



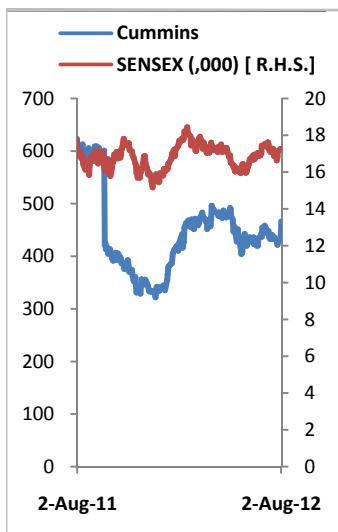
Date: 3rd Aug, 2012

Stock information

Sector:	Diesel Engines
CMP	₹463.0
Target Price:	₹430.2
Upside Potential:	-7.6%
BSE Code	532784
NSE Code	CUMMINSIND
Bloomberg	KKC@IN
Reuters	CUMM.BO
Mkt cap (Rs. bn)	128.3
Equity shares(mn)	277
Face Value(₹)	2
52Weeks H/L	505.0/322.0
Sensex	17197.9
Nifty	5215.7

Shareholding as on 30th**June 2012 (%)**

Promoters	51.0
Mutual Funds/UTI	14.8
FIs/ Banks	6.8
FIIIs	12.8
Bodies Corporate	4.9
Public	9.3
Any Others:	0.4



Cummins India Ltd (CIL) is a wholly owned subsidiary of USA based Cummins Inc. Established in 1962, Cummins India Ltd manufactures a variety of Engines operating on diesel, natural gas and dual fuel in their currently operational 5 plants at Kothrud (Pune), Nagar road (Pune), Loni, Daman and Pirangut (Pune). Cummins India Ltd is amongst the largest exporters of engineering products in India.

Q1FY13 Financial results Highlights:

□ In Q1FY13, CIL registered a revenue of ₹12588 mn which has registered an impressive growth of 21.8% on Y-o-Y basis and 21% growth on Q-o-Q basis. The sales improvement was largely due to the increase in demand in power generation BU which grew by 24% as well as distribution business which grew by 12% whereas CIL's industrial BU declined by 15% and automotive BU declined by 30% compared to corresponding quarter previous year. However, CIL do not anticipate sustaining the growth rate that is demonstrated.

□ In Q1FY13, CIL's EBITDA margin stood at 18.5%, which has shown a substantial improvement of 160 bps on Y-o-Y basis whereas it has registered a decline of 20bps on Q-o-Q basis. Margins improved over the previous quarter despite continued input cost increases mainly due to volume leverage, favorable exchange trends, and CIL's continued focus on improving efficiencies. The margins during the quarter has also been positively impacted by better realization of export and an improved product mix.

□ CIL's net profit margin in Q1FY13 stands at 14.3%, showing a marginal improvement of 40bps on sequential basis but it has declined by 280bps on Y-o-Y basis. The net profit margin during the quarter is also boosted by 36% (Y-O-Y) growth in other income which include foreign exchange benefits as well.

□ CIL's management is optimistic about long term growth prospects and continued to invest in new capacity creation at Phaltan Megsite. The investment program is on track which include the new power generation plant at Phaltan Megasite and technical sector, the B,C,L up-fit centre. CIL intend to incur a capital expenditure of ~ ₹2500 mn in FY13. The revenue mix for the quarter includes power generation business - 34% (Vs. 31% in Q4FY12), Industrial business - 10% (Vs. 13% in Q4FY12) Automotive business 3% (Vs. 6% in Q4FY12), Distribution business 18% (Vs. 19% in Q4FY12) and exports 35% (Vs. 31% in 4FY12).

Valuation & Recommendation:

At CMP of ₹463, Cummins India Ltd is currently trading at P/E Multiple of 19.4x on FY13E EPS of ₹23.9. Considering the current global and domestic scenario in engine and power generation business and volatile commodity prices, we maintain our **target price** at **₹430.2/ share** which is at 18x P/E on FY13 EPS of ₹23.9 and maintain "HOLD" rating.

	Revenue (₹ mn)	EBITDA (₹ mn)	EBITDA Margins (%)	PAT (₹ mn)	Net Margins (%)	EPS	P/E	EV/EBITDA	ROE
FY10	28448.7	5273.0	18.5%	4438.7	15.6%	16.0	22.9	13.7	28.4%
FY11	40425.4	7634.0	18.9%	5910.0	14.6%	21.3	20.3	15.6	32.7%
FY12E	41172.2	6972.4	16.9%	5912.6	14.4%	21.3	20.3	16.9	28.9%
FY13E	46194.7	7678.0	16.6%	6618.4	14.3%	23.9	19.4	14.8	28.4%

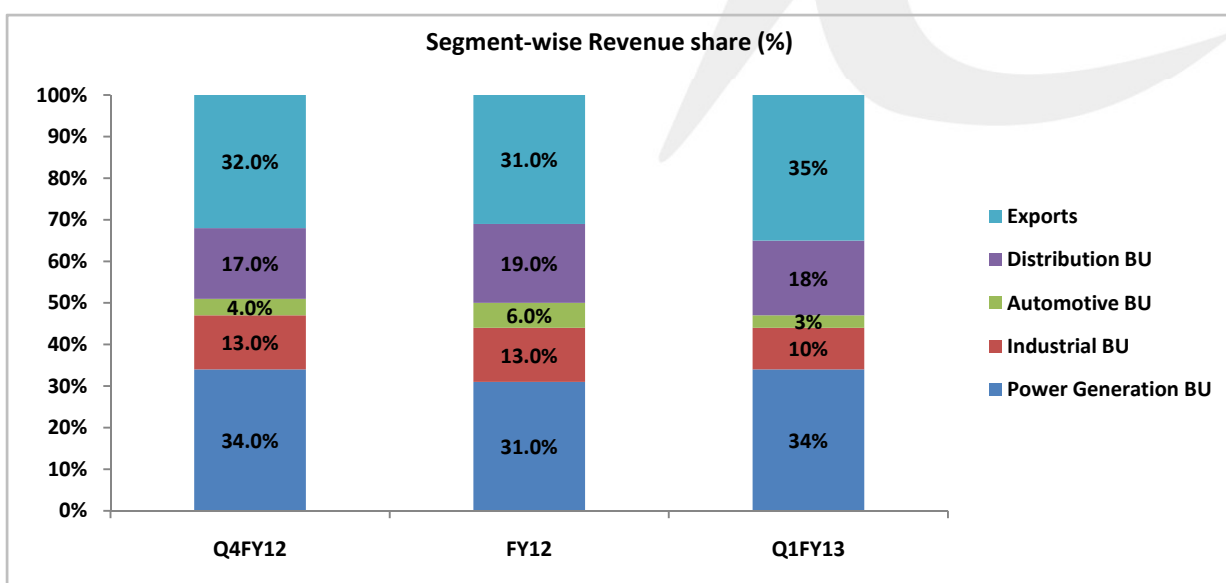
KC Research Reports are also available on Reuters, Thomson publishers, myiris.com, Bloomberg KCSL <GO> and Factset

Cummins India Ltd- Q1FY13 Result Update



Q1FY13 financial result analysis (₹ in Mn):

DESCRIPTION	Q1FY13	Q1FY12	Y-o-Y (%)	Q4FY12	Q-o-Q (%)
Net Sales	12413.6	10218.3	-	10212.8	-
Other operating income	173.9	116.6	-	191	-
Net Sales & Other Operating Income	12587.5	10334.9	21.8	10403.8	21.0
(Increase) / Decrease In Stocks	-335.3	-182.0	84.2	-474.8	-29.4
Purchase of Finished Goods	477.6	652.0	-26.7	555.9	-14.1
Cost of Services & Raw Materials	7829.8	6254.0	25.2	6440.3	21.6
Operating & Manufacturing Expenses	1443.9	1174.3	23.0	1125	28.3
Employee Cost	846.6	697.5	21.4	809.7	4.6
Total Expenditure	10262.6	8595.8	19.4	8456.1	21.4
PBITD (Excl OI)	2324.9	1739.1	33.7	1947.7	19.4
EBITDA Margin (%)	18.5%	16.8%	-	18.7%	-
Other Income	384.9	283.1	36.0	241.5	59.4
Operating Profit	2709.8	2022.2	34.0	2189.2	23.8
Interest	13.5	10.8	25.0	21.1	-36.0
Exceptional Items	0	514.4	-	0	-
PBDT	2696.3	2525.8	6.8	2168.1	24.4
Depreciation	113.9	93.5	21.8	118.7	-4.0
PBT	2582.4	2432.3	6.2	2049.4	26.0
Tax	776.9	660.6	17.6	603.7	28.7
Net Profit	1805.5	1771.7	1.9	1445.7	24.9
Net Profit Margin (%)	14.3%	17.1%	-16.3	13.9%	3.2
Adj Calculated EPS (Not Annualised)	6.5	6.4	-	5.2	-



Cummins India Ltd- Q1FY13 Result Update



Income Statement (₹ in Mn):

DESCRIPTION	FY09	FY10	FY11	FY12E	FY13E
Gross Sales	36350.6	30287.9	41965.0	43037.6	49062.9
Less: Excise Duty	3307.7	1839.2	2453.2	2515.9	2868.1
Net Sales	33042.8	28448.7	40425.4	41172.2	46194.7
Increase/Decrease in Stock of finished goods & WIP	-99.9	197.0	-462.8	-589.0	-375.0
Raw Material Consumed	21697.7	16795.2	24020.6	24466.4	27818.6
Purchase of Goods for resale	748.6	1033.4	2245.9	2576.8	2845.6
Employee Cost	2129.6	1952.6	2546.2	2582.3	2845.6
Operating and other expenses	3371.3	2925.9	3824.9	4531.0	4661.0
Technical Fees & Royalties	431.8	274.6	620.8	636.6	725.8
Total Expenditure	28270.4	23175.7	32791.4	34199.8	38516.8
Operating Profit (Excl OI)	4772.4	5273.0	7634.0	6972.4	7678.0
EBITDA Margin/ Operating Profit Margin (%)	14.4%	18.5%	18.9%	16.9%	16.6%
Other Income	1507.5	1217.5	803.7	1233.3	1880.3
Operating Profit	6279.9	6490.5	8437.7	8205.7	9558.3
Interest Expense	26.1	20.5	47.5	54.1	50.7
PBDT	6253.8	6470.0	8390.2	8151.6	9507.6
Depreciation	455.6	360.8	366.4	419.8	416.7
Profit Before Taxation & Exceptional Items	5798.2	6109.2	8023.8	7731.8	9090.9
Exceptional Income / Expenses	192.0	0.0	0.0	514.4	0.0
Profit Before Tax	5990.2	6109.2	8023.8	8246.2	9090.9
Provision for Tax	1653.6	1670.5	2113.8	2333.6	2472.5
Profit After Tax	4336.6	4438.7	5910.0	5912.6	6618.4
Net Profit Margin (%)	13.1%	15.6%	14.6%	14.4%	14.3%
Adjusted EPS	15.6	16.0	21.3	21.3	23.9

Balance Sheet (₹ in Mn):

DESCRIPTION	FY09	FY10	FY11	FY12E	FY13E
Share Capital	396.0	396.0	396.0	554.4	554.4
Total Reserves & Surpluse	13550.5	15214.0	17666.8	19877.1	22762.0
Shareholder's Funds	13946.5	15610.0	18062.5	20431.5	23316.4
Total Debts	229.1	86.3	182.6	183.6	183.6
Total Liabilities	14175.6	15696.3	18245.1	20615.1	23500.0
APPLICATION OF FUNDS:					
Gross Block	6833.7	7384.1	9144.5	9333.4	10437.4
Less: Accumulated Depreciation	4323.6	4439.6	4806.0	5186.5	5603.2
Net Block	2510.2	2944.5	3563.6	4146.9	4834.2
Capital Work in Progress	580.1	392.2	846.9	829.4	966.8
Investments	3992.7	7329.2	7254.5	8060.9	9270.0
Current Assets, Loans & Advances					
Inventories	4679.8	4096.7	5189.6	5676.1	4994.1
Sundry Debtors	6821.0	5229.0	7181.6	6783.4	7733.8
Cash and Bank	323.2	559.3	1037.2	2235.0	6130.7
Other Current Assets	83.2	92.7	98.5	86.1	98.1
Loans and Advances	2663.2	2694.9	3297.2	2582.3	2943.8
Total Current Assets	14570.4	12672.6	16803.9	17362.8	21900.5
Less: Current Liabilities and Provisions					
Current Liabilities	5976.7	5177.7	7108.7	6285.6	9060.9
Provisions	1731.7	2634.2	3302.5	2826.5	3290.8
Total Current Liabilities	7708.3	7811.9	10411.2	9112.1	12351.7
Net Current Assets	6862.1	4860.6	6392.7	8250.7	9548.8
Deferred taxation (net asset/ liabilities)	230.5	169.8	187.4	-672.8	-1119.9
Total Assets	14175.6	15696.3	18245.1	20615.1	23500.0

Source: Company, ACE Equity, KC Research



Cash Flow Statement (₹ in Mn)

DESCRIPTION	FY09	FY10	FY11	FY12E	FY13E
Net Profit Before Tax	5990.2	6109.2	8023.8	7731.8	9090.9
Adjustments	94.5	-236.7	-182.1	-209.7	-251.5
Trade & Other receivables (Sundry Debtors)	-1157.2	1567.6	-1970.4	398.2	-950.4
Inventories	-729.8	583.1	-1092.9	-486.5	682.0
Loans & Advances	-546.9	-53.0	-552.6	677.3	-342.5
Other Current Assets	0.0	-0.8	-5.8	78.7	0.0
Trade & Other payables (Current Liabilities)	410.9	-780.0	1925.4	0.0	0.0
Provisions	0.0	119.5	244.0	-1299.1	3239.5
Changes In working Capital	-2022.9	1436.4	-1452.2	-631.5	2628.6
Cash Flow after changes in Working Capital	4061.9	7308.9	6389.5	6890.7	11468.0
Tax Paid(net of Refunds)	-1850.4	-1549.5	-2181.2	-2292.5	-2458.5
Cash From Operating Activities	2211.5	5759.5	4208.3	4598.2	9009.5
Purchase of Fixed Assets	-908.2	-664.5	-1485.8	-189.0	-1104.0
Sale of Fixed Assets	12.4	46.4	6.6	17.5	-137.5
Purchase of Investment	-17091.9	-17146.5	-23466.4	0.0	0.0
Sale of Investments	17504.4	13806.3	23541.5	-806.4	-1209.1
Dividend Income	240.8	567.1	504.7	577.6	606.5
Interest received	46.1	22.9	111.1	102.3	107.4
Other Investment Activities	300.0	0.0	0.0	0.0	0.0
Cash Flow from Investing Activities	103.7	-3368.3	-788.3	-297.9	-1736.7
Increase / (Decrease) in Loan Funds	-31.6	-17.0	0.0	0.0	0.0
Short Term Loans	-75.2	-125.7	96.2	0.9	-0.1
Equity Dividend Paid	-2098.6	-1991.8	-2990.8	-3049.2	-3326.4
Interest Paid	-26.1	-20.5	-47.5	-54.1	-50.7
Cash from Financing Activities	-2231.4	-2155.1	-2942.1	-3102.4	-3377.2
Net Cash Inflow / Outflow	83.8	236.1	477.9	1197.8	3895.7
Opening Cash & Cash Equivalents	239.4	323.2	559.3	1037.2	2235.0
Closing Cash & Cash Equivalent	323.2	559.3	1037.2	2235.0	6130.7

Key Financial Ratios:

Key Financial Ratios:	FY09	FY10	FY11	FY12E	FY13E
Operating Margin (%)	14.4%	18.5%	18.9%	16.9%	16.6%
Net Margin (%)	13.1%	15.6%	14.6%	14.4%	14.3%
Debt/ Equity (x)	0.02	0.01	0.01	0.01	0.01
ROA (%)	30.6%	28.3%	32.4%	28.7%	28.2%
ROE (%)	31.1%	28.4%	32.7%	28.9%	28.4%
EV/ EBITDA (x)	5.5	13.7	15.6	16.9	14.8
EV/ Sales (x)	0.8	2.5	2.9	2.9	2.5
P/ E (x)	8.5	22.9	20.3	20.3	18.1
P/BV (x)	1.9	4.7	7.5	5.9	5.1
Adj. EPS (Rs.)	15.6	16.0	21.3	21.3	23.9

Toll Free: 1800 220 370
SMS : "KC RESEARCH" to 58888

Email : research@kcsecurities.com



CONTACT US :

INSTITUTIONAL RESEARCH :

022-67046169



Kantilal Chhaganlal Securities Pvt Ltd

2nd floor, Kagalwala House, Metro Estate Compound, Behind Mercedes Benz Showroom, CST Road, Kalina, Santacruz (East), Mumbai- 400 098. Tel: +91-22-67046000 Fax: +91-22-26521948

SEBI Registration: INB/F010993239(BSE), INB/F230930138(NSE), I0520(MCX), NCDEX-CO-04-00268, PMS IN000003161

www.kcsecurities.com

Notice: This document is prepared for private circulation exclusively for clients of Kantilal Chhaganlal Securities Pvt. Ltd. Disclosure: We and our affiliates, directors, officers, and employees, including persons involved in the preparation or issuance of this material may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The same persons may have acted upon the information contained herein.

Disclaimer: This document has been furnished to you solely for your information and may not be reproduced or redistributed to any other person. This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. The material is based upon reading. Though utmost care is taken by the writer of this document, and it should be relied upon as such. Neither the author nor any person connected with any of these entities accept any liability arising from the use of this document. Opinions expressed herein the report are our own and are based on Research as of the date appearing in this document only. Report is based on Analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that may not exactly adhere to the recommendations expressed herein. No part of this material may be duplicated, distributed, circulated, forwarded and E-mailed in and /or redistributed without prior written consent. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Ahmedabad | Bengaluru | Bhopal | Delhi | Gurgaon | Hyderabad | Indore | Jaipur | Kalyan | Kolkata | Mumbai | Nagpur | Pune | Vadodara