



MORNING FARSIGHT

Wednesday, June 27, 2018

KALYANI FORGE

CMP:RS 327

TRGT:RS 400

TIME HORIZON: 1 YEAR

Kalyani Forge manufacturing Engine parts, Chassis Systems, Turbochargers, Steenng & Suspension products for Automotive, Construction, Mining, Infra, Marine& Power, Railways, Agri Equipments sectors, is looking a good buy with stock at trading at an EV/Sales or just 0.63x and EV/EBIT DA of 6x. Strong promoter group, diversified clientele and Q4F Y18 indicating that company is now seen in top gear. For 04FY18.Kaiyani Forge reported stellar performance with an EBITDA of Rs 10.6 cr against Rs 6.5 cr QoQ and Rs 2 cr YoY, a growth of 63% QoQ and more than 5 times YoY coupled with healthy EBITDA margin of 14.6% for Q4FY18. PAT was placed at Rs 4 cr for Q4FY18 and Rs6.6 cr for FY18 leading to an EPS of Rs 11.02 for Q4 and Rs 18.04 for FY18. Company enjoys esteemed clientele of Daimler, JCS, Tata, Musashi, Honda, Honeywell,Cummins, Turbocam ,Kirloskar,Ashok Leyland, Greaves Cotton, Piaggio Volvo, Force Motors, ZF Steenng Gear, Hero Mob etc. Company having 2 manufacturing facilities located In Pune, is seen a dark horse and is a significant re-rating candidate. With stock not having participated in re-rating senior Forging sector for the likes of Bharat Forge, Ramknshna Forgings and MM Forging over last 1 year. Company is also undertaking moderate debt funded capex to modernize Its machinery set up in order to improve operating efficiency. Promoters are holding 59% stake in the company. with present M Cap of just Rs 120cr and EV of Rs 175 cr. with an annual turnover of over Rs 260 cr leading to an EV/Sales of less than 0.67x,while on reported EBITDA of Rs 28.5 cr for FY18 and EPS of Rs 18,stock is trading at an EV/EBITDA of 8.1x and PE of 18x. We believe that Q4F FY18 is just the start of stellar performance from the company, and the trend is expected to continue. with rising CV sales and govt thrust on infra / mining, rise in crude oil prices and NA calls 8 truck orders. Share ruling at Rs 327 can move to Rs 400 in the next 1 year.

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