MIRAE ASSET Sharekhan

Cummins India Ltd

Muted quarter- positive outlook

Reco/View: **BUY**	CMP: **Rs. 4,391**	Price Target: **Rs. 4,950**

STOCK UPDATE

Result Update - Q3FY2026

SECTOR

Capital Goods

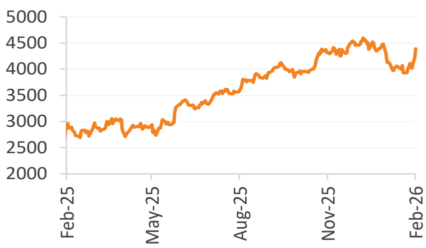
COMPANY DETAILS	
Market cap:	Rs. 1,21,719 cr
52-week high/low:	Rs. 4,614/2,594
NSE volume: (No of shares)	3.4 lakh
BSE code:	500480
NSE code:	CUMMINSIND
Free float: (No of shares)	13.6 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)	
Promoters	51.0
FII	19.4
DII	20.7
Others	8.9

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	6.3	1.7	15.8	48.0
Relative to Sensex	9.6	2.9	13.6	42.4

Source: Mirae Asset Sharekhan Research, Bloomberg

Quick Snapshot

- Revenue growth was modest falling 1% and far below our estimates. Revenue growth was impacted on a decline in powergen business and year-ago base effect. Powergen business' weak show was offset by distribution segment's 26% y-o-y growth.
- Operating profits grew 5% and margins improved by 126 bps to 20.7%. Gross margins rose 302 bps on lower RM costs, favourable product mix and one-time benefit from suppliers end.
- Management guided for double-digit revenue growth for FY26 and FY27 with broad based growth across infrastructure, manufacturing and data center.
- We expect a 18%/19% CAGR in revenue/PAT (for FY25-28E). We see the business to benefit from data centers, healthcare, infrastructure, and real estate. We maintain a Buy rating with a PT of Rs 4,950.

Result overview

- **Powergen business:** Domestic business fell 16% y-o-y due to the absence of lumpy data center projects and heavy base of Q3FY25. Management stated that the business' nature is as such and that there is no weakness; it guided that the segment would grow at higher double-digit levels going ahead. DC business to be key strategic growth driver accounting for 25% of revenues; it is poised to grow heavily for over 2-3 years. Management guides broader growth across sectors such as DC, Infra and Manufacturing. The management emphasized that the data center business is experiencing robust growth globally, particularly in the US and China, where the company has an active presence. They also noted that US tariffs have not materially affected export operations, maintaining confidence in international business prospects. Management highlighted that despite better availability of Powergen nodes from peers and rising competitive intensity, CIL has been able to hold on to the prices and maintain gross margins, owing to cost controls and mix.
- **Distribution business:** Segment had a strong growth momentum with 26% y-o-y as the asset based increased on the ground and demand was strongly supported by sectors such as Powergen, Railways, Defence and mining.
- **Industrial business:** The business' performance was weak due to prolonged rains, sluggish railway projects and delayed mining orders. Construction activity stayed weak, hampered by slower road builds and lingering effects of delayed monsoons, which curbed equipment demand. Meanwhile, the marine segment delivered robust execution, fuelled by targeted project orders and better project delivery. The railways business remains tender-dependent, leading to quarterly fluctuations, but management remains optimistic about the medium term, backed by anticipated government capex and upcoming project awards.

Our Call

In the domestic market, Cummins proved its mettle in transitioning to CPCB-IV plus norms. It would also give a fillip to its distribution business in the long term. In addition, it would benefit from broad-based demand from data centers, healthcare, infrastructure, and real estate. We build a revenue/PAT CAGR of ~18%/19% over FY2025-FY2028E. We maintain a Buy rating with a revised PT of Rs 4,950, ascribing a multiple of 43x on FY28 earnings estimates.

Key Risks

Rise in input costs could affect margins. Intense competition across segments is a key concern.

Valuation Rs cr

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	8,959	10,339	12,124	14,452	17,029
OPM (%)	19.7	20.0	21.2	21.5	21.8
Adjusted PAT	1,662	1,906	2,274	2,719	3,210
% y-o-y growth	45.3	14.6	19.3	19.6	18.1
Adjusted EPS (Rs.)	60.0	68.8	82.0	98.1	115.8
P/E (x)	73.2	63.9	53.5	44.8	37.9
P/B (x)	19.7	17.3	13.9	11.1	8.9
EV/EBITDA (x)	67.6	57.2	45.5	37.0	30.4
RoCE (%)	35.7	37.3	38.2	36.6	34.7
RoNW (%)	28.8	28.9	28.8	27.6	26.1

Source: Company; Mirae Asset Sharekhan estimates

Note: CMP as on Feb 05, 2026

Concall Highlights:

- Company is seeing an aggressive competition in the powergen space.
- No pricing actions have been taken in for the products in the market.
- Export sales were broadly stable and up 2% y-o-y and management highlighted that there was no consistent growth from any particular region and demand remains choppy across markets.
- Management expects no major changes in efficiency norms for next 3-4 years.
- For the Data center business, high-horsepower gensets are used for both co-location and hyperscalers. Competition is majorly from international players such as Caterpillar, Kohler etc.
- Cummins has launched 10 foot and 20-foot container for BESS and there are lot of enquiries for the same but conversion to order book is very slow.
- Guided for double-digit revenue growth for FY26 and FY27 underpinned by strong sustained demand from data centers, infrastructure, manufacturing, and residential and commercial real estate.

Results (Standalone) Rs cr

Particulars	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Net Sales	**3,055**	**3,086**	**(1.0)**	**3,170**	**(3.6)**
RM Cost	1,901	2,013	(5.6)	2,012	(5.6)
Staff Cost	200	233	(14.1)	199	0.9
Other Expenditure	322	240	34.2	265	21.6
Operating Expenses	2,422	2,486	1.5	2,475	(2.1)
Operating Profit	**632**	**600**	**5.4**	**695**	**(9.0)**
Other Income	116	121	(4.1)	123	(5.5)
Interest	5	3	80.4	3	87.5
Depreciation	50	48	4.8	49	2.4
PBT	**624**	**670**	**(7.0)**	**824**	**(24.3)**
Tax	139	156	(10.7)	202	(30.9)
Adjusted PAT	554	514	7.8	564	(1.8)
Exceptional items	(70)	-		58	
Reported PAT	484	514	(5.8)	622	(22.2)
Adj. EPS (Rs.)	20.0	18.5	7.8	20.4	(1.8)
Margins (%)			**bps**		**bps**
GPM (%)	37.8	34.8	302	36.5	126
OPM (%)	20.7	19.4	126	21.9	(121)
NPM (%)	18.1	16.7	147	17.8	34
Tax rate (%)	22.4	23.3	(94)	24.5	(211)

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Vanguard Group Inc/The	2.11
2	HDFC Asset Management Co Ltd	2.07
3	Blackrock Inc	1.94
4	Axis Asset Management Co Ltd/India	1.69
5	ICICI Prudential Asset Management	1.59
6	Sundaram Asset Management Co Ltd	1.35
7	SBI Pension Funds Pvt Ltd	1.25
8	HDFC Life Insurance Co Ltd	1.01
9	Mirae Asset Financial Group	0.92
10	FundRock Management Co SA	0.82

Source: Bloomberg

Key management personnel

Name	Designation
Shveta Arya	Managing Director
Ajay Patil	Chief Financial Officer

Source: Bloomberg

SOMIL RAMESH MEHTA

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DISCLAIMER

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