

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	KKC IN
Equity Shares (m)	277
M.Cap.(INRb)/(USDb)	878.6 / 10.3
52-Week Range (INR)	4172 / 2580
1, 6, 12 Rel. Per (%)	7/-12/-27
12M Avg Val (INR M)	2357

Financials Snapshot (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Net Sales	103.4	123.1	143.2
EBITDA	20.7	24.3	28.2
PAT	19.9	23.4	27.5
EPS (INR)	71.7	84.6	99.1
GR. (%)	16.6	18.0	17.1
BV/Sh (INR)	253.2	286.2	325.1
Ratios			
ROE (%)	30.2	31.4	32.4
RoCE (%)	28.9	29.9	30.9
Valuations			
P/E (X)	44.3	37.5	32.0
P/BV (X)	12.5	11.1	9.8
EV/EBITDA (X)	41.3	35.2	30.0
Div Yield (%)	1.3	1.5	1.7

Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	51.0	51.0	51.0
DII	22.9	21.9	23.0
FII	17.2	18.1	17.4
Others	8.9	9.0	8.6

FII includes depository receipts

CMP: INR3,169 TP: INR4,060 (+28%) Buy
Strong margins offset weak revenue performance

Cummins India (KKC)’s 4QFY25 results reflected weakness in revenue, while EBITDA margin and PAT outperformed our estimates. The company reported 6% YoY revenue growth, while EBITDA/PAT declined by 5%/7% YoY, mainly due to a high base of last year. For FY25, industrial, distribution and export segments’ growth was broadly in line with our estimates, while powergen was slightly lower than our expectations. Export markets have been consistently improving QoQ for the last four quarters. We remain positive on KKC as we believe that the company will benefit from 1) better volumes for CPCB 4+ products in FY26 as powergen demand recovers further; 2) improved growth in railways, construction in industrial and increased penetration of distribution-led products; and 3) improving growth outlook in export markets. We marginally trim our estimates by 1% each for FY26/27 to bake in FY25 performance. We reiterate BUY on the stock with a TP of INR4,060 based on 41x Mar’27E earnings.

In-line PAT

Revenue increased 6% YoY to INR24.6b, lower than our estimate due to weak domestic revenue. Domestic revenue at INR19.4b grew 1% YoY, while exports at INR4.8b grew strongly by 39% YoY. Exports have been continuously growing since 4QFY24. Gross margin at 37.2% saw a 120bp YoY/240bp QoQ expansion, while EBITDA margin for 4QFY25 stood at 21.2%, which was much better than our expectation of 19.1%. This was fueled by a better-than-expected gross margin. Absolute EBITDA dipped 5% YoY to INR5.2b, a 5% miss on our estimate. PAT declined 7% YoY to INR5.2b, though it was broadly in line with our estimate of INR5b due to higher-than-expected other income and a lower-than-expected tax rate. For FY25, the company’s revenue/EBITDA/PAT grew 15%/17%/15% YoY to INR103.4b/INR20.7b/INR19.1b, while margin expanded 30bp YoY to 20%. The company’s OCF/FCF increased 32%/46% YoY to INR16.9b/INR14.6b due to lower net working capital. As of 31st Mar’25, the company was debt-free.

Powergen segment growth lower than our estimates

Powergen segment revenue declined by 7% YoY in 4QFY25, affected by a high base of last year. 4QFY25 volumes were around 80-85% of 4QFY24 level. For FY25, powergen revenue grew by 14% YoY, implying that some part of volume decline during the year due to CPCB 4+ transition was offset by an average pricing improvement of 25-30%. With competitive intensity stabilizing now and demand also recovering from key areas like residential, commercial, and infrastructure, we expect volume growth to start recovering in FY26. Beyond CPCB 4+ portfolio, KKC continues to see strong demand from data centers, and HHP portfolio continues to benefit from the same. We marginally revise our estimates and expect a CAGR of 16.5% in powergen revenue over FY25-27.

Industrial segment growth remains strong during the year

Industrial segment delivered a healthy performance in 4QFY25, posting INR3.8b in revenue (+9% YoY), and INR17b in FY25 (+28% YoY), reflecting broad-based demand across key verticals. The construction and rail segments remained stable. Railways saw demand from diesel-electric tower cars and power cars, and momentum is also building around specialized applications such as hotel load converters and accident relief trains. The compressor business remained steady and the mining segment saw a temporary lull due to delayed Coal India tenders. With its product offerings, we believe KKC is well-positioned to capture growth across its industrial portfolio in the coming quarters. We, thus, estimate a 19% CAGR for this segment over FY25-27.

Distribution growth driven by improved offerings

KKC's distribution segment revenue grew by 5%/14% YoY in 4QFY25/FY25. Key growth drivers included increasing adoption of KKC's extended warranties, expansion of rebuild engine offerings, and rising penetration in the powergen and industrial sectors. The segment benefited from long-term contracts, value-added services, and aftermarket support, which strengthened customer relationships and service revenue streams. We bake in a CAGR of 25% in distribution segment revenue over FY25-27.

Exports continuously improving sequentially

Export revenue surged 39% YoY in 4QFY25, led by strong performance in both HHP and LLP products. Latin America and Europe continued to perform exceptionally well, while other geographies are yet to show meaningful improvement.

Management is cautiously optimistic about exports for FY26 in light of the current tariffs and global trade policies. However, we believe that KKC's strategic focus on deepening its market presence by tailoring products to local needs and maintaining supply of non-emission compliant gensets will position the company to capture export growth as conditions stabilize. We expect export revenue to clock a CAGR of 10% over FY25-27.

Financial outlook

We marginally trim our estimates by 1% each for FY26/27 to bake in FY25 performance. We expect revenue/EBITDA/PAT CAGR of 18%/17%/18% over FY25-27 and build in EBITDA margin of 19.7% each for FY26/27. Our estimates factor in gross margin of 35% in FY26/27 vs. 36% in FY25 as we expect some gross margin contraction after price levels for CPCB 4+ normalize.

Valuation and view

The stock is currently trading at 37.5x/32.0x on FY26/27E EPS. We **reiterate BUY** on the stock with a revised TP of INR4,060 based on 41x Mar'27E earnings.

Key risks and concerns

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

Y/E March											(INR m)	
	FY24				FY25				FY24	FY25	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	4QE	Var (%)		
Net Sales	22,087	18,997	25,341	23,162	23,042	24,923	30,860	24,569	89,586	1,03,394	28,567	(14)
YoY Change (%)	31.0	-2.6	16.2	20.3	4.3	31.2	21.8	6.1	15.7	15.4	23.3	
Total Expenditure	18,681	15,611	19,961	17,719	18,369	20,113	24,860	19,372	71,972	82,714	23,099	
EBITDA	3,406	3,386	5,379	5,443	4,673	4,810	6,000	5,197	17,614	20,680	5,468	(5)
Margins (%)	15.4	17.8	21.2	23.5	20.3	19.3	19.4	21.2	19.7	20.0	19.1	
Depreciation	358	379	419	420	439	452	481	457	1,576	1,829	477	(4)
Interest	77	67	63	62	48	26	27	52	268	151	60	(15)
Other Income	1,175	1,322	1,136	2,045	1,322	1,611	1,209	2,119	5,678	6,261	1,714	24
PBT before EO expense	4,146	4,263	6,034	7,006	5,509	5,944	6,702	6,807	21,448	24,961	6,645	2
Extra-Ord expense			17						17	-		
PBT	4,146	4,263	6,017	7,006	5,509	5,944	6,702	6,807	21,431	24,961	6,645	2
Tax	989	978	1,467	1,390	1,311	1,438	1,562	1,593	4,824	5,904	1,653	
Rate (%)	23.9	22.9	24.4	19.8	23.8	24.2	23.3	23.4	22.5	23.7	24.9	
Reported PAT	3,157	3,285	4,549	5,615	4,198	4,506	5,140	5,214	16,606	19,058	4,992	4
Adj PAT	3,157	3,285	4,562	5,615	4,198	4,506	5,140	5,214	16,619	19,058	4,992	4
YoY Change (%)	50.6	30.2	26.7	76.3	33.0	37.2	12.7	-7.2	45.7	14.7	-11.1	
Margins (%)	14.3	17.3	18.0	24.2	18.2	18.1	16.7	21.2	18.6	18.4	17.5	

INR m	FY24				FY25				FY24	FY25	YoY (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Segmental revenue											
Powergen	8,700	4,860	10,730	9,420	8,030	8,960	12,710	8,740	33,710	38,440	14.0
Industrial	2,400	3,000	4,104	3,480	3,720	4,060	5,110	3,790	12,984	16,680	28.5
Distribution	5,300	5,490	6,620	6,040	6,510	6,580	7,460	6,310	23,450	26,860	14.5
Exports	5,000	5,070	3,250	3,440	3,890	4,400	4,640	4,790	16,760	17,720	5.7
Other	346	295	314	305	470	484	494	514	1,260	1,962	55.7
Total	21,746	18,715	25,018	22,685	22,620	24,484	30,414	24,144	88,164	1,01,662	15.3



Conference call highlights

- **Domestic powergen:** Domestic powergen revenue declined 7% YoY in 4QFY25, largely due to a high base effect from CPCB-II pre-buying in 4QFY24. However, management confirmed that demand remains robust across segments like residential, commercial, infrastructure, and emerging verticals such as quick-commerce warehouses and data centers.
- **CPCB 4+ products:** Pricing for CPCB IV+ products has largely held steady, and competitive intensity has now stabilized. Management emphasized that pricing is still settling and is expected to stabilize fully in the next couple of quarters. It anticipates CPCB IV+ volumes to return to or surpass CPCB-II levels over the next one to two quarters, with current volumes tracking at 80-85% of prior norms. No incremental price hikes have been taken since CPCB IV+ implementation, and the company continues to focus on providing segment-specific solutions to defend pricing and value proposition.
- **Industrial segment:** The industrial segment clocked 29% YoY growth in FY25, with strong contributions from the construction and rail segments. Construction demand remained stable, while rail orders (especially in power cars and diesel electric tower cars) showed sustained momentum. However, in mining, expectations of a pickup did not materialize as Coal India tenders were deferred. Compressor segment, while currently stable, is anticipated to enter a cyclical downturn. **FY25 breakup** – Construction: INR6.2b, Rail: INR4.7b, Mining: INR1.3b, Compressors: INR2.0b, and Others INR2.4b. **4QFY25 breakup** – Construction: INR1,680m, Rail: INR1,140m, Mining: INR140m, Compressors: INR500m, and Others INR330m.
- **Distribution segment:** Though quarterly growth was modest at 5%, management attributed this to order timing and project execution schedules rather than demand weakness. Key drivers included extended warranties, rebuild engine orders (especially in industrials), and retrofit solutions like dual-fuel kits. New service offerings under the “Ashwasan” product suite are also gaining traction. The company remains confident about future growth in this segment, supported by higher penetration and value-added offerings.
- **Exports:** Exports grew 6% in FY25, with strong 39% YoY growth in 4QFY25. Latin America and Europe were the strongest performing regions. Cummins continues to focus on tailored go-to-market strategies for each region, including market-specific positioning, pricing, and product offerings. While momentum is visible, the global outlook remains uncertain due to ongoing geopolitical issues and evolving trade and tariff policies, particularly involving the US. **FY25 breakup** – HHP: INR8.2b (+12% YoY), LHP: INR7.8b. **4QFY25 breakup** – HHP: INR2.2b (+27% YoY/+8% QoQ), LHP: INR2.2b (+51% YoY/flat QoQ).
- **4QFY25 revenue breakup:** Industrial – INR3.8b (+9% YoY), Powergen – INR8.7b (-7% YoY), Distribution – INR6.3b (+5% YoY), HHP exports – INR2.2b (+27% YoY), and LHP exports – INR2.2b (+51% YoY).
- **Guidance:** KKC has guided for double-digit revenue growth in FY26. The growth is expected to be driven largely by domestic demand across the powergen, industrial, and distribution segments. Continued cost optimization and product value enhancements remain vital for sustaining margins.

Key Exhibits

Exhibit 1: Powergen revenue declined 7% YoY

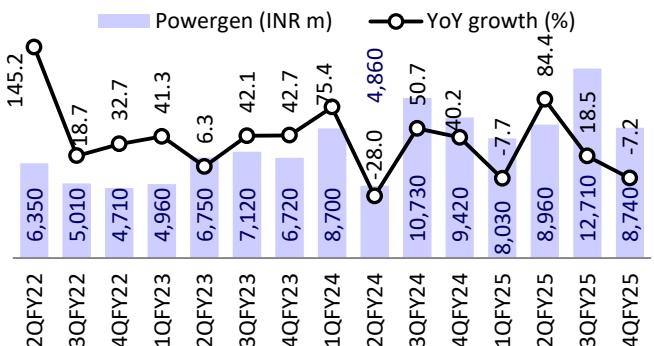


Exhibit 3: Distribution revenue grew by 5% YoY

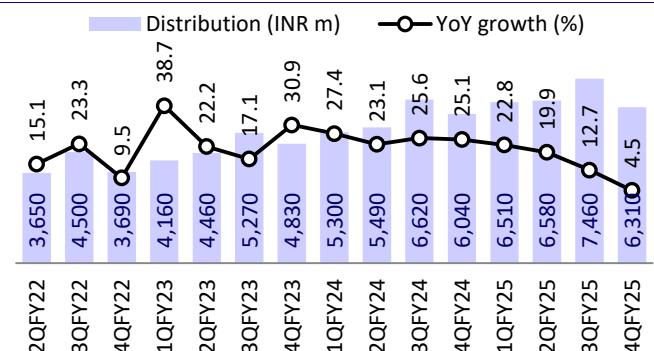


Exhibit 5: Share of exports has been increasing since 4QFY24

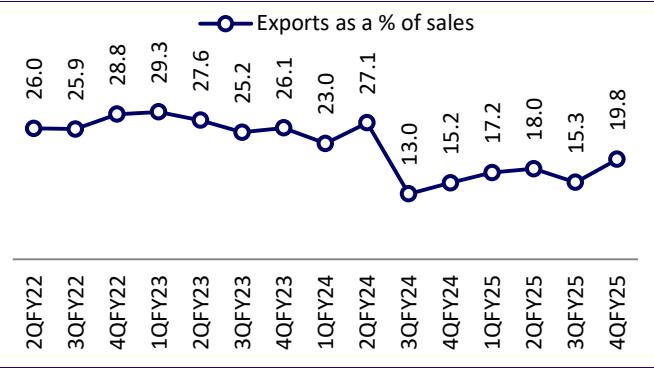
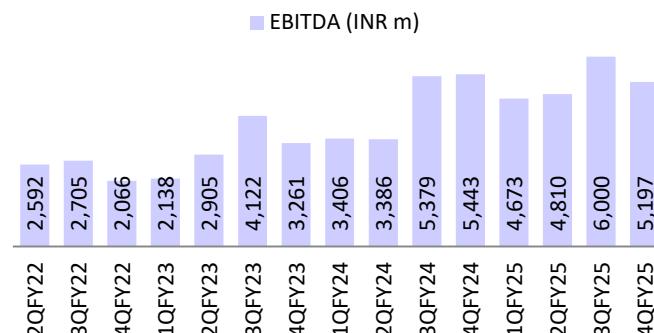


Exhibit 7: EBITDA at INR5.2b declined 5% YoY



Source: Company, MOFSL

Exhibit 2: Industrial revenue grew by 9% YoY

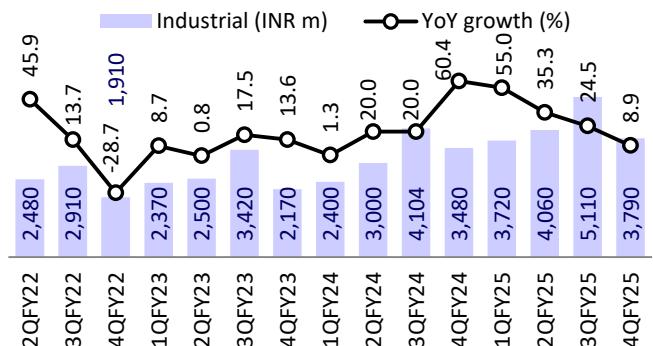


Exhibit 4: Export revenue up 39% YoY

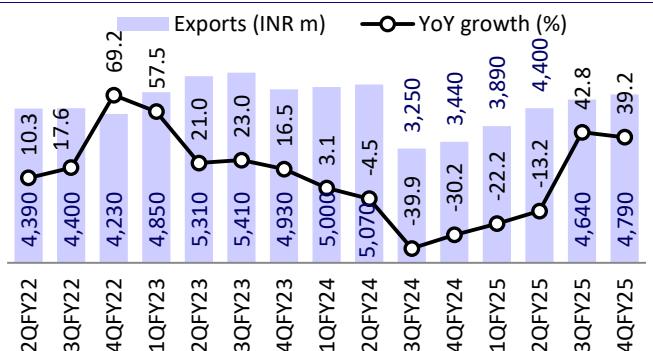


Exhibit 6: Healthy EBITDA margin at 21.2%

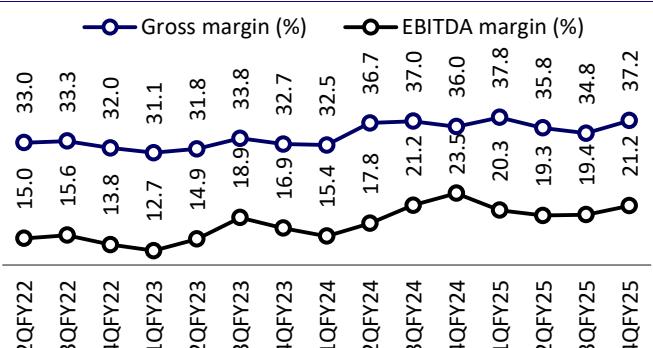
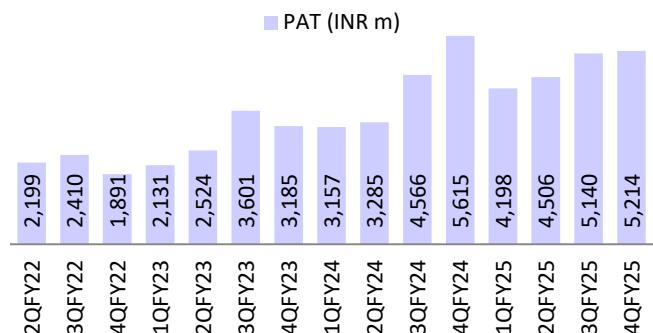


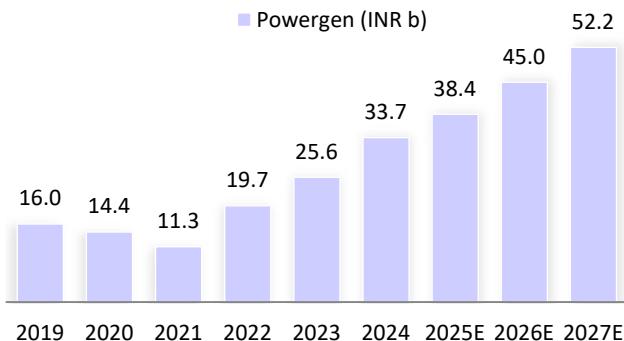
Exhibit 8: PAT declined 7% YoY



Source: Company, MOFSL

Financial Outlook

Exhibit 9: We expect an 17% CAGR in the Powergen segment over FY25-FY27E



Source: Company, MOFSL

Exhibit 10: We expect a 19% CAGR in the Industrial segment over FY25-FY27E



Source: Company, MOFSL

Exhibit 11: We expect a 25% CAGR in the Distribution segment over FY25-FY27E



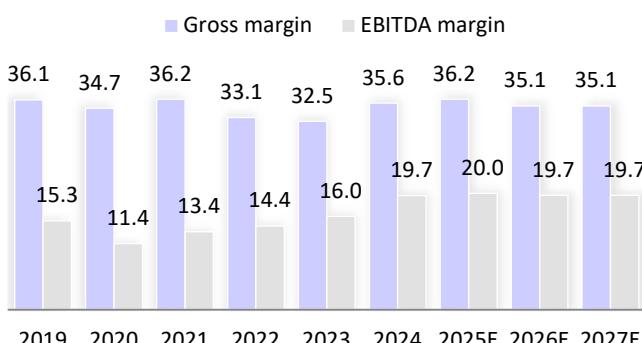
Source: Company, MOFSL

Exhibit 12: Exports to clock 10% CAGR on a low base over FY25-FY27E



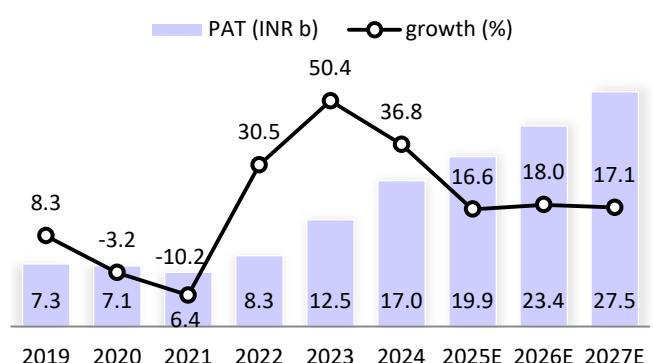
Source: Company, MOFSL

Exhibit 13: Margin to be stable in FY26 & FY27



Source: Company, MOFSL

Exhibit 14: PAT to clock 18% CAGR over FY25-27E



Source: Company, MOFSL

Exhibit 15: We marginally tweak our estimates to factor in FY25 performance

(INR M)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	1,23,135	1,25,171	(1.6)	1,43,202	1,45,859	(1.8)
EBITDA	24,267	24,657	(1.6)	28,241	28,751	(1.8)
EBITDA (%)	19.7	19.7	1 bps	19.7	19.7	1 bps
Adj. PAT	23,450	23,624	(0.7)	27,470	27,765	(1.1)
EPS (INR)	84.6	85.2	(0.7)	99.1	100.2	(1.1)

Source: MOFSL

Financials and valuations

Standalone - Income Statement		(INR m)						
Y/E March		FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations		43,292	61,404	77,444	89,586	1,03,394	1,23,135	1,43,202
Change (%)		-16.1	41.8	26.1	15.7	15.4	19.1	16.3
Raw Materials		27,606	41,068	52,309	57,701	65,916	79,915	92,938
Gross Profit		15,687	20,336	25,135	31,886	37,478	43,220	50,264
Employee Cost		4,926	5,956	6,298	7,793	7,740	9,110	10,594
Other Expenses		4,965	5,529	6,411	6,479	9,058	9,844	11,429
Total Expenditure		37,497	52,553	65,018	71,972	82,714	98,868	1,14,961
% of Sales		86.6	85.6	84.0	80.3	80.0	80.3	80.3
EBITDA		5,795	8,851	12,426	17,614	20,680	24,267	28,241
Margin (%)		13.4	14.4	16.0	19.7	20.0	19.7	19.7
Depreciation		1,255	1,340	1,405	1,576	1,829	2,010	2,366
EBIT		4,540	7,511	11,022	16,037	18,851	22,257	25,874
Int. and Finance Charges		162	115	158	268	151	166	166
Other Income		3,702	2,875	4,200	5,678	6,261	7,124	8,601
PBT bef. EO Exp.		8,080	10,271	15,064	21,448	24,961	29,214	34,309
EO Items		0	1,059	-143	-17	0		
PBT after EO Exp.		8,080	11,330	14,921	21,431	24,961	29,214	34,309
Total Tax		1,901	2,463	3,623	4,824	5,904	7,025	8,251
Tax Rate (%)		23.5	21.7	24.3	22.5	23.7	24.0	24.0
Reported PAT		6,179	8,866	11,298	16,606	19,058	22,189	26,059
Adjusted PAT		6,350	8,284	12,460	17,046	19,872	23,450	27,470
Change (%)		-10.2	30.5	50.4	36.8	16.6	18.0	17.1
Margin (%)		14.7	13.5	16.1	19.0	19.2	19.0	19.2

Standalone - Balance Sheet		(INR m)						
Y/E March		FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital		554	554	554	554	554	554	554
Total Reserves		43,513	47,972	53,125	61,077	69,626	78,773	89,554
Net Worth		44,068	48,527	53,680	61,631	70,180	79,327	90,108
Total Loans		156	3,933	3,500	1,000	0	0	0
Deferred Tax Liabilities		823	971	1,057	941	913	913	913
Sources of fund		45,047	53,430	58,237	63,572	71,093	80,240	91,021
Gross Block		20,337	22,278	23,458	26,183	29,119	34,054	39,071
Less: Accum. Deprn.		8,684	10,024	11,429	13,005	14,834	16,844	19,210
Net Fixed Assets		11,654	12,254	12,030	13,178	14,285	17,210	19,860
Capital WIP		1,275	608	413	968	849	968	968
Total Investments		13,892	15,939	21,042	21,927	18,925	19,045	19,045
Curr. Assets, Loans & Adv.		29,950	39,230	41,625	48,884	61,829	69,836	82,338
Inventory		5,578	7,288	8,862	9,369	10,222	14,102	16,400
Account Receivables		10,745	12,473	15,927	20,776	22,925	25,335	29,464
Cash and Bank Balance		9,652	14,267	13,808	15,047	25,103	25,744	31,060
Loans and Advances		1,517	2,646	539	505	812	708	824
Other Current Assets		2,459	2,556	2,488	3,188	2,767	3,947	4,590
Curr. Liability & Prov.		11,922	14,621	16,883	21,413	24,964	26,820	31,190
Other Current Liabilities		9,723	12,362	14,497	18,602	21,644	23,041	26,796
Provisions		2,199	2,258	2,386	2,810	3,321	3,778	4,394
Net Current Assets		18,029	24,609	24,741	27,472	36,865	43,017	51,147
Misc Expenditure		199	21	11	27	169	0	0
Appl. of Funds		45,047	53,430	58,237	63,572	71,093	80,240	91,021

Financials and valuation

Ratios							
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
EPS	22.9	29.9	45.0	61.5	71.7	84.6	99.1
Cash EPS	27.4	34.7	50.0	67.2	78.3	91.8	107.6
BV/Share	159.0	175.1	193.7	222.3	253.2	286.2	325.1
DPS	14.0	10.5	25.0	34.2	39.9	47.0	55.1
Payout (%)	62.8	32.8	61.3	57.1	58.0	58.8	58.6
Valuation (x)							
P/E	138.5	106.1	70.6	51.6	44.3	37.5	32.0
Cash P/E	115.6	91.4	63.4	47.2	40.5	34.5	29.5
P/BV	20.0	18.1	16.4	14.3	12.5	11.1	9.8
EV/Sales	20.1	14.2	11.2	9.7	8.3	6.9	5.9
EV/EBITDA	150.1	98.2	69.9	49.1	41.3	35.2	30.0
Dividend Yield (%)	0.4	0.3	0.8	1.1	1.3	1.5	1.7
FCF per share	24.3	28.1	23.7	36.0	52.6	50.4	74.9
Return Ratios (%)							
RoE	14.8	17.9	24.4	29.6	30.2	31.4	32.4
RoCE	13.9	16.8	21.0	28.1	28.9	29.9	30.9
RoIC	15.9	27.4	36.6	51.1	55.5	55.7	52.8
Working Capital Ratios							
Fixed Asset Turnover (x)	2.1	2.8	3.3	3.4	3.6	3.6	3.7
Asset Turnover (x)	1.0	1.1	1.3	1.4	1.5	1.5	1.6
Inventory (Days)	47	43	42	38	36	42	42
Debtor (Days)	91	74	75	85	81	75	75
Creditor (Days)	82	73	68	76	76	68	68
Leverage Ratio (x)							
Current Ratio	2.5	2.7	2.5	2.3	2.5	2.6	2.6
Interest Cover Ratio	28.1	65.3	69.8	59.9	124.7	133.8	155.6
Net Debt/Equity	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6

Standalone - Cashflow Statement (INR m)						
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E
OP/(Loss) before Tax	8,711	9,614	11,631	17,773	22,502	25,880
Direct Taxes Paid	-832	-2,543	-3,520	-4,972	-5,614	-7,025
CF from Operating incl EO	7,879	7,071	8,111	12,801	16,888	18,855
(Inc)/Dec in FA	-1,140	705	-1,540	-2,812	-2,294	-4,885
Free Cash Flow	6,738	7,776	6,571	9,989	14,593	13,969
(Pur)/Sale of Investments	-75	-7,597	376	-2,967	-7,575	-120
Others	1,371	1,030	1,857	3,106	3,491	0
CF from Investments	155	-5,862	694	-2,673	-6,378	-5,005
Dividend Paid	-3,881	-4,435	-6,237	-8,593	-10,534	-13,042
Others	-4,844	3,661	-607	-2,733	-1,125	-166
CF from Fin. Activity	-8,724	-774	-6,844	-11,326	-11,659	-13,208
Inc/Dec of Cash	-691	434	1,960	-1,198	-1,150	641
Opening Balance	4,538	9,652	14,267	13,808	15,047	25,103
Other adjustments	5,804	4,181	-2,420	2,437	11,206	
Closing Balance	9,652	14,267	13,808	15,047	25,103	31,060

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Explanation of Investment Rating	
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SELL	< - 10%
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