MIRAE ASSET Sharekhan

Cummins India Ltd

Strong growth outlook

Capital Goods	Sharekhan code: CUMMINSIND		
Reco/View: **Buy** ⇔	CMP: **Rs. 3,793** (as on Aug 11, 2025)	Price Target: **Rs. 4,350** ↑	

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		⇔	

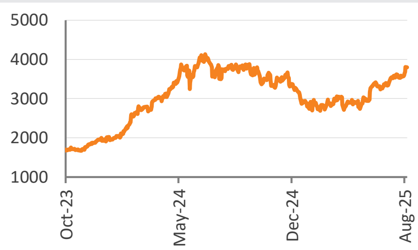
Company details

Market cap:	Rs. 1,05,148 cr
52-week high/low:	Rs. 3,926 / 2,594
NSE volume: (No of shares)	4.7 lakh
BSE code:	500480
NSE code:	CUMMINSIND
Free float: (No of shares)	13.6 cr

Shareholding (%)

Promoters	51.0
FII	17.5
DII	22.6
Others	8.8

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	7.0	31.7	31.2	1.0
Relative to Sensex	9.3	32.6	27.0	-0.1

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Q1FY26 numbers strongly beat estimates. Revenues rose 26% as volumes reached pre-buying levels. Exports grew 34% and domestic growth was 25% y-o-y.
- Operating profit rose 33% with margin rising 117 bps to 21.4%, above our estimate of 20.5%. As margins improved, PAT grew 30%.
- Management highlighted that volumes have now reached the pre-buying level and pricing being stablized. Powergen business growth was more broad-based and demand traction was seen across sectors.
- We expect a 16%/16% CAGR in revenue/PAT (FY25-27E). Given the domestic demand uptick due to the adoption of CPCB-IV emission norms and gradual recovery in export business, we maintain a Buy rating with a PT of Rs 4,350.

Q1FY26 revenues grew 26% to Rs 2,907 crore, supported by healthy growth in the export market (34% y-o-y) and domestic business (25% y-o-y). Powergen/ distribution/ industrials grew by 31%/19%/14% y-o-y, respectively. Management highlighted that volumes are back to pre-buying levels and the pricing is also broadly stabilized and no price action was taken. Domestic demand is expected to remain healthy driven by the such as commercial realty, residential realty, infrastructure & manufacturing sectors. In the Powergen segment HHP revenue witnessed a strong growth and contributed Rs 620 crores to revenue. Operating profit stood at Rs 624 crore. OPM came in at 21.4% versus 20.3% in the same quarter last year. Net profit rose ~30% y-o-y to Rs. 545 crore, led by margins improvement.

Key positives

- Exports business grew by 34% y-o-y led by strong demand in LatAm and Europe.
- Powergen business grew by 31% y-o-y with demand traction across broader businesses.
- Volumes reached the pre-buying levels and pricing broadly stabilized.

Management Commentary

- Management reiterated guidance double-digit revenue growth driven by strong uptrend of demand seen across the sectors and segments. 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. 4,350: 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 ~16%/16% over FY2025-FY2027E. We maintain our Buy on the stock with a revised PT of Rs 4,350, ascribing a multiple of 47x on FY27 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	FY23	FY24	FY25	FY26E	FY27E
Net sales (Rs. crore)	7,744	8,959	10,339	11,914	13,802
OPM (%)	16.0	19.7	20.0	20.1	20.7
Net profit (Rs. crore)	1,144	1,662	1,906	2,159	2,546
EPS (Rs.)	41.3	60.0	68.8	77.9	91.8
EPS growth (%)	44.1	45.3	14.6	13.3	17.9
PER (x)	91.9	63.3	55.2	48.7	41.3
P/B (x)	19.6	17.1	15.0	12.2	9.9
EV/EBIDTA (x)	82.9	58.2	49.2	41.9	34.5
RoE (%)	22.4	28.8	28.9	27.6	26.4
RoCE (%)	27.3	35.7	37.3	36.5	35.0

Source: Company; Mirae Asset Sharekhan estimates

Q1FY2026 conference call & investor update highlights

- **Domestic market:** Demand was driven by data centres, commercial and residential real estate, manufacturing, and infrastructure sectors. Powergen/distribution/industrial rose 31%/19%/14%, respectively. Management believes that demand going ahead will be driven from end markets such as commercial realty, residential realty, infrastructure & manufacturing sectors.
- **Exports market:** All of the company's export markets have seen a recovery in demand especially from LatAm and Europe. Export revenues were up 34% y-o-y. LatAm and Europe are showing some good traction. Cummins is working closely with its trade partners to drive growth in the respective end markets. It is cautiously optimistic about export demand recovery instead of economic & geopolitical events that have affected the market.
- **CPCB-IV sales:** Volumes reverted to prebuying levels and pricing has also broadly stabilised.

Results (Consolidated) Rs cr

Particulars	Q1FY26	Q1FY25	Y-o-Y (%)	Q4FY25	Q-o-Q (%)
Net Sales	**2,907**	**2,304**	**26.2**	**2,457**	**18.3**
RM Cost	1,832	1,434	27.7	1,544	18.6
Staff Cost	199	182	9.8	167	19.6
Other Expenditure	252	221	14.1	227	11.3
Operating Expenses	2,283	1,837	5.2	1,937	17.9
Operating Profit	**624**	**467**	**33.4**	**520**	**20.0**
Other Income	153	132	15.6	212	(27.9)
Interest	3	5	(44.3)	5	(48.5)
Depreciation	48	44	9.2	46	4.8
PBT	**770**	**551**	**39.8**	**681**	**13.1**
Tax	181	131	37.8	159	13.4
Adjusted PAT	545	420	29.9	521	4.6
Exceptional items	44	-		-	
Reported PAT	589	420	40.4	521	13.0
Adj. EPS (Rs.)	**19.7**	**15.1**	**29.9**	**18.8**	**4.6**
Margins (%)			**bps**		**bps**
GPM (%)	37.0	37.8	(77)	37.2	(18)
OPM (%)	21.4	20.3	117	21.2	30
NPM (%)	18.8	18.2	53	21.2	(247)
Tax rate (%)	23.5	23.8	(33)	23.4	6

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ **Sector View – 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.

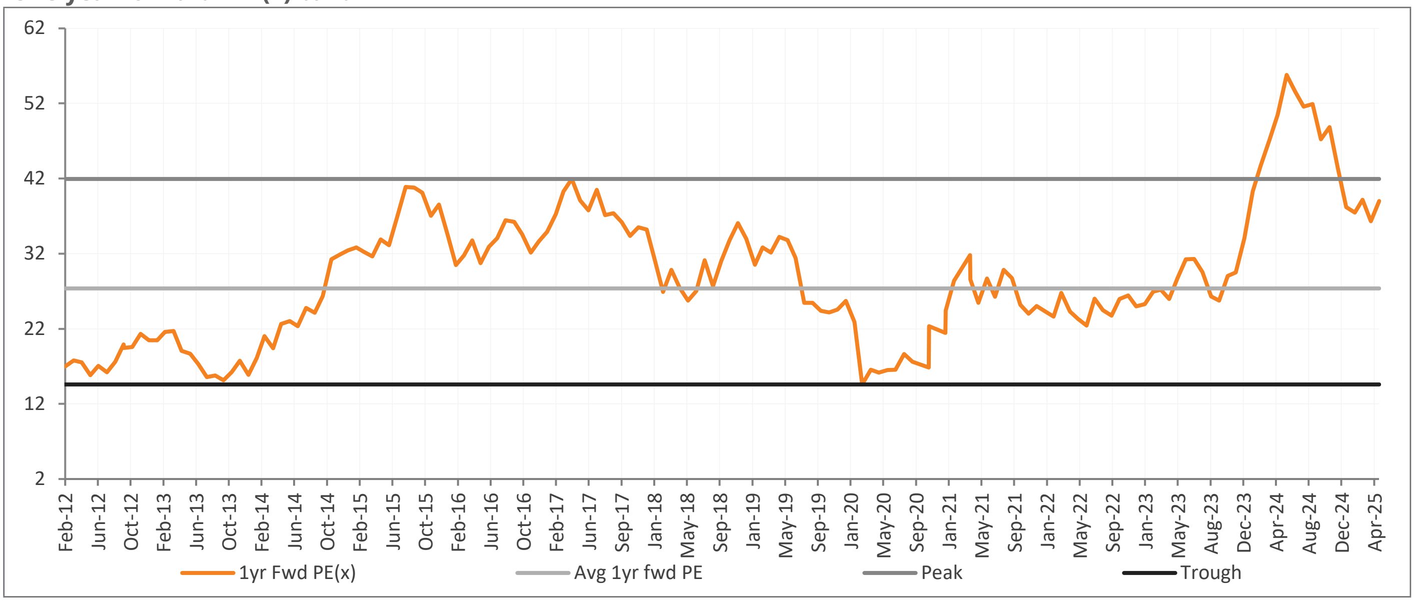
■ **Company Outlook – Domestic markets. At the same time, are expected to perform well, while exports may be muted in the near to medium term.**

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. 4,350**

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 ~16%/16% over FY2025-FY2027E. We maintain our Buy on the stock with a revised PT of Rs 4,350, ascribing a multiple of 47x on FY27 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	3.43
2	Vanguard Group Inc/The	2.27
3	HDFC Asset Management Co Ltd	1.98
4	Blackrock inc	1.79
5	Axis asset management	1.25
6	SBI Pension Funds Pvt Ltd	1.20
7	Mirae Asset Financial Group	1.12
8	SBI Funds Management Ltd	1.13
9	Franklin RFesources	1.02
10	HDFC Life Insurance Co	0.94

Source: Bloomberg

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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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

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