kotak Securities

Dated: 29th November 2024

Cummins India (KKC) – BUY

Company Update

Current Market Price (CMP)	Fair Value (FV)
Rs.3,484	**Rs.4,100**

Rationale:

- Our checks with dealers suggest increased price competition from KKC in the sub-250 kva segment (30% of powergen sales), a segment where it lags KOEL.
- It also brings out difficulty for peers to challenge KKC in the 320kVA and above.
- Emerging competition from Weichai and MTU needs to be watched out for.
- We marginally trim near-term estimates while marginally raising FY26/27 estimates.
- KKC is our top pick in the capital goods coverage; Retain Rs4100FV & BUY.

(EBITDA: Earnings before interest, depreciation, amortization and tax, PAT: Profit after tax, CPCB: Central Pollution Control Board, KVA: Kilo-volt ampere, CAGR: Compounded annual growth rate)

Company update:

Positives:

- Sharing the price cut burden with OEMs to match peers in sub-250 kva range.
- Well-placed in the 320 kva and above category.
- We assume 15-16% CAGR in revenue/EBITDA/PAT over FY24-27E.

Negatives:

- Demand going through phase of transient weakness on aftereffects of CPCB IV.
- We note downside risks to our 20% EBITDA margin assumption.

Click here

For detailed report dated 26th November 2024. Note: CMP & valuation may differ due to difference in dates.