



MORNING FARSIGHT

Monday, November 12, 2018

KENNAMETAL INDIA

CMP:RS 872

TRGT:RS 1000

TIME HORIZON: 1 YEAR

Kennametal India, a 75% subsidiary of Kennametal Inc, manufacturing carbide tools and special-purpose machines from its manufacturing facility in Bengaluru. enjoys a leading position in the domestic carbide tools segment, with two other key players: Sandvik Asia Ltd and 'scar Ltd (both not unlisted, although operating in India). Kennametal India's market leadership is supported by its strong brand image, wide product range, superior technological expertise and wide distribution network. Kennametal India receives technological and managerial support from Kennametal Inc, the world's second-largest manufacturer of carbide tools. Company follows June year ending and for the year ended on June 2018, it had posted phenomenal performance with PAT rising by more than 100% to 52.2 cr from Rs 24.4 cr, with healthy PAT margin of 6.6% and EPS of Rs 23.78. Now for the Q1 of FY19 i.e. Sept Quarter, Kennametal has posted another set of spectacular numbers, with PAT rising to Rs 24.4 a- against Rs 19.7 cr QoQ and Rs 10 cr YoY, a growth of 24% QoQ and 144%YoY, leading to an EPS of Rs 11.10 for Q1FY19 alone, which is almost half of the entire FY18 performance. On the balance-sheet, company has zero debt, with Cash Equivalents of Rs 95 cr or — 5% of current market cap of Rs1,965 cr. or Rs 44 per share. On an estimated EBITDA of Rs 180 cr and EPS of Rs 45 for FY19, stock is trading at an EV/EBITDA of 10.4x and PE of 19.8x, which is seen attractive for debt free MNC Company growing its PAT at more than 100%, and catering to diverse industries such as aerospace, earthworks, energy, general engineering and transportation. Company has tremendous variety of products under various categories viz., Metalworking (milling, hole making, turning, tooling etc), Mining (cutting systems, drilling systems etc), Construction (road rehabilitation tools, foundation drilling, grader blades, trenching etc), Aerospace (titanium products, nickel-base, chrome-base, and iron-base super alloys), Transportation (turbo chargers, crankshafts, transmissions, fuel systems, brake systems etc) and many other products. Share ruling at Rs 872 can move to Rs 1000 in 1 year. Buy as an investor only.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.