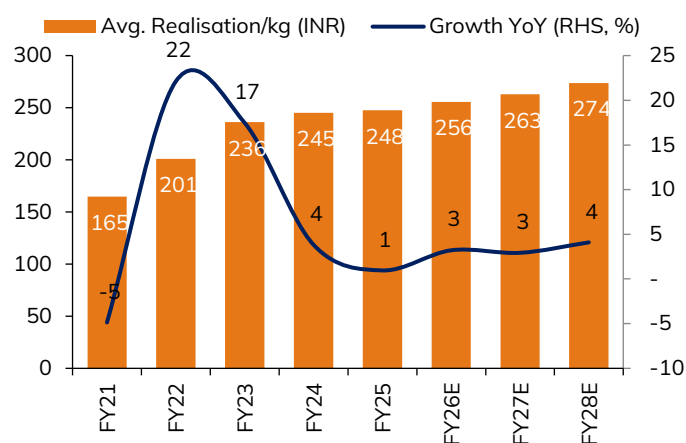
- HFL has been consistently outperforming underlying segments and peers led by healthy OB from new and existing products and customers. Underlying growth in FY25 was muted across both domestic and export market (farm and CV). However, going ahead, we expect domestic farm and CV segments to deliver a mid-single-digit volume CAGR over FY25–28E. EU/US CV and farm segment is also expected to gradually improve from 2026. Recovery in underlying markets and a healthy OB (INR 6.5bn and rising) are expected to support ~10% tonnage growth over FY25–28E. We expect this to be led by PV/industrial segments driving their revenue contributions to 13%/20% (currently 4%/14%).
- We expect average realisation to rise at a 4–5% CAGR over FY25–28E led by a rising mix of complex, heavy forged and machined components (heavy-forged components – SOP FY28 – is expected to have an average realisation of INR 800/kg). This is also expected to support an increase in EBITDA/kg from INR 71 in FY25 to INR 81 in FY28E. We expect EBITDA margin to increase by 50bps during this period.
- Capex intensity is expected to remain high in the near-term – towards increase in forging/machining capacity by 43k/28k MT (adding 10,000-tonne, 3,000-tonne and 4,000-tonne forging press). Further, HFL recently announced INR 6.5bn of capex towards heavy forging capacity (SOP: FY28). Overall, we expect capex to be INR 8.5bn over FY25–28E. High capex intensity is expected to drag RoCE in FY26 with likely recovery in FY27–28E. Strong operating cash flows (OCF) generation (INR 11.3bn) over FY25–28E is expected to support these investments. Net debt is expected to remain negative.

Exhibit 21: Expect tonnage to grow at ~10% CAGR...

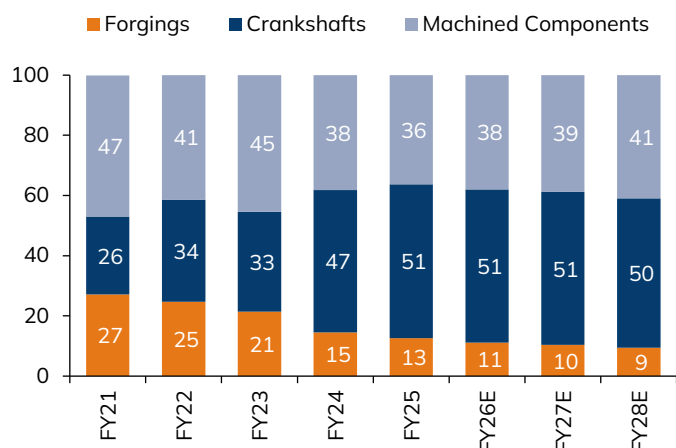


Source: Company data, I-Sec research

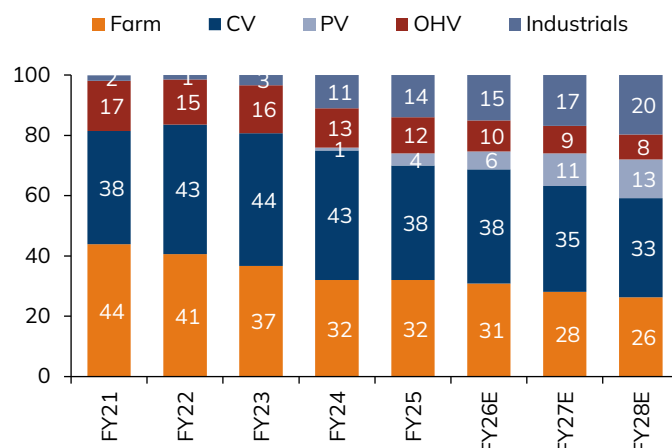
Exhibit 22: ...& realisation to rise at ~4% CAGR FY25–28E



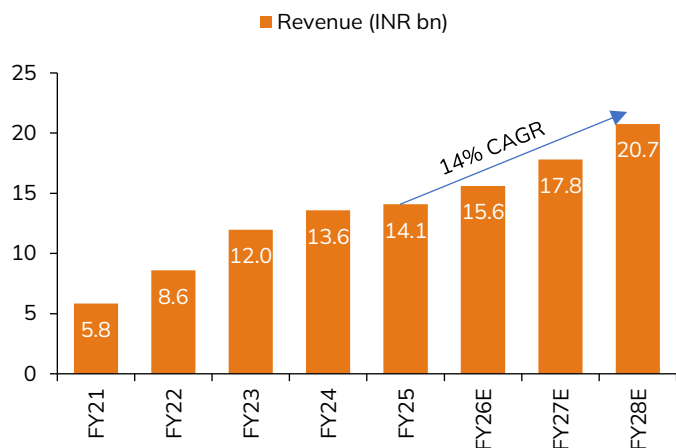
Source: Company data, I-Sec research

Exhibit 23: Share of revenue from value-added machined components to expand further


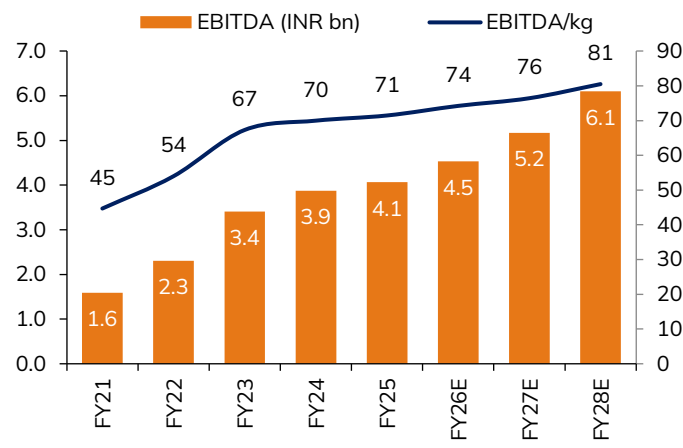
Source: Company data, I-Sec research

Exhibit 24: Industrial and PV segment to lead the growth leading to rise in its revenue share


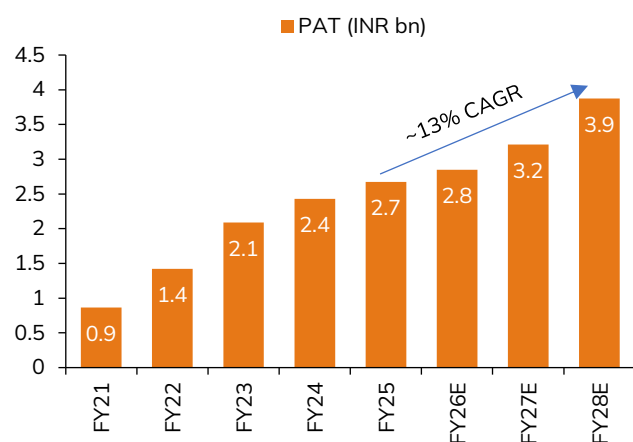
Source: Company data, I-Sec research

Exhibit 25: Expect revenue to grow at 14% CAGR...


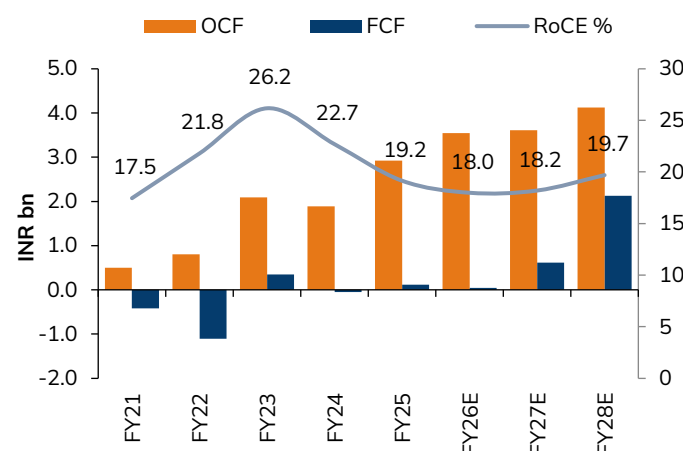
Source: Company data, I-Sec research

Exhibit 26: ...and EBITDA/kg to inch-up during FY25-28E


Source: Company data, I-Sec research

Exhibit 27: Expect PAT CAGR to be 13% over FY25-28E


Source: Company data, I-Sec research

Exhibit 28: Strong OCF to support Capex; RoCE steady


Source: Company data, I-Sec research

Exhibit 29: Detailed revenue model and key financial metrics

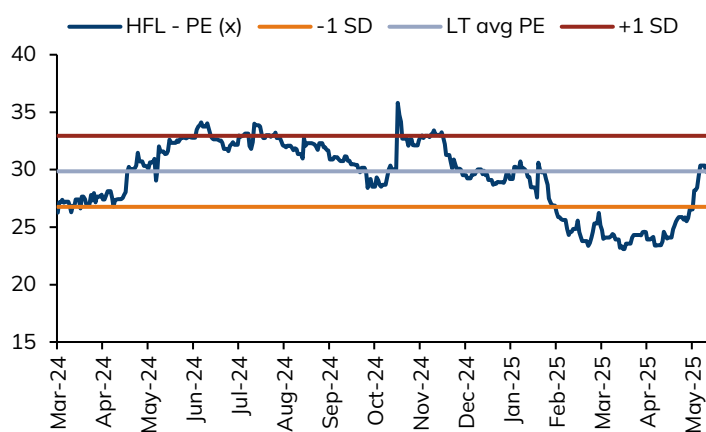
Revenue model & financials	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Volume (MT)	35,532	42,776	50,655	55,379	56,906	61,092	67,649	75,788
Avg. Realisation/kg (INR)	165	201	236	245	248	256	263	274
Revenue (INR mn)	5,850	8,600	11,965	13,582	14,089	15,610	17,790	20,745
Growth YoY (%)								
Volume	10	20	18	9	3	7	11	12
Avg. Realisation/kg	-5	22	17	4	1	3	3	4
Revenue	5	47	39	14	4	11	14	17
Revenue break-up (INR mn)								
Farm Equipment	2,404	3,194	3,917	3,934	4,121	4,417	4,593	5,030
Commercial Vehicles	2,056	3,376	4,691	5,286	4,893	5,406	5,719	6,261
Passenger Vehicles	-	-	-	123	515	850	1,760	2,463
Off Highway	917	1,170	1,703	1,598	1,545	1,467	1,496	1,581
Industrials	95	116	358	1,352	1,803	2,145	2,745	3,755
Others (incl. railways)	6	-	-	-	-	-	-	-
Scrap	345	644	875	1,016	986	1,069	1,184	1,327
Die development	11	81	65	138	85	91	100	113
Other operating revenue	17	19	356	135	141	164	194	217
Total Revenue	5,850	8,600	11,965	13,582	14,089	15,610	17,790	20,745
Revenue growth YoY (%)								
Farm Equipment	31	33	23	0	5	7	4	10
Commercial Vehicles	-16	64	39	13	-7	10	6	9
Passenger Vehicles					319	65	107	40
Off Highway	7	28	46	-6	-3	-5	2	6
Industrials	59	22	210	278	33	19	28	37
Others (incl. railways)	-84							
Scrap	17	87	36	16	-3	8	11	12
Die development	-59	664	-20	112	-39	7	11	12
Other operating revenue	-29	16	1,728	-62	4	16	18	12
Total Revenue	5	47	39	14	4	11	14	17
EBITDA (INR bn)	1,587	2,309	3,409	3,875	4,067	4,535	5,171	6,101
EBITDA/kg (INR)	44.7	54.0	67.3	70.0	71.5	74.2	76.4	80.5
EBITDA margin %	27.1	26.8	28.5	28.5	28.9	29.1	29.1	29.4
PAT (INR bn)								
PAT (INR bn)	864	1,422	2,087	2,430	2,674	2,850	3,212	3,874
Growth YoY (RHS, %)	8	64	47	16	10	7	13	21
RoCE %								
RoCE %	17.5	21.8	26.2	22.7	19.2	18.0	18.2	19.7
ROE %								
ROE %	14.4	19.8	23.5	18.7	15.4	14.4	14.4	15.3
OCF								
OCF	499	803	2,094	1,890	2,923	3,542	3,613	4,126
Capex								
Capex	-917	-1,908	-1,745	-1,941	-2,806	-3,500	-3,000	-2,000
FCF								
FCF	-418	-1,106	350	-51	118	42	613	2,126

Source: Company data, I-Sec research

Valuation

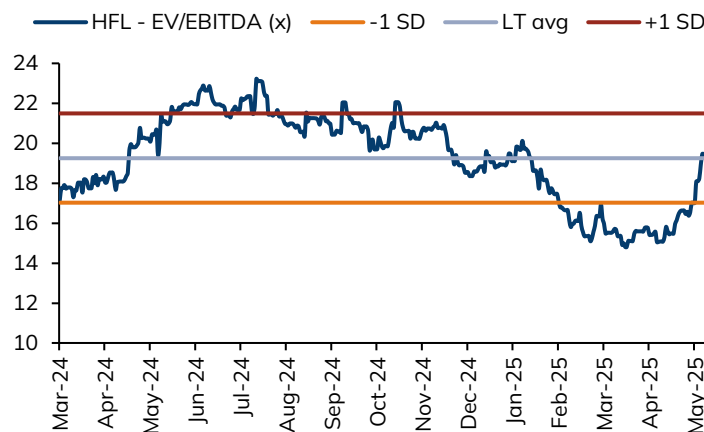
- With a large addressable market, shift in global supply chain landscape, focus on value-added opportunity, ~20% pre-tax RoCE (depressed due to high capex intensity phase), ~14% earnings CAGR and ~3% FCF yield, HFL, in our view, is poised to trade in the 25–30x earnings multiple band, looking at comparable valuations. In terms of business, the closest comparable listed company is Bharat Forge (~50%+ product overlap), which is trading at ~35x FY27E earnings as against HFL at ~28x currently. HFL's focus on manufacturing value-added business has led to higher salience in fully-machined components and industry-leading profitability.
- We value HFL at 30x Sep'27E EPS (BHFC is ascribed premium multiple owing to its presence in defence business). We initiate coverage with a **BUY** rating and a Sep'26E TP of INR 1,150 implying a ~16% upside from CMP.

Exhibit 30: 1-year forward PE



Source: Bloomberg, I-Sec research

Exhibit 31: 1-year forward EV/EBITDA



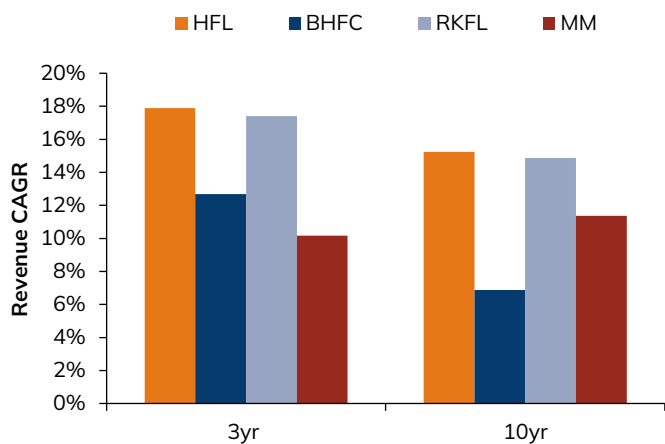
Source: Bloomberg, I-Sec research

Key risks

- Slower-than-expected growth in the domestic CV/farm segment, or delayed recovery in EU and US CV/farm segment, may impact our growth estimates for HFL. However, given its track record, we expect HFL to continue to outperform its underlying industry.
- HFL shall be incurring heavy capex over the next 2–3 years with the expectation of execution/ramp-up of orders and new order wins. However, delays in some of the order execution timeline or an inability to win new orders, especially for recently announced heavy-forged components, may impact the company's asset utilisation; thus, its margins and RoCE.
- While HFL's current US exposure is minimal (~1% of revenue), new orders in its pipeline are from recently added US customers. Any adverse outcome of the India-US tariff deal may impact the company's growth or margin outlook

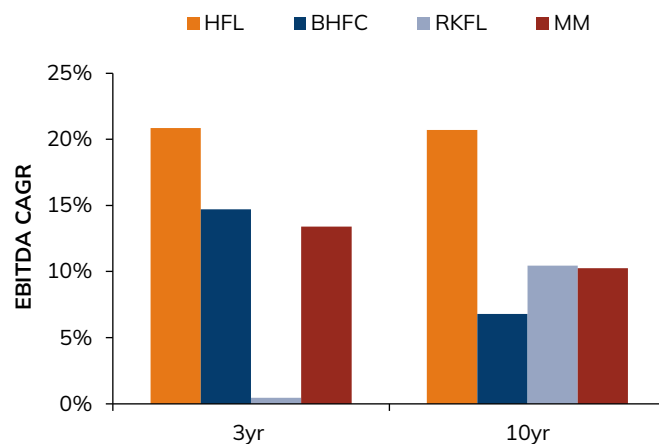
Peer comparison

Exhibit 32: HFL outperformed peers' revenue growth...



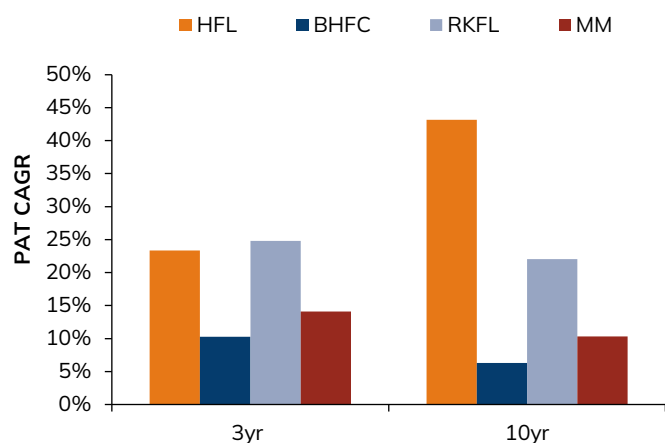
Source: Company data, Industry, I-Sec research

Exhibit 33: ...and EBITDA growth...



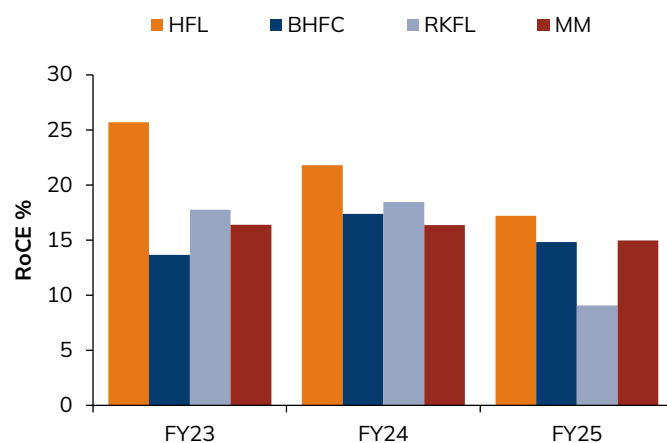
Source: Company data, Industry, I-Sec research

Exhibit 34: ...and PAT growth



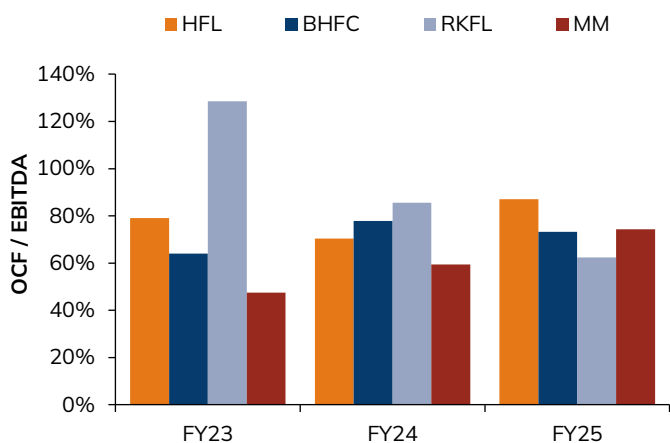
Source: Company data, Industry, I-Sec research

Exhibit 35: RoCE profile also better than peers



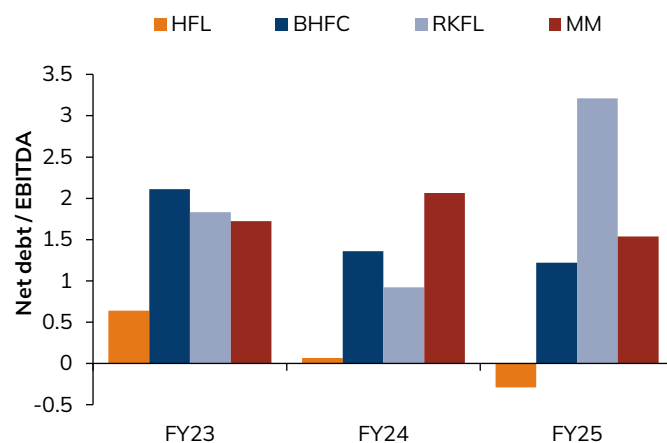
Source: Company data, Industry, I-Sec research

Exhibit 36: RFKL did better in terms of OCF/EBITDA



Source: Company data, Industry, I-Sec research

Exhibit 37: HFL is net debt free vs. debt in case of peers



Source: Company data, Industry, I-Sec research

Company overview

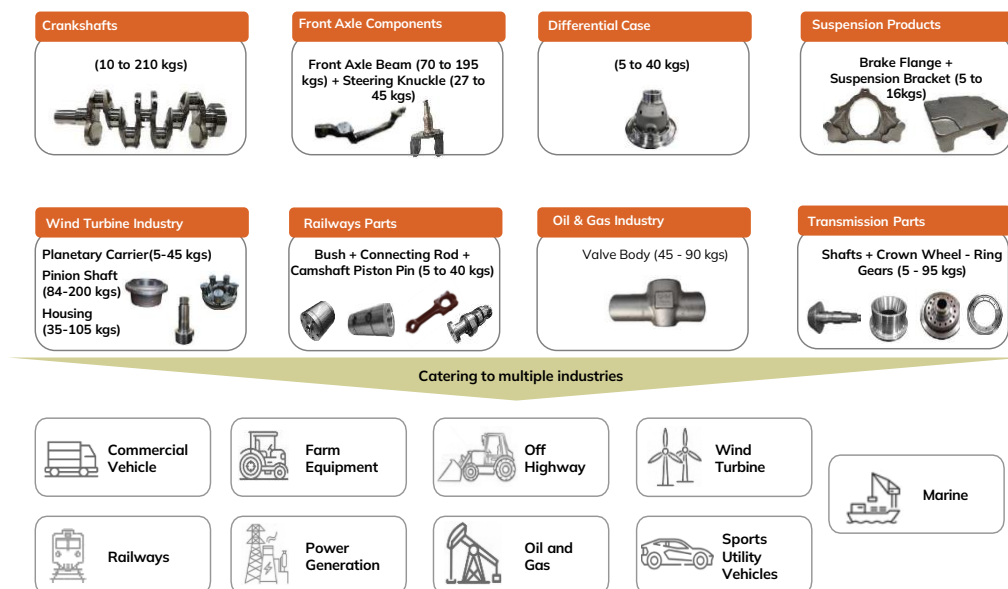
HFL is a leading manufacturer of complex and safety-critical, heavy-forged and high precision machined components in India.

HFL manufactures a wide range of heavy-forged and machined products, which include crankshafts, front axle beams, steering knuckles, differential cases, transmission parts, pinion shafts, suspension products and valve bodies across industries for a diversified base of customers.

HFL primarily cater to domestic and global OEMs manufacturing CV, PV, farm, off-highway vehicles (OHV) and the manufacturers of industrial equipment and machinery for oil and gas, power generation, railways, wind turbine and marine industries.

With over 45 years of experience of manufacturing and supplying quality and complex components according to customers specifications, the company has emerged as a leading player in the domestic forging industry and vertically integrated operations with end-to-end capabilities in engineering, process design, testing, manufacturing, and supply of a variety of components.

Exhibit 38: HFL's diverse product portfolio catering to multiple industries

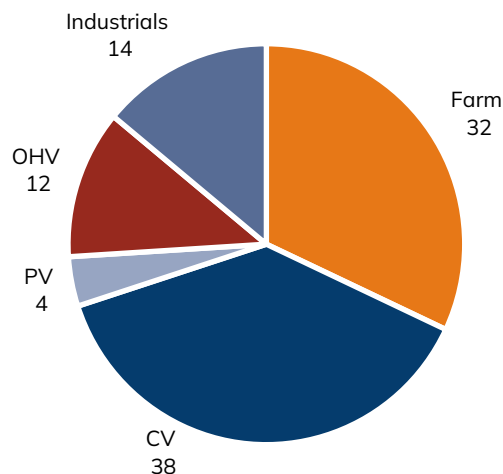


Source: Company data, I-Sec research

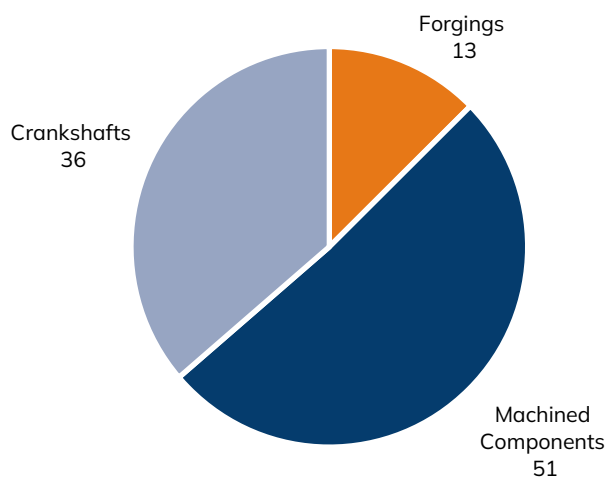
Exhibit 39: Detailed product portfolio across segments

Segments	Key products
CV	Brake flange, crankshaft, crown wheel, differential case, front axle beam, pinion shaft, ring gear, shafts, steering knuckle and suspension bracket
Farm	Crankshaft, crown wheel, differential case, pinion shaft, ring gear, shafts and suspension bracket
Off-highway	Crankshaft, crown wheel, differential case, housing, planetary carrier, pinion shaft, shaft and suspension bracket
Industrial*	Bush, camshaft, connecting rod, crankshaft, crown wheel, differential case, housing, planetary carrier, pinion shaft, suspension bracket, and valve bodies
PV	Crankshaft and e-axle components

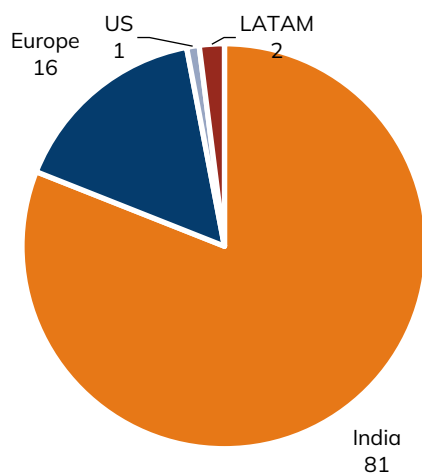
Source: Company data, I-Sec research *For oil and gas, power generation, railways and wind turbine industries

Exhibit 40: Revenue mix by segments (FY25)

Source: Company data, I-Sec research

Exhibit 41: Revenue mix by product-line (FY25)

Source: Company data, I-Sec research

Exhibit 42: Revenue mix by geography* (FY25)

Source: Company data, I-Sec research;

*Note: These are direct exports from India. Indirect exports (i.e. via Indian subsidiary of a global OEM forms further ~10% of revenue).

Exhibit 43: Associated with marquee clients across segments



Source: Company data, I-Sec research

Exhibit 44: Long standing relationship with key customers

Sr.no.	Customer	Relationship – commencement	Relationship – no. of years of
1	Dana India	2002	23 years
2	VE Commercial Vehicles Limited	2002	23 years
3	Manufacturer of Gears	2004	21 years
4	Manufacturer and supplier of automobile gears	2004	21 years
5	Ashok Leyland Limited	2009	16 years
6	AAM India Manufacturing Corporation Private Ltd	2010	15 years
7	Manufacturer of locomotives for Indian railways	2011	14 years
8	Meritor HVS AB	2012	13 years
9	JCB India Limited	2012	13 years
10	M&M – Swaraj Division	2012	13 years
	M&M – Auto Division		12 years

Source: Company data, I-Sec research

Exhibit 45: HFL's journey – timeline

Year	Particulars
1979	Incorporation of the Company. Established Kanganwal Facility I for manufacturing bicycle crank arms.
1995	Purchased heavy duty hammers for manufacturing of oil engine parts and motor parts.
2006	Commencement of operations at Kanganwal Facility II.
2007	Commissioned first 8,000tonne forging press line.
2009	Commencement of manufacturing front steering parts by procuring axle arms from Ashok Leyland.
	Installed model grinding technology used to manufacture four cylinder and six-cylinder crankshafts.
2011	Ventured into new industries i.e., CV, farm and capital equipment.
2017	Commissioned second 8,000tonne forging press line.
2018	Fund raised from India Business Excellence Fund – III.
2019	Commencement of operations at Dugri Facility.
	Forayed into a wind segment by manufacturing pinion shaft for wind turbine industry.
	Commissioned third 8,000tonne forging press line.
2022	Commencement of sale of front axle beam for electric buses.
	Commissioned first 14,000tonne forging press line.
2023	Installed seven dedicated lines for manufacturing crankshaft and other key machines, enhancing machining capacity from 29,500 tonnes to 35,000 tonnes.
2024	Entry into PV segment for e-axle components, crankshafts etc.

Source: Company data, I-Sec research

Manufacturing facilities

HFL has three manufacturing facilities, all of them are based in Ludhiana, Punjab. The strategic locations of these facilities near inland container depot facility in Ludhiana and Dedicated Freight Corridor provides cost and logistical advantages.

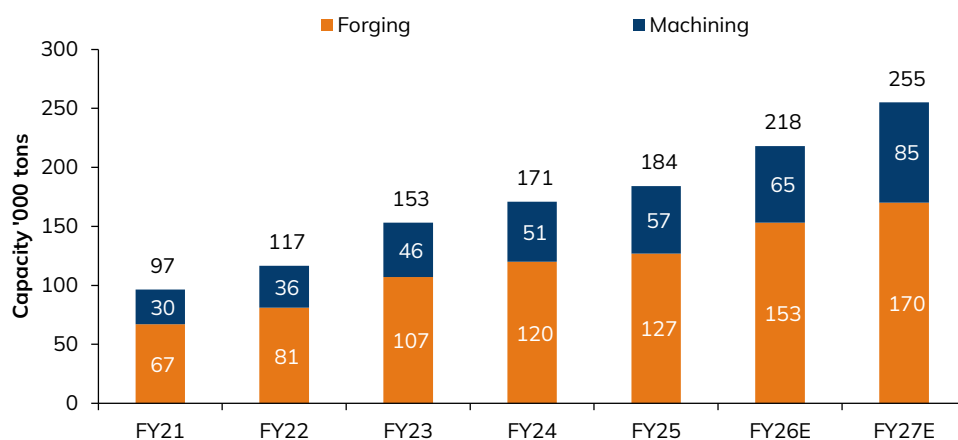
Its forging press ranges from 3k tonne to 14k tonne with the ability to forge heavier and complex parts up to 250kgs to cater to different industries which require heavy and complex parts. HFL is only the second player in India to operate such heavy forging press. Further its upcoming heavy-duty component forging press (components weighing 250–3,000kgs) will likely be the largest in Asia and the second-largest globally.

Exhibit 46: Details of manufacturing facilities

Manufacturing facility	Products manufactured	Year of Commencement
Kanganwal Facility I	Forging of brake flange, bush, camshaft, crankshaft, connecting rod, crown wheel, differential case, housing, planetary carrier, pinion shaft, piston pin, ring gear, shafts, steering knuckle, suspension bracket and valve body.	1995
Kanganwal Facility II	Machining and forging bush, connecting rod differential case, camshaft, crankshafts and suspension bracket and machining of the products forged in the Kanganwal Facility II.	2006
Dugri Facility	Forging and Machining of brake flange, crankshaft, differential case, front axle beam, planetary carrier, pinion shaft, ring gear, steering knuckle, suspension bracket and valve body.	2021

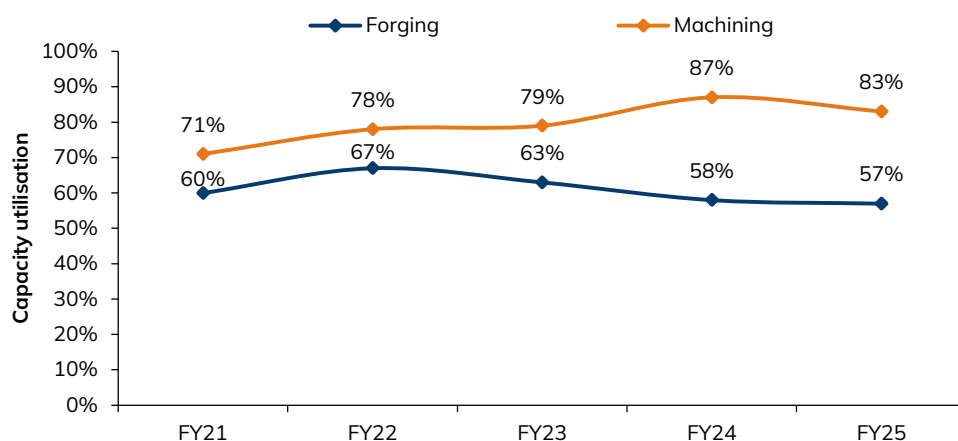
Source: Company data, I-Sec research

Exhibit 47: Forging and machining capacity



Source: Company data, I-Sec research

Exhibit 48: Capacity utilisation



Source: Company data, I-Sec research

Key management personnel

Exhibit 49: Key management personnel summary

Name	Position	Details
Paritosh Kumar	Chairman & Managing Director	<ul style="list-style-type: none"> ~45 years of experience in the industrial sector. Bachelor's degree in arts from S.C. Dhawan Government (Evening) College, Ludhiana, Panjab University. Involved in the strategic decision making of HFL, oversees the company's business activities and is proficient in financial management, budgeting involved in setting up the governance standards.
Ashish Garg	Managing Director	<ul style="list-style-type: none"> ~18 years of experience in the industrial sector. Bachelor's degree in science (accounting and finance), and a master's degree in science (manufacturing systems engineering) from the University of Warwick, UK. Responsible for managing the company's business operations, financial performance, growth strategies and investments in different capacities and product developments.
Megha Garg	Whole - Time Director	<ul style="list-style-type: none"> ~9 years of experience in the industrial sector. Bachelor's degree in science (economics) from the University of Nottingham, United Kingdom. Responsible for managing the digital marketing to engage prospects and capture leads and spearheading ESG initiatives.
Narinder Singh Juneja	Chief Operating Officer	<ul style="list-style-type: none"> Over 50 years of experience in the industrial sector. Post Graduate Diploma in Mechanical Engineering (machine tools operation and maintenance) from Y.M.C.A. Institute of Engineering, State Board of Technical Education, Haryana.
Sushant Pustake	Chief Operating Officer	<ul style="list-style-type: none"> Over 40 years of experience in high-tech manufacturing and operations, green field project management, operational excellence and productivity improvement. Bachelor's degree in Metallurgical Engineering from College Of Engineering, Pune (C.O.E.P.)
Patwinder Singh	Chief Operating Officer	<ul style="list-style-type: none"> Over 22 years of overall experience. Bachelor's degree in Science from Guru Nanak Dev University, and a Master's degree in Business Administration from CSM Institute of Graduate Studies.
Pankaj Kumar Goyal	Chief Financial Officer	<ul style="list-style-type: none"> Over 23 years of experience in the finance sector. Bachelor's degree in Commerce from Government College, Malerkotla, Punjabi University, and is a Fellow Member of the Institute of Chartered Accountants of India.
Mangesh Shantaram Purandare	Chief Marketing Officer	<ul style="list-style-type: none"> Over 27 years of experience in the marketing sector mainly in auto components including castings/forgings/gears and bearings. Bachelor's degree in Engineering (Industrial) and a Master's degree in Business Administration from University of Pune.

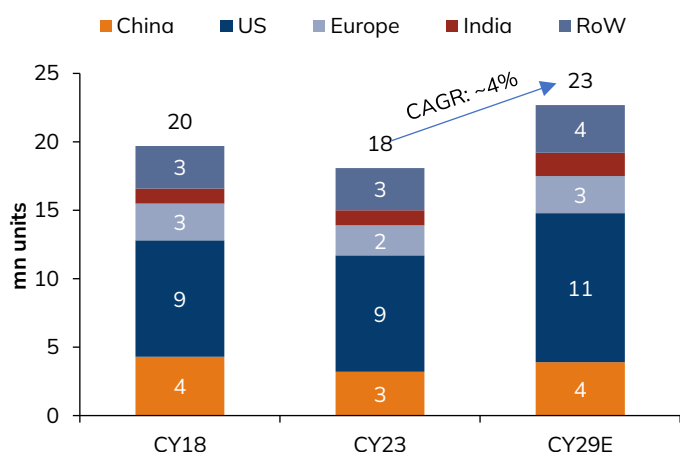
Source: Company data, I-Sec research

Industry background*

Global CV industry

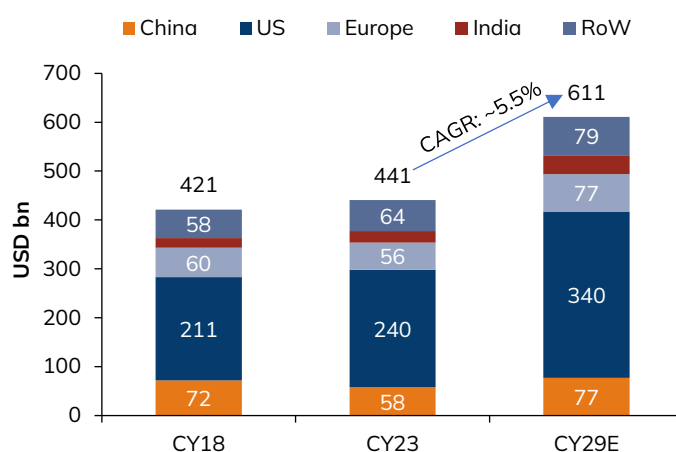
The global CV market is expected to see a growth rate of 3.8% by volume and 5.6% by value during CY23-29, driven by growth of the e-commerce sector, which would encourage OEMs to increase production of light and medium-duty trucks. Infrastructure development of smart cities and highways shall lead to an increase in demand of heavy-duty trucks. India followed by US is expected to drive growth of global CV volumes.

Exhibit 50: Global CV production market size by volume



Source: Ricardo Report, Company RHP, I-Sec research

Exhibit 51: Global CV production market size by value

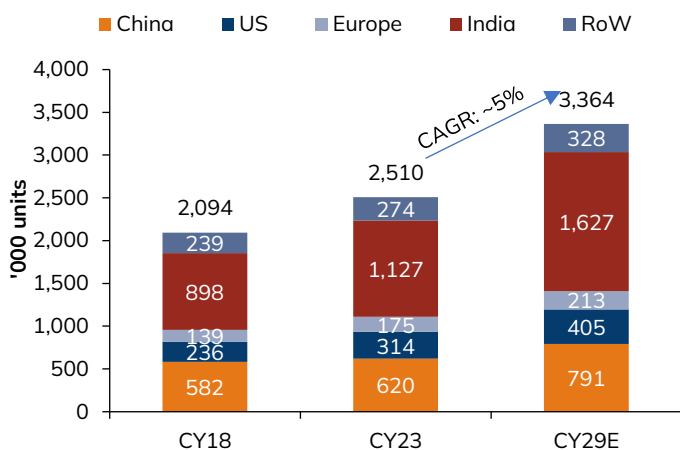


Source: Ricardo Report, Company RHP, I-Sec research

Global tractor industry

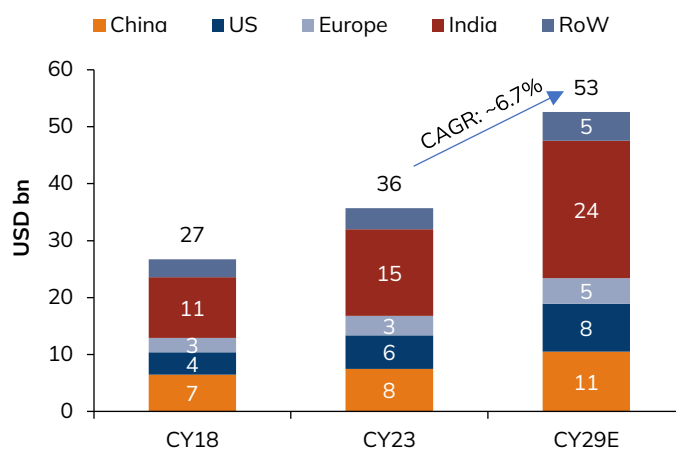
The global tractor market is expected to grow at a CAGR of 5% by volume during CY23-29 with India expected to lead with a CAGR of 6.3% during this period. Growth would be driven by two important factors, namely: 1) growing nominal GDP, which is expected to reach USD 5trn by 2028 and the agriculture sector contributing 20% to GDP; and 2) government initiatives. Tractor sales in US and China are expected to grow at ~4% CAGR, led by farm mechanisation and integration of telematics with agricultural tractors.

Exhibit 52: Global Tractor sales market size by volume



Source: Ricardo Report, Company RHP, I-Sec research

Exhibit 53: Global Tractor sales market size by value



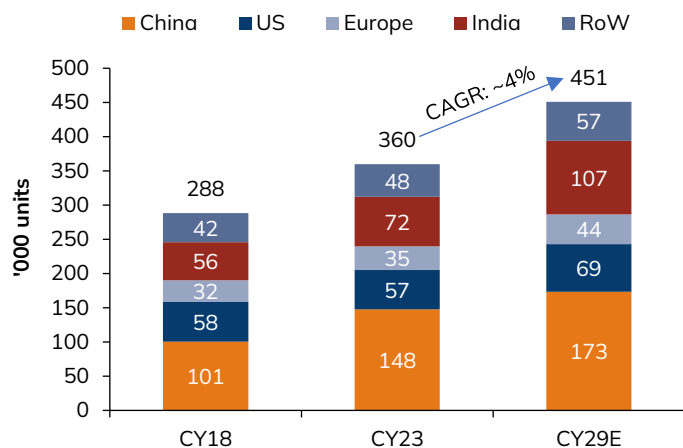
Source: Ricardo Report, Company RHP, I-Sec research

*Source: Ricardo report, RHP

Global OHV industry

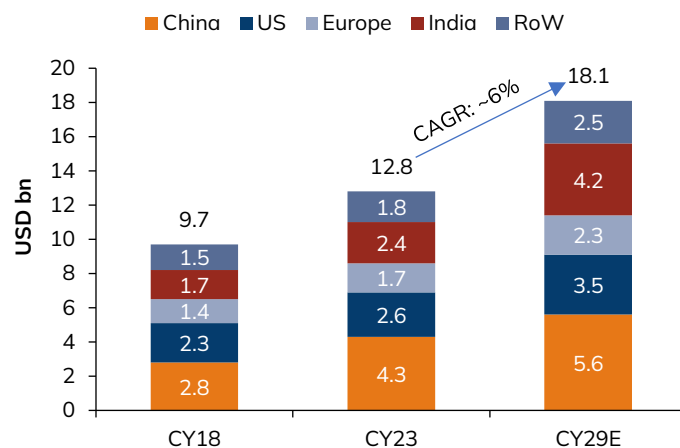
The global OHV market is expected to grow at a CAGR of 3.8% by volume during CY23–29. China and India are projected to be the key performers during this period. Factors such as population growth, urbanisation, and infrastructure development projects contribute to steady demand growth for OHV and construction equipment.

Exhibit 54: Global OHV sales market size by volume



Source: Ricardo Report, Company RHP, I-Sec research

Exhibit 55: Global OHV sales market size by value

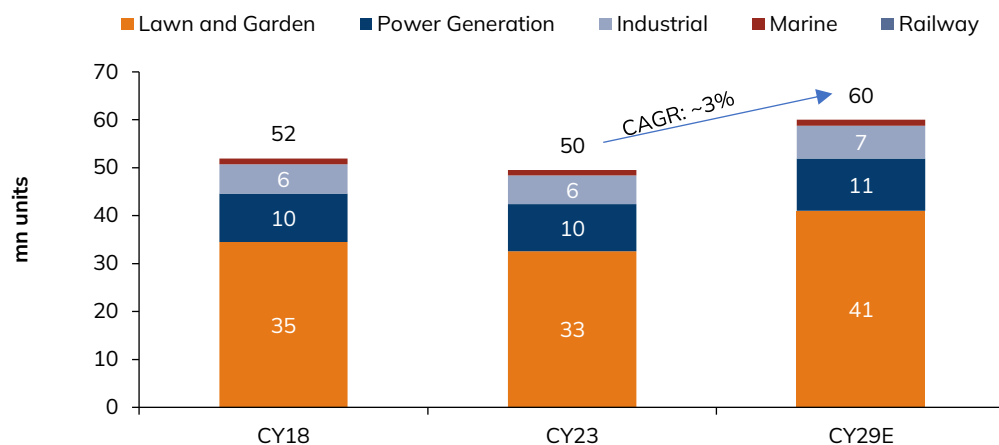


Source: Ricardo Report, Company RHP, I-Sec research

Global industrial engine industry

Industrial engines have become increasingly important in recent years. These engines are used as backup power sources when primary power sources fail, and for their portability when used in mining operations. Gasoline and diesel engines remain the most popular due to their durability and heavy-duty design. Increased shipbuilding activity, high performance, easy maintenance, and fuel economy are the key market drivers enhancing the marine engine market growth. The growing global population and industrialisation have led to a significant rise in power demand. Unreliable power grid infrastructure in many regions, especially in developing countries, have inadequate or unreliable power grid infrastructure which further promotes the market for industrial engines.

Exhibit 56: Global industrial and other engine market size by volume

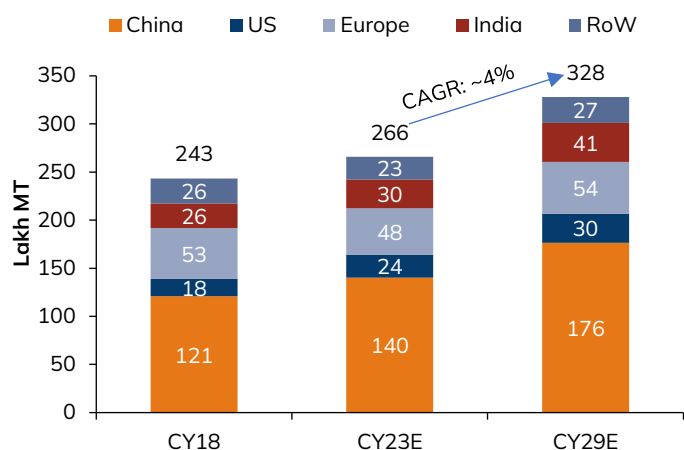


Source: Ricardo Report, Company RHP, I-Sec research

Global forging industry

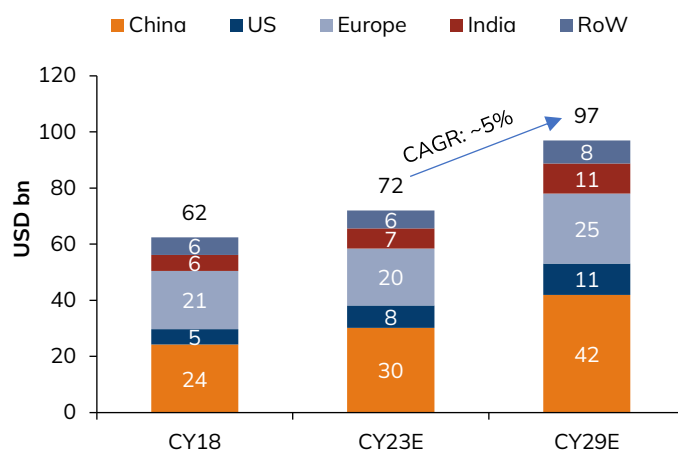
Ricardo anticipates the market to grow from '257.9L MT' (USD 68bn) in CY22 to '328 lakh MT' (USD 97bn) by CY29 at an estimated CAGR of 4%. In Europe, there is some decline in the trend due to the economic slowdown caused by geopolitical threats and the supply shock triggered by a rise in oil prices, but the market will likely grow from '48 lakh MT' in CY22 to '54 lakh MT' in CY29; growth shall be slow until CY25 when the European economy is expected to stabilise. India would see steady growth and volume will likely increase by ~141%, from '29 lakh MT' in CY22 to '39 lakh MT' in CY29 owing to the government's PLI scheme on automotives where capex of USD 9.6bn is expected in phases before CY28.

Exhibit 57: Global forging market size by volume



Source: Ricardo Report, Company RHP, I-Sec research

Exhibit 58: Global forging market size by value

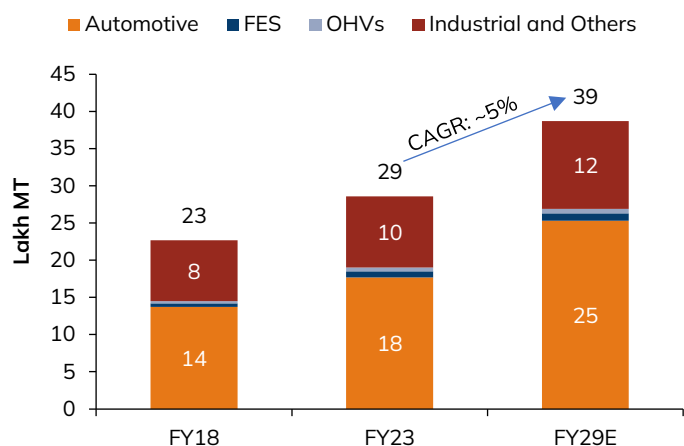


Source: Ricardo Report, Company RHP, I-Sec research

Indian forging industry

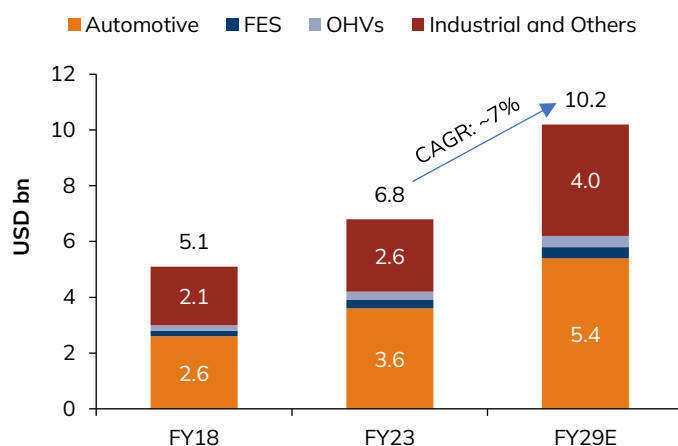
The Indian forging industry is well-recognised globally for its technical capabilities to forge a variety of raw materials as per the requirements of the user industry. Over the years, India has evolved from being labour-intensive to capital-intensive. The Indian auto sector constitutes ~62% of forged components market share globally. In terms of value, India's auto sector's contribution to forged components was about USD 3.6bn in CY23 and is estimated to grow at a CAGR of 7% to USD 5.4bn in CY29 led by a rise in auto demand backed by an increase in per capita income.

Exhibit 59: Indian forging market by end-use and volume



Source: Ricardo Report, Company RHP, I-Sec research

Exhibit 60: Indian forging market by end-use and value

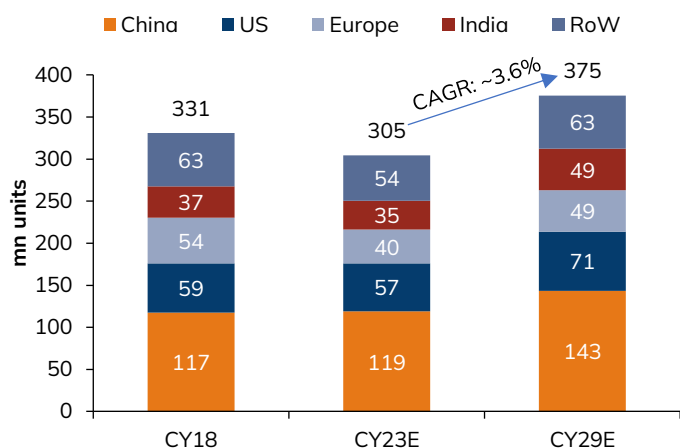


Source: Ricardo Report, Company RHP, I-Sec research

Global machining industry

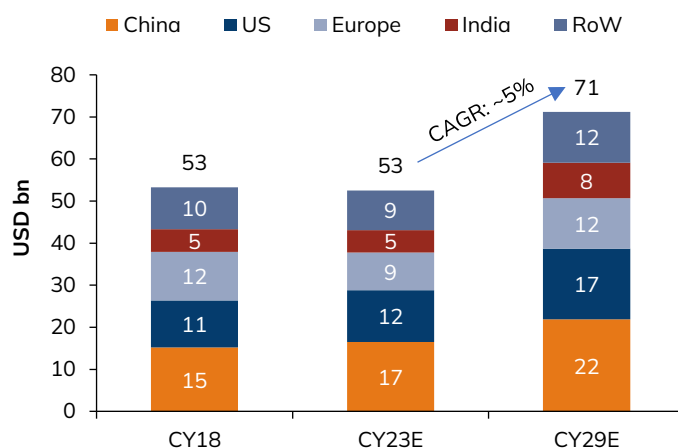
Post 2023, the global machining market of identified products (axle beam, steering knuckles and crankshaft) is expected to grow with rising investments in the development of powertrain technologies by major OEMs and expected growth in the construction industry of Southeast Asian countries. India is poised to become a global hub for manufacturing driven by a confluence of factors such as the China+1 strategy, high production costs in Europe and US, and India's status as the low-cost producer in the world after China. Additionally, the robust manufacturing ecosystem, the easy availability of skilled labour and key raw materials, and strong government incentive schemes are all contributing to India's emergence as a global manufacturing hub.

Exhibit 61: Global machining market size by volume



Source: Ricardo Report, Company RHP, I-Sec research

Exhibit 62: Global machining market size by value

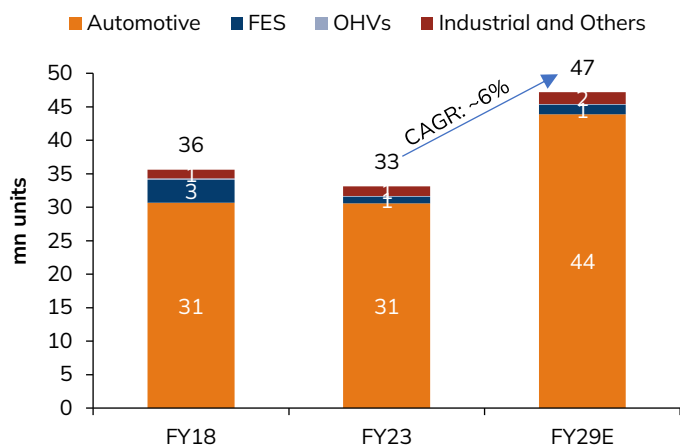


Source: Ricardo Report, Company RHP, I-Sec research

Indian machining industry

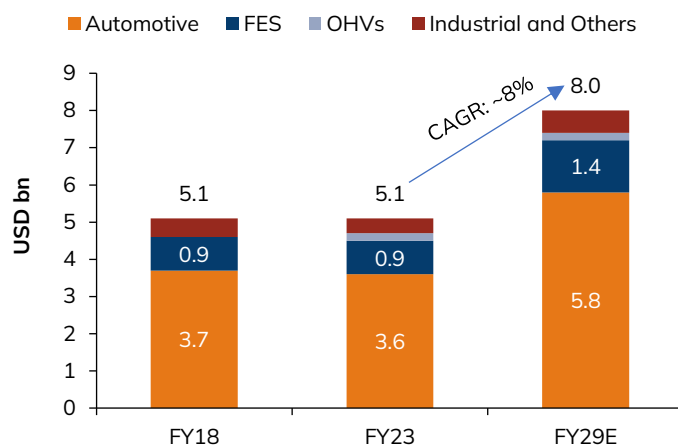
The automotive sector holds about 92% of the machined components market share in FY23 within India by volume. The market is expected to grow to 47.2mn units (USD 8.0bn) by FY29 with a rise in demand of automotives backed by a rise in the working population and an increase in per capita income. The machined components market size in the farm sector is expected to grow fastest with a CAGR of 9.8% during FY24–29 in terms of value to reach a size of USD 1.4 bn by FY29 (Ricardo report).

Exhibit 63: Indian machining market by end-use and volume



Source: Ricardo Report, Company RHP, I-Sec research

Exhibit 64: Indian machining market by end-use and value

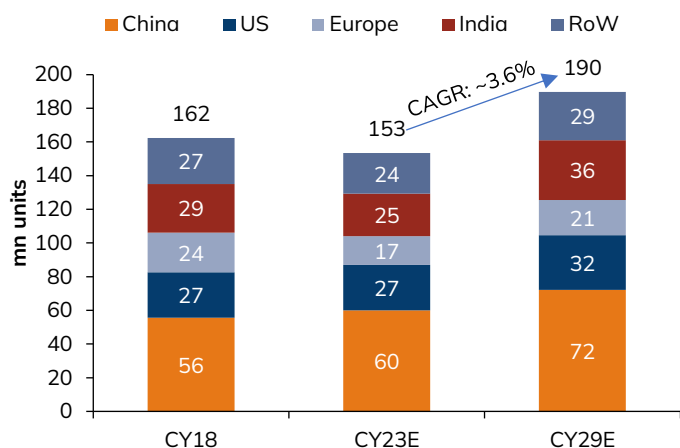


Source: Ricardo Report, Company RHP, I-Sec research

Global crankshaft industry

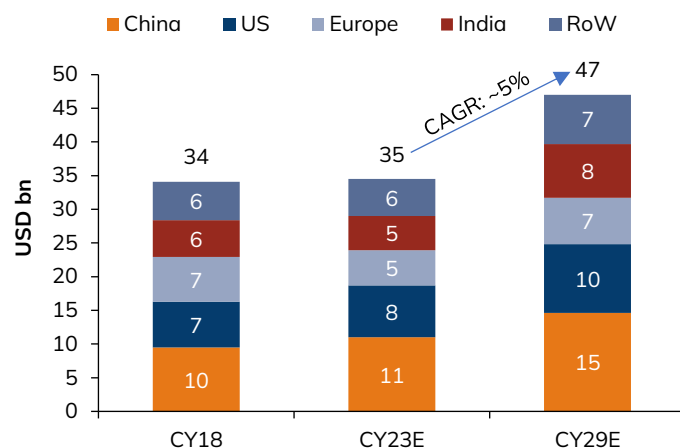
Post 2023, the global crankshaft market is expected to grow with increasing investments in development of powertrain technologies by major OEMs corresponding with anticipated growth in the construction industry of Southeast Asian countries. The global crankshaft market is expected to see growth during CY23–29E (Source: Ricardo report) on account of factors such as increase in demand for autos (PV, CV, 2W) backed by GDP growth. India is expected to showcase a CAGR of 7.7% during CY23–29, by value to become USD 8bn market.

Exhibit 65: Global crankshaft market size by volume



Source: Ricardo Report, Company RHP, I-Sec research

Exhibit 66: Global crankshaft market size by value

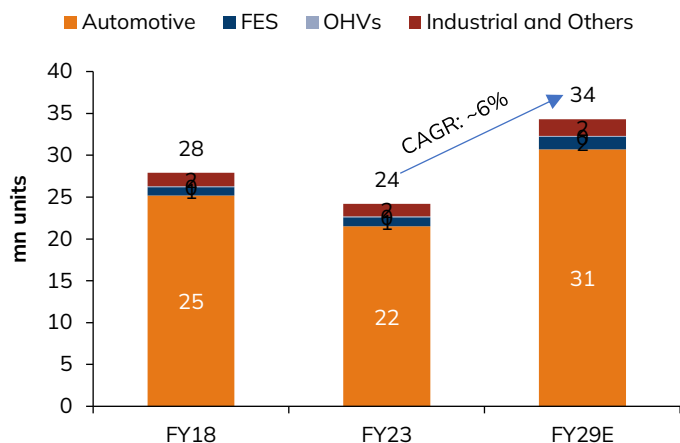


Source: Ricardo Report, Company RHP, I-Sec research

India's crankshaft industry

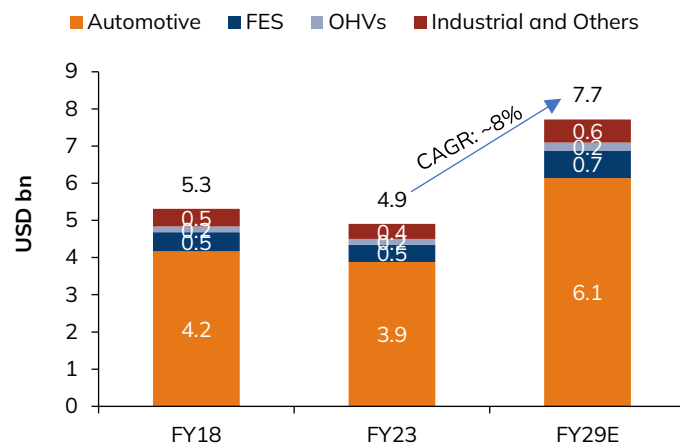
In India, the crankshaft market is showing steady growth and the automotive vertical will likely grow to 30.7mn units, farm to 1.5mn units and off-highway to 0.1mn units by 2029 at an overall CAGR of 6.4% during FY24–29 in terms of volume (Source: Ricardo report). The market is expected to grow from a value of USD 4.92bn in 2023 to USD 7.73bn in FY29 with a CAGR of 8.3% over the period FY23-29. Growth in CV and off-highway segments would increase demand for medium and heavy-forged crankshafts backed by investments in the construction sector.

Exhibit 67: Indian crankshaft market by end-use & volume



Source: Ricardo Report, Company RHP, I-Sec research

Exhibit 68: Indian crankshaft market by end-use and value



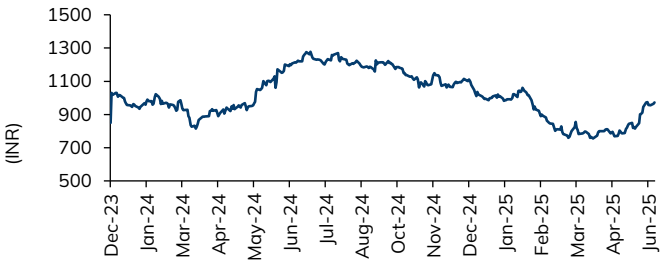
Source: Ricardo Report, Company RHP, I-Sec research

Exhibit 69: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	78.6	78.6	78.6
Institutional investors	19.5	19.4	19.3
MFs and others	7.9	7.5	11.7
FIs/Banks	0.0	0.0	0.0
Insurance Cos	0.6	0.5	0.3
FIIIs	11.0	11.4	7.3
Others	1.9	2.0	2.1

Source: Bloomberg, I-Sec research

Exhibit 70: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 71: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	14,089	15,610	17,790	20,745
Operating Expenses	2,857	3,152	3,595	4,176
EBITDA	4,067	4,535	5,171	6,101
EBITDA Margin (%)	28.9	29.1	29.1	29.4
Depreciation & Amortization	771	951	1,127	1,230
EBIT	3,296	3,584	4,044	4,871
Interest expenditure	75	148	132	99
Other Non-operating Income	-	-	-	-
Recurring PBT	3,596	3,811	4,296	5,180
Profit / Loss from Associates	-	-	-	-
Less: Taxes	921	961	1,084	1,307
PAT	2,674	2,850	3,212	3,874
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	2,674	2,850	3,212	3,874
Net Income (Adjusted)	2,674	2,850	3,212	3,874

Source Company data, I-Sec research

Exhibit 72: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	7,950	8,417	9,026	11,426
of which cash & cash eqv.	129	294	128	1,492
Total Current Liabilities & Provisions	984	1,144	1,305	1,504
Net Current Assets	6,967	7,273	7,721	9,922
Investments	2,747	2,272	1,999	1,728
Net Fixed Assets	9,077	11,626	13,500	14,270
ROU Assets	-	-	-	-
Capital Work-in-Progress	1,228	1,228	1,228	1,228
Total Intangible Assets	-	-	-	-
Other assets	1,150	1,242	1,341	1,448
Deferred Tax assets	-	-	-	-
Total Assets	21,169	23,642	25,788	28,596
Liabilities				
Borrowings	2,280	2,280	1,780	1,280
Deferred Tax Liability	393	393	393	393
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	188	188	188	188
Reserves & Surplus	18,307	20,780	23,427	26,735
Total Net Worth	18,495	20,968	23,615	26,923
Minority Interest	-	-	-	-
Total Liabilities	21,169	23,642	25,788	28,596

Source Company data, I-Sec research

Exhibit 73: Quarterly trend

(INR mn, year ending March)

	Jun-24	Sep-24	Dec-24	Mar-25
Net Sales	3,415	3,611	3,543	3,520
% growth (YOY)	3.5	5.3	3.6	2.5
EBITDA	976	1,054	1,015	1,023
Margin %	28.6	29.2	28.6	29.1
Other Income	76	131	66	100
Extraordinaries	-	-	-	-
Adjusted Net Profit	638	714	645	676

Source Company data, I-Sec research

Exhibit 74: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	2,923	3,542	3,613	4,126
Working Capital Changes	(486)	(234)	(713)	(945)
Capital Commitments	(2,806)	(3,500)	(3,000)	(2,000)
Free Cashflow	118	42	613	2,126
Other investing cashflow	(396)	648	418	403
Cashflow from Investing Activities	(3,202)	(2,852)	(2,582)	(1,597)
Issue of Share Capital	7	-	-	-
Interest Cost	(74)	(148)	(132)	(99)
Inc (Dec) in Borrowings	846	-	(500)	(500)
Dividend paid	(377)	(377)	(565)	(565)
Others	-	-	-	-
Cash flow from Financing Activities	402	(525)	(1,197)	(1,165)
Chg. in Cash & Bank balance	123	165	(166)	1,364
Closing cash & balance	129	294	127	1,491

Source Company data, I-Sec research

Exhibit 75: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	28.4	30.2	34.1	41.1
Adjusted EPS (Diluted)	28.4	30.2	34.1	41.1
Cash EPS	36.6	40.3	46.0	54.2
Dividend per share (DPS)	3.0	4.0	6.0	6.0
Book Value per share (BV)	196.3	222.5	250.6	285.7
Dividend Payout (%)	10.6	13.2	17.6	14.6
Growth (%)				
Net Sales	3.7	10.8	14.0	16.6
EBITDA	4.9	11.5	14.0	18.0
EPS (INR)	10.0	6.6	12.7	20.6
Valuation Ratios (x)				
P/E	34.9	32.8	29.1	24.1
P/CEPS	27.1	24.6	21.5	18.3
P/BV	5.1	4.5	4.0	3.5
EV / EBITDA	22.8	20.5	18.0	15.0
EV / Sales	6.6	6.0	5.2	4.4
Profitability Ratios				
Gross Profit Margins (%)	49.1	49.2	49.3	49.5
EBITDA Margins (%)	28.9	29.1	29.1	29.4
EBIT Margins (%)	23.4	23.0	22.7	23.5
Net Profit Margins (%)	19.0	18.3	18.1	18.7
RoCE (%)	14.2	13.5	13.6	14.7
RoE (%)	15.4	14.4	14.4	15.3
Dividend Yield (%)	0.3	0.4	0.6	0.6
Operating Ratios				
Fixed Asset Turnover (x)	1.4	1.2	1.2	1.3
Inventory Turnover Days	60	60	60	60
Receivables Days	111	100	95	90
Payables Days	17	18	18	18
Effective Tax Rate (%)	25.6	25.2	25.2	25.2
Net Debt / Equity (x)	0.0	0.0	0.0	(0.1)
Net Debt / EBITDA (x)	(0.1)	0.0	0.0	(0.3)

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122
