DALALBYTES RESEARCH

Kennametal India

The Tungsten Year

India's carbide tooling incumbent: record FY26 profit on a tungsten price spike, a debt-free balance sheet, and cash locked in inventory

NSE: KENNAMET · BSE: 505890

October 28, 2026

Reference: Rs 3,773, NSE close of October 28, 2026.
Founding story, carbide technology, the tungsten shock, financials, competition, valuation, FY2029 scenarios.

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VERDICT

63 / 100 : Selective Positive

Kennametal India just printed the best year in its history, and the honest first question is how much of it is the business and how much of it is a metal. FY26 revenue rose 29.1 percent to Rs 1,511 crore and PAT rose 90.5 percent to Rs 196 crore, as tungsten, the raw material inside almost every tool it sells, went up roughly tenfold and the company repriced faster than its old inventory cost it money. Strip out that price-timing gain with the method in Section 5 and underlying EPS is nearer Rs 56 than the reported Rs 89.18, which puts the stock on about 67 times underlying earnings, not 42 times reported earnings.

The business underneath is genuinely good. It is the Indian arm of a global top-three cutting-tool group, debt-free with Rs 854 crore of net worth, a 33 percent ROCE in FY26, a Rs 40 a share dividend paid even in a cash-tight year, and a 62-year manufacturing base in Bengaluru selling into auto, aerospace and defence, railways, energy and general engineering. India has no other listed pure cutting-tool company, and the demand runway from Indian manufacturing capex is real.

The selective part is the cash and the price. FY26 operating cash flow collapsed to Rs 18 crore on PAT of Rs 196 crore, free cash flow turned negative Rs 35 crore, and inventory days blew out from 172 to 280 as the company stocked tungsten at peak prices. At Rs 3,773 the base case to FY2029 is roughly flat. The case for owning it is the bull case (volume compounding on Indian manufacturing), bought at a price that already assumes a good part of it.

Reference price: Rs 3,773 (NSE close, October 28, 2026). Market cap about Rs 8,306 crore. 52-week range Rs 1,932 to Rs 5,136 on Screener (Rs 2,405 to Rs 5,136 on NSE-sourced vendor prints).

FY2029 targets: Bear Rs 2,050 / Base Rs 3,700 / Bull Rs 6,100. See Section 14 for assumptions.

1. SNAPSHOT

Item	Detail
Company	Kennametal India Ltd, Bengaluru, India
Founded	1964 as Widia India Pvt Ltd, Bengaluru; Kennametal acquired WIDIA in 2002
Listed	NSE and BSE; financial year runs July to June
Business	Cemented carbide cutting tools and wear products, plus special purpose machines
Segments	Hard Metal and Hard Metal Products (90.3% of FY26 revenue); Machining Solutions Group (9.7%)

Item	Detail
Brands	Kennametal (premium) and WIDIA (value), WIDMA for machines
FY26 revenue	Rs 1,511 cr (+29.1%); quarter ended June 2026 Rs 478 cr (+47.7%)
FY26 PAT	Rs 196 cr (+90.5%); EPS Rs 89.18
Balance sheet	Effectively zero debt; net worth Rs 854 cr; dividend Rs 40 per share
Promoters	75.00% (Meturit AG 51%, Kennametal Inc 24%); no pledging disclosed

2. FOUNDING STORY: WIDIA COMES TO BENGALURU

The parent. Kennametal began in 1938 in Latrobe, Pennsylvania, when metallurgist Philip McKenna created a tungsten-titanium carbide alloy that transformed steel machining. The company he founded became one of the three global leaders in metal cutting, serving more than 80,000 customers in over 60 countries.

The Indian start. The Indian business began in 1964, when Widia India Private Limited was incorporated in Bengaluru with about 30 employees and one shaping plant. The promoters were Meturit AG of Switzerland, an associate of the Fried. Krupp WIDIA-Fabrik unit of Germany's Krupp group, and Sak Industries. WIDIA itself dates to 1926 in Germany (the name reads as "wie Diamant", like diamond, a claim about carbide hardness), and the brand turns 100 in 2026.

The Kennametal era. Kennametal Inc. acquired WIDIA globally in 2002, and the Indian listed company took the Kennametal India name. The Bengaluru campus on Tumkur Road grew to about 29 acres with a team the company puts at 750 plus, plus a pan-India sales, service and distributor network. In December 2020 the board approved merging WIDIA India Tooling, a wholly owned subsidiary, into the listed company, simplifying the structure to a single operating entity.

What survived every owner. Three owners (Krupp-era WIDIA, Meturit, Kennametal) and six decades, one asset persisted: a Bengaluru plant that makes the full carbide chain locally, from powder to finished insert, for Indian factories. That local manufacturing depth, rare among global tooling rivals who mostly import into India, is the founding fact the investment case still rests on.

3. WHAT IT SELLS, TECHNICALLY

The material. Cemented carbide is tungsten carbide grains bonded in a cobalt matrix and sintered at high temperature. It is the standard answer to a hard problem: a tool that cuts steel must be harder than steel, hold an edge at red heat (tungsten melts at about 3,422 degrees C, the highest of any metal), and survive abrasive wear. Grade design is the science: grain size, cobalt content and added carbides (titanium,

tantalum) trade hardness against toughness for each job.

The coating layer. Modern inserts are coated, by chemical or physical vapour deposition, with layers such as titanium nitride, titanium carbonitride and alumina. The coating, a few microns thick, is what lets the same carbide substrate cut faster and longer. Coating recipes and insert geometries (the chip-breaker shapes pressed into each insert) are where the global parents compete, and where this company draws on group research and development it could never fund alone at Rs 1,511 crore of revenue.

The product families. Turning, milling, hole-making, threading and tooling systems under two brands: Kennametal at the premium, engineered end, and WIDIA as the broad value line for general shops. Solid carbide round tools, PCD tooling, tool holders and adapters, rods and preforms complete the catalogue.

The wear side. The same carbide science sells into infrastructure: road rehabilitation picks, foundation drilling and trenching tools, surface and underground mining tools, and carbide wear parts for fluid handling, pelletising dies and defence applications. These are consumables in brutal environments, bought on cost per hour of machine life.

The machines. Machining Solutions Group (MSG), under the WIDMA name, builds special purpose machines to order: tool and cutter grinders, deep hole drilling machines, vertical turning lathes, and one-off builds such as the large horizontal boring machine the company built for a construction equipment maker in 2025. Machines are project revenue: lumpy, engineered, and strategically useful because a customer running a WIDMA machine is a natural buyer of Kennametal tooling.

4. SEGMENTS AND BRANDS

Segment	FY25 revenue (Rs cr)	FY26 revenue (Rs cr)	FY26 share	Result signal
Hard Metal and Hard Metal Products	1,017	1,364	90.3%	Segment profit about Rs 316 cr (nine months Rs 178 cr plus June quarter Rs 139 cr)
Machining Solutions Group	153	147	9.7%	Loss of Rs 3.1 cr in the nine months to March 2026; March quarter loss Rs 4.4 cr
Total	1,170	1,511	100%	PBT Rs 266 cr

Hard Metal is the company. Nine rupees in ten come from carbide products. Within it, metal cutting (the Kennametal and WIDIA brands) is the volume engine and infrastructure wear products are the second leg. The segment's FY26 profit margin of about 23 percent (about Rs 316 crore on Rs 1,364 crore) against 16.1 percent in FY25 (Rs 163 crore on Rs 1,017 crore) is the tungsten story in one line, detailed in Section 5.

MSG is shrinking and loss-making. Revenue fell from Rs 153 crore to Rs 147 crore while the core business grew 34 percent, and the segment lost money through FY26, including a Rs 4.4 crore loss in the March 2026 quarter alone. MSG is about a tenth of revenue and a persistent drag on group margin. Its defence is strategic (machine placements pull tool sales), but on the printed numbers it is a subsidy, not a second engine.

End markets. Company and parent disclosures put demand across transportation (auto and rail), aerospace and defence, energy, earthworks and general engineering. No customer concentration is disclosed; no single customer is named in the sources reviewed.

5. THE TUNGSTEN SHOCK: HOW FY26 PROFIT WAS MADE

The price move. China, which produces about 79 percent of the world's mined tungsten, added tungsten products to its export control list in February 2025, with a licence required per shipment and only 15 firms permitted to export in 2026. Fastmarkets' ammonium paratungstate (APT) assessment climbed from $342.50 per mtu in January 2025 to a $2,500 to $2,900 range by October 2026. Result coverage of the June 2026 quarter carried management's framing that a common form of tungsten had risen from about $30 to about $330 a kilogram.

Period	Benchmark	What happened
Mid 2024	APT about $300 per mtu, Rotterdam	Pre-shock baseline after decades of Chinese oversupply
Feb 2025	n.v.	China export controls begin; per-shipment licensing
Jan 2025 to Oct 2026	$342.50 to $2,500-2,900 per mtu (Fastmarkets)	Roughly an eight to tenfold rise
Mar 2026	Peak	Chinese domestic APT at its high; corrected about 48% by October 2026
Sep to Oct 2026	$2,900-3,100 per mtu, Rotterdam	Western prices plateau at highs; the East-West spread persists

The margin mechanics. A toolmaker holding months of carbide inventory bought at old prices, while raising selling prices to replacement cost, books a timing gain: revenue reprices instantly, cost of goods reprices as old stock runs out. The parent, Kennametal Inc., quantified exactly this at group level in FY26: about $316 million of favourable raw material pricing timing versus raw material costs. India's June 2026 quarter shows the same signature, with Hard Metal segment profit of Rs 139 crore on Rs 447 crore of revenue, a 31 percent segment margin, against a 16.1 percent full-year margin in FY25.

A normalisation estimate (DalalBytes, labelled as such). Had Hard Metal earned its FY25 margin of 16.1 percent on FY26 revenue of Rs 1,364 crore, segment profit would have been about Rs 219 crore instead of about Rs 316 crore. The gap, about Rs 97 crore pre-tax or about Rs 73 crore after tax at the standard rate, is about Rs 33 of the reported Rs 89.18 EPS. On that estimate, underlying EPS is about Rs 56 and the

reference price is about 67 times underlying earnings. The estimate is deliberately simple (mix and volume also helped), but any honest valuation of this stock has to start from a number well below Rs 89.18.

Why it cuts both ways. If tungsten stays high, replacement cost catches up with selling prices and the timing gain ends, while working capital stays trapped (Section 7). If tungsten falls hard, the company holds inventory bought at peak prices into falling selling prices, the mirror image of FY26. Either path normalises the margin. The only path that repeats FY26 is tungsten rising another leg, which no one should underwrite.

6. FINANCIALS: THREE FLAT YEARS, THEN A PRICE-LED SPIKE

Fiscal year (ends June)	Revenue (Rs cr)	YoY	Operating profit (Rs cr)	Operating margin	PAT (Rs cr)	EPS (Rs)	Operating cash flow (Rs cr)	Free cash flow (Rs cr)
FY22	991	n.v.	179	18.1%	114	51.86	50	-16
FY23	1,077	8.7%	151	14.0%	88	39.86	116	69
FY24	1,100	2.1%	170	15.5%	111	50.23	114	86
FY25	1,170	6.4%	170	14.5%	103	46.77	145	116
FY26	1,511	29.1%	301	19.9%	196	89.18	18	-35

Read the shape, not the spike. Revenue compounded at only about 6 percent a year from FY22 to FY25 (Rs 991 crore to Rs 1,170 crore), with PAT flat to down (Rs 114 crore to Rs 103 crore) and EPS below its FY22 level for three straight years. FY26 then added more revenue in one year (Rs 341 crore) than the previous three combined (Rs 179 crore), on price and mix far more than on Indian machining volumes, which did not rise 29 percent in a year.

The quarterly build inside FY26. The year accelerated as tungsten did. Revenue by quarter ended: September 2025 about Rs 296 crore (derived as the residual of the reported quarters), December 2025 Rs 334 crore (PBT Rs 35.3 crore, including a Rs 3.4 crore one-time cost for the new labour codes), March 2026 Rs 403 crore (PAT Rs 51.4 crore), June 2026 Rs 478 crore (PAT Rs 88.8 crore, up 183.7 percent year on year). The June quarter alone contributed 45 percent of the year's PAT.

Returns are real but flattered. FY26 ROE prints at 24.5 percent and ROCE at about 33 percent, against a five-year ROE range of 13 to 19 percent before FY26. The returns history (ROE 18.7 percent in FY22 on a smaller price base) says this is a good business; the FY26 print says it is a great one. Only one of those is a safe planning assumption.

Next print. Q1 FY27, the quarter ended September 30, 2026, is due at the board meeting on November 12, 2026, with the 61st AGM on November 13, 2026. That quarter is the first clean test of post-spike demand at post-spike prices.

7. BALANCE SHEET AND CASH FLOW: PROFIT WITHOUT CASH

Metric	FY22	FY23	FY24	FY25	FY26
Inventory days	195	149	168	172	280
Debtor days	50	48	59	59	65
Days payable	75	46	68	65	127
Cash conversion cycle (days)	170	151	160	166	219
Cash conversion (Screener CFO to EBITDA)	49%	97%	84%	93%	24%

The fortress half. Borrowings are effectively zero (interest cost of Rs 0.03 crore in FY26 on the vendor table), net worth rose to Rs 854 crore (book value Rs 388 a share), and India Ratings affirmed the company at IND AA- / Stable in its December 2025 update. The share count has been 2.2 crore shares throughout, with no dilution. Nothing about this balance sheet can be forced.

The cash half. FY26 operating cash flow was Rs 18 crore against PAT of Rs 196 crore, and free cash flow was negative Rs 35 crore after about Rs 53 crore of capex, a swing of Rs 151 crore from FY25's positive Rs 116 crore. The cause is visible in the table: inventory days jumped 108 days to 280 as the company secured tungsten at peak prices, partly funded by stretching payables to 127 days. The parent reported the same disease in dollars (group operating cash flow of negative $4 million in FY26, inventory up to $1.1 billion), which confirms the mechanism is supply security, not Indian mismanagement. It still has to be paid for.

Capital allocation. The dividend is the policy: Rs 20, 30, 40 and 40 a share across FY23 to FY26 (interim, declared each May), Rs 88 crore in FY26, paid in a year when free cash flow was negative. Over FY22 to FY26 the company generated cumulative free cash flow of about Rs 220 crore on cumulative PAT of about Rs 612 crore, a 36 percent conversion, and paid out a large share of it. Capex has run at Rs 28 to 66 crore a year, maintenance-plus, with one bigger decision pending on MSG (Section 12).

8. STRENGTHS

What to watch

Q1 FY27 results on November 12, 2026, the first quarter after the tungsten spike. Whether Hard Metal margins hold near FY26 levels, inventory days fall back from 280, and the Machining Solutions greenfield gets a timeline decide whether 42 times peak earnings can stand.

- 1. **Only listed pure play.** Kennametal India is the sole listed Indian company whose business is carbide cutting tools and wear products. Scarcity alone does not create value, but it explains part of the multiple and the institutional following (domestic institutions held about 12 percent in September 2026).
- 2. **Local manufacturing depth.** A 29-acre Bengaluru plant running the carbide chain locally, against rivals who largely import finished tools into India. In a world of export controls and licensing, local powder-to-tool capacity is a supply advantage, not just a cost line.
- 3. **Fortress balance sheet.** Zero effective debt, Rs 854 crore of net worth, IND AA- / Stable, and a dividend maintained through a negative free cash flow year without borrowing.
- 4. **Pricing execution in a crisis.** Management repriced decisively through the tungsten shock (the parent's phrase for the group applies in India too), protected availability, and turned a supply crisis into record profit rather than a stock-out.
- 5. **Consumable economics.** Cutting tools and wear parts are consumed by the hour of machine use. Revenue repeats with Indian factory output, not with one-off machine sales, and the installed base of WIDMA machines and qualified tooling specifications slows switching.
- 6. **Parent technology pipeline.** Grades, coatings and geometries developed at group scale (the parent spent its way to a 6 to 8 percent global share) flow into the Indian catalogue without Indian shareholders funding the research.

9. WEAKNESSES AND RISKS

- 1. **Peak earnings risk.** About Rs 33 of FY26 EPS of Rs 89.18 is estimated price-timing gain (Section 5). Tungsten normalisation, in either direction, takes reported profit down before volume can answer.
- 2. **Cash conversion is structurally weak.** Five-year free cash flow conversion of about 36 percent of PAT, inventory days between 149 and 280 every year, and a 219-day cash cycle in FY26. This is an inventory business wearing a tool brand.
- 3. **Single-input dependence.** Tungsten is the business. Supply is concentrated in China (about 79 percent of mine output), export-licensed, and now a geopolitical instrument. The company manages the supply chain actively, per its own quarterly statements, but it cannot diversify the periodic table.
- 4. **Cyclical end markets.** Auto, general engineering and capital goods drive demand. FY23 and FY24 showed the downside: revenue growth of 8.7 and 2.1 percent and falling EPS when Indian industry slowed.
- 5. **MSG drag.** Machining Solutions lost money through FY26 on falling revenue. A greenfield expansion of a loss-making segment (Section 12) needs evidence, not faith.
- 6. **Parent control.** Promoters hold exactly 75.00 percent (Meturit AG 51 percent, Kennametal Inc 24 percent). Brands, technology and transfer terms are group property, the free float is 25 percent, foreign institutions held just 0.23 percent in September 2026, and liquidity is thin (average daily traded value of about Rs 1.5 crore on the Finnhub print). Minorities own a claim on the parent's India policy.

- 7. **Valuation.** At Rs 3,773 the stock trades at 42.3 times reported FY26 earnings, about 67 times estimated underlying earnings, 9.7 times book and 5.5 times sales, after an 86 percent one-year rise into October 2026 and a 26 percent fall from the Rs 5,136 high. There is no margin of safety in the price, only in the balance sheet.

10. MANAGEMENT AND GOVERNANCE

Leadership. Vijaykrishnan Venkatesan is Managing Director, the public voice of the company in every result statement reviewed, with a record that now includes the FY26 pricing execution and the MSG drift. His quarterly commentary through FY26 was consistent and specific about the operating problem (leverage the portfolio, manage the tungsten supply chain, hold operational excellence), and the numbers backed the first two claims.

Ownership and board. The promoter holding has been exactly 75.00 percent, unchanged, across every quarter from December 2023 to September 2026, split between Meturit AG (51 percent) and Kennametal Inc (24 percent). No promoter pledging was disclosed in the sources reviewed. Domestic institutional holding eased from 13.95 percent (September 2025) to 11.97 percent (September 2026) as the stock ran, with public holding rising to 12.80 percent.

Audit and ratings. Statutory auditors are Price Waterhouse Chartered Accountants LLP; the limited review on recent results carried no qualifications in the reports reviewed. India Ratings affirmed IND AA- / Stable (December 2025 update). CRISIL assigned an ESG rating of 55 (Adequate) in October 2026 on public information, a middling score that reflects disclosure depth more than operations.

The governance gap is disclosure, not conduct. No numeric guidance, no order book, no segment target, and no published roadmap for MSG. Investors are asked to grade a 42 times multiple on results alone. That was the pattern at the parent too, and it caps the Leadership grade in the companion five-pillar analysis.

11. COMPETITION: A GLOBAL OLIGOPOLY, FOUGHT LOCALLY

Player (global metal cutting)	Estimated global revenue share	Position
Sandvik Coromant (Sandvik AB)	About 11 to 14%	Technology leader; widest catalogue, digital tool management
IMC Group (Iscar, Tungaloy, Ingersoll)	About 9 to 12%	Berkshire Hathaway owned; multi-brand across price tiers
Kennametal	About 6 to 8%	Aerospace, energy and general engineering depth; WIDIA value brand
Mitsubishi Materials	About 5 to 7%	Integrated powder-to-tool chain
Kyocera	About 4 to 6%	Ceramic and cermet materials edge

Player (global metal cutting)	Estimated global revenue share	Position
Sumitomo Electric Hardmetal	About 4 to 6%	PCD and CBN superhard specialist
CERATIZIT Group	About 3 to 5%	Carbide and recycling depth

The market. IMARC sizes India's cutting tools market at $3.1 billion in 2025, growing to $5.3 billion by 2034, a 5.8 percent dollar CAGR. Indian machine tool consumption rose about 17 percent in the last reported year to about $3.7 billion, with production of about $1.7 billion, so demand growth is real and imports fill much of it. Growth is volume-plus-mix, not explosive: the sunrise is a long morning, not a spike.

How the fight works in India. Sandvik Coromant, Iscar, Mitsubishi, Seco, Walter, Ceratizit and YG-1 all sell into India, mostly through unlisted subsidiaries and import channels, which is why no clean listed comparison exists. Tools are specified job by job and trialled on the customer's machine; a rival wins by cutting cycle time or cost per component in a live trial, not by brand advertising. Kennametal India's defences are its local plant (lead times, custom specials, service), its two-brand price ladder, and application engineers who sit with customers. Its vulnerability is the same as every global player's: in standard inserts, a Korean or Chinese rival at a lower price per edge is always one trial away.

Where it is winning and losing. Winning: availability and pricing through the tungsten crisis (revenue up 29 percent while rivals faced the same input shock), wear and infrastructure tools where local presence matters, and premium engineered work riding group technology. Losing: MSG machines (revenue down, losses), and the long FY23 to FY25 stretch when revenue compounded at about 4 percent while Indian manufacturing capex boomed, which says share was not gained in the good years either.

12. ROADMAP AUDIT: STATED VERSUS DELIVERED

Commitment	Stated	Delivered	Grade
MSG greenfield plant	Board approved about Rs 68 cr of pre-project spend (studies, land identification, feasibility) for a greenfield Machining Solutions plant	No capacity, timeline or cost disclosed since; MSG revenue fell 4% in FY26 and the segment lost money	Pending, and the base business is shrinking
Dividend	Interim dividend of Rs 40 a share declared in May 2025 and again in May 2026	Paid both years; Rs 88 cr in FY26 despite negative free cash flow	Delivered
Tungsten supply and pricing	MD statements each quarter of FY26: actively managing the tungsten supply chain, strategic pricing actions	Record June quarter profit and no reported stock-outs; inventory days still rose to 280	Delivered on price, open on stock

Commitment	Stated	Delivered	Grade
WIDIA centenary	100 years of WIDIA in 2026, with 100 days of promotions on lines such as WCE4 end mills and VSM890 shoulder mills	Marketing programme under way per trade coverage	Programme, not a financial target
Numeric guidance	None given	No guidance and no order book published in any period reviewed	Visibility gap

The pattern. What this management promises in writing, it pays (the dividend, twice, to the rupee). What it discusses, it executes operationally (pricing, supply). What it will not do is publish a forward number, so the roadmap audit is structurally short: one pending capital project, in the weakest segment, is the only growth commitment on the record. The MSG greenfield is therefore the decision to watch. Rs 68 crore of pre-project money on a segment doing Rs 147 crore of loss-making revenue is either the start of a serious machines business or capital following a strategic story past its evidence.

13. VALUATION VS PEERS

At Rs 3,773 (October 28, 2026): P/E 42.3 times FY26 reported EPS of Rs 89.18, about 67 times estimated underlying EPS of about Rs 56, P/B 9.7 times, P/S 5.5 times, EV/EBITDA about 27 times on operating profit plus depreciation of about Rs 349 crore, dividend yield 1.06 percent.

Company	Approx. P/E (Oct 2026)	ROCE	ROE	Note
Kennametal India	42.3x reported, about 67x underlying	33.3% (FY26)	24.5% (FY26)	Pure carbide tooling; FY26 returns flattered by tungsten timing
Jyoti CNC Automation	About 62.7x	21.3%	18.2%	CNC machine builder; the growth-priced machine comp
Triveni Turbine	About 41.1x	35.9%	26.3%	Steam turbines; closest returns profile
Thermax	About 52.2x	15.9%	13.8%	Energy and environment capital goods
Honeywell Automation India	About 53.1x	17.0%	12.4%	The other 75% parent-owned quality compounder
Cummins India	About 51.4x	n.v.	n.v.	Engines and power generation

How to read this table. These are quality capital-goods comparators, not tooling peers, because India lists no other tooling company. Against them Kennametal India is not the most expensive stock on reported numbers, and its FY26 ROCE is near the top. The catch sits in the first row: its earnings base is the one most likely to fall. On underlying earnings it is the most expensive name in the set, which is the arithmetic behind a 63 score rather than a 73.

The stock's own history agrees. The shares rose about 86 percent in the year to October 2026, peaked at Rs 5,136, and have since fallen about 26 percent as the market started asking the normalisation question. The 50-day average near Rs 4,210 sits well above the price; the 200-day average near Rs 3,161 sits below it. Momentum and value are both undecided, which is what a fairly priced cyclical at peak earnings looks like.

14. FY2029 SCENARIOS (INR)

Built off FY26 reported revenue of Rs 1,511 crore and 2.2 crore shares. FY29 here means the year ending June 2029, the company's fiscal convention. Assumptions are explicit, and every case assumes the tungsten timing gain does not repeat.

Case	Target	Revenue CAGR FY26 to FY29	FY29 revenue (Rs cr)	PAT margin	FY29 PAT (Rs cr)	EPS (Rs)	Exit P/E
Bear	Rs 2,050	4%	1,700	9.0%	153	70	29x
Base	Rs 3,700	11%	2,068	11.6%	240	109	34x
Bull	Rs 6,100	17%	2,422	14.5%	351	160	38x

Bear Rs 2,050. Tungsten gives back a large part of its rise, selling prices follow it down, and volume growth at category rates only partly offsets the price loss. Margins return to the FY25 pattern (PAT margin 9 percent) and the market de-rates a cyclical to 29 times. Holders lose about 46 percent from the reference price. This is not a tail case; it is what a commodity round trip does.

Base Rs 3,700. Indian machining volumes compound at high single digits, the company holds most of its price increases because tungsten stays elevated but stable, and mix (premium grades, wear products, defence and aerospace work) does the rest. PAT margin settles at 11.6 percent, between FY25 and FY26, and the exit multiple compresses to 34 times. The base case is roughly the reference price, which is the definition of a selective rating.

Bull Rs 6,100. Volume compounds in the mid teens on the Indian capex cycle, the MSG greenfield converts machines into a real second leg, tungsten stays high enough to hold prices but stable enough to release working capital, and PAT margin reaches 14.5 percent on operating leverage. At 38 times, the market keeps paying a scarcity multiple for the only listed tooling name. This case needs three good years in a row from a company whose last three before FY26 compounded revenue at about 6 percent.

15. WHY IT MATTERS

Kennametal India is the cleanest listed test of two questions at once. The first is whether Indian manufacturing depth, a Bengaluru plant making carbide from powder to tool while rivals import, becomes a strategic asset in a world where China licenses tungsten exports shipment by shipment. FY26 says the asset is real: the company had tools to sell and the pricing power to sell them dear.

The second question is older and harder: what is a cyclical consumables business worth at the top of its input cycle, when reported profit is part business and part inventory timing? The balance sheet (zero debt, Rs 854 crore of net worth, a Rs 40 dividend) grades in the 80s. The cash conversion (36 percent of PAT over five years, negative free cash flow in the record year) grades in the 40s. At 63/100 Selective Positive, the verdict is: own the quality if the bull volume case is your honest view, and do not pay 42 times peak earnings, about 67 times underlying, for the privilege of finding out.

SOURCES

- Company disclosures and result filings via BSE and result coverage: quarters ended December 2025, March 2026 and June 2026, segment revenue and results, interim dividend of Rs 40 a share (board, May 7, 2026), board meeting intimation for Q1 FY27 on November 12, 2026 and 61st AGM on November 13, 2026

- Screener.in, Kennametal India standalone and consolidated pages (financials, cash flow, ratios, shareholding to September 2026), crawled October 28, 2026; reference price Rs 3,773 on October 28, 2026

- Vendor financial tables (Value Research, Smart Investing, Sharekhan, ICICI Direct result notes): FY22 to FY26 revenue, operating profit, PAT, EPS, ROE and segment detail

- Kennametal Inc. FY26 reporting (10-K and results releases): group sales of $2.36 billion, about $316 million of favourable raw material pricing timing, group operating cash flow of negative $4 million on tungsten inventory build, FY27 outlook

- Kennametal India and Kennametal Inc. web and trade coverage: India history (Widia India 1964, acquisition 2002), Bengaluru facility, WIDIA centenary 2026, MD interviews (OEM Update, Business India)

- Tungsten market coverage: Fastmarkets APT assessments via CME and Reuters reporting (January 2025 $342.50 per mtu to October 2026 $2,500 to $2,900), China export controls of February 2025, USGS supply data (China about 79 percent of mine output)

- Market data: IIFL historical prices (NSE close of Rs 3,822.40 on October 27, 2026), Dhan and Finnhub prints for October 28, 2026, IMARC India cutting tools market sizing, Market Research Future global metal cutting shares, SharesCart peer table for capital-goods comparators

- India Ratings affirmation IND AA- / Stable (December 2025) and CRISIL ESG 55 (October 2026) via exchange filings