MIRAE ASSET Sharekhan

Cummins India Ltd

Good times ahead

Capital Goods	Sharekhan code: CUMMINSIND
Reco/View: Buy ↔	CMP: Rs. 4,294 (as on Nov 07, 2025)
	Price Target: Rs. 4,950 ↑

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

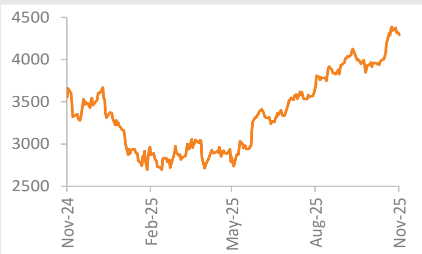
Company details

Market cap:	Rs. 1,19,030 cr
52-week high/low:	Rs. 4,494/2,594
NSE volume: (No of shares)	3.4 lakh
BSE code:	500480
NSE code:	CUMMINSIND
Free float: (No of shares)	13.6 cr

Shareholding (%)

Promoters	51.0
FII	18.4
DII	21.8
Others	8.8

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	8.3	12.8	50.0	17.0
Relative to Sensex	6.4	8.6	47.4	12.7

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Q2FY26 numbers strongly beat estimates. Revenues rose 27% with volumes at pre-buying levels. Exports grew 24%, while domestic volumes rose 28% y-o-y.
- Operating profit rose 44%, with margins up 261 bps to 21.9%, above our estimate of 21%. As a result, PAT grew 38%.
- Management highlighted that powergen business growth was driven by 40% of business from hyperscale Data Center projects.
- We expect a 18%/19% CAGR in revenue/PAT (for FY25-28E). Given the domestic demand uptick due to the adoption of CPCB-IV emission norms and gradual recovery in exports, we maintain a Buy rating with a PT of Rs 4,950.

Q2FY26 revenues grew 27% to Rs 3,170 crore, supported by healthy domestic market growth (of 28% y-o-y) and export growth (25% y-o-y). Powergen/ distribution/ industrials grew by 50%/21%/-5% y-o-y, respectively. Powergen business was driven by significant hyperscale data center projects (Ex DC growth stood at 20%). Domestic demand is expected to remain healthy driven by commercial reality, residential realty, infrastructure & manufacturing sectors. In the Powergen segment, high-horsepower (HHP) segment's revenues grew robustly, contributing Rs 890 crores to revenue. Management highlighted that volumes are back to pre-buying levels and the pricing is also broadly stabilized as no price action was taken. Distribution segment's performance was backed by large base of assets on the ground. Operating profit stood at Rs 695 crore. OPM came in at 21.9% versus 19.3% in the same quarter last year. Net profit rose ~38% y-o-y to Rs. 622 crore, led by a rise in margins.

Key positives

- Exports business grew 24% y-o-y led by strong demand in LatAm and Europe.
- Powergen business grew 50% y-o-y majorly led by hyperscale DC demand projects.
- Volumes reached pre-buying levels and pricing broadly stabilised.

Management Commentary

- Double-digit revenue growth guidance reiterated driven by strong uptrend of demand across sectors. On exports, the management remains cautious.
- All export markets have seen a recovery in demand, especially from LatAm and Europe.
- Healthy performance was attributed mainly to resilient sales, particularly in the high horsepower (HHP) power generation segment, which benefitted from strong demand from the data center market.

Our Call

Valuation – Maintain Buy with a PT of Rs. 4,950: In the domestic market, Cummins is well-positioned for the transition to CPCB-IV plus norms with favorable long-term implications in terms of revenue and profitability. 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

- If there are supply-side issues, it can impact business outlook and earnings growth.
- Global demand weakness due to geopolitical uncertainties and economic headwinds pose downside export risks.

Valuation (Standalone) Rs cr

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net sales (Rs. crore)	8,959	10,339	12,460	14,654	17,021
OPM (%)	19.7	20.0	21.3	21.5	21.7
Net profit (Rs. crore)	1,662	1,906	2,326	2,736	3,191
EPS (Rs.)	60.0	68.8	83.9	98.7	115.1
EPS growth (%)	45.3	14.6	22.1	17.6	16.6
PER (x)	71.6	62.5	51.2	43.5	37.3
P/B (x)	19.3	17.0	13.5	10.8	8.7
EV/EBIDTA (x)	66.1	55.9	43.1	35.7	29.7
RoE (%)	28.8	28.9	29.4	27.6	25.8
RoCE (%)	35.7	37.3	38.9	36.6	34.3

Source: Company; Mirae Asset Sharekhan estimates

Q2FY2026 conference call & investor update highlights

- **Domestic market:** Demand was driven by data centers, commercial and residential real estate, manufacturing, and infrastructure sectors. Powergen/distribution/industrial segments rose 50%/21%/-5%, respectively. Management believes that demand going ahead will be driven from end-user markets such as commercial realty, residential realty, infrastructure & manufacturing sectors.
- **Exports:** All export markets have seen a recovery in demand especially from LatAm and Europe. Export revenues were up 24% y-o-y. LatAm and Europe are showing some good traction. Cummins is working closely with its trade partners to drive growth in respective end-user markets. It is cautiously optimistic about export demand recovery instead of economic & geopolitical events.
- **CPCB-IV sales:** Volumes reverted to prebuying levels and pricing has also broadly stabilised.

Quarterly results (Standalone) Rs cr

Particulars	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Net Sales	**3,170**	**2,492**	**27.2**	**2,907**	**9.1**
RM Cost	2,012	1,601	25.7	1,832	9.9
Staff Cost	199	192	3.3	199	(0.4)
Other Expenditure	265	218	21.2	252	4.9
Operating Expenses	2,475	2,011	5.0	2,283	8.4
Operating Profit	**695**	**481**	**44.4**	**624**	**11.4**
Other Income	123	161	(23.8)	153	(19.7)
Interest	3	3	(0.4)	3	(3.8)
Depreciation	49	45	8.8	48	2.6
PBT	**824**	**594**	**38.6**	**770**	**7.0**
Tax	202	144	40.3	181	11.6
Adjusted PAT	564	451	25.2	545	3.5
Exceptional items	58	-		44	
Reported PAT	622	451	38.1	589	5.6
Adj. EPS (Rs.)	**20.4**	**16.3**	**25.2**	**19.7**	**3.5**
Margins (%)			**bps**		**bps**
GPM (%)	36.5	35.8	75	37.0	(46)
OPM (%)	21.9	19.3	261	21.4	47
NPM (%)	17.8	18.1	(29)	18.8	(96)
Tax rate (%)	24.5	24.2	29	23.5	101

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Continued government focus on infrastructure spending to provide growth opportunities

To make India a $5 trillion economy by FY2025 and to continue growing at an escalated trajectory until 2030, it is estimated that India would need to spend $4.5 trillion on infrastructure by 2030. To achieve the desired goal, the government drew up the National Infrastructure Pipeline (NIP) through a bottom-up approach, wherein all projects cost more than Rs. 100 crore per project under construction, proposed Greenfield projects, brownfield projects, and those at the conceptualisation stage were captured. Consequently, total capital expenditure in infrastructure sectors in India during FY2020-FY2025 is projected at ~Rs. 111 lakh crore. During the same period, sectors such as energy (24%), roads (18%), urban (17%), and railways (12%) amount to ~71% of the projected infrastructure investments in India. The massive outlay towards the infrastructure sector is expected to provide healthy growth opportunities for infrastructure companies.

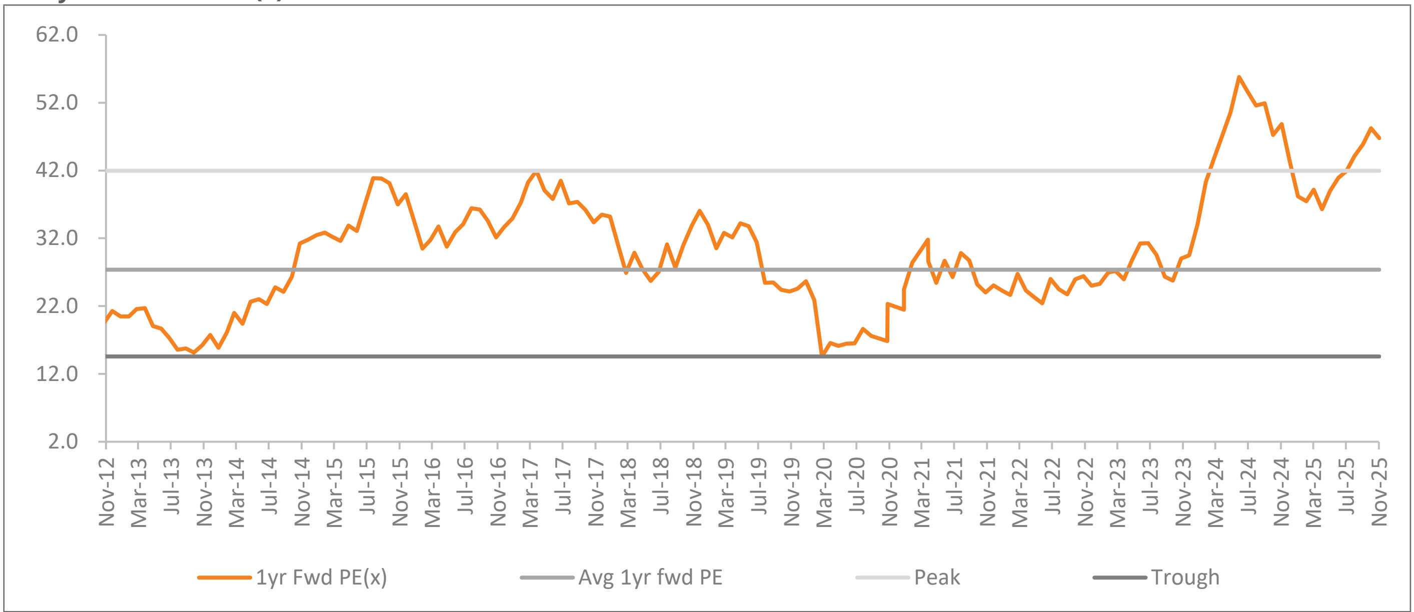
■ Company Outlook – Domestic markets to perform well, exports likely to be muted

Cummins' strong parentage and technological capabilities give it an edge over competitors. The company's innovative products and solutions, market leadership particularly in HHP in the domestic market, and expectations of robust export growth and margin expansion make us optimistic on its prospects. The company has begun to see the benefits arising from a strong revival in key segments such as power generation, construction, and mining, which are expected to continue. However, export demand is softening due to recessionary trends in Europe, Latin America, and Africa. Cost initiatives undertaken by the company have been yielding benefits in terms of improved OPM from low levels.

■ Valuation – Maintain Buy with a PT of Rs. 4,950:

In the domestic market, Cummins is well-positioned for the transition to CPCB-IV plus norms with favorable long-term implications in terms of revenue and profitability. 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.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Cummins is a subsidiary of Cummins Inc., USA – a global manufacturer of engines and other power-generation products. The company comprises three businesses – Engine Business (serving the Construction and Compressor markets with Heavy, Medium, and Light Duty engines), Power Systems Business (serving Mining, Marine, Rail, Oil and Gas, Defense, and Power Generation), and Distribution Business. Cummins has eight manufacturing facilities in Maharashtra and Gujarat. The company's product range primarily includes diesel engines/gensets from 15kVA to 2,000kVA for various power/industrial uses. Cummins also manufactures alternators, digital controls, transfer switches, etc. Cummins is the leader with a 40% market share in the diesel engines/gensets industry. Further, Cummins has a strong presence in high-value and high-margin HHP gensets. The company's domestic business is divided into power generation, industrial, and distribution segments, contributing 80% to its sales. Exports contributes around 20% to sales. The company exports to over 40 countries comprising the Middle East and Africa, which contribute 90% to its exports.

Investment theme

Cummins is the largest standby genset player in India with a lead market share in medium and large gensets. The company has a strong technology/innovation track record, well supported by its parent, which helps it stay ahead of peers across changes in emission norms. The company's diversified business presence across power generation, industrial BU, exports, and distribution contribute reasonably to its long-term growth prospects with a healthy return/cash flow profile. However, the recent drop in demand in exports is a near-term concern, which could weigh on the stock's performance.

Key Risks

- If there are supply-side issues, it can negatively affect the business outlook and earnings growth.
- Global market demand weakness due to the current geopolitical crisis between Russia and Ukraine poses a key downside risk to exports

Additional Data

Key management personnel

Name	Designation
Shveta Arya	Managing Director
Ajay Patil	Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	ICICI Prudential Asset Management	2.56
2	Vanguard Group Inc/The	2.08
3	HDFC Asset Management Co Ltd	2.07
4	Blackrock Inc	1.81
5	Axis Asset Management Co Ltd/India	1.78
6	SBI Pension Funds Pvt Ltd	1.21
7	Mirae Asset Financial Group	1.19
8	Franklin Resources Inc	0.94
9	HDFC Life Insurance Co Ltd	0.91
10	Tata Asset Management Pvt Ltd	0.88

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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