

# Opportune

Exclusively curated opportunities to re-enter fundamentally strong companies at attractive valuations!

## BUY – Cummins India Ltd

CMP: ₹1330 (Upside Potential: 17.3%) as on 23<sup>rd</sup> Nov 2022

Fair Value (FV): ₹1560 | Time Period: 12 months

### Why Invest?

- Cummins may alter its defensive stance on pricing after seeing the gross margin improvement and positive outlook on margin from its key peer in Kirloskar Oil Engines (KOEL).
- KOEL's gross margin trajectory helps understand why Cummins may undertake price increases.
- We take comfort on margin from recent related party disclosures for H1FY23, suggesting marked uptick in exports to Cummins UK and yoy reduction in royalty payout in spite of growing sales.
- We factor in ~16.5% margin in FY25 and are ~10% higher on our standalone earnings per share (EPS) estimates versus consensus.
- We note that we are still 200 bps short of the 400 bps improvement targeted by Cummins India as it aims to fully normalize gross margin. We factor in quick pricing moves and a 60 bps higher Operating (EBITDA) margin in our revised FV of Rs1,560 (Rs1,510 earlier).

Maintain BUY with **FV Rs-1560**

**Read Full Report**

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