

Cummins India (KKC) - ADD

Company Update

Current Market Price (CMP) Rs.4,412	Fair Value (FV) Rs.4,880
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Rationale:

- A protected and strong play on data center scale-up in India on varied counts.
- Cummins Global suggests its strong positioning in backup power for diesel gensets bodes well for Cummins India.
- Embarks on a journey of growing the business, potentially 5X in the next 4-5 years, and improving localization.
- RM exposure is limited to inflationary commodities; EU India FTA a positive.
- We increase FV by 4% to Rs4,880, building ~6 GW of India DC installed capacity by FY30.

Positives:

- Global parent has strong positioning DC especially on diesel backup power.
- Cummins India embarks on a journey of potentially reaching US\$100cr of data center sales in the next five years.
- Cummins stacks up better versus other major players to cater to India's DC market.
- Distribution business also stands to benefit from an uptick in data center installed base.
- We see a limited risk of obviolation of diesel gensets in data center applications by BESS.
- Unlike other key listed capital goods stocks, Cummins India’s RM exposure is more toward iron/steel and limited to copper and silver.

Negatives:

- We assume a modest decline in market share of Cummins India ~55% from the current 60%+ share in our assessment.

(RM: Raw Material, FTA: Free Trade Agreement, DC: Data Centre, BESS: Battery Energy Storage System)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

- BUY

– We expect the stock to deliver more than 15% returns over the next 12 months
- ADD

– We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE

– We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL

– We expect the stock to deliver < -5% returns over the next 12 months
- NR

– **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- SUBSCRIBE

– We advise investor to subscribe to the IPO.
- RS

– **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
- NA

– **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM

– **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE

– Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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