

Cummins India (KKC IN)

Rating: HOLD | CMP: Rs4,391 | TP: Rs4,182

February 6, 2026

Q3FY26 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current FY27E	Previous FY28E	Current FY27E	Previous FY28E
Rating	HOLD	HOLD		
Target Price	4,182	4,172		
Sales (Rs. m)	1,34,247	1,51,967	1,35,891	1,52,350
% Chng.	(1.2)	(0.3)		
EBITDA (Rs. m)	27,964	31,503	27,898	31,277
% Chng.	0.2	0.7		
EPS (Rs.)	91.2	103.3	91.3	102.8
% Chng.	(0.1)	0.5		

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	1,03,394	1,18,349	1,34,247	1,51,967
EBITDA (Rs. m)	20,680	25,764	27,964	31,503
Margin (%)	20.0	21.8	20.8	20.7
PAT (Rs. m)	19,058	23,451	25,277	28,640
EPS (Rs.)	68.8	84.6	91.2	103.3
Gr. (%)	14.7	23.1	7.8	13.3
DPS (Rs.)	51.5	56.7	61.1	69.2
Yield (%)	1.2	1.3	1.4	1.6
RoE (%)	28.9	30.4	28.4	28.7
RoCE (%)	28.3	30.7	28.9	29.2
EV/Sales (x)	11.4	9.9	8.7	7.7
EV/EBITDA (x)	57.2	45.7	42.0	37.0
PE (x)	63.9	51.9	48.2	42.5
P/BV (x)	17.3	14.4	13.0	11.5

Key Data

	CUMM.BO KKC IN
52-W High / Low	Rs.4,615 / Rs.2,580
Sensex / Nifty	83,314 / 25,643
Market Cap	Rs.1,217bn/ \$ 13,472m
Shares Outstanding	277m
3M Avg. Daily Value	Rs.2560.35m

Shareholding Pattern (%)

Promoter's	51.00
Foreign	19.42
Domestic Institution	20.60
Public & Others	8.98
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.9	22.3	50.3
Relative	4.5	18.5	41.2

Amit Anwani

amitanwani@plindia.com | 91-22-66322250

Prathmesh Salunkhe

prathmeshsalunkhe@plindia.com | 91-22-66322324

Hitesh Agarwal

hiteshagarwal@plindia.com | 91-22-66322535

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In line Q3, growth outlook remains intact

Quick Pointers:

- The management maintained revenue guidance of double-digit growth for FY26 supported by demand across all key segments.
- Data centers accounted for ~25% of domestic Powergen revenue in 9MFY26.

Cummins India (KKC) delivered in line performance with revenue declining 1.2% YoY (against higher base) and EBITDA margin expanding by 296bps YoY to 22.4%. The management reiterated double-digit revenue growth guidance for FY26, led by continued strength in the domestic Powergen, while exports are expected to remain subdued in the near term. Domestic Powergen revenue declined due to lower HHP sales (against higher base); however, core Powergen (ex-data center) demand is expected to remain steady, supported by continued traction across residential & commercial real estate, manufacturing and infrastructure. While order pipeline from data centers remain healthy, aided by policy support and sustained investments in data centers across globe. Distribution continued to outperform with 26% YoY growth on broad-based traction across Powergen, Defence, Railways and Mining. Industrial revenue declined by 9% YoY due to weakness in construction and railways, partly offset by continued strength in the marine segment and improving mining activity. Export demand remained firm in Europe and the Middle East, though near-term softness persists. The stock is trading at a P/E of 48.2x/42.5x of FY27/28E. We maintain our 'HOLD' rating valuing the stock at a PE of 43x Sep'27E (same as earlier) with revised TP of Rs4,182 (Rs4,172 earlier).

Long-term view intact: We expect KKC's outlook to remain intact given the 1) strong domestic demand in Powergen across sectors with CPCB 4+ products witnessing traction, 2) stable margin profile, and 3) ample room for growth in the Distribution business.

Gross margin expansion aided by better sales mix: Standalone revenue decreased by 1.2% YoY to Rs30.1bn (PLe: Rs32.9bn) against a higher base in Q3FY25. Gross margin expanded by 309bps YoY to 37.9% (PLe: 36.0%). EBITDA increased by 5.7% YoY to Rs6.3bn (PLe: Rs6.7bn) with EBITDA margin expanding by 133bps YoY to 20.8% (PLe: 20.4%) driven by gross margin expansion and lower employee cost (-14.1% YoY to Rs2bn). PBT (ex-Extra-ordinaries) increased by 7.3% YoY to Rs7.2bn (PLe: Rs7.9bn) aided by higher other income (+15.6% YoY to Rs1.4bn). Adj PAT increased by 7.0% YoY to Rs5.5bn (PLe: Rs6.0bn) driven by the increase in other income, while effective rate remains flattish YoY to 23.5%.

Distribution growth remains strong: Domestic sales decreases by 1.6% YoY to Rs25.4bn due to decline in Powergen (-16% YoY) and Industrial (-9% YoY) sales, offset by increase in the Distribution business (+26% YoY). Domestic Powergen revenue mix stood at 55%/11%/27%/6% for HHP/HHD/MHP/LHP. Exports increased by ~2% YoY, to Rs4.7bn. Export mix stood at 39%/49%/11% for LHP/HHP/Spares.

February 6, 2026

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Exhibit 1: EBITDA margins increases by 296bps YoY driven by expansion in gross margin (+309bps YoY)

Y/e March (Rs mn)	Q3FY26	Q3FY25	YoY gr. (%)	Q3FY26E	% Var.	Q2FY26	QoQ gr. (%)	9MFY26	9MFY25	YoY gr. (%)
Sales	30,062	30,414	-1.2%	32,451	-7.4%	31,216	-3.7%	89,865	77,519	15.9%
Other operating income	487	446	9.2%	400	21.7%	487	0.0%	1,455	1,307	11.3%
Total Revenue	30,549	30,860	-1.0%	32,851	-7.0%	31,703	-3.6%	91,320	78,825	15.9%
Gross Profit	11,564	10,729	7.8%	11,826	-2.2%	11,579	-0.1%	33,895	28,347	19.6%
Margin (%)	37.9	34.8	309	36.0	185.4	36.5	133	37.1	36.0	115
Employee Cost	2,003	2,332	-14.1%	2,300	-12.9%	1,986	0.9%	5,983	6,072	-1.5%
as % of sales	6.6	7.6	(100)	7.0	(44.3)	6.3	29	6.6	7.7	(115)
Other expenditure	2,716	2,396	13.4%	2,825	-3.9%	2,646	2.7%	7,884	6,791	16.1%
as % of sales	8.9	7.8	113	8.6	29.2	8.3	55	8.6	8.6	2
EBITDA	6,845	6,000	14.1%	6,702	2.1%	6,948	-1.5%	20,028	15,484	29.3%
Margin (%)	22.4	19.4	296	20.4	200.5	21.9	49	21.9	19.6	229
Depreciation	504	481	4.8%	500	0.7%	492	2.4%	1,475	1,372	7.5%
EBIT	6,341	5,519	14.9%	6,202	2.2%	6,456	-1.8%	18,553	14,112	31.5%
Margin (%)	20.8	17.9	287	18.9	187.9	20.4	39	20.3	17.9	241
Other Income	1,397	1,209	15.6%	1,700	-17.8%	1,964	-28.8%	4,890	4,142	18.0%
Interest	48	27	80.4%	25	91.2%	26	87.5%	100	100	0.1%
PBT (ex. Extra-ordinaries)	7,691	6,702	14.8%	7,877	-2.4%	8,394	-8.4%	23,343	18,155	28.6%
Margin (%)	25.2	21.7	346	24.0	119.8	26.5	(130)	25.6	23.0	253
Extraordinary Items	(1,765)	-	-	-	-	-	-	(1,324)	-	-
PBT	5,925	6,702	-11.6%	7,877	-24.8%	8,394	-29.4%	22,019	18,155	21.3%
Total Tax	1,394	1,562	-10.7%	1,922	-27.5%	2,017	-30.9%	5,218	4,310	21.1%
Effective Tax Rate (%)	23.5	23.3	23	24.4	(87.0)	24.0	(50)	23.7	23.7	(4)
Reported PAT	4,531	5,140	-11.8%	5,955	-23.9%	6,377	-28.9%	16,801	13,844	21.4%
Adj. PAT	5,882	5,140	14.4%	5,955	-1.2%	6,377	-7.8%	17,814	13,844	28.7%
Margin (%)	19.3	16.7	260	18.1	112.8	20.1	(86)	19.5	17.6	194
Adj. EPS	21.2	18.5	14.4%	21.5	-1.2%	23.0	-7.8%	64.3	49.9	28.7%

Source: Company, PL

Exhibit 2: Domestic sales decreases by ~1.6% YoY due to decline in Powergen and Industrial sales

Revenue Mix (Rs mn)	Q3FY26	Q3FY25	YoY gr. (%)	Q2FY26	QoQ gr. (%)	9MFY26	9MFY25	YoY gr. (%)
By Geography								
Domestic	25,350	25,770	-1.6%	25,770	-1.6%	74,480	64,580	15.3%
Exports	4,710	4,640	1.5%	5,450	-13.6%	15,390	12,930	19.0%
Domestic breakup								
Power Generation	10,690	12,710	-15.9%	13,400	-20.2%	34,650	29,700	16.7%
Distribution	9,390	7,460	25.9%	7,960	18.0%	25,120	20,550	22.2%
Industrial	4,660	5,110	-8.8%	3,870	20.4%	12,710	12,890	-1.4%
Export breakup								
Low HP	1,860	2,160	-13.9%	2,190	-15.1%	6,300	5,690	10.7%
High HP	2,320	2,020	14.9%	2,790	-16.8%	7,630	6,040	26.3%
Spares	530	460	15.2%	470	12.8%	1,460	1,200	21.7%

Source: PL

Conference Call Highlights

- **Guidance:** The management reiterated guidance of double-digit revenue growth for FY26, despite some sluggishness expected in exports due to the global uncertainty and slowdown in economic activity.
- **Domestic Powergen:** Revenue declined **~16% YoY to Rs10.7bn**, due to a sharp drop in **HHP sales to Rs5.9bn (higher base of Rs8.9bn in Q3FY25)**. Core Powergen (ex-data center) is expected to remain **steady**, supported by healthy demand from residential & commercial real estate, manufacturing, and infrastructure segments. The management indicated that while **BESS can form part of the broader energy solutions mix**, it is **not a substitute for diesel gensets**, which continue to remain the primary backup power source. The company has recently launched **10- and 20-ft containerized BESS**, which has seen **healthy inquiry levels**, though conversions remain gradual as customers continue to evaluate BESS.
- **Data center (~25% of domestic Powergen in 9MFY26):** No data center orders were executed in Q3FY26; however, the **pipeline is expected to be healthy**, supported by recent tax incentives announced in budget and investments in data centers across private players. The management expects **order inflows over the next 2-3 years**, driven by hyperscale data centers and steady inquiries from colocation data centers. Data centers typically require **high horsepower (HHP) gensets**, and the company is strengthening its positioning in the **~2,500kVA** category.
- **Industrial:** Revenue declined **9% YoY to Rs4.7bn**, due to a slowdown in the construction segment (-26% YoY to Rs1.3bn) on account of lower road execution pace and monsoon-related disruptions. Railways witnessed a softer quarter (-28% YoY to Rs1bn) vs. past few quarters, though the management remains optimistic given the higher budgetary capex allocation. The **marine segment continues to perform well**, aided by government focus, new product introductions, and customized order wins. Mining activity has improved over the last 6 months, though tender conversion remains watchful.
- **Distribution:** Revenue grew **26% YoY to Rs9.4bn**, driven by broad-based growth across Powergen, Defence, Railways and Mining. Expansion in the **asset base** is improving service reach and customer coverage. The management expects incremental growth in the distribution of **CPCB IV+ engines**, once the warranty phase of CPCB II products tapers off, aided by higher electronic and after-treatment content in newer engines.
- **Exports:** Export markets remain **volatile and choppy**, with **Asia, Europe, Latin America, and the Middle East** showing relatively better traction, while other regions remain muted. Growth was stronger in **HHP vs. LHP**. The company is evaluating the impact of **tariff reductions in the US** and is increasingly focusing on supplying **CPCB IV+ products for data center applications** in the US market. The management indicated **no clear near-term demand trend** across export markets.

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	1,03,394	1,18,349	1,34,247	1,51,967
YoY gr. (%)	15.4	14.5	13.4	13.2
Cost of Goods Sold	65,916	74,560	85,516	96,651
Gross Profit	37,478	43,789	48,732	55,316
Margin (%)	36.2	37.0	36.3	36.4
Employee Cost	7,740	7,811	9,263	10,790
Other Expenses	9,058	10,213	11,505	4,483
EBITDA	20,680	25,764	27,964	31,503
YoY gr. (%)	17.4	24.6	8.5	12.7
Margin (%)	20.0	21.8	20.8	20.7
Depreciation and Amortization	1,829	1,973	2,144	2,324
EBIT	18,851	23,791	25,819	29,179
Margin (%)	18.2	20.1	19.2	19.2
Net Interest	151	119	59	59
Other Income	6,261	6,983	7,719	8,814
Profit Before Tax	24,961	30,655	33,479	37,934
Margin (%)	24.1	25.9	24.9	25.0
Total Tax	5,904	7,204	8,202	9,294
Effective tax rate (%)	23.7	23.5	24.5	24.5
Profit after tax	19,058	23,451	25,277	28,640
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	19,058	23,451	25,277	28,640
YoY gr. (%)	14.7	23.1	7.8	13.3
Margin (%)	18.4	19.8	18.8	18.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	19,058	23,451	25,277	28,640
YoY gr. (%)	14.8	23.1	7.8	13.3
Margin (%)	18.4	19.8	18.8	18.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	19,058	23,451	25,277	28,640
Equity Shares O/s (m)	277	277	277	277
EPS (Rs)	68.8	84.6	91.2	103.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	22,893	25,193	27,493	29,793
Tangibles	22,893	25,193	27,493	29,793
Intangibles	-	-	-	-
Acc: Dep / Amortization	9,970	11,943	14,087	16,411
Tangibles	9,970	11,943	14,087	16,411
Intangibles	-	-	-	-
Net fixed assets	12,923	13,250	13,406	13,382
Goodwill	12,923	13,250	13,406	13,382
Non-Current Investments	9,749	11,343	12,387	13,780
Net Deferred tax assets	(913)	(913)	(913)	(913)
Other Non-Current Assets	1,468	1,716	1,947	2,204
Current Assets				
Investments	9,321	11,321	13,321	15,321
Inventories	10,222	12,970	15,448	17,487
Trade receivables	22,925	25,850	29,323	33,259
Cash & Bank Balance	25,103	30,116	30,828	36,023
Other Current Assets	1,469	1,657	1,879	2,128
Total Assets	96,057	1,11,203	1,21,621	1,36,781
Equity				
Equity Share Capital	554	554	554	554
Other Equity	69,626	83,791	93,355	1,05,060
Total Networth	70,180	84,345	93,910	1,05,614
Non-Current Liabilities				
Long Term borrowings	204	204	204	204
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	92	92	92	92
Trade payables	15,682	16,536	18,390	20,817
Other current liabilities	8,985	9,112	8,112	9,140
Total Equity & Liabilities	96,057	1,11,203	1,21,621	1,36,781

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	24,961	30,655	33,479	37,934
Add. Depreciation	1,829	1,973	2,144	2,324
Add. Interest	151	119	59	59
Less Financial Other Income	6,261	6,983	7,719	8,814
Add. Other	(3,783)	-	-	-
Op. profit before WC changes	23,158	32,747	35,683	40,317
Net Changes-WC	(657)	(5,264)	(5,677)	(3,166)
Direct tax	(5,614)	(7,204)	(8,202)	(9,294)
Net cash from Op. activities	16,888	20,279	21,804	27,857
Capital expenditures	664	(5,861)	(5,321)	(5,667)
Interest / Dividend Income	3,491	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	4,156	(5,861)	(5,321)	(5,667)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,000)	-	-	-
Dividend paid	(10,534)	(9,286)	(15,712)	(16,935)
Interest paid	(51)	(119)	(59)	(59)
Others	(74)	-	-	-
Net cash from Fin. activities	(11,659)	(9,405)	(15,772)	(16,995)
Net change in cash	9,384	5,013	711	5,196
Free Cash Flow	14,512	17,979	19,504	25,557

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	68.8	84.6	91.2	103.3
CEPS	75.3	91.7	98.9	111.7
BVPS	253.2	304.3	338.8	381.0
FCF	52.4	64.9	70.4	92.2
DPS	51.5	56.7	61.1	69.2
Return Ratio(%)				
RoCE	28.3	30.7	28.9	29.2
ROIC	44.7	50.4	43.1	45.2
RoE	28.9	30.4	28.4	28.7
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.5)	(0.5)
Net Working Capital (Days)	62	69	72	72
Valuation(x)				
PER	63.9	51.9	48.2	42.5
P/B	17.3	14.4	13.0	11.5
P/CEPS	58.3	47.9	44.4	39.3
EV/EBITDA	57.2	45.7	42.0	37.0
EV/Sales	11.4	9.9	8.7	7.7
Dividend Yield (%)	1.2	1.3	1.4	1.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Net Revenue	24,569	29,068	31,703	30,549
YoY gr. (%)	6.1	26.2	27.2	(1.0)
Raw Material Expenses	15,438	18,316	20,123	18,985
Gross Profit	9,131	10,752	11,579	11,564
Margin (%)	37.2	37.0	36.5	37.9
EBITDA	5,197	6,235	6,948	6,845
YoY gr. (%)	(4.5)	33.4	44.4	14.1
Margin (%)	21.2	21.4	21.9	22.4
Depreciation / Depletion	457	479	492	504
EBIT	4,739	5,756	6,456	6,341
Margin (%)	19.3	19.8	20.4	20.8
Net Interest	52	27	26	48
Other Income	2,119	1,529	1,964	1,397
Profit before Tax	6,807	7,700	8,394	5,925
Margin (%)	27.7	26.5	26.5	19.4
Total Tax	1,593	1,807	2,017	1,394
Effective tax rate (%)	23.4	23.5	24.0	23.5
Profit after Tax	5,214	5,893	6,377	4,531
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,214	5,555	6,377	5,881
YoY gr. (%)	(7.2)	32.3	41.5	14.4
Margin (%)	21.2	19.1	20.1	19.3
Extra Ord. Income / (Exp)	-	338	-	(1,350)
Reported PAT	5,214	5,893	6,377	4,531
YoY gr. (%)	(7.2)	40.4	41.5	(11.8)
Margin (%)	21.2	20.3	20.1	14.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,214	5,893	6,377	4,531
Avg. Shares O/s (m)	277	277	277	277
EPS (Rs)	18.8	20.0	23.0	21.2

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-26	Hold	4,172	4,148
2	07-Nov-25	Hold	4,172	4,292
3	07-Oct-25	Hold	3,895	3,957
4	08-Aug-25	Hold	3,895	3,807
5	09-Jul-25	BUY	3,647	3,478
6	29-May-25	BUY	3,646	3,169
7	09-Apr-25	BUY	3,309	2,746
8	10-Feb-25	BUY	3,723	2,870

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,540	4,695
2	Apar Industries	BUY	9,629	7,695
3	BEML	Hold	1,982	1,861
4	Bharat Electronics	Reduce	411	453
5	BHEL	Hold	245	263
6	Carborundum Universal	Hold	825	788
7	Cummins India	Hold	4,172	4,148
8	Elgi Equipments	Accumulate	561	472
9	Engineers India	BUY	255	205
10	GE Vernova T&D India	BUY	4,050	2,911
11	Grindwell Norton	Hold	1,744	1,576
12	Harsha Engineers International	Hold	407	395
13	Hindustan Aeronautics	BUY	5,507	4,525
14	Ingersoll-Rand (India)	Accumulate	4,271	3,395
15	Kalpataru Projects International	BUY	1,494	1,174
16	KEC International	Accumulate	748	669
17	Kirloskar Pneumatic Company	BUY	1,557	1,068
18	Larsen & Toubro	BUY	4,806	3,794
19	Praj Industries	Hold	353	322
20	Siemens	Accumulate	3,470	3,134
21	Siemens Energy India	Accumulate	3,312	2,603
22	Thermax	Accumulate	3,513	3,069
23	Triveni Turbine	Accumulate	585	509
24	Voltamp Transformers	BUY	10,318	7,720

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Amit Anwani- MBA (Finance), Mr. Prathmesh Salunkhe- MBA Finance, Mr. Hitesh Agarwal- MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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