

Cummins India

BSE SENSEX
73,919

S&P CNX
23,424



Stock Info

Bloomberg	KKC IN
Equity Shares (m)	277
M.Cap.(INRb)/(USD\$b)	1559.4 / 16.4
52-Week Range (INR)	6143 / 3202
1, 6, 12 Rel. Per (%)	8/36/72
12M Avg Val (INR M)	2620

Financials Snapshot (INR b)

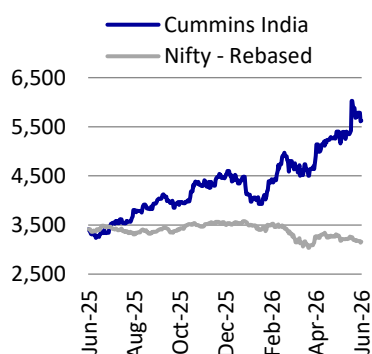
Y/E MARCH	FY26	FY27E	FY28E
Net Sales	121.4	142.5	169.2
EBITDA	25.9	30.6	37.3
PAT	24.3	29.6	35.8
EPS (INR)	87.8	106.8	129.1
GR. (%)	22.4	21.7	20.8
BV/Sh (INR)	284.9	327.2	378.8
Ratios			
ROE (%)	32.6	34.9	36.6
RoCE (%)	31.9	33.3	35.0
Valuations			
P/E (X)	64.1	52.6	43.6
P/BV (X)	19.7	17.2	14.8
EV/EBITDA (X)	59.2	49.7	40.6
Div Yield (%)	0.9	1.1	1.3

Shareholding pattern (%)

As of	Mar-26	Dec-25	Mar-25
Promoter	51.0	51.0	51.0
DII	19.6	20.7	22.9
FII	20.8	19.4	17.2
Others	8.7	8.9	8.9

FII includes depository receipts

Stock Performance (1-year)



CMP: INR5,626

TP: INR6,600 (+17%)

Buy

Powering balanced growth

We hosted Cummins management for investor meetings. Here are the key takeaways:

The company's key business segment, Powergen, continues to benefit from strong industry tailwinds on both non-HHP and HHP sides. A strong installed base, a wide product portfolio and higher geographical penetration continue to provide a stable stream of distribution revenue. Industrial segment is growing selectively, while exports are stable across larger geographies with a little cautious approach toward the Middle Eastern markets. We expect overall EBITDA margin to remain strong on a healthy revenue mix despite higher RM prices, which are currently passed through to clients. We maintain our estimates and retain BUY with an unchanged TP of INR6,600, based on an average P/E of 45x and DCF on Sep'28 estimates, which will capture long-term gains from high-growth segments.

Powergen segment has strong tailwinds from data centers

Cummins' powergen segment has seen broad-based growth across both HHP and non-HHP ranges. Growth in non-HHP nodes was largely driven by volume growth in FY26, and the demand is coming from manufacturing, pharma, quick commerce, luxury residential and commercial real estate. HHP segment growth in the past few years was more dominated by high data center-related revenue. Going ahead, we also expect growth in the HHP segment to be largely driven by data centers (DC) as the overall DC market grows from 1.5GW in FY26 to 8GW by FY30 as per industry estimates. As the demand from both colocation DC as well as hyperscalers grows over the next 4-5 years based on the capacity expansion plans announced by various players (Exhibit 7), we expect KKC to benefit from both HHP product and project revenue. Along with the HHP product revenue, we also expect project revenue to increase for KKC as it gets incremental contracts from data center players. Most of the demand from co-location-based DC is coming for QSK60 nodes, which are fully localized by the company, while QSK78 and QSK95 will remain imported for the next few years till volumes reach an optimum level for any new lines for these nodes. We maintain our estimates and expect powergen revenue to clock 20% CAGR over FY26-28.

Industrial segment growing in select areas

Industrial segment is witnessing growth in mining, marine and railways, while construction and compressor segments may remain weak in the near to medium term. Construction and compressor together formed nearly 48% of industrial segment revenue in FY26. Compressor segment is going through a weak cycle after witnessing strong growth over the last three years. Within construction segment, road construction is weak, while smart city-related projects are growing. We thus expect growth in this segment to be a bit weaker than other segments. We bake in 11% revenue CAGR for industrial segment over FY26-28.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

We expect distribution segment growth momentum to continue

Distribution segment has benefited from a large installed base, new product introductions, new geographies, RECD installations and now with the telematics offerings in CPCB 4+ products. With Maharashtra government now too mandating installing RECD devices on older CPCB 2 gensets, KKC stands to benefit from its offerings. The company can also install telematics on CPCB 2 installed base. We expect the pace of growth to continue in the distribution segment as it also stands to benefit from warranty renewals for CPCB 4+ products starting Jul'26 and its data center offerings. We maintain our growth estimates and expect distribution segment revenue to post 22% CAGR over FY26-28.

Exports: Weaker markets form single-digit share of overall exports

The company has a balanced mix of exports across LHP and HHP. Demand drivers are diversified across segments, with LHP demand largely coming from telecom segment. Among geographies, Latin America, EU and Africa are growing consistently, while the Middle East and Asia Pacific are currently facing supply chain and logistics related challenges. Export demand is largely limited to 60L engines as demand beyond those capacities is being met by either the parent or respective geographies adjacent to those markets. We project exports to post 16% CAGR over FY26-28.

Higher RM prices to be passed on

In order to tide over higher RM prices, particularly pig iron and steel prices, the company has passed on the cost pressure to end-users and we expect the near-term lag effect of pass-on to be managed through the right product mix. Hence, we expect FY27 margins to largely stay stable YoY.

Financial outlook

We maintain our estimates and expect a revenue/EBITDA/PAT CAGR of 18%/20%/21% over FY26-28. We also model EBITDA margin of 21.5%/22.0% for FY27/FY28.

Valuation and recommendation

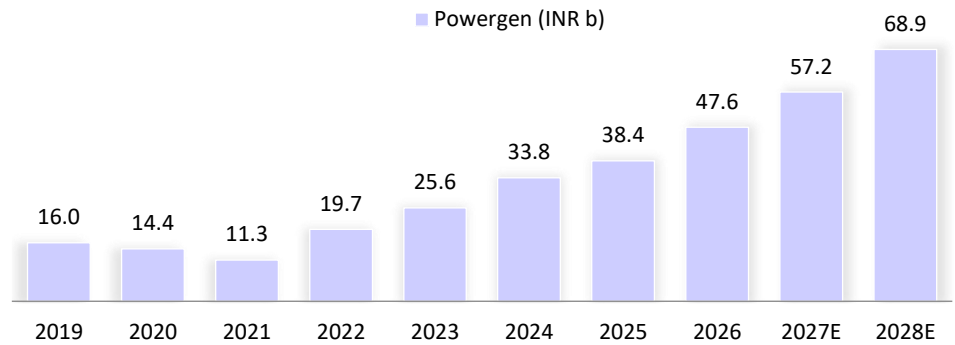
The stock currently trades at 52.6x/43.6x P/E on FY27/FY28E EPS. **We reiterate our BUY rating on the stock with a TP of INR6,600, based on average of 45x P/E and DCF on Sep'28 estimates.**

Key risks and concerns

Key risks to our recommendation would come from lower-than-expected demand for key segments, higher commodity prices, intensified competition, and lower-than-expected recovery in exports.

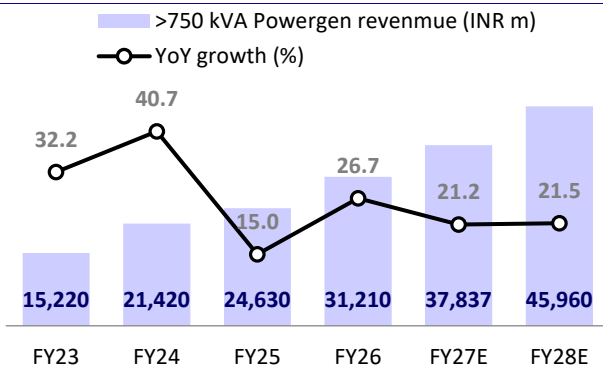
Powergen segment growth boosted by higher HHP sales

Exhibit 1: We expect KKC's powergen revenue to clock 20% CAGR over FY26-28



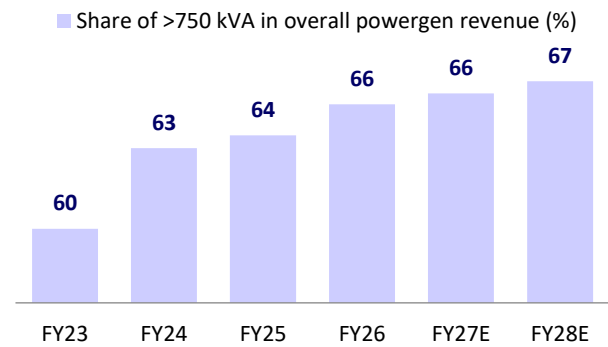
Source: Company, MOFSL

Exhibit 2: Growth of >750kVA powergen revenue for KKC from FY23-28



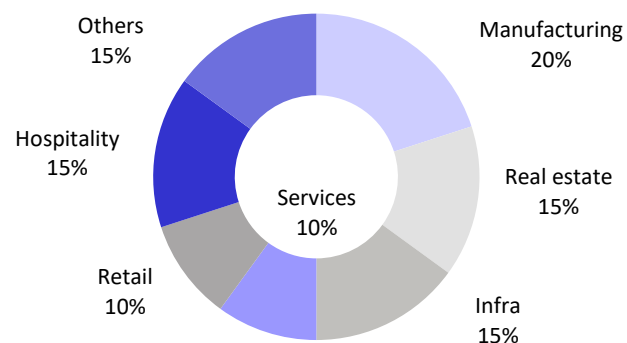
Source: Company, MOFSL

Exhibit 3: Share of >750kVA powergen revenue to remain high going forward



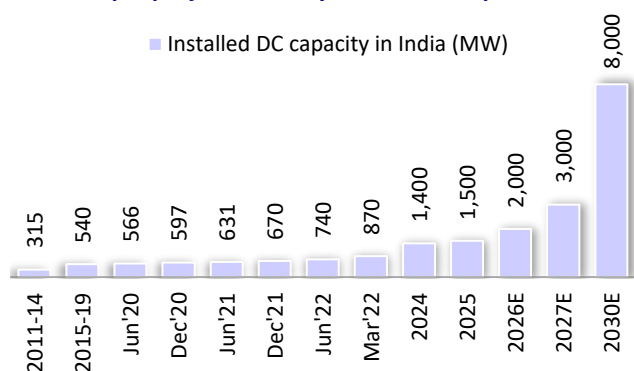
Source: Company, MOFSL

Exhibit 4: Broad break-up of demand from user industries (%)



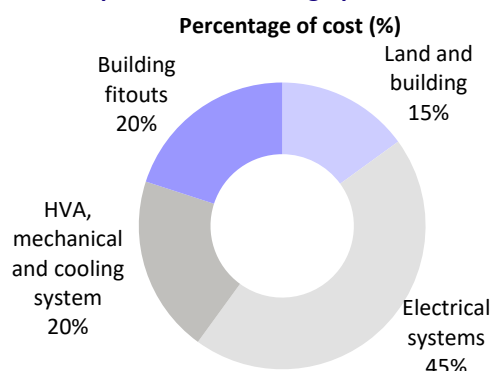
Source: Industry, MOFSL

Exhibit 5: Data centre market is witnessing strong growth with multiple projects already under development



Source: Industry, MOFSL

Exhibit 6: KKC remains a market leader in addressing the power backup demand in setting up of data centers



Source: Industry, MOFSL

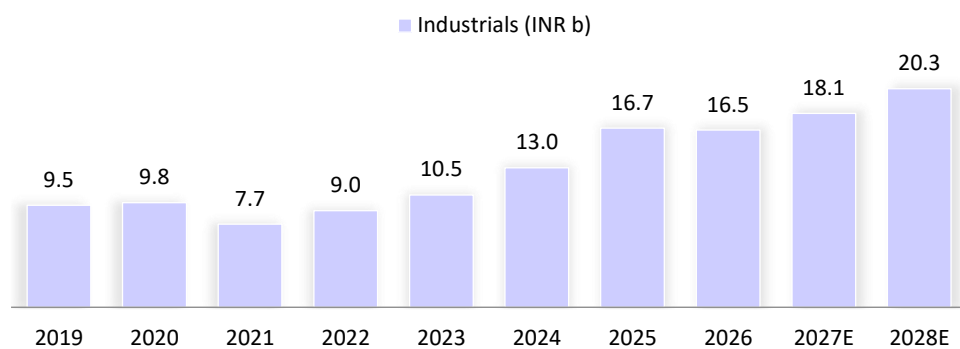
Exhibit 7: Existing and upcoming data center capacities in India where KKC has worked with various co-location DC as well as hyperscalers

Company	Stakeholders	Built capacity (MW)	Upcoming capacity (MW)	Clientele
NTT	NTT Data Inc (Japan)	275	280	Hyperscale, Enterprise
ST Telemedia Global Data Centres	KKR & Singtel (74%), Tata Comm. (26%)	249	230	Hyperscale, Enterprise
nxtra	Airtel (61%), Carlyle (24%), Alpha Wave (14%)	230	170	Large TelCos, Technology MNCs, SMEs
CtrlS	Promoter Group	193	150	Hyperscale, Enterprise
Sify	Sify / HoldCo (88%), Kotak DC Fund (12%)	188	210	Hyperscale, Enterprise
Yotta	Hiranandani Group	60	70	Hyperscale, Enterprise, AI Start-ups
Princeton DG	Warburg Pincus, OTPP, Mubadala	52	195	Hyperscale
CapitaLand	CLINT (80%), CapitaLand India DC Fund (20%)	34	125	Hyperscale
AIRTRUNK	Blackstone	31	90	Hyperscale
ESR	Starwood Capital, Sixth Street, SSW Partners, QIA, Warburg	23	23	DC Operator
Bridge Data Centres	Bain Capital, S K Group, Keppel	20	0	-
Everyondr	Everstone Group	0	60	-
ACX	Adani Enterprises, EdgeConnex (EQT backed)	46	180	E-commerce, Tech Enterprises
Colt	Fidelity Investments	28	172	Enterprise
Iron Mountain	Iron Mountain Inc.	22	57	-
Digital Connexion	Reliance Jio, Digital Realty, Brookfield Infrastructure	20	100	-
Digital Edge	NIIF, AGP, Digital Edge DC (Stonepeak backed)	19	135	Hyperscale
Equinix	Equinix Pacific LLC	9	27	Enterprise
L&T-Cloudfiniti	Larsen and Toubro	33	41	-
Anant Raj Cloud	Anant Raj Ltd (Listed)	28	79	-
NetWeb Technologies India Ltd.	Promoters (39%), L&T (18%), Public & Others (43%)	10	0	-
Techno Electric & Engineering Co. Ltd.	Techno Electric's Digital Infrastructure Arm	10	55	-
ESDS	Promoter (46%), HNIs (54%)	7	30	-
NxtGen	Promoter, Intel Capital, IFC, Iron Mountain	7	8	-
Total		1,594	2,487	

Source: Industry, MOFSL

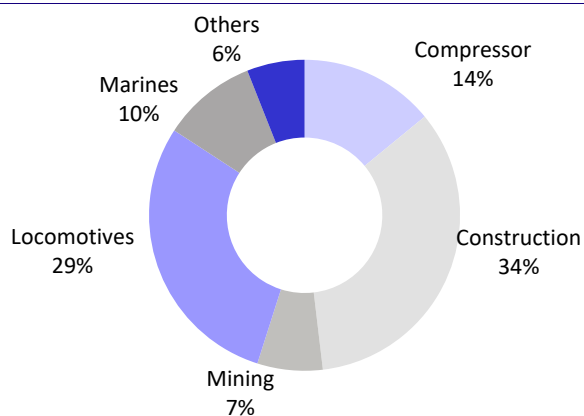
Industrial segment growing selectively

Exhibit 8: We expect KKC's industrial segment to clock 11% CAGR over FY26-28



Source: Company, MOFSL

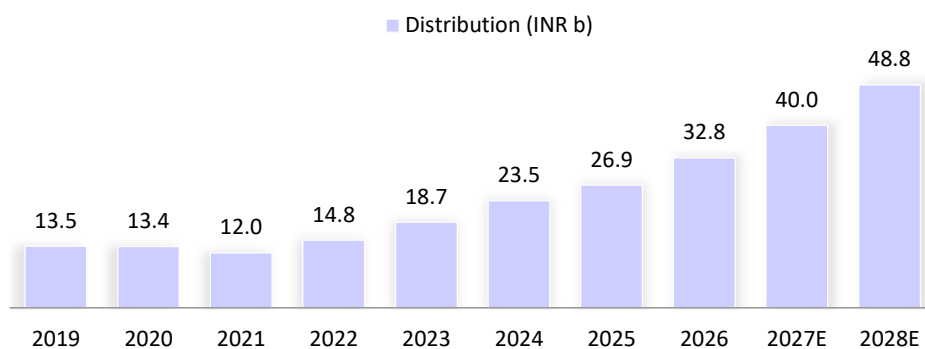
Exhibit 9: Breakup of KKC's industrial segment FY26 revenue by end-users



Source: Company, MOFSL

Distribution segment to maintain growth momentum

Exhibit 10: We expect KKC's distribution segment to clock 22% CAGR over FY26-28



Source: Company, MOFSL

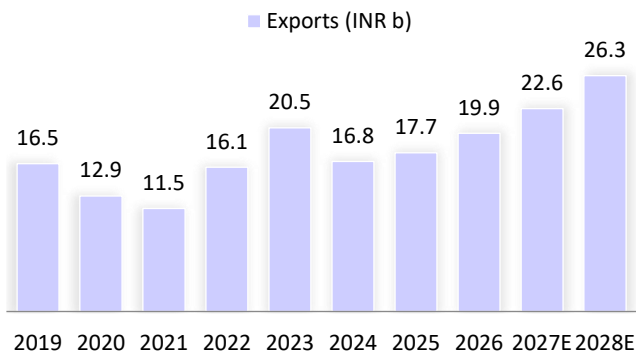
Exhibit 11: Wide distribution network of KKC sets it apart from other players

Description	Cummins India	KOEL	Mahindra Powerol	Greaves Cotton	MTU	Caterpillar	Baudouin
Product range	7.5-3750 kVa	2.8-3000 kVa	5.0-625 kVA	5-2500 kVA	30-4000 kVa	400-2250 kVa (CAT and Perkins)	250-4000kVa (CPCB 4+ is from 100-750kVa)
Manufacturing location	4 - Pune, Nandal (Satara), Post Kasar Amboli (Pune), Chennai	5 - Pune, Kagal, Nasik, Rajkot and Bhare	2 - Pune and Delhi	Aurangabad		5 - Tiruvallur (TN), Hosur (TN), Aurangabad (Maharashtra)	2- Engine manufacturing at Pune, full genset at Satara
Other details			Number 2 in India in terms of volume in FY24		It is a brand of Rolls Royce Power systems AG		More of CKD unit, source most material from China
Service network	+450	+432 authorized service centres across India	300+	NA	13 in India	7 locations plus dealer network of OEMs	25 locations
Dealer network	21 authorized dealerships, 120+ dealership branch offices	450+	+200	435+		North, East, North-eastern, South, West, Central India	Own network of 25 locations
OEMs	3	9	11	8	6	2	2
OEM names	Sudhir Power, Jakson Group, Powerica	Kala Genset, Sunbeam generators, GOEL Power engineers, Western consolidated, Electro equipment, Elmech Engineers, Green Field Enterprises, Industrial Equipment, Powerline	Joyshree Powerol, Perfect Generator Technologies, Gangadhar Industries, G. S. P. POWER SYSTEMS, Rahim Engineering Works, Sharda Diesels, Escon Genset, Southern Gensets, Shyam Global Techoventures, Tanwar Industries, Recon Technologies		Diesel Genset, Gas Genset, Dynamic UPS, Energy Storage, Containerized Solutions and Accessories and Gendrive Engines	Gainwell Commosales, GMMCO	Powerparts, Sterling Generators

Source: Company, MOFSL

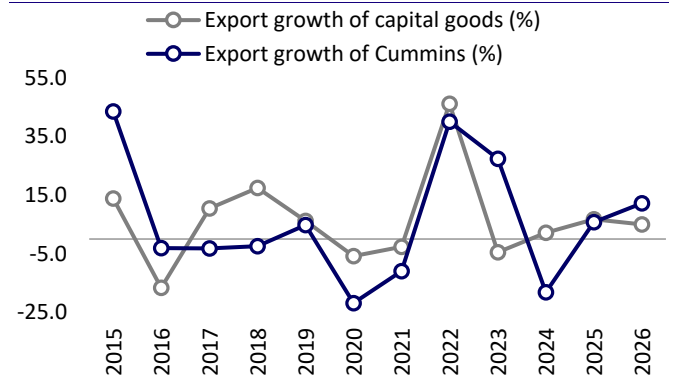
We expect exports to be a bit patchy in near term

Exhibit 12: We expect KKC's export segment to clock 15% CAGR over FY26-28



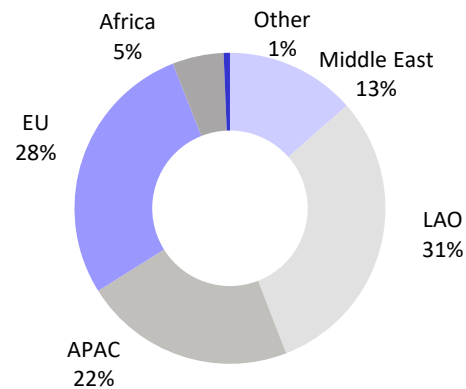
Source: Company, MOFSL

Exhibit 13: KKC's exports have a strong correlation with India's overall capital goods exports (%)



Source: Company, MOFSL

Exhibit 14: Export mix remains diversified across geographies too (FY26)



Source: Company, MOFSL

Financials and Valuation

Standalone - Income Statement								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	43,292	61,404	77,444	89,586	1,03,394	1,21,432	1,42,517	1,69,220
Change (%)	-16.1	41.8	26.1	15.7	15.4	17.4	17.4	18.7
Raw Materials	27,606	41,068	52,309	57,701	65,916	76,685	91,639	1,09,051
Gross Profit	15,687	20,336	25,135	31,886	37,478	44,747	50,879	60,169
Employee Cost	4,926	5,956	6,298	7,793	7,740	7,947	8,939	10,030
Other Expenses	4,965	5,529	6,411	6,479	9,058	10,851	11,297	12,831
Total Expenditure	37,497	52,553	65,018	71,972	82,714	95,483	1,11,875	1,31,911
% of Sales	86.6	85.6	84.0	80.3	80.0	78.6	78.5	78.0
EBITDA	5,795	8,851	12,426	17,614	20,680	25,949	30,642	37,309
Margin (%)	13.4	14.4	16.0	19.7	20.0	21.4	21.5	22.0
Depreciation	1,255	1,340	1,405	1,576	1,829	1,986	2,159	2,494
EBIT	4,540	7,511	11,022	16,037	18,851	23,964	28,483	34,815
Int. and Finance Charges	162	115	158	268	151	124	124	124
Other Income	3,702	2,875	4,200	5,678	6,261	7,205	8,601	10,130
PBT bef. EO Exp.	8,080	10,271	15,064	21,448	24,961	31,044	36,960	44,821
EO Items	0	1,059	-143	-17	0	-501	0	0
PBT after EO Exp.	8,080	11,330	14,921	21,431	24,961	30,544	36,960	44,821
Total Tax	1,901	2,463	3,623	4,824	5,904	7,242	8,760	10,623
Tax Rate (%)	23.5	21.7	24.3	22.5	23.7	23.7	23.7	23.7
Reported PAT	6,179	8,866	11,298	16,606	19,058	23,302	28,201	34,198
Adjusted PAT	6,350	8,284	12,460	17,046	19,872	24,325	29,612	35,781
Change (%)	-10.2	30.5	50.4	36.8	16.6	22.4	21.7	20.8
Margin (%)	14.7	13.5	16.1	19.0	19.2	20.0	20.8	21.1

Standalone - Balance Sheet								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	554	554	554	554	554	554	554	554
Total Reserves	43,513	47,972	53,125	61,077	69,626	78,424	90,155	1,04,454
Net Worth	44,068	48,527	53,680	61,631	70,180	78,978	90,710	1,05,008
Total Loans	156	3,933	3,500	1,000	0	0	0	0
Deferred Tax Liabilities	823	971	1,057	941	913	965	965	965
Sources of fund	45,047	53,430	58,237	63,572	71,093	79,944	91,675	1,05,974
Gross Block	20,337	22,278	23,458	26,183	29,119	31,586	35,803	41,144
Less: Accum. Deprn.	8,684	10,024	11,429	13,005	14,834	16,820	18,979	21,473
Net Fixed Assets	11,654	12,254	12,030	13,178	14,285	14,767	16,825	19,671
Capital WIP	1,275	608	413	968	849	977	977	977
Total Investments	13,892	15,939	21,042	21,927	18,925	24,831	19,045	19,045
Curr. Assets, Loans & Adv.	29,950	39,230	41,625	48,884	61,829	66,663	86,904	1,04,366
Inventory	5,578	7,288	8,862	9,369	10,222	11,685	13,713	16,283
Account Receivables	10,745	12,473	15,927	20,776	22,925	27,543	32,325	38,382
Cash and Bank Balance	9,652	14,267	13,808	15,047	25,103	23,741	36,528	44,552
Loans and Advances	1,517	2,646	539	505	812	850	997	1,184
Other Current Assets	2,459	2,556	2,488	3,188	2,767	2,846	3,340	3,965
Curr. Liability & Prov.	11,922	14,621	16,883	21,413	24,964	27,330	32,076	38,086
Other Current Liabilities	9,723	12,362	14,497	18,602	21,644	23,403	27,466	32,612
Provisions	2,199	2,258	2,386	2,810	3,321	3,928	4,609	5,473
Net Current Assets	18,029	24,609	24,741	27,472	36,865	39,333	54,828	66,281
Misc Expenditure	199	21	11	27	169	36	0	0
Appl. of Funds	45,047	53,430	58,237	63,572	71,093	79,944	91,675	1,05,974

Financials and Valuation

Ratios								
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
EPS	22.9	29.9	45.0	61.5	71.7	87.8	106.8	129.1
Cash EPS	27.4	34.7	50.0	67.2	78.3	94.9	114.6	138.1
BV/Share	159.0	175.1	193.7	222.3	253.2	284.9	327.2	378.8
DPS	14.0	10.5	25.0	34.2	39.9	48.8	59.4	71.8
Payout (%)	62.8	32.8	61.3	57.1	58.0	58.1	58.4	58.2
Valuation (x)								
P/E	245.5	188.2	125.1	91.4	78.4	64.1	52.6	43.6
Cash P/E	204.9	162.0	112.4	83.7	71.8	59.2	49.1	40.7
P/BV	35.4	32.1	29.0	25.3	22.2	19.7	17.2	14.8
EV/Sales	35.8	25.2	20.0	17.2	14.8	12.6	10.7	8.9
EV/EBITDA	267.3	174.9	124.6	87.7	74.2	59.2	49.7	40.6
Dividend Yield (%)	0.2	0.2	0.4	0.6	0.7	0.9	1.1	1.3
FCF per share	24.3	28.1	23.7	36.0	52.6	53.6	85.1	101.2
Return Ratios (%)								
RoE	14.8	17.9	24.4	29.6	30.2	32.6	34.9	36.6
RoCE	13.9	16.8	21.0	28.1	28.9	31.9	33.3	35.0
RoIC	15.9	27.4	36.6	51.1	55.5	64.6	66.3	69.4
Working Capital Ratios								
Fixed Asset Turnover (x)	2.1	2.8	3.3	3.4	3.6	3.8	4.0	4.1
Asset Turnover (x)	1.0	1.1	1.3	1.4	1.5	1.5	1.6	1.6
Inventory (Days)	47	43	42	38	36	35	35	35
Debtor (Days)	91	74	75	85	81	83	83	83
Creditor (Days)	82	73	68	76	76	70	70	70
Leverage Ratio (x)								
Current Ratio	2.5	2.7	2.5	2.3	2.5	2.4	2.7	2.7
Interest Cover Ratio	28.1	65.3	69.8	59.9	124.7	193.1	229.5	280.5
Net Debt/Equity	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6

Standalone - Cashflow Statement								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	8,711	9,614	11,631	17,773	22,502	23,605	36,536	44,011
Direct Taxes Paid	-832	-2,543	-3,520	-4,972	-5,614	-6,262	-8,760	-10,623
CF from Operating incl EO	7,879	7,071	8,111	12,801	16,888	17,343	27,777	33,388
(Inc)/Dec in FA	-1,140	705	-1,540	-2,812	-2,294	-2,474	-4,181	-5,341
Free Cash Flow	6,738	7,776	6,571	9,989	14,593	14,869	23,595	28,048
(Pur)/Sale of Investments	-75	-7,597	376	-2,967	-7,575	-1,429	5,785	0
Others	1,371	1,030	1,857	3,106	4,056	4,053	0	0
CF from Investments	155	-5,862	694	-2,673	-5,813	150	1,604	-5,341
Dividend Paid	-3,881	-4,435	-6,237	-8,593	-10,534	-14,830	-16,469	-19,900
Others	-4,844	3,661	-607	-2,733	-1,125	-120	-124	-124
CF from Fin. Activity	-8,724	-774	-6,844	-11,326	-11,659	-14,951	-16,593	-20,024
Inc/Dec of Cash	-691	434	1,960	-1,198	-585	2,542	12,788	8,024
Opening Balance	4,538	9,652	14,267	13,808	15,047	25,103	23,741	36,528
Other adjustments	5,804	4,181	-2,420	2,437	10,641	-3,904		
Closing Balance	9,652	14,267	13,808	15,047	25,103	23,741	36,528	44,552

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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