July 07, 2026

Happy Forgings Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/ Short-term – Fund-based	260.00	260.00	[ICRA]AA(Stable)/[ICRA] A1+; reaffirmed
Short-term – Fund-based – Bill Discounting	150.00	150.00	[ICRA]A1+; reaffirmed
Long-term/ Short-term – Unallocated Limits	75.00	75.00	[ICRA]AA(Stable)/[ICRA] A1+; reaffirmed
Total	485.00	485.00	

**Instrument details are provided in Annexure II*

Rationale

The reaffirmation of the ratings of Happy Forgings Limited (HFL) continues to factor in the expectation of a sustained healthy operational performance, supported by healthy revenue growth and strong profitability. HFL is engaged in manufacturing forged and precision-machined components, primarily for the automotive sector (commercial vehicles, tractors and passenger vehicles), while steadily increasing its presence in industrial and export-oriented segments. The ratings take cognisance of the company's steady scale-up in operations, with revenues increasing to Rs. 1,546 crore in FY2026 (10% YoY growth), driven by recovery in domestic end-markets and increasing contribution from higher-value segments such as passenger vehicles (PVs) and industrials. While commercial vehicles (CVs) and tractors continue to account for a significant share of revenues (69% combined in FY2026), the dependence has moderated to an extent over the past few years with improving diversification. HFL's established relationships with reputed OEMs and tier-I suppliers, along with a strong share of business (SoB), continue to provide stability to revenues and support incremental order inflows.

The company's operating profitability strengthened further in FY2026, with margins improving to 30.4% from 28.9% in FY2025, supported by a favourable product mix, higher share of machining revenues (89%), improved operating leverage and cost optimisation initiatives. The ongoing shift towards high-value, precision-machined components, along with increasing scale in industrial and passenger vehicle segments, has supported margin expansion despite a challenging export environment. While direct exports remained subdued during most of FY2026 due to global macroeconomic headwinds, inventory destocking and tariff uncertainties, the company saw early signs of stabilisation in the latter part of the year. Over the medium term, recovery in exports will remain contingent on recovery in demand from developed markets and will be monitorable.

HFL continues to undertake a large, multi-year capex programme aimed at expanding forging and machining capacities and enhancing capabilities in high-value segments. Forging capacity increased to 1,47,000 MT in FY2026, with further expansion planned to 1,61,000 MT by FY2027, while machining capacity stood at 68,000 MT with a clear roadmap for scale-up. The company incurred Rs. 460 crore of capex in FY2026, in line with its guidance, with investments focused on new press lines, machining expansion and development of a heavy component facility. While the ongoing capex cycle (capex of Rs. 800-850 crore planned over FY2027-FY2028) is expected to keep utilisation levels moderate in the near term due to phased ramp-up, it is strategically aligned towards increasing presence in industrial, export and high-realisation segments, which is expected to support growth and margin sustainability over the medium term.

The company continues to maintain a strong financial profile, supported by robust cash accruals and low leverage. Despite the elevated capex intensity, the funding requirements are expected to be largely met through internal accruals, with limited reliance on external borrowings. HFL's capital structure remains conservative with TD/ OPBITDA at 0.7 times (0.6 times in FY2026), and its coverage indicators are expected to remain comfortable supported by healthy profitability and cash flow generation. The company's conservative capital structure provides adequate headroom to absorb the ongoing investment cycle while maintaining strong credit metrics.

The ratings, however, remain constrained by the inherent cyclicality in key end-user industries, particularly commercial vehicles and tractors, which still account for a sizeable share of revenues. Further, the near-term moderation in capacity utilisation due to front-loaded capex, along with dependence on timely ramp-up of new capacities and execution of the growing order pipeline, remain monitorable. The company's ability to sustain its margin profile and achieve targeted scale-up in exports and industrial segments will remain key sensitivities.

The Stable outlook reflects ICRA's expectation that HFL will continue to maintain a strong credit profile over the medium term, supported by steady revenue growth, sustained high profitability and strong internal accrual generation. The outlook also factors in the company's ability to fund its ongoing capex programme largely through internal sources while maintaining comfortable leverage and coverage metrics.

Key rating drivers and their description

Credit strengths

Established relationships with tier-I component manufacturers and OEMs – HFL is a Ludhiana-based manufacturer of forged and machined components, which are primarily supplied to the CV and tractor segments of the automotive industry. The promoters have over four decades of experience in the forging industry. The company enjoys established relationships and a strong SoB with reputed OEMs such as Ashok Leyland Limited, JCB India Limited, VE Commercial Vehicles Limited, and Escorts Limited as well as reputed tier-I automotive ancillaries, such as Graziano Transmission India Private Limited. Its established relationships provide healthy revenue visibility for the company. In addition, the company has been focused on adding new customers over the past few years, which has included Tata Motors Limited (TML), Mahindra and Mahindra Limited (M&M), American Axle & Manufacturing (AAM India) and Bonfiglioli. This has further strengthened its operational profile and revenue growth prospects.

Strong operating profitability and return indicators – HFL's operating margin remained strong at 30.4% in FY2026, aided by healthy product mix with higher share of machined components, cost efficiency measures and a timely ramp-up in capacity utilisation of the press lines and machining facilities. The profitability was also supported by supplies for heavier components following the commercialisation of 8,000-T and 14,000-T press lines. The average realisation for the company's sales in FY2026 remain healthy, supported by factors such as higher contribution from machining products and export sales (both commanding higher realisations).

Healthy financial risk profile – The company's strong operating profitability metrics, coupled with moderate debt levels (no term debt as on March 31, 2026) helped it report robust debt coverage indicators, with Total Debt/OPBDITA of 0.7 times in FY2026. Despite the elevated capex plans, the debt coverage indicators are expected to remain healthy, going forward, aided by the expectation of strong cash accruals.

Credit challenges

Key end-user segments of agri-machinery and CVs remain exposed to cyclicality – HFL is primarily a supplier of forged and machined components to the CV and tractor segments of the automotive industry. Together, these two segments accounted for 69% of its total revenues in FY2026. Both these industries are inherently cyclical in nature. Demand for CVs is typically impacted by industrial and agricultural production and freight dynamics, while tractor demand remains closely linked to monsoon performance and agricultural income. Despite the management's focus on expanding its customer and product portfolios (across other segments), the company's dependence on these segments is expected to remain high over the medium term. HFL's established relationships and strong SoB with various customers, however, provide comfort.

Substantial capacity expansion plans – HFL has recently concluded a phase of its capex programme, wherein it has scaled up its forging and machining capacities to around 1,47,000 MT and 68,000–69,000 MT, respectively, in FY2026, from about

1,27,000 MT and 57,000 MT, respectively, as on March 31, 2025. The company had earlier commissioned a 14,000-tonne forge press in FY2024, strengthening its position in heavy precision components, and has since added incremental capacity, including a 10,000-tonne press in FY2026 and another line planned in FY2027. These additions enable entry into higher-value products such as large crankshafts and industrial components, supporting diversification of HFL's revenue profile. The company plans to further expand its capabilities, with capex outlay of around Rs. 800–850 crore over the next two years, focused on forging, machining and a solar energy plant for internal consumption. While most of the capex is likely to be funded through internal accruals and debt drawdown, timely completion and gradual ramp-up in utilisation, especially for new heavy component facilities, remain key rating sensitivities.

Working capital intensive nature of operations – HFL's day-to-day operations are working capital intensive in nature, and its net working capital/ operating income stood at 44% as on March 31, 2026. The company is expected to reduce its dependence on short-term debt by incorporating efficient working capital management in the near-to-medium term.

Liquidity position: Strong

The liquidity position is expected to remain strong, supported by healthy total cash and liquid investments (Rs. 430 crore as on March 31, 2026), moderate utilisation of working capital facilities (average buffer of Rs. 210 crore over the last 12 months) and expectation of strong cash flows. The entity had no outstanding term loan as on March 31, 2026. HFL is expected to raise Rs. 250-300 crore in term debt to partially fund its ongoing capex programme (Rs. 800-850 crore over two years) for enhancing its forging and machining capabilities.

Rating sensitivities

Positive factors – A material diversification of HFL's business profile, supported by a sustained scale-up in supplies to the export market/industrial segment, coupled with a substantial improvement in the scale of operations, while maintaining healthy credit metrics, would be favourably considered for ratings upgrade.

Negative factors – ICRA could downgrade HFL's ratings if there is material weakness in demand across its addressable segments and a consequent inability to achieve healthy capacity utilisation after the capacity expansion materially impacts its return and debt coverage indicators. A specific credit metric that could trigger ratings downgrade includes Total debt/OPBDITA of more than 1.0 times, on a sustained basis, alongside a material depletion of cash and cash equivalents.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of HFL. As on March 31, 2026, the company had one subsidiary, which was incorporated on March 16, 2024 (see Annexure-III for details).

About the company

Incorporated in 1979, Happy Forgings Limited manufactures forged and machined transmission along with engine components that are mainly supplied to the automotive sector. Its product range includes automotive crankshafts, steering knuckles, transmission gears, pinions, shafts, and forged/machined components for the Indian Railways. It has a total forging capacity of around 1,48,000 MT (hammer and press forging combined) and a machining capacity of around 68,000 MT, with ongoing brownfield and greenfield capex underway in FY2027 to incrementally enhance both forging and machining capacities, particularly in high-precision and value-added segments. The company supplies directly to leading OEMs in India as well as through tier-I component suppliers, with a gradual increase in export contribution and non-automotive applications.

HFL was incorporated in 1979 by Mr. Paritosh Kumar Garg as a private limited company, which was converted into a public limited company in 1988. The company has about four decades of experience in catering to the automotive, tractor, railway, earth moving and pipe fitting industries, with increasing diversification into industrial and export markets in recent periods. Its day-to-day operations are overseen by Mr. Ashish Garg (Managing Director, son of Mr. Paritosh K. Garg), who has been instrumental in enhancing HFL's share of business with various OEMs and driving expansion into higher value-added components. MOPE Investment Advisors Private Limited, a private equity player, invested Rs. 200.0 crore as equity in HFL in FY2019 (shareholding held under Vistra ITCL (India) Limited), acquiring a stake of 11.76% in the process. The company subsequently came out with an initial public offer in 2023, leading to a more diversified ownership structure while the promoter group continues to retain management control (78.5% shareholding as of March 31, 2026).

Key financial indicators (audited)

HFL Standalone	FY2025	FY2026
Operating income	1,408.9	1,546.3
PAT	267.6	301.6
OPBDIT/OI	28.9%	30.4%
PAT/OI	19.0%	19.5%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.6	0.7
Interest coverage (times)	54.0	44.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Jul 07, 2026	Date	Rating	Date	Rating	Date	Rating
Long-term/ Short-term – Fund based	Long term and short term	260.00	[ICRA]AA (Stable)/ [ICRA]A1+	Mar 17, 2026	[ICRA]AA (Stable)/ [ICRA]A1+	July 18, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	Feb 15, 2024	[ICRA]AA (Stable)/ [ICRA]A1+
				Sep 30, 2025	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	-	-
				Jul 21, 2025	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	-	-
Unallocated Limits	Long-term and short-term	75.00	[ICRA]AA (Stable)/ [ICRA]A1+	Mar 17, 2026	[ICRA]AA (Stable)/ [ICRA]A1+	July 18, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-
				Sep 30, 2025	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	-	-
				Jul 21, 2025	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	-	-
Short Term – Fund Based – Bill Discounting	Short term	150.00	[ICRA]A1+	Mar 17, 2026	[ICRA]A1+	-	-	-	-
				Sep 30, 2025	[ICRA]A1+	-	-	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA-rated instruments fall under the regulatory purview of various Financial Sector Regulators (FSRs), as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ($)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI

16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) *Includes securitisation transactions involving assignee payout, acquirer's payout.*

($) *Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.*

(%) *These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026, and accordingly, investor side FSRs have been mentioned.*

Other activities offered by ICRA fall under the regulatory purview of various FSRs, as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) *The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.*

(#) *Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.*

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of FSRs other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/ Short-term – Fund-based	Simple
Short-term – Fund-based – Bill Discounting	Simple
Long-term/ Short-term – Unallocated Limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based Limits	NA	NA	NA	260.00	[ICRA]AA (Stable)/ [ICRA] A1+
NA	Bill Discounting	NA	NA	NA	150.00	[ICRA] A1+
NA	Unallocated Limits	NA	NA	NA	75.00	[ICRA]AA (Stable)/[ICRA] A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure III: List of entities considered for consolidated analysis

Company name	HFL ownership	Consolidation approach
Happy Forgings Limited	100.00% (rated entity)	Full Consolidation
HFL Technologies Private Limited	100.00%	Full Consolidation

Source: Company

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