

Estimate change	
TP change	
Rating change	

Bloomberg	KKC IN
Equity Shares (m)	277
M.Cap.(INRb)/(USDb)	1189.7 / 13.4
52-Week Range (INR)	4495 / 2580
1, 6, 12 Rel. Per (%)	7/47/15
12M Avg Val (INR M)	1969

Financials Snapshot (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Net Sales	119.5	139.6	162.1
EBITDA	25.3	27.9	32.5
PAT	24.3	27.3	31.9
EPS (INR)	87.6	98.5	114.9
GR. (%)	22.2	12.5	16.7
BV/Sh (INR)	289.1	327.7	373.0
Ratios			
ROE (%)	32.3	31.9	32.8
RoCE (%)	30.8	30.4	31.3
Valuations			
P/E (X)	49.0	43.6	37.4
P/BV (X)	14.9	13.1	11.5
EV/EBITDA (X)	45.9	41.4	35.4
Div Yield (%)	1.1	1.3	1.5

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	51.0	51.0	51.0
DII	21.8	22.6	22.6
FII	18.4	17.5	17.5
Others	8.8	8.9	8.9

FII includes depository receipts

CMP: INR4,292
TP: INR4,950 (+15%)
Buy
Strong broad-based performance

Cummins India (KKC) once again reported a strong set of results with a beat on all parameters. Revenue growth was led by sharp growth in powergen and healthy growth in distribution and exports. The industrial segment was impacted by slow construction activity. KKC has grown its CPCB 4+-related portfolio by 20% YoY, which indicates a healthy YoY volume improvement. We expect KKC to continue to benefit from 1) demand improvement in the powergen segment as industry volumes have now improved back to pre-emission levels, 2) a fairly strong outlook for data centers, 3) improved penetration for the distribution segment, and 4) a gradual recovery in exports. KKC stands far ahead of the competition in terms of overall product offering and distribution reach. We tweak our estimates and roll forward our valuations to 42x Mar'28E earnings. We reiterate our BUY rating with a revised TP of INR4,950.

A strong set of results with an all-round beat

KKC reported a strong set of results with a beat across all parameters. Revenue was up 27% YoY to INR31.7b, beating our estimate by 10%. Domestic sales increased 28% YoY/10% QoQ to INR25.8b (9% above our estimates), whereas export sales increased 24% YoY/4% QoQ to INR5.5b (13% above our estimates). Exports have been continuously increasing since 4QFY24. Gross margin at 37.0% saw a 100bp YoY expansion. This led to an EBITDA margin expansion of 260bp YoY/50bp QoQ to 21.9%. This was higher than our expectation of 20.0%. Absolute EBITDA increased 44% YoY/11% QoQ to INR6.9b, a 21% beat to our estimate. Adj. PAT was up 42% YoY to INR6.4b (21% above our estimates). For 1HFY26, revenue/EBITDA/PAT grew 27%/39%/37%. For 1HFY26, OCF/FCF grew 7%/6% YoY to INR7.4b/INR6.3b.

Powergen segment benefiting from strong demand

The powergen segment delivered a strong performance with revenue rising 50% YoY and 27% QoQ to INR13.4b, driven by broad-based demand across low, medium, and high horsepower gensets and the lumpy execution of data center orders. Data centers contributed around 40% of overall powergen sales in Q2FY26, supported by lumpy project execution. Excluding data centers, core powergen sales grew ~20% YoY, led by healthy demand from hospitals, real estate, and commercial buildings. Pricing has largely stabilized post the CPCB IV+ transition, though competitive intensity remains across all horsepower categories. Overall, we expect powergen demand to remain strong, while the data center contribution is likely to normalize over the next few quarters as project execution schedules even out. We expect the powergen segment revenue to clock a 17% CAGR over FY25-28.

Industrial segment hurt by monsoons

Industrial segment revenue stood at INR3.9b, down 5% YoY and 7% QoQ, hit by extended monsoons slowing down construction activity and limited mining tenders. Railways performed well with strong execution, while construction and mining remained soft. Within the portfolio, marine activity picked up on the back of government procurement interest, though it remains a small contributor. The company is also broadening its product portfolio, with the Hotel Load Converter in railways approved for serial production, and sales expected to commence over the next few quarters. We marginally cut our growth assumptions for the industrial segment and expect the segment revenue to clock a 12% CAGR over FY25-28.

Distribution segment benefiting from strong aftermarket performance

The distribution segment reported revenue of INR8.0b, up 21% YoY and 2% QoQ, reflecting strong aftermarket performance driven by healthy demand across service and parts categories. The company continues to enhance its service capabilities and readiness to support CPCB IV+ compliant engines, which are expected to expand the addressable aftermarket base over time. We expect the distribution segment to record a CAGR of 19% over FY25-28.

Exports continuously improving on a sequential basis

Exports grew 24% YoY and 4% QoQ to INR5.5b, supported by strong demand from Europe and the Middle East across both high- and low-horsepower product lines. High-horsepower exports rose 40% YoY to INR2.8b, while low horsepower increased 11% YoY to INR2.2b. Exports during the quarter benefited from improved order execution and product placement, though channel inventory correction and muted order inflows could weigh on near-term performance. Data center-related exports remain limited, as production for such projects is concentrated near end markets such as the US and Europe. The company remains cautiously optimistic, focusing on regional diversification and operational efficiency to mitigate short-term volatility in global demand. We expect export revenue to clock a 17% CAGR over FY25-28.

Financial outlook

We raise our estimates for FY26 and largely maintain our estimates for FY27/28. We expect KKC's revenue/EBITDA/PAT CAGR of 16%/16%/17% over FY25-28 and build in an EBITDA margin of 21.2%/20.0%/20.1% for FY26/27/28. Our estimates factor in a gross margin of 36% in FY26 and 35% in FY27/28 vs. 36% in FY25, since we expect some gross margin contraction as price levels for CPCB 4+ normalize.

Valuation and view

The stock is currently trading at 49.0x/43.6x/37.4x on FY26/27/28E EPS. We **reiterate BUY** on the stock with a revised TP of INR4,950 based on 42x Mar'28E 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)		
	FY25					FY26E				FY25	FY26E	FY26E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE	Var (%)		
Net Sales	23,042	24,923	30,860	24,569	29,068	31,703	29,546	29,154	1,03,394	1,19,471	28,779	10	
YoY Change (%)	4.3	31.2	21.8	6.1	26.2	27.2	-4.3	18.7	15.4	15.5	15.5		
Gross profit	8,701	8,917	10,729	9,131	10,752	11,579	10,636	10,161	37,478	43,129	10,216		
Total Expenditure	18,369	20,113	24,860	19,372	22,833	24,755	23,518	23,057	82,714	94,163	23,023		
EBITDA	4,673	4,810	6,000	5,197	6,235	6,948	6,027	6,098	20,680	25,308	5,756	21	
YoY Change (%)	37.2	42.1	11.5	-4.5	33.4	44.4	0.5	17.3	17.4	22.4	19.7		
Margins (%)	20.3	19.3	19.4	21.2	21.4	21.9	20.4	20.9	20.0	21.2	20.0		
Depreciation	439	452	481	457	479	492	492	492	1,829	1,955	483	2	
Interest	48	26	27	52	27	26	54	60	151	166	42	(40)	
Other Income	1,322	1,611	1,209	2,119	1,529	1,964	1,816	1,816	6,261	7,124	1,695	16	
PBT before EO expense	5,509	5,944	6,702	6,807	7,258	8,394	7,296	7,361	24,961	30,310	6,926	21	
Extra-Ord expense				-442		-	-	-	-	-	-442	-	
PBT	5,509	5,944	6,702	6,807	7,700	8,394	7,296	7,361	24,961	30,751	6,926	21	
Tax	1,311	1,438	1,562	1,593	1,807	2,017	1,824	1,641	5,904	7,289	1,662		
Rate (%)	23.8	24.2	23.3	23.4	23.5	24.0	25.0	22.3	23.7	23.7	24.0		
Reported PAT	4,198	4,506	5,140	5,214	5,893	6,377	5,472	5,721	19,058	23,463	5,264	21	
Adj PAT	4,198	4,506	5,140	5,214	5,555	6,377	5,472	5,722	19,058	23,126	5,264	21	
YoY Change (%)	33.0	37.2	12.7	-7.2	32.3	41.5	6.5	9.7	14.7	21.3	16.8		
Margins (%)	18.2	18.1	16.7	21.2	19.1	20.1	18.5	19.6	18.4	19.4	18.3		

E: MOFSL Estimates

INR m	FY25					FY26E				FY25	FY26E	FY26E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE	Var (%)		
Segmental revenue													
Powergen	8,030	8,960	12,710	8,740	10,560	13,400	10,999	10,844	13,400	45,803	10,564	27	
Industrial	3,720	4,060	5,110	3,790	4,180	3,870	4,599	5,356	3,870	18,005	4,791	(19)	
Distribution	6,510	6,580	7,460	6,310	7,770	7,960	7,982	7,983	7,960	31,695	7,830	2	
Exports	3,890	4,400	4,640	4,790	5,230	5,450	5,197	4,886	5,450	20,763	4,840	13	
Total	22,620	24,484	30,414	24,144	28,587	31,216	29,149	28,914	31,216	1,17,865	28,397	10	



Key highlights from the management commentary

- Domestic Powergen:** Sales rose 49% YoY to INR1.3b and 27% QoQ, led by strong execution in multiple project segments. Excluding data centers, core Powergen grew about 20% YoY, supported by broad-based demand across low, medium, and high horsepower gensets used in hospitals, real estate, and commercial buildings. Pricing has stabilized post-CPCB IV+ transition, though competitive intensity remains elevated across all horsepower segments.
- Data centers:** The company stated that around 40% of Powergen sales in 2QFY26 came from data centers, mainly due to lumpy project execution and site clearances completed during the quarter, rather than sustained demand. The spike was driven by strong execution of large hyperscaler projects, while demand from co-location players remained steady. The company noted that such large projects are not evenly spread across quarters and depend on execution schedules and clearances. While several data center announcements indicate long-term potential, the company believes India's data center growth is still at an early stage compared to the US, Europe, and China.
- CPCB IV+ Products:** Volumes in low and medium-horsepower gensets have returned to pre-CPCB IV+ levels. Pricing has normalized following the transition, but remains under pressure amid increasing competition. The company's service network was upgraded ahead of the Jul'23 CPCB IV+ rollout to handle technologically complex products. It highlighted that aftermarket revenue gains are

derived from a wide range of engines (CPCB II and IV+, as well as rail, marine, and mining), so there is no distinct margin uplift solely from CPCB IV+ products.

- **Industrial Segment:** Industrial segment sales fell 5% YoY to INR3.9b, hit by extended monsoons delaying construction activity and slower coal mining tenders. Rail performed well with smooth execution, while mining remained weak due to limited tender openings. Within the industrial portfolio, marine activity has picked up, supported by increased government procurement interest, though it still forms a small portion of overall industrial revenue. Demand recovery in the segment will depend on a pickup in construction activity and tender flow in mining.
- **Distribution Segment:** Distribution revenue increased 21% YoY to INR8b and 2% QoQ, supported by a larger installed asset base and strong maintenance demand from industrial and powergen clients. Growth sustainability depends on continued economic activity and asset utilization. The company sees no major increase in competition from third-party service providers, which remain stable. The business remains largely domestic and localized, with limited export scope.
- **Exports:** Exports increased 24% YoY to INR5.5b, driven by strong demand from Europe and the Middle East across both high and low horsepower segments. High horsepower exports were INR2.8b (+40% YoY) and low horsepower INR2.2b (+11% YoY). The company highlighted softening order intake due to inventory correction at channel partners, particularly in the current quarter. Export growth prospects remain cautious given regional headwinds—credit availability in Latin America, competitive pressures from Chinese players in Africa, and slower economic growth in Europe. The company reiterated that data center exports are limited, as production for such projects typically occurs close to the end markets (US, Europe).
- **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 50% YoY

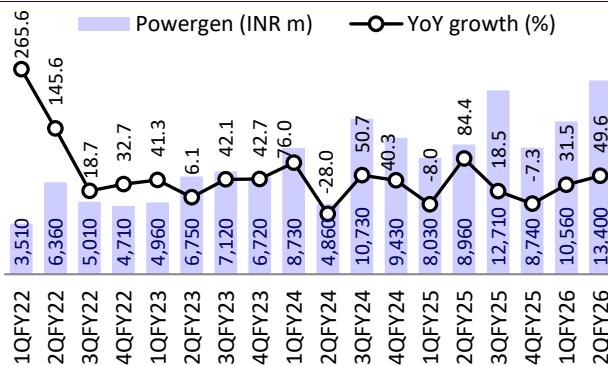


Exhibit 3: Distribution revenue grew 21% YoY

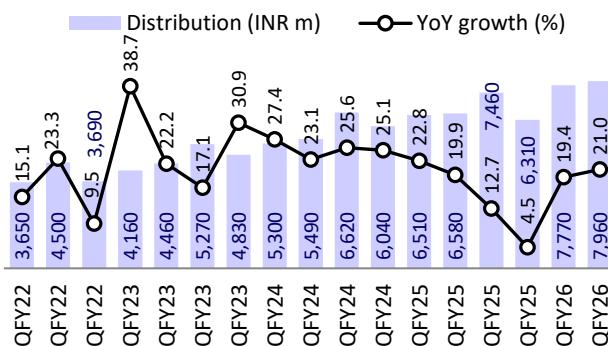


Exhibit 5: Share of exports increasing since 4QFY24

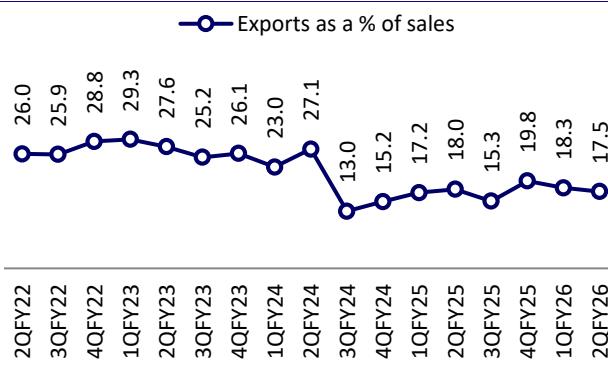
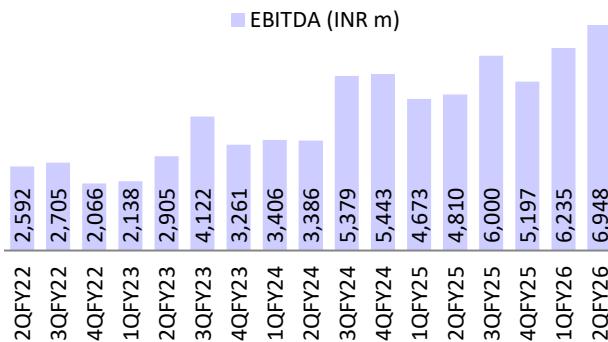


Exhibit 7: EBITDA at INR6.9b increased 44% YoY



Source: Company, MOFSL

Exhibit 2: Industrial revenue declined 5% YoY

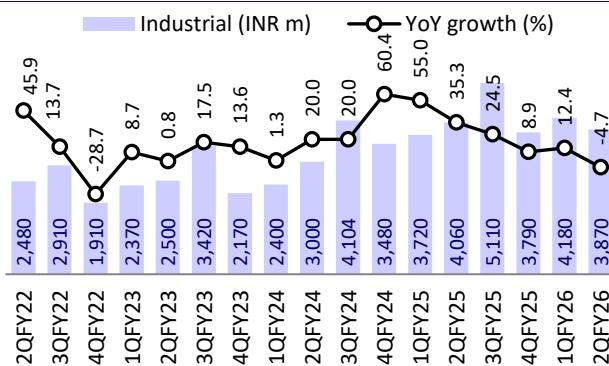


Exhibit 4: Export revenue rose 24% YoY

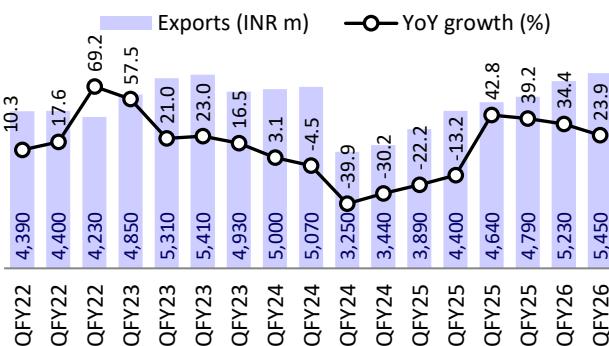


Exhibit 6: Healthy EBITDA margin at 21.9%

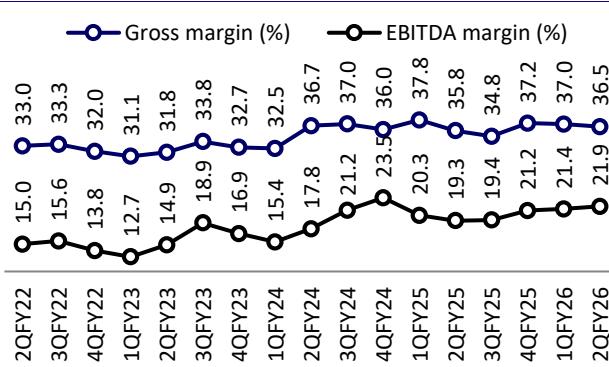
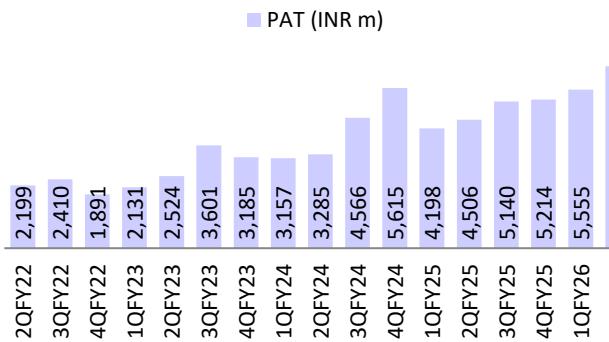


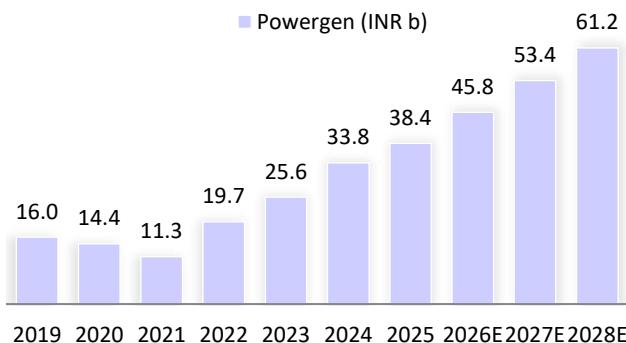
Exhibit 8: PAT increased 42% YoY



Source: Company, MOFSL

Financial Outlook

Exhibit 9: We expect a 17% CAGR in the Powergen segment over FY25-28



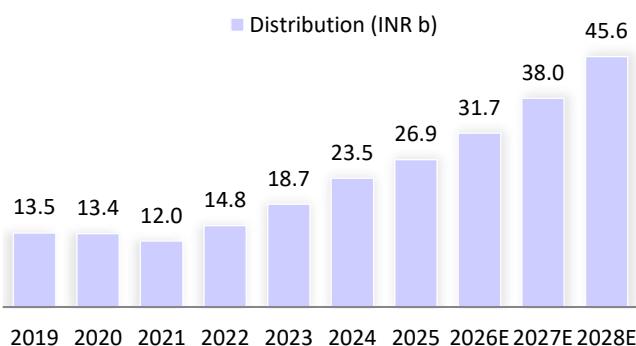
Source: Company, MOFSL

Exhibit 10: We expect a 12% CAGR in the Industrial segment over FY25-28



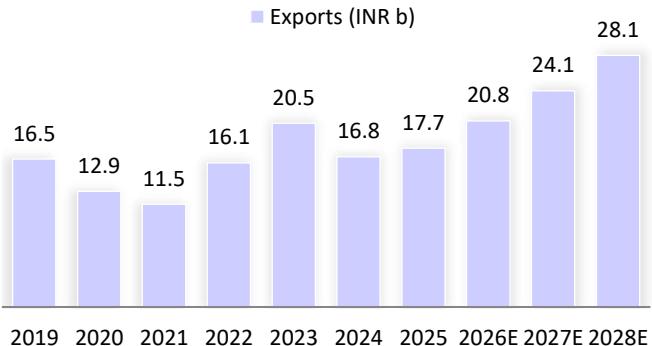
Source: Company, MOFSL

Exhibit 11: We expect a 19% CAGR in the Distribution segment over FY25-28E



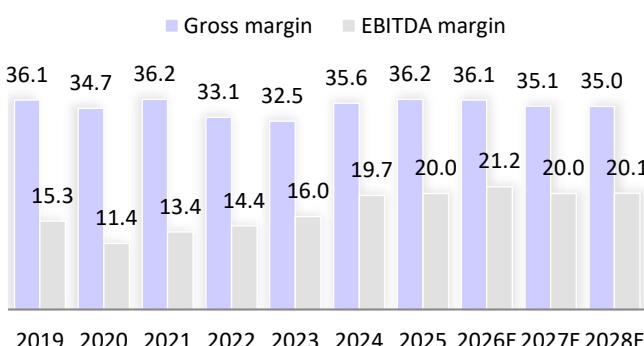
Source: Company, MOFSL

Exhibit 12: Exports to clock a 17% CAGR on a low base over FY25-28E



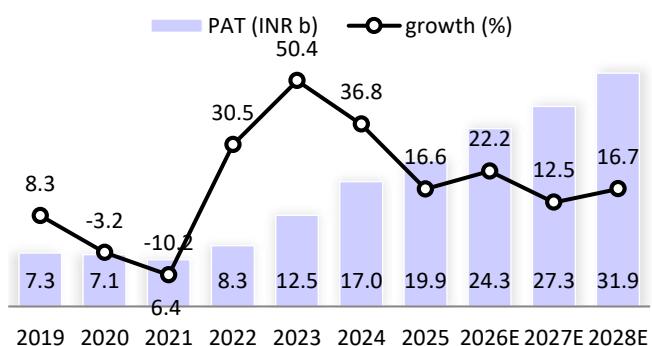
Source: Company, MOFSL

Exhibit 13: Margins to be stable post-FY25



Source: Company, MOFSL

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



Source: Company, MOFSL

Exhibit 15: We tweak our estimates to factor in KKC's 1HFY26 performance

(INR M)	FY26E			FY27E			FY28E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	New	Old	Chg (%)
Net Sales	1,19,471	1,20,875	(1.2)	1,39,571	1,41,542	(1.4)	1,62,094	1,62,988	(0.5)
EBITDA	25,308	23,824	6.2	27,921	27,915	0.0	32,528	32,351	0.5
EBITDA (%)	21.2	19.7	147 bps	20.0	19.7	28 bps	20.1	19.8	22 bps
Adj. PAT	24,282	23,139	4.9	27,306	27,264	0.2	31,857	31,697	0.5
EPS (INR)	87.6	83.5	4.9	98.5	98.4	0.1	114.9	114.3	0.5

Source: MOFSL

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	1,19,471	1,39,571	1,62,094
Change (%)	-16.1	41.8	26.1	15.7	15.4	15.5	16.8	16.1
Raw Materials	27,606	41,068	52,309	57,701	65,916	76,342	90,582	1,05,338
Gross Profit	15,687	20,336	25,135	31,886	37,478	43,129	48,989	56,756
Employee Cost	4,926	5,956	6,298	7,793	7,740	8,166	9,812	11,396
Other Expenses	4,965	5,529	6,411	6,479	9,058	9,655	11,256	12,833
Total Expenditure	37,497	52,553	65,018	71,972	82,714	94,163	1,11,650	1,29,566
% of Sales	86.6	85.6	84.0	80.3	80.0	78.8	80.0	79.9
EBITDA	5,795	8,851	12,426	17,614	20,680	25,308	27,921	32,528
Margin (%)	13.4	14.4	16.0	19.7	20.0	21.2	20.0	20.1
Depreciation	1,255	1,340	1,405	1,576	1,829	1,955	2,263	2,631
EBIT	4,540	7,511	11,022	16,037	18,851	23,353	25,658	29,897
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	30,310	34,093	39,861
EO Items	0	1,059	-143	-17	0			
PBT after EO Exp.	8,080	11,330	14,921	21,431	24,961	30,310	34,093	39,861
Total Tax	1,901	2,463	3,623	4,824	5,904	7,289	8,199	9,586
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	23,021	25,894	30,275
Adjusted PAT	6,350	8,284	12,460	17,046	19,872	24,282	27,306	31,857
Change (%)	-10.2	30.5	50.4	36.8	16.6	22.2	12.5	16.7
Margin (%)	14.7	13.5	16.1	19.0	19.2	20.3	19.6	19.7

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	79,584	90,292	1,02,849
Net Worth	44,068	48,527	53,680	61,631	70,180	80,138	90,846	1,03,403
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	81,051	91,759	1,04,316
Gross Block	20,337	22,278	23,458	26,183	29,119	33,138	38,163	43,794
Less: Accum. Deprn.	8,684	10,024	11,429	13,005	14,834	16,789	19,053	21,684
Net Fixed Assets	11,654	12,254	12,030	13,178	14,285	16,349	19,111	22,110
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	70,710	83,035	97,498
Inventory	5,578	7,288	8,862	9,369	10,222	13,682	15,984	18,563
Account Receivables	10,745	12,473	15,927	20,776	22,925	24,582	28,717	33,351
Cash and Bank Balance	9,652	14,267	13,808	15,047	25,103	27,930	33,057	39,455
Loans and Advances	1,517	2,646	539	505	812	687	803	933
Other Current Assets	2,459	2,556	2,488	3,188	2,767	3,830	4,474	5,196
Curr. Liability & Prov.	11,922	14,621	16,883	21,413	24,964	26,022	30,400	35,305
Other Current Liabilities	9,723	12,362	14,497	18,602	21,644	22,356	26,117	30,332
Provisions	2,199	2,258	2,386	2,810	3,321	3,666	4,283	4,974
Net Current Assets	18,029	24,609	24,741	27,472	36,865	44,689	52,635	62,193
Misc Expenditure	199	21	11	27	169	0	0	0
Appl. of Funds	45,047	53,430	58,237	63,572	71,093	81,051	91,759	1,04,316

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	87.6	98.5	114.9
Cash EPS	27.4	34.7	50.0	67.2	78.3	94.7	106.7	124.4
BV/Share	159.0	175.1	193.7	222.3	253.2	289.1	327.7	373.0
DPS	14.0	10.5	25.0	34.2	39.9	48.7	54.8	63.9
Payout (%)	62.8	32.8	61.3	57.1	58.0	58.7	58.6	58.5
Valuation (x)								
P/E	187.4	143.7	95.5	69.8	59.9	49.0	43.6	37.4
Cash P/E	156.5	123.7	85.9	63.9	54.9	45.4	40.3	34.5
P/BV	27.0	24.5	22.2	19.3	17.0	14.9	13.1	11.5
EV/Sales	27.3	19.2	15.2	13.1	11.3	9.7	8.3	7.1
EV/EBITDA	203.8	133.3	95.0	66.8	56.3	45.9	41.4	35.4
Dividend Yield (%)	0.3	0.2	0.6	0.8	0.9	1.1	1.3	1.5
FCF per share	24.3	28.1	23.7	36.0	52.6	59.9	73.9	87.6
Return Ratios (%)								
RoE	14.8	17.9	24.4	29.6	30.2	32.3	31.9	32.8
RoCE	13.9	16.8	21.0	28.1	28.9	30.8	30.4	31.3
RoIC	15.9	27.4	36.6	51.1	55.5	59.8	54.3	54.4
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	1.5	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	2.8
Interest Cover Ratio	28.1	65.3	69.8	59.9	124.7	140.4	154.3	179.8
Net Debt/Equity	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6

Standalone - Cash flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	(INR m) FY28E
OP/(Loss) before Tax	8,711	9,614	11,631	17,773	22,502	27,876	33,703	39,499
Direct Taxes Paid	-832	-2,543	-3,520	-4,972	-5,614	-7,289	-8,199	-9,586
CF from Operating incl EO	7,879	7,071	8,111	12,801	16,888	20,587	25,505	29,913
(Inc)/Dec in FA	-1,140	705	-1,540	-2,812	-2,294	-3,969	-5,025	-5,631
Free Cash Flow	6,738	7,776	6,571	9,989	14,593	16,618	20,479	24,282
(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	-4,089	-5,025	-5,631
Dividend Paid	-3,881	-4,435	-6,237	-8,593	-10,534	-13,505	-15,186	-17,718
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	-13,671	-15,353	-17,884
Inc/Dec of Cash	-691	434	1,960	-1,198	-585	2,827	5,127	6,398
Opening Balance	4,538	9,652	14,267	13,808	15,047	25,103	27,930	33,057
Other adjustments	5,804	4,181	-2,420	2,437	10,641			
Closing Balance	9,652	14,267	13,808	15,047	25,103	27,930	33,057	39,455

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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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