

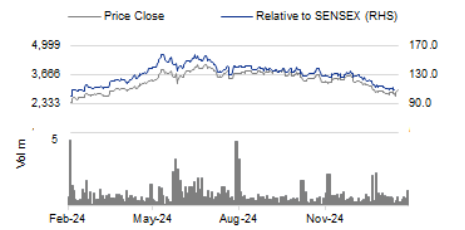
India

ADD (previously HOLD)

Consensus ratings*: Buy 13 Hold 5 Sell 9	
Current price:	Rs2,872
Target price: ▲	Rs3,909
Previous target:	Rs3,745
Up/downside:	36.1%
InCred Research / Consensus:	6.2%
Reuters:	
Bloomberg:	KKC IN
Market cap:	US\$10,963m Rs796,091m
Average daily turnover:	US\$29.7m Rs2158.9m
Current shares o/s:	277.2m
Free float:	9.0%
*Source: Bloomberg	

Key changes in this note

- ▶ We maintain our estimates for FY25F-27F. The stock corrected by ~21% in the last three months. Upgrade to ADD rating (from HOLD) with a higher target price of Rs3,909.




Source: Bloomberg


Price performance	1M	3M	12M
Absolute (%)	(9.2)	(19.2)	19.7
Relative (%)	(8.9)	(17.5)	10.9

Major shareholders	% held
ICICI Pru	3.8
NPS Trust	2.1
HDFC MF	1.5

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Cummins India Ltd

Double-digit growth to continue; upgrade to ADD

- 3Q EBITDA grew by 12% YoY to Rs6bn, 5% above our estimate & 7% above Bloomberg consensus. Margin declined by 179bp (+14bp QoQ) to 19.4%.
- Management gave guidance of double-digit revenue growth in FY25F. The CPCB IV+ transition is progressing well, with prices expected to stabilize.
- We maintain our estimates for FY25F-27F. The stock fell ~21% in the last three months. Upgrade to ADD rating (from HOLD) with a higher TP of Rs3,909.

Revenue-led growth in 3QFY25

Cummins India reported a better-than-expected performance in 3QFY25, with revenue at Rs30.9bn, up 22% YoY (+24% QoQ), 6% above our estimate and 13% above Bloomberg or BB consensus estimate. Domestic sales grew by 18% YoY to Rs25.8bn, while exports jumped 43% YoY to Rs4.6bn. EBITDA grew 12% YoY to Rs6bn, 5% above our estimate and 7% above BB consensus estimate, while the margin declined by 179bp (+14bp QoQ) to 19.4%. PAT came in at Rs5.1bn, up 13% YoY, 6% above our estimate and 3% above BB consensus estimate.

Revival of export business

The export business rebounded strongly, registering a 43% YoY growth. With a diversified product portfolio, the company remains optimistic about a sustained recovery in export demand. The company benefits from its access to cutting-edge technology, trusted brand reputation, an extensive range of high-quality products and world-class manufacturing capabilities.

Double-digit revenue growth likely to continue

Management gave guidance of double-digit revenue growth in FY25F, supported by continued demand across powergen, industrial, and distribution segments. The CPCB IV+ transition is progressing well, with prices expected to stabilize in the next two quarters. Cummins India has maintained its early-mover advantage in CPCB IV+ products, allowing it to retain pricing stability despite rising competition. Management expects price stabilization in the next few quarters as more players enter the CPCB IV+ market. CPCB IV+ products contributed ~45% to the powergen segment's sales.

Upgrade to ADD rating on valuation comfort

Effective Jul 2024, there was a complete switchover to CPCB IV+ emission norms-compliant products in the powergen segment. Management expects double-digit revenue growth in FY25F. We maintain our estimates for FY25F-27F. The stock price corrected by ~21% in the last three months. Upgrade our rating on the stock to ADD (from HOLD) with a higher target price of Rs3,909 (Rs3,745 earlier), valuing it 40x FY27F (from 42x Sep 2026F) EPS. Downside risks: Weak demand and lower margin.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	76,123	88,164	104,155	119,684	138,944
Operating EBITDA (Rsm)	12,426	17,613	21,789	25,334	30,267
Net Profit (Rsm)	11,441	16,466	19,981	22,985	27,082
Core EPS (Rs)	41.3	59.4	72.1	82.9	97.7
Core EPS Growth	45.7%	43.9%	21.3%	15.0%	17.8%
FD Core P/E (x)	69.58	48.35	39.84	34.64	29.40
DPS (Rs)	18.0	19.0	19.0	19.0	19.0
Dividend Yield	0.63%	0.66%	0.66%	0.66%	0.66%
EV/EBITDA (x)	63.24	44.40	35.78	30.47	24.99
P/FCFE (x)	190.95	61.87	110.82	62.89	37.96
Net Gearing	(19.2%)	(22.7%)	(21.7%)	(25.5%)	(34.3%)
P/BV (x)	14.83	12.92	10.43	8.46	6.87
ROE	22.4%	28.6%	29.0%	27.0%	25.8%
% Change In Core EPS Estimates			(1.80%)	(1.24%)	(1.24%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

3QFY25 conference-call highlights

- Overview:** Cummins India reported 3QFY25 revenue of Rs30.4bn, up 22% YoY, with domestic sales rising 18% YoY to Rs25.8bn and exports surging 43% YoY to Rs4.6bn. The power generation segment's sales stood at Rs12.7bn (+18% YoY), led by strong demand from data centres, infrastructure projects, and mission-critical applications. The industrial segment grew by 24% YoY to Rs5.1bn, supported by construction (Rs4.6bn), railway (Rs3.6bn), and mining (Rs1.7bn) sectors
- Guidance:** The company reiterated its guidance of double-digit growth for FY25F, supported by continued demand across powergen, industrial, and distribution segments. The CPCB IV+ transition is progressing well, with prices expected to stabilize in the next two quarters. Management remains cautiously optimistic about export growth, despite geopolitical uncertainties, in key markets like the Middle East and the US.
- CPCB IV+ market share remains strong:** Cummins India has maintained its early-mover advantage in CPCB IV+ products, allowing it to retain price stability despite rising competition. Management expects price stabilization in the next few quarters as more players enter the CPCB IV+ market. CPCB IV+ products contributed ~45% to the powergen segment's sales.
- Export growth led by high-horsepower engines:** Export revenue grew by 43% YoY, driven by high-horsepower engine exports (Rs2.0bn, +47% YoY) and low-horsepower engine exports (Rs2.2bn, +47% YoY). While Latin America and the Middle East witnessed strong demand, management remains cautious on the impact of US tariffs and global trade restrictions.
- Segmental trends & key drivers:**
 - Power generation:** Rs12.7bn in sales (+18% YoY), driven by data centre demand and infrastructure investments.
 - Industrial:** Sales at Rs5.1bn (+24% YoY), with growth in construction (Rs4.6bn), railway (Rs3.6bn), and mining (Rs1.7bn) sectors.
 - Distribution business:** Grew by 13% YoY to Rs7.5bn, aided by aftermarket sales, CPCB IV+ retrofit solutions, and rising installed base.
- Capex & localization efforts to drive efficiency:** The company is evaluating capacity expansion to support long-term demand and increase CPCB IV+ product localization. Management reaffirmed its focus on supply chain optimization and cost reduction, which are expected to aid margin stability despite the short-term volatility.
- Pricing & margin:** Gross margin was impacted by product mix changes and higher project-based sales, although management expects price stability in CPCB IV+ products to support margin recovery over the next few quarters.

Figure 1: Results snapshot

Y/E Mar (Rs m)	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
Total Revenue	30,860	25,341	21.8%	24,923	23.8%	78,825	66,425	18.7%
Raw Material Costs	20,132	15,955	26.2%	16,006	25.8%	50,478	42,880	17.7%
Employee Costs	2,332	2,090	11.6%	1,923	21.3%	6,072	5,904	2.8%
Other Expenses	2,396	1,916	25.1%	2,183	9.8%	6,791	5,470	24.2%
Total Expenditure	24,860	19,961	24.5%	20,113	23.6%	63,342	54,253	16.8%
EBITDA	6,000	5,379	11.5%	4,810	24.7%	15,484	12,171	27.2%
Depreciation	481	419	14.7%	452	6.3%	1,372	1,156	18.6%
EBIT	5,519	4,960	11.3%	4,358	26.6%	14,112	11,015	28.1%
Interest	27	63	(57.9%)	26	3.5%	100	206	(51.6%)
Other Income	1,209	1,136	6.4%	1,611	(25.0%)	4,142	3,633	14.0%
PBT	6,702	6,017	11.4%	5,944	12.7%	18,155	14,425	25.9%
Total Tax	1,562	1,467	6.4%	1,438	9%	4,310	3,458	24.6%
PAT	5,140	4,549	13.0%	4,506	14.1%	13,845	10,967	26.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin and cost analysis

Margin Analysis	3QFY25	3QFY24	YoY (bp chg)	2QFY25	QoQ (bp chg)	9MFY25	9MFY24	YoY (bp chg)
Raw Material Costs	65.2%	63.0%	227	64.2%	101	64.0%	64.6%	-52
Personnel Costs	7.6%	8.2%	-69	7.7%	-16	7.7%	8.9%	-119
Other Expenses	7.8%	7.6%	21	8.8%	-100	8.6%	8.2%	38
EBITDA Margin	19.4%	21.2%	-179	19.3%	14	19.6%	18.3%	132
EBIT Margin	17.9%	19.6%	-169	17.5%	40	17.9%	16.6%	132
PBT Margin (%)	21.7%	23.7%	-203	23.8%	-213	23.0%	21.7%	131
NPM	16.7%	18.0%	-130	18.1%	-142	17.6%	16.5%	105
Tax Rate (%)	23.3%	24.4%	-109	24.2%	-89	23.7%	24.0%	-23
Gross Margin	34.8%	37.0%	-227	35.8%	-101	36.0%	35.4%	52

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Segment-wise revenue

Revenue (Rs m)	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
Powergen	12,710	10,730	18.5%	8,960	41.9%	29,700	24,320	22.1%
Industrial	5,110	4,037	26.6%	4,060	25.9%	12,890	9,397	37.2%
Distribution	7,460	6,620	12.7%	6,580	13.4%	20,550	17,940	14.5%
Exports	4,640	3,250	42.8%	4,400	5.5%	12,930	13,300	(2.8%)
Other	494	381	29.6%	484	2.1%	1,449	522	177.5%
Total Sales	30,414	25,018	21.6%	24,484	24.2%	77,519	65,479	18.4%

Revenue Mix	3QFY25	3QFY24	YoY bp	2QFY25	QoQ bp	9MFY25	9MFY24	YoY bp
Powergen	42%	43%	-110	37%	519	38%	37%	117
Industrial	17%	16%	67	17%	22	17%	14%	228
Distribution	25%	26%	-193	27%	-235	27%	27%	-89
Exports	15%	13%	227	18%	-271	17%	20%	-363
Other	2%	2%	10	2%	-35	2%	1%	107

SOURCE: INCRED RESEARCH, COMPANY REPORTS

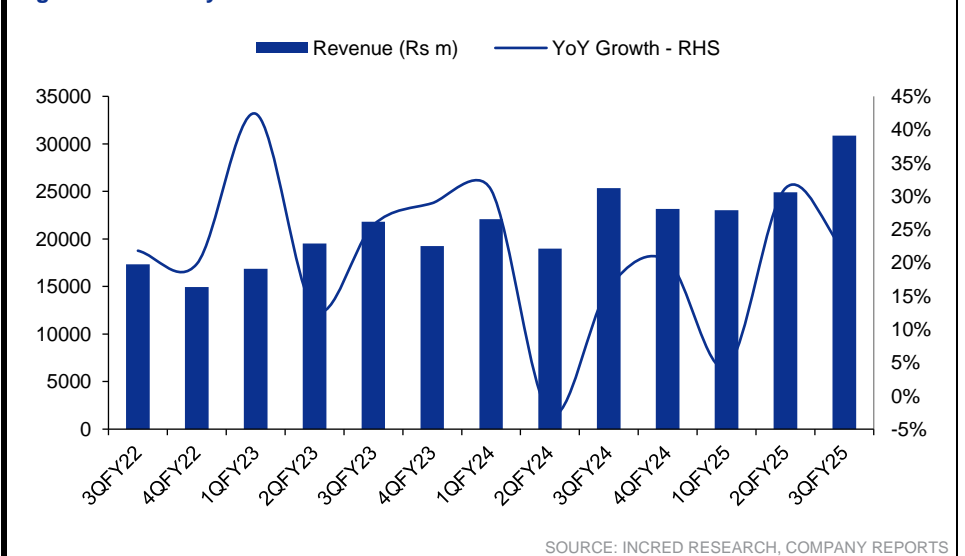
Figure 4: Actuals versus estimates (Rs m)

InCred	3QFY25	3QFY25F	Diff
Revenue	30,860	29,229	5.6%
EBITDA	6,000	5,700	5.3%
Margin (%)	19.4%	19.5%	-6bp
PAT	5,140	4,860	5.8%

Consensus	3QFY25	3QFY25C	Diff
Revenue	30,860	27,410	12.6%
EBITDA	6,000	5,604	7.1%
Margin (%)	19.4%	20.4%	-100bp
PAT	5,140	5,009	2.6%

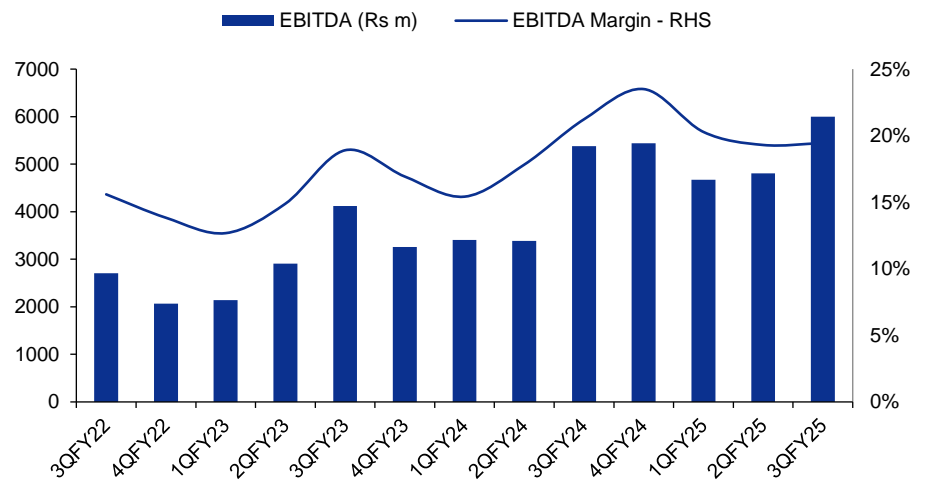
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Quarterly revenue trend



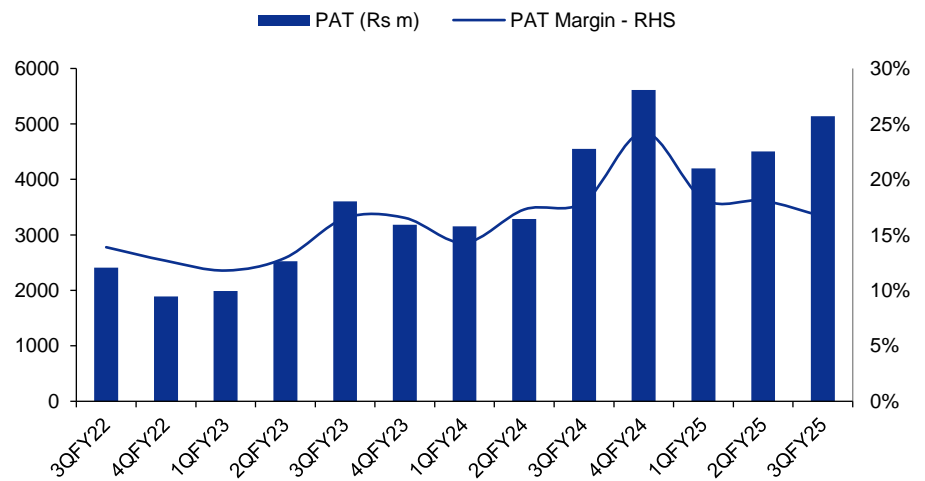
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Quarterly EBITDA trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Quarterly PAT trend



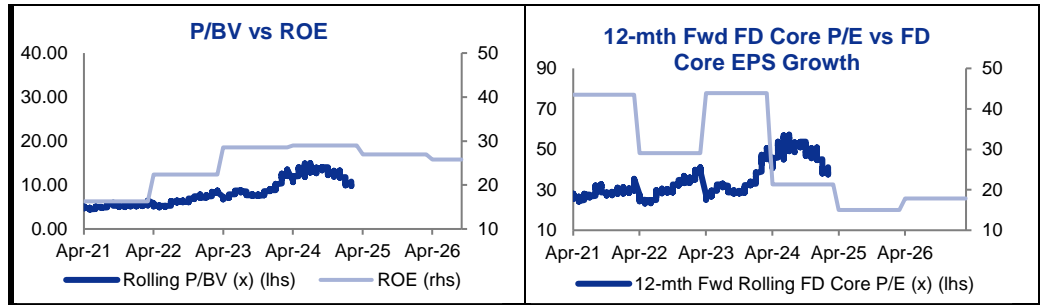
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Earnings revision summary

Rs m	New			Old			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	1,04,155	1,19,684	1,41,109	1,02,551	1,18,418	1,37,458	1.6%	1.1%	2.7%
EBITDA	21,789	25,335	30,267	21,318	24,963	29,828	2.2%	1.5%	1.5%
PAT	19,981	22,985	27,082	19,621	22,701	26,746	1.8%	1.3%	1.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	77,444	89,586	105,788	121,554	141,109
Gross Profit	25,135	31,886	38,613	44,732	52,210
Operating EBITDA	12,426	17,613	21,789	25,334	30,267
Depreciation And Amortisation	(1,405)	(1,576)	(1,609)	(1,700)	(1,786)
Operating EBIT	11,021	16,037	20,179	23,635	28,481
Financial Income/(Expense)	(158)	(268)	(297)	(327)	(359)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	4,200	5,678	6,132	6,623	7,153
Profit Before Tax (pre-EI)	15,063	21,447	26,014	29,931	35,274
Exceptional Items					
Pre-tax Profit	15,063	21,447	26,014	29,931	35,274
Taxation	(3,623)	(4,982)	(6,033)	(6,946)	(8,193)
Exceptional Income - post-tax					
Profit After Tax	11,441	16,466	19,981	22,985	27,082
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	11,441	16,466	19,981	22,985	27,082
Recurring Net Profit	11,441	16,466	19,981	22,985	27,082
Fully Diluted Recurring Net Profit	11,441	16,466	19,981	22,985	27,082

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	12,426	17,613	21,789	25,334	30,267
Cash Flow from Invt. & Assoc.	2,638	3,834	4,226	4,597	5,008
Change In Working Capital	(2,661)	(1,569)	(11,833)	(9,623)	(5,465)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,405	1,576	1,609	1,700	1,786
Other Operating Cashflow	(4,042)	(5,410)	(5,835)	(6,296)	(6,793)
Net Interest (Paid)/Received	(158)	(268)	(297)	(327)	(359)
Tax Paid	(3,550)	(5,081)	(6,033)	(6,946)	(8,193)
Cashflow From Operations	6,057	10,697	3,626	8,440	16,250
Capex	(1,386)	(2,205)	(2,103)	(1,913)	(1,922)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(503)	4,375	5,661	6,133	6,643
Cash Flow From Investing	(1,888)	2,170	3,558	4,220	4,721
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(4,990)	(5,267)	(5,267)	(5,267)	(5,267)
Preferred Dividends					
Other Financing Cashflow	(158)	(268)	(297)	(327)	(359)
Cash Flow From Financing	(5,147)	(5,535)	(5,564)	(5,594)	(5,626)
Total Cash Generated	(978)	7,332	1,620	7,066	15,345
Free Cashflow To Equity	4,169	12,867	7,184	12,659	20,971
Free Cashflow To Firm	4,327	13,134	7,481	12,986	21,331

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	13,808	14,985	17,697	25,239	41,105
Total Debtors	15,927	20,776	24,636	29,972	34,794
Inventories	8,862	9,369	14,492	18,316	21,263
Total Other Current Assets	4,857	3,720	8,695	11,656	13,531
Total Current Assets	43,454	48,850	65,519	85,183	110,693
Fixed Assets	22,633	23,262	23,756	23,969	24,105
Total Investments	10,852	12,154	12,626	13,116	13,625
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	33,485	35,416	36,381	37,084	37,730
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	11,503	14,024	15,071	16,651	19,330
Other Current Liabilities	7,198	7,328	8,405	9,325	10,825
Total Current Liabilities	18,701	21,352	23,476	25,976	30,155
Total Long-term Debt	3,500	1,000	1,100	1,210	1,331
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	3,500	1,000	1,100	1,210	1,331
Total Provisions	1,057	941	979	1,018	1,058
Total Liabilities	23,259	23,293	25,555	28,204	32,544
Shareholders Equity	53,680	61,631	76,345	94,064	115,879
Minority Interests					
Total Equity	53,680	61,631	76,345	94,064	115,879

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	26.3%	15.8%	18.1%	14.9%	16.1%
Operating EBITDA Growth	40.4%	41.7%	23.7%	16.3%	19.5%
Operating EBITDA Margin	16.3%	20.0%	20.9%	21.2%	21.8%
Net Cash Per Share (Rs)	37.19	50.45	59.87	86.68	143.49
BVPS (Rs)	193.65	222.33	275.42	339.34	418.03
Gross Interest Cover	69.84	59.88	67.94	72.34	79.25
Effective Tax Rate	24.0%	23.2%	23.2%	23.2%	23.2%
Net Dividend Payout Ratio	43.6%	32.0%	26.4%	22.9%	19.4%
Accounts Receivables Days	66.93	74.77	78.34	81.99	83.76
Inventory Days	56.34	57.66	64.82	77.94	81.25
Accounts Payables Days	74.93	80.74	79.04	75.36	73.87
ROIC (%)	25.2%	34.4%	31.5%	30.6%	33.6%
ROCE (%)	19.7%	26.3%	28.4%	27.1%	26.5%
Return On Average Assets	15.9%	20.7%	21.7%	20.7%	20.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.