

Estimate change	
TP change	
Rating change	

Bloomberg	KKC IN
Equity Shares (m)	277
M.Cap.(INRb)/(USDb)	1055.3 / 12
52-Week Range (INR)	3929 / 2580
1, 6, 12 Rel. Per (%)	14/29/1
12M Avg Val (INR M)	1949

Financials Snapshot (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Net Sales	120.9	141.5	163.0
EBITDA	23.8	27.9	32.4
PAT	23.1	27.3	31.7
EPS (INR)	83.5	98.4	114.3
GR. (%)	16.4	17.8	16.3
BV/Sh (INR)	287.3	325.8	370.9
Ratios			
ROE (%)	30.9	32.1	32.8
RoCE (%)	29.4	30.6	31.3
Valuations			
P/E (X)	45.6	38.7	33.3
P/BV (X)	13.3	11.7	10.3
EV/EBITDA (X)	43.2	36.7	31.4
Div Yield (%)	1.2	1.4	1.7

Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	51.0	51.0	51.0
DII	22.6	22.9	22.4
FII	17.5	17.2	18.0
Others	8.9	8.9	8.7

FII includes depository receipts

CMP: INR3,807 **TP: INR4,350 (+14%)** **Buy**
Strong broad-based performance

Cummins India (KKC) reported a strong set of results with a beat on all parameters. Revenue growth was fueled by sharp growth in powergen and exports, followed by distribution. KKC seems to have gained market share during the quarter, with a sharp growth seen in the powergen segment revenues as compared to the nearest peer. We expect KKC to benefit from 1) demand improvement in the powergen segment as prices have largely stabilized, 2) customized product offerings in the industrial segment and improved penetration for the distribution segment, and 3) recovery in exports. We broadly maintain our estimates and roll forward our valuations to 41x Sep'27E earnings. We reiterate our BUY rating with a revised TP of INR4,350.

Strong start to the year with a beat across all parameters

KKC reported a strong set of results in 1QFY26, with a beat on all parameters. Revenue increased 26% YoY to INR29.1b, beating our estimate by 9%. Domestic sales at INR23.4b grew 25% YoY/21% QoQ, whereas export sales rose 34% YoY/9% QoQ to INR5.2b. Exports have been continuously increasing since 4QFY24. Gross margin at 37.0% contracted 80bp YoY/20bp QoQ. However, lower employee costs and other expenses led to EBITDA margin expansion of 110bp YoY/20bp QoQ to 21.4%. This was higher than our expectation of 20.1%, which was already above the Street's expectation of 19%. Absolute EBITDA rose 33% YoY/20% QoQ to INR6.2b, a 17% beat to our estimate. Adj. PAT increased 32% YoY to INR5.6b (13% above our estimate). During the quarter, the company had an exceptional gain of INR442m related to the sale of 100% stake in its wholly owned subsidiary, Cummins Sales & Service Private Limited (CSSPL). This was included in the reported PAT of INR5.9b.

Powergen segment's growth outperforms the industry

The powergen revenue grew 31% YoY during 1QFY26, much higher than our estimates. Powergen volumes have now come back to pre-emission levels and are getting the benefit of a broad-based demand revival. Even sequentially, the company's powergen revenues below the 750kVa category have grown 45%, indicating a much sharper volume growth than the overall industry. KKC appears to have gained market share in 1QFY26. In the above 750kVa category too, the company's revenue rose 24% YoY, thereby reflecting its market leadership position in the HHP segment. Demand originated from the manufacturing sector, pharma, quick commerce, and mission-critical operations. Data centers contributed steadily, accounting for 15-20% of overall powergen sales. From 2QFY26 onwards, it will be a volume-driven growth. We expect the powergen segment's revenue to clock a 15% CAGR over FY25-28.

Industrial segment's performance hurt by the monsoons

Industrial segment growth stood at 12% YoY for 1QFY26, with sub-segments, such as railways, mining, and compressors, contributing to healthy growth, while the construction sub-segment growth was hit by subdued activity due to monsoons. The company is working on products for Indian Railways, such as the diesel electric tower car and power car, which will keep the growth momentum intact in railways. We expect industrial segment revenues to grow at 18% CAGR over FY25-28.

Distribution growth riding on deeper penetration of core segments

KKC's distribution segment revenue grew by 19% YoY/23% QoQ to INR7.8b in 1QFY26, supported primarily by better penetration in the traditional Powergen and Railways businesses, as well as improved execution and aftermarket solutions. While newly launched products such as DF (dual fuel) kits, power management solutions, AdBlue (diesel exhaust fluid), hydraulic filters, and innovations in the railway segment (e.g., track recording cars and hotel load converters) have begun contributing, these are not yet the primary growth drivers. Instead, the focus remains on deepening reach within established segments and delivering high-quality service support. The CPCB IV+ transition has increased the technological complexity of gensets, opening opportunities for branded players with strong technical teams, which should favor KKC in the aftermarket. Both the Powergen and Industrial sub-segments within distribution are growing, with additional prospects in railways, mining, and marine. While near-term growth is driven by deeper penetration and execution in core markets, the gradual ramp-up of new products could add incremental upside in the medium term. We expect the distribution segment to grow at a CAGR of 19% over FY25-28.

Exports gaining momentum across key markets

Export revenue surged 34% YoY in 1QFY26, with both HHP and LHP categories performing strongly. Growth was broad-based across geographies, led by Latin America and Europe, reflecting the benefits of targeted product positioning and steady market penetration. While management is mindful of geopolitical and trade policy risks, the underlying demand in key markets remains healthy, supported by lower-emission product offerings in regions with less stringent norms and continued participation in markets adopting CPCB IV+ standards. Potential opportunities in the US, particularly for engines like QSK38 and QSK50, offer additional upside, with tariff and market factors under review. With robust momentum in the C&I and rental Powergen segments, deeper penetration in select high-growth regions, and an expanding product portfolio tailored to local needs, we expect export revenue to clock a 17% CAGR over FY25-28.

Financial outlook

We broadly retain our estimates and expect a revenue/EBITDA/PAT CAGR of 16%/16%/17% over FY25-28; we also build in an EBITDA margin of 19.7%/19.7%/19.8% for FY26/27/28. Our estimates factor in a gross margin of 35% in FY26/27/28 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 45.6x/38.7x/33.3x on FY26/27/28E EPS. We reiterate our **BUY** rating on the stock with a revised TP of INR4,350 (based on 41x Sep'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.

Standalone - Quarterly Earnings Model

Y/E March											(INR m)	
	FY25					FY26E				FY25	FY26E	FY26E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	Var (%)	Est	
Net Sales	23,042	24,923	30,860	24,569	29,068	29,114	31,762	30,931	1,03,394	1,20,875	26,579	9
YoY Change (%)	4.3	31.2	21.8	6.1	26.2	16.8	2.9	25.9	15.4	16.9	15.4	
Gross profit	8,701	8,917	10,729	9,131	10,752	10,190	11,117	10,369	37,478	42,427	9,701	
Total Expenditure	18,369	20,113	24,860	19,372	22,833	23,437	25,537	25,245	82,714	97,052	21,237	
EBITDA	4,673	4,810	6,000	5,197	6,235	5,677	6,225	5,686	20,680	23,824	5,342	17
Margins (%)	20.3	19.3	19.4	21.2	21.4	19.5	19.6	18.4	20.0	19.7	20.1	
Depreciation	439	452	481	457	479	471	520	506	1,829	1,976	458	5
Interest	48	26	27	52	27	42	42	57	151	166	42	(36)
Other Income	1,322	1,611	1,209	2,119	1,529	1,696	1,875	2,024	6,261	7,124	1,619	(6)
PBT before EO expense	5,509	5,944	6,702	6,807	7,258	6,861	7,538	7,147	24,961	28,805	6,462	12
Extra-Ord expense					-442	-	-	-	-	-	-442	
PBT	5,509	5,944	6,702	6,807	7,200	6,861	7,538	7,147	24,961	29,246	6,462	19
Tax	1,311	1,438	1,562	1,593	1,807	1,647	1,809	1,664	5,904	6,927	1,551	
Rate (%)	23.8	24.2	23.3	23.4	23.5	24.0	24.0	23.3	23.7	23.7	24.0	
Reported PAT	4,198	4,506	5,140	5,214	5,893	5,215	5,729	5,483	19,058	22,319	4,911	20
Adj PAT	4,198	4,506	5,140	5,214	5,555	5,215	5,729	5,484	19,058	21,982	4,911	13
YoY Change (%)	33.0	37.2	12.7	-7.2	32.3	15.7	11.5	5.2	14.7	15.3	17.0	
Margins (%)	18.2	18.1	16.7	21.2	19.1	17.9	18.0	17.7	18.4	18.2	18.5	

INR m	FY25					FY26E				FY25	FY26E	FY26E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	Var (%)	Est	
Segmental revenue												
Powergen	8,030	8,960	12,710	8,740	10,560	10,543	12,187	11,734	38,440	45,023	9,534	11
Industrial	3,720	4,060	5,110	3,790	4,180	4,791	5,621	5,597	16,680	20,189	4,092	2
Distribution	6,510	6,580	7,460	6,310	7,770	7,830	8,057	8,038	26,860	31,695	7,161	9
Exports	3,890	4,400	4,640	4,790	5,230	5,192	5,104	5,237	17,720	20,763	5,057	3
Total	22,620	24,484	30,414	24,144	28,587	28,728	31,340	30,615	1,01,662	1,19,270	26,225	9



Key highlights from the management commentary

- **Domestic Powergen:** Domestic Powergen revenue increased 31% YoY/21% QoQ to INR10.6b in 1QFY26. Demand was broad-based based but key segments where the segment saw demand from the manufacturing sector, pharma, quick commerce, and mission-critical operations. Data centers contributed steadily, accounting for 15-20% of overall powergen sales, while project business formed a steady double-digit share without any one-off boosts.
- **CPCB IV+ Products:** The CPCB IV+ transition is now fully stabilized, with market pricing holding steady for two consecutive quarters despite continued competition. Volumes are back to pre-transition levels, and the technologically advanced nature of CPCB IV+ engines is creating higher aftermarket opportunities, given the greater need for technical support versus CPCB II products. In 1QFY25, CPCB IV+ contributed roughly 60% of domestic powergen revenues. Management is focused on maintaining pricing discipline while catering to customer-specific requirements.
- **Industrial Segment:** Industrial revenues reached INR4.2b (+12% YoY/+10% QoQ), led by strong performance in railways (INR1.5b) from diesel-electric tower cars and power cars, and steady growth in construction (INR1.5b), which saw some project delays due to early monsoons. Compressor sales were stable at INR560m, matching last quarter's demand. Marine continues to grow steadily, driven by defense vessel orders, though timelines depend on government tenders. Management expects steady order flow in railways and consistent activity across industrial sub-segments.
- **Distribution Segment:** The distribution business grew 19% YoY, supported by deeper penetration in traditional powergen and railways, alongside improved aftermarket solutions. While new products—such as DEF, hydraulic filters, and railway equipment like hotel load converters—are starting to contribute, growth remains largely driven by core segments. CPCB IV+ adoption is expected to further boost aftermarket demand due to higher electronic content, but industrial aftermarket opportunities (railways, mining, marine) will also support balanced growth across segments.
- **Exports:** Export revenue stood at INR5.2b in 1QFY26. The segment saw broad-based growth across geographies and horsepower categories, with Latin America and Europe outperforming versus last year. Most export volumes still cater to lower-emission-norm markets, though CPCB IV+ products are supplied to compliant geographies. The company is exploring increased traction in the UK following trade developments, and sees potential for US growth in specific high-HP engine platforms, though tariff impacts are being evaluated.
- **1QFY25 revenue breakup:** Within domestic powergen (INR10.6b), LHP contributed INR840m, medium INR2.3b, heavy duty INR1.2b, and HPP INR6.3b. Industrial segment revenues stood at INR4.2b, while distribution delivered strong double-digit growth to INR7.8b, aided by both powergen and industrial aftermarket sales. Export revenues stood at INR5.2b for the quarter.
- **Guidance:** Management maintained its double-digit revenue growth outlook for FY26, driven by strong domestic demand in Powergen, industrial, and distribution segments. Exports will be pursued cautiously amid geopolitical and trade uncertainties, while margins are expected to hold steady on sustained volumes, a favorable mix, and cost efficiencies.

Key Exhibits

Exhibit 1: Powergen revenue increased 31% YoY

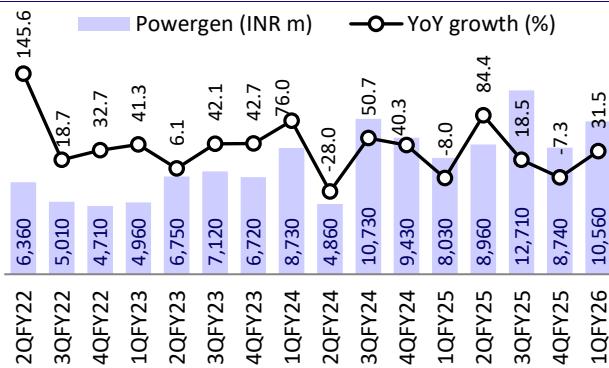


Exhibit 3: Distribution revenue grew 19% YoY

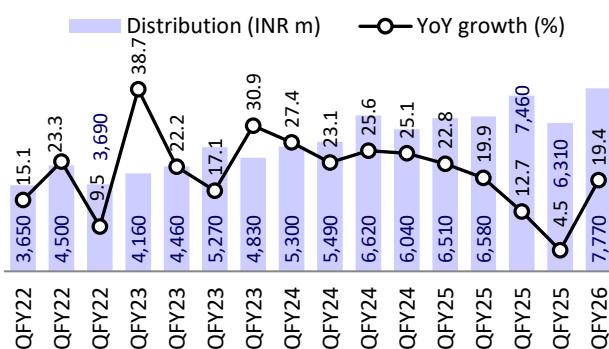


Exhibit 5: Share of exports increasing since 4QFY24

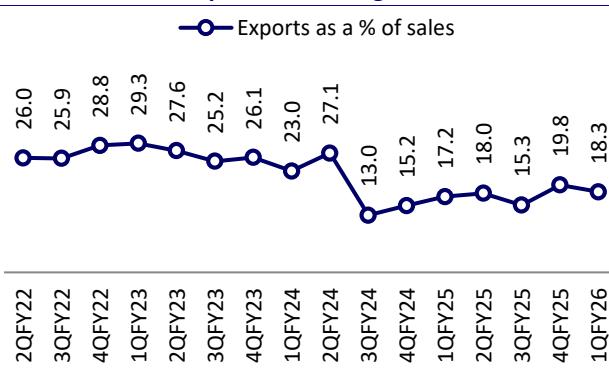


Exhibit 7: EBITDA at INR6.2b increased 33% YoY

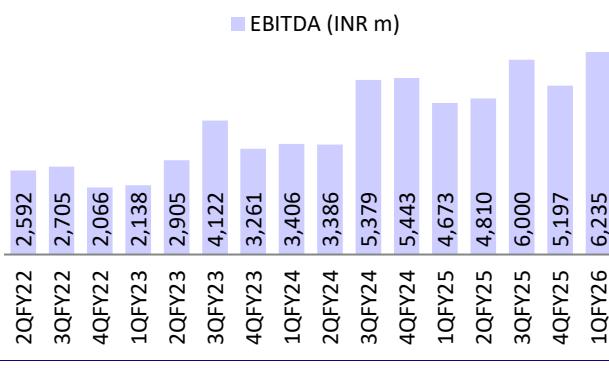


Exhibit 2: Industrial revenue grew 12% YoY

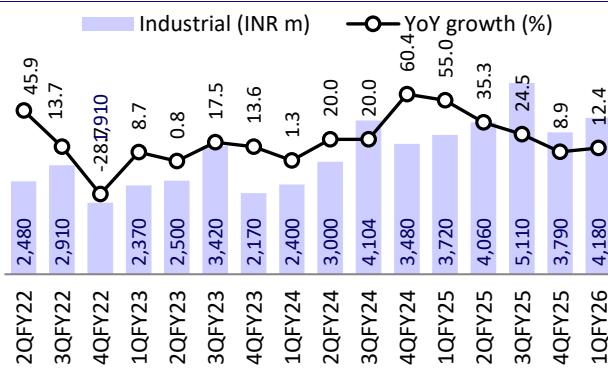


Exhibit 4: Export revenue up 34% YoY

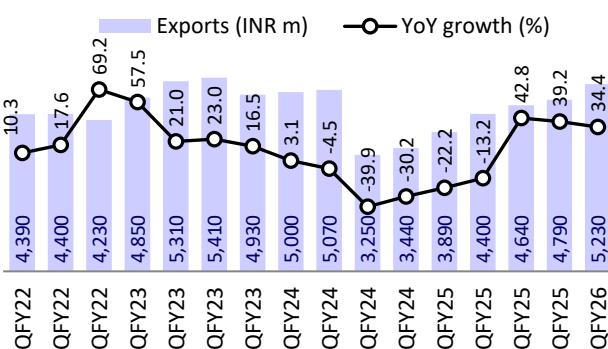


Exhibit 6: Healthy EBITDA margin at 21.4%

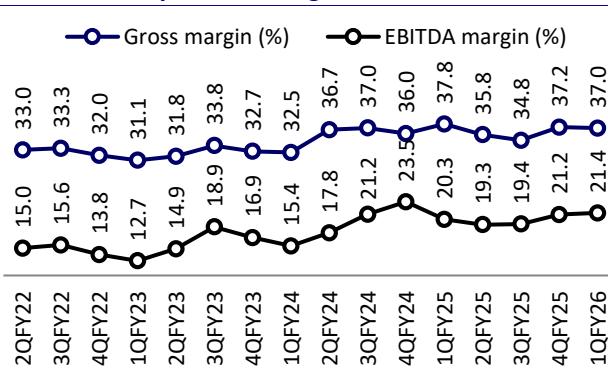
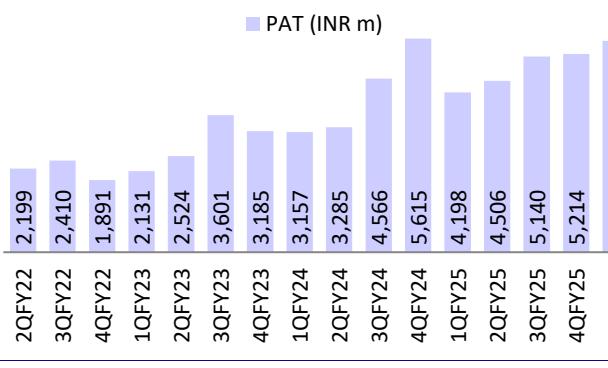


Exhibit 8: PAT increased 32% YoY



Financial Outlook

Exhibit 9: We expect a 15% CAGR in the Powergen segment over FY25-FY28

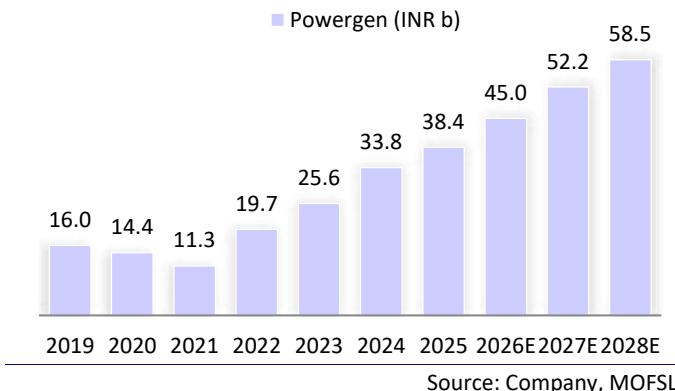


Exhibit 10: We expect an 18% CAGR in the Industrial segment over FY25-FY28



Exhibit 11: We expect a 19% CAGR in the Distribution segment over FY25-FY28



Exhibit 12: Exports to clock a 17% CAGR on a low base over FY25-FY28E



Exhibit 13: Margins to be stable post-FY25

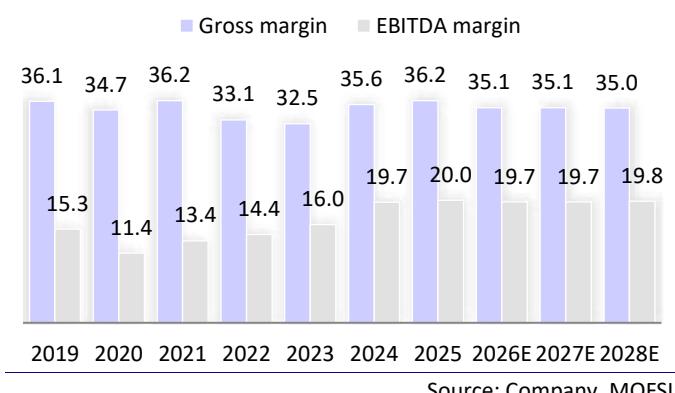
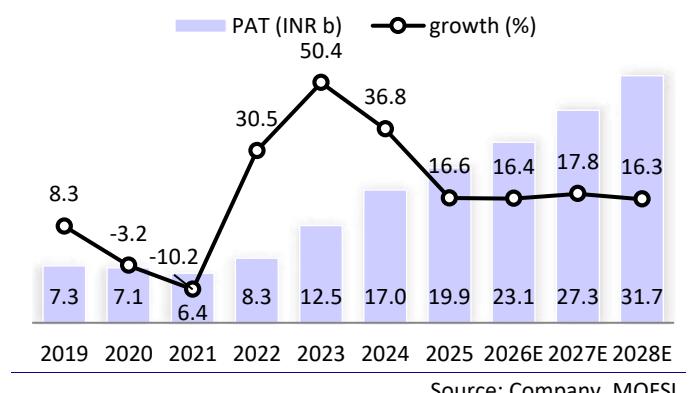


Exhibit 14: PAT to clock 17% CAGR over FY25-28E



Financials and valuations

Standalone - Income Statement								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	43,292	61,404	77,444	89,586	1,03,394	1,20,875	1,41,542	1,62,988
Change (%)	-16.1	41.8	26.1	15.7	15.4	16.9	17.1	15.2
Raw Materials	27,606	41,068	52,309	57,701	65,916	78,448	91,861	1,05,923
Gross Profit	15,687	20,336	25,135	31,886	37,478	42,427	49,681	57,065
Employee Cost	4,926	5,956	6,298	7,793	7,740	8,942	10,471	11,943
Other Expenses	4,965	5,529	6,411	6,479	9,058	9,661	11,295	12,771
Total Expenditure	37,497	52,553	65,018	71,972	82,714	97,052	1,13,628	1,30,636
% of Sales	86.6	85.6	84.0	80.3	80.0	80.3	80.3	80.2
EBITDA	5,795	8,851	12,426	17,614	20,680	23,824	27,915	32,351
Margin (%)	13.4	14.4	16.0	19.7	20.0	19.7	19.7	19.8
Depreciation	1,255	1,340	1,405	1,576	1,829	1,976	2,311	2,666
EBIT	4,540	7,511	11,022	16,037	18,851	21,847	25,603	29,686
Int. and Finance Charges	162	115	158	268	151	166	166	166
Other Income	3,702	2,875	4,200	5,678	6,261	7,124	8,601	10,130
PBT bef. EO Exp.	8,080	10,271	15,064	21,448	24,961	28,805	34,038	39,650
EO Items	0	1,059	-143	-17	0			
PBT after EO Exp.	8,080	11,330	14,921	21,431	24,961	28,805	34,038	39,650
Total Tax	1,901	2,463	3,623	4,824	5,904	6,927	8,185	9,535
Tax Rate (%)	23.5	21.7	24.3	22.5	23.7	24.0	24.0	24.0
Reported PAT	6,179	8,866	11,298	16,606	19,058	21,878	25,853	30,115
Adjusted PAT	6,350	8,284	12,460	17,046	19,872	23,139	27,264	31,697
Change (%)	-10.2	30.5	50.4	36.8	16.6	16.4	17.8	16.3
Margin (%)	14.7	13.5	16.1	19.0	19.2	19.1	19.3	19.4

Standalone - Balance Sheet								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	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	79,076	89,766	1,02,252
Net Worth	44,068	48,527	53,680	61,631	70,180	79,631	90,320	1,02,806
Total Loans	156	3,933	3,500	1,000	0	0	0	0
Deferred Tax Liabilities	823	971	1,057	941	913	913	913	913
Sources of fund	45,047	53,430	58,237	63,572	71,093	80,543	91,233	1,03,719
Gross Block	20,337	22,278	23,458	26,183	29,119	33,489	38,656	44,017
Less: Accum. Deprn.	8,684	10,024	11,429	13,005	14,834	16,810	19,122	21,788
Net Fixed Assets	11,654	12,254	12,030	13,178	14,285	16,679	19,534	22,230
Capital WIP	1,275	608	413	968	849	968	968	968
Total Investments	13,892	15,939	21,042	21,927	18,925	19,045	19,045	19,045
Curr. Assets, Loans & Adv.	29,950	39,230	41,625	48,884	61,829	70,179	82,514	96,976
Inventory	5,578	7,288	8,862	9,369	10,222	13,843	16,209	18,665
Account Receivables	10,745	12,473	15,927	20,776	22,925	24,871	29,123	33,535
Cash and Bank Balance	9,652	14,267	13,808	15,047	25,103	26,895	31,831	38,613
Loans and Advances	1,517	2,646	539	505	812	695	814	938
Other Current Assets	2,459	2,556	2,488	3,188	2,767	3,875	4,537	5,225
Curr. Liability & Prov.	11,922	14,621	16,883	21,413	24,964	26,328	30,829	35,500
Other Current Liabilities	9,723	12,362	14,497	18,602	21,644	22,619	26,486	30,499
Provisions	2,199	2,258	2,386	2,810	3,321	3,709	4,343	5,001
Net Current Assets	18,029	24,609	24,741	27,472	36,865	43,851	51,685	61,476
Misc Expenditure	199	21	11	27	169	0	0	0
Appl. of Funds	45,047	53,430	58,237	63,572	71,093	80,543	91,233	1,03,719

Financials and valuation

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	22.9	29.9	45.0	61.5	71.7	83.5	98.4	114.3
Cash EPS	27.4	34.7	50.0	67.2	78.3	90.6	106.7	124.0
BV/Share	159.0	175.1	193.7	222.3	253.2	287.3	325.8	370.9
DPS	14.0	10.5	25.0	34.2	39.9	46.4	54.7	63.6
Payout (%)	62.8	32.8	61.3	57.1	58.0	58.8	58.7	58.5
Valuation (x)								
P/E	166.2	127.4	84.7	61.9	53.1	45.6	38.7	33.3
Cash P/E	138.8	109.7	76.1	56.7	48.6	42.0	35.7	30.7
P/BV	24.0	21.7	19.7	17.1	15.0	13.3	11.7	10.3
EV/Sales	24.2	17.0	13.5	11.6	10.0	8.5	7.2	6.2
EV/EBITDA	180.5	118.1	84.1	59.1	49.8	43.2	36.7	31.4
Dividend Yield (%)	0.4	0.3	0.7	0.9	1.0	1.2	1.4	1.7
FCF per share	24.3	28.1	23.7	36.0	52.6	53.9	73.1	88.7
Return Ratios (%)								
RoE	14.8	17.9	24.4	29.6	30.2	30.9	32.1	32.8
RoCE	13.9	16.8	21.0	28.1	28.9	29.4	30.6	31.3
RoIC	15.9	27.4	36.6	51.1	55.5	55.4	53.3	53.4
Working Capital Ratios								
Fixed Asset Turnover (x)	2.1	2.8	3.3	3.4	3.6	3.6	3.7	3.7
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	42	42	42
Debtor (Days)	91	74	75	85	81	75	75	75
Creditor (Days)	82	73	68	76	76	68	68	68
Leverage Ratio (x)								
Current Ratio	2.5	2.7	2.5	2.3	2.5	2.7	2.7	2.7
Interest Cover Ratio	28.1	65.3	69.8	59.9	124.7	131.4	153.9	178.5
Net Debt/Equity	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6

Standalone - Cashflow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	(INR m)
OP/(Loss) before Tax	8,711	9,614	11,631	17,773	22,502	26,195	33,617	39,474	
Direct Taxes Paid	-832	-2,543	-3,520	-4,972	-5,614	-6,927	-8,185	-9,535	
CF from Operating incl EO	7,879	7,071	8,111	12,801	16,888	19,268	25,431	29,939	
(Inc)/Dec in FA	-1,140	705	-1,540	-2,812	-2,294	-4,320	-5,167	-5,361	
Free Cash Flow	6,738	7,776	6,571	9,989	14,593	14,948	20,265	24,577	
(Pur)/Sale of Investments	-75	-7,597	376	-2,967	-7,575	-120	0	0	
Others	1,371	1,030	1,857	3,106	4,056	0	0	0	
CF from Investments	155	-5,862	694	-2,673	-5,813	-4,440	-5,167	-5,361	
Dividend Paid	-3,881	-4,435	-6,237	-8,593	-10,534	-12,869	-15,163	-17,629	
Others	-4,844	3,661	-607	-2,733	-1,125	-166	-166	-166	
CF from Fin. Activity	-8,724	-774	-6,844	-11,326	-11,659	-13,035	-15,329	-17,795	
Inc/Dec of Cash	-691	434	1,960	-1,198	-585	1,792	4,935	6,782	
Opening Balance	4,538	9,652	14,267	13,808	15,047	25,103	26,895	31,831	
Other adjustments	5,804	4,181	-2,420	2,437	10,641				
Closing Balance	9,652	14,267	13,808	15,047	25,103	26,895	31,831	38,613	

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