

COMPANY OVERVIEW

Cummins India Limited stands as one of the most formidable industrial enterprises in India's power and engine sector. Established in 1962 as a 51% subsidiary of U.S.-based Cummins Inc., the company has built a dominant market presence over six decades, commanding over 30% of the diesel engine market and 25% of power generation sales as of 2024. With 21 manufacturing facilities, over 200 branch offices, and 450 service touchpoints across India, Nepal, and Bhutan, the company has created a distribution moat that is extremely difficult for competitors to replicate. Its four business segments — Engine, Power Systems, Components, and Distribution — are well-diversified, reducing reliance on any single revenue stream.



EARNINGS INTERPRETATION

The FY25 annual performance (₹10,166 Cr revenue, ₹1,906 Cr PAT, 15% growth) remains strong and credible. Q1 and Q2 FY26 were genuinely

exceptional quarters. But Q3 FY26 introduces a clear deceleration signal — domestic demand is softening at the margins, and export volatility has returned.

For FY26 full-year earnings, the nine-month revenue through December 2025 can be estimated at approximately ₹9,035 Cr (Q1 ₹2,907 + Q2 ₹3,122 + Q3 ₹3,006). If Q4 FY26 recovers modestly to around ₹2,600–2,800 Cr (consistent with the seasonally softer Q4 FY25 of ₹2,470 Cr), full-year FY26 revenue would land in the ₹11,600–11,800 Cr range — implying roughly 14–16% annual growth over FY25. PAT for nine months sits around ₹1,661 Cr (₹570 + ₹638 + ₹453). A Q4 PAT of ₹480–520 Cr would bring full-year PAT to approximately ₹2,140–2,180 Cr, a roughly 12–14% growth over FY25's ₹1,906 Cr.

This is a meaningful downward revision from the headline 42% PAT growth Q2 FY26 narrative. The more measured analyst consensus of 13.3% revenue growth and 13.6% earnings growth now appears well-calibrated — and Q3 FY26 suggests those estimates are achievable but not easily beatable.

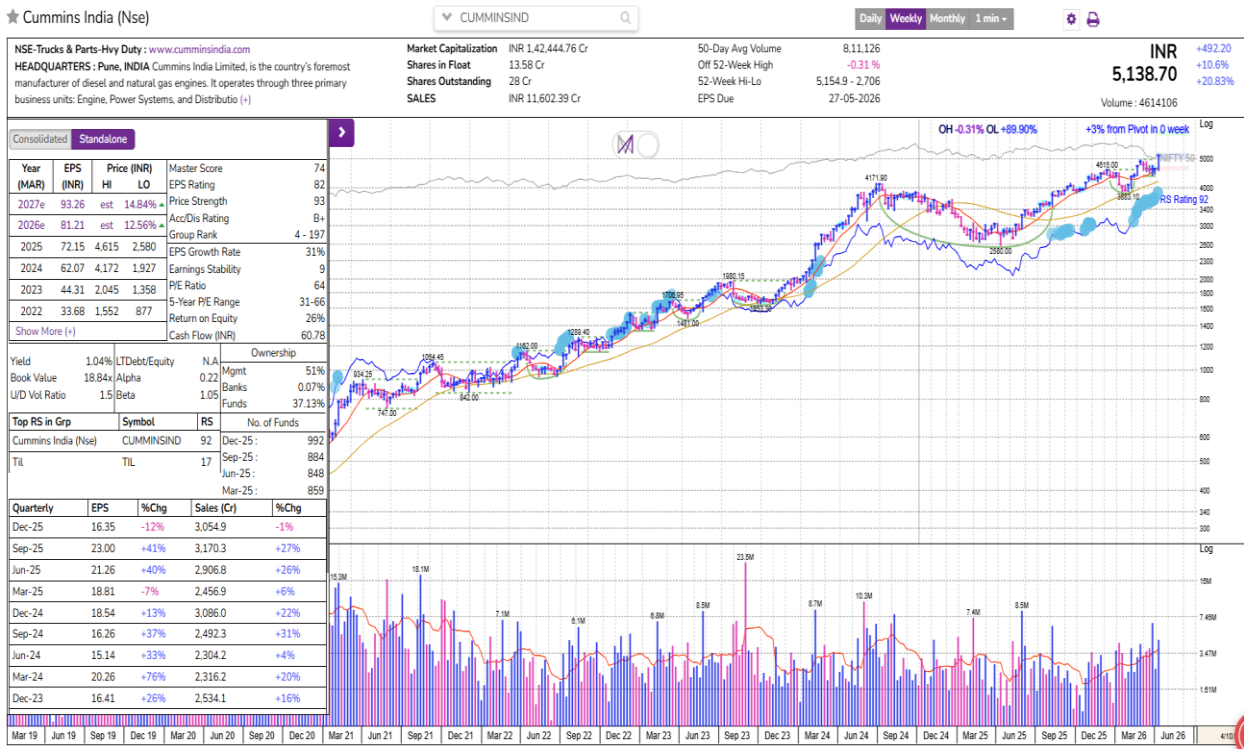
RISK ASSESSMENT

The Q3 FY26 data elevate two risks that were previously theoretical. First, export demand is genuinely fragile — a 14% sequential decline in one quarter, attributed to geopolitical uncertainty, shows how quickly that revenue stream can reverse. Second, the premium valuation (55.9x trailing P/E) is now harder to justify if the growth narrative shifts from "accelerating" to "moderating." A sustained plateau in the ₹3,000 Cr quarterly sales range, combined with PAT in the ₹450–530 Cr band, would imply an annualised PAT run rate of approximately ₹1,900–2,100 Cr — barely ahead of FY25 levels, which at the current market cap of ~₹1.25 lakh Cr implies a forward P/E still north of 55x. That leaves limited room for error.

The constructive long-term case — data centre demand, CPCB IV+ upgrade cycle, infrastructure capex, hydrogen initiatives — remains intact. But the Q3 FY26 press release is a reminder that the path to those outcomes will not be linear, and the current valuation demands perfection that recent quarterly execution does not yet guarantee.

CONCLUSION

Cummins India is a high-quality industrial franchise operating at the intersection of India's most durable growth themes: infrastructure buildout, data centre expansion, clean energy transition, and emission compliance. Its financial trajectory is compelling — consistent double-digit revenue and profit growth, strong ROE, and a debt-light balance sheet. The premium valuation demands execution discipline, and supply chain resilience will be the decisive factor in whether the company can convert robust order demand into proportionally higher profits. For long-term investors, Cummins India represents one of the cleaner ways to capture India's power and industrial capex supercycle, provided one is comfortable with the valuation multiple and concentration risks.



TECHNICAL ANALYSIS

The stock has broken out of a 7-week flat base and closed at an all-time high. The volumes were higher and above average, which validates the breakout. Its Relative Strength line is at a new high, showing an outperformance compared to the broader market. The stock is well placed above all averages, and all moving averages are in the uptrend. The Bollinger bands are expanding.

Trading 12.11 per cent above the 50 DMA. The MACD is bullish and has given a fresh bullish signal. The weekly RSI bouncing from 60 is a bullish sign. The KST has given a fresh bullish signal. The Stochastic RSI has been bullish. The Elder impulse system has formed a strong bullish signal. The Stock is meeting CANSLIM criteria for investing. In short, the stock has registered a fresh bullish breakout.

The Recommendation

Buy Zone: Rs.5100 - 5165

Stop Loss: Rs.5000.

Target: Rs. 5500 (Less than 3 months)

Target 2: Rs.6150 (6 -12 months)

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