

31 May 2026 19:35:33 ET | 16 pages

# Cummins India (CUMM.NS)

## MarQ26 Beat; Datacentre and Distribution Tailwinds to Continue

### CITI'S TAKE

Cummins India's MarQ26 PAT at Rs6.3bn, +21% YoY was 15% above our estimate. 4Q benefitted from genset deliveries for a hyperscaler, which is now seeing acceleration – FY26 saw hyperscaler linked deliveries in **both** 1H & 2H, unlike prior years; colocation business is also improving as enquiries have seen an increase post Oct25. Non datacentre-linked powergen's resilience has continued benefitting from a wide bench of independent demand drivers. Distribution is likely to see further tailwinds in FY27 and beyond as FY26 base business growth was **largely volume led**. Exports remain soft & industrial mixed, though we see possibility of MT cyclical rebound. Margin strengths due to relatively higher localization levels has stood out in FY26. We revise TP to Rs6700 (from Rs5200). Maintain Buy.

**Powergen** — High HP grew >50%YoY in 4Q on datacentre delivery (DCs contributed ~30-35% of FY27 powergen revenue). Cummins counters competitive pressures through its end-to-end lifecycle solutions and relatively more localised supply chains. Beyond DCs, resilience continues with relatively newer drivers emerging (such as solar cell manufacturing plants in 4Q and quick commerce previously in FY26). We also note +ve demand commentary from broader peers augurs well.

**Distribution** — In our view, a tailwind is coming up from June2026 onwards as CPCB IV+ engines begin rolling out of their standard warranty periods. This should help sustain the segment's high growth rate and also help margins overall.

**Margins: resilience should continue; mix+ operating leverage tailwinds** — Monitorables include rising commodity inflation, and for suppliers – labour shortages/fuel cost increases. However, we believe Cummins is relatively well placed given a) operating leverage tailwinds b) sharply rising share of high HP within powergen, where pricing power is higher and competition limited c) most of the business is short cycle implying price pressures can be passed on in 3-6months. d) Key RM (pig iron) has seen lower inflation vs other commodities (Copper).

**Implications** — We revise our FY27E/FY28E PAT est. by 8%/14% respectively to factor in higher growth in powergen and distribution. We also roll forward to Mar28E (from Dec27E) and raise our target PE to 55x (from 50x) to reflect increasing share of high HP and distribution, both of which are higher RoE businesses. We forecast 21% EBIT CAGR over FY26-29E with avg. ~35% RoE. Key risk: demand slowdown.

### Earnings Summary

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Mar	(RsM)	(Rs)	(%)	(x)	(x)	(%)	(%)
2025A	19,058	68.75	15.7	85.5	23.2	28.9	0.9
2026A	23,802	85.87	24.9	68.5	20.6	31.9	1.1
2027E	27,978	100.93	17.5	58.3	18.7	33.7	1.3
2028E	33,766	121.81	20.7	48.3	16.6	36.5	1.6
2029E	39,886	143.89	18.1	40.9	14.8	38.3	1.9

Source: Powered by dataCentral

### Buy

Price (29 May 26 15:30)	Rs5,881.00
Target price	Rs6,700.00↑
	from Rs5,200.00
Expected share price return	13.9%
Expected dividend yield	1.4%
Expected total return	15.3%
Market Cap	Rs1,630,213M
	US\$17,035M

### Price Performance

(RIC: CUMM.NS, BB: KKC IN)


**Mohit Pandey**<sup>AC</sup>

+91-22-6175-9734

mohit.pandey@citi.com

**Anusha Madireddy**

+91-22-6175-9866

anusha.madireddy@citi.com

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

CUMM.NS: Fiscal year end 31-Mar						Price: Rs5,881.00; TP: Rs6,700.00; Market Cap: Rs1,630,213m; Recomm: Buy					
Profit & Loss (Rsm)	2025	2026	2027E	2028E	2029E	Valuation ratios	2025	2026	2027E	2028E	2029E
Sales revenue	101,662	119,497	141,544	167,081	194,271	PE (x)	85.5	68.5	58.3	48.3	40.9
Cost of sales	-65,916	-76,685	-92,004	-108,602	-126,276	PB (x)	23.2	20.6	18.7	16.6	14.8
Gross profit	35,746	42,812	49,541	58,478	67,995	EV/EBITDA (x)	84.4	66.4	55.9	45.9	38.6
Gross Margin (%)	35.2	35.8	35.0	35.0	35.0	FCF yield (%)	1.2	1.1	1.4	1.8	2.2
<b>EBITDA (Adj)</b>	<b>18,948</b>	<b>24,015</b>	<b>28,487</b>	<b>34,631</b>	<b>40,979</b>	Dividend yield (%)	0.9	1.1	1.3	1.6	1.9
EBITDA Margin (Adj) (%)	18.6	20.1	20.1	20.7	21.1	Payout ratio (%)	75	77	77	77	78
Depreciation	-1,829	-1,986	-2,085	-2,189	-2,299	ROE (%)	28.9	31.2	33.7	36.5	38.3
Amortisation	0	0	0	0	0	<b>Cashflow (Rsm)</b>	<b>2025</b>	<b>2026</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
<b>EBIT (Adj)</b>	<b>17,119</b>	<b>22,029</b>	<b>26,402</b>	<b>32,442</b>	<b>38,681</b>	EBITDA	18,948	24,015	28,487	34,631	40,979
EBIT Margin (Adj) (%)	16.8	18.4	18.7	19.4	19.9	Working capital	-86	-2,686	-3,345	-3,954	-4,214
Net interest	-151	-124	-100	-100	-100	Other	2,478	-1,298	1,575	1,324	1,205
Associates	0	0	0	0	0	<b>Operating cashflow</b>	<b>21,340</b>	<b>20,030</b>	<b>26,718</b>	<b>32,001</b>	<b>37,971</b>
Non-Op/Except/Other Adj	7,993	9,140	10,511	12,087	13,900	Capex	-2,395	-2,311	-3,243	-2,000	-2,000
<b>Pre-tax profit</b>	<b>24,961</b>	<b>31,044</b>	<b>36,813</b>	<b>44,429</b>	<b>52,481</b>	Net acq/disposals	0	0	0	0	0
Tax	-5,904	-7,242	-8,835	-10,663	-12,595	Other	2,620	-4,577	0	0	0
Extraord./Min.Int./Pref.div.	0	-501	0	0	0	<b>Investing cashflow</b>	<b>225</b>	<b>-6,888</b>	<b>-3,243</b>	<b>-2,000</b>	<b>-2,000</b>
<b>Reported net profit</b>	<b>19,058</b>	<b>23,302</b>	<b>27,978</b>	<b>33,766</b>	<b>39,886</b>	Dividends paid	-10,534	-14,830	-19,404	-22,971	-27,669
Net Margin (%)	18.7	19.5	19.8	20.2	20.5	<b>Financing cashflow</b>	<b>-11,508</b>	<b>-14,504</b>	<b>-19,785</b>	<b>-22,971</b>	<b>-27,669</b>
Core NPAT	19,058	23,802	27,978	33,766	39,886	<b>Net change in cash</b>	<b>10,057</b>	<b>-1,362</b>	<b>3,689</b>	<b>7,030</b>	<b>8,302</b>
<b>Per share data</b>	<b>2025</b>	<b>2026</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>Free cashflow to s/holders</b>	<b>18,945</b>	<b>17,719</b>	<b>23,474</b>	<b>30,001</b>	<b>35,971</b>
Reported EPS (Rs)	68.75	84.06	100.93	121.81	143.89						
Core EPS (Rs)	68.75	85.87	100.93	121.81	143.89						
DPS (Rs)	51.50	66.00	78.07	94.06	111.64						
CFPS (Rs)	76.99	72.26	96.38	115.44	136.98						
FCFPS (Rs)	68.35	63.92	84.68	108.23	129.76						
BVPS (Rs)	253.18	284.91	314.47	353.41	397.48						
Wtd avg ord shares (m)	277	277	277	277	277						
Wtd avg diluted shares (m)	277	277	277	277	277						
<b>Growth rates</b>	<b>2025</b>	<b>2026</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>						
Sales revenue (%)	15.3	17.5	18.4	18.0	16.3						
EBIT (Adj) (%)	17.1	28.7	19.9	22.9	19.2						
Core NPAT (%)	15.7	24.9	17.5	20.7	18.1						
Core EPS (%)	15.7	24.9	17.5	20.7	18.1						
<b>Balance Sheet (Rsm)</b>	<b>2025</b>	<b>2026</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>						
Cash & cash equiv.	25,103	23,741	27,430	34,460	42,761						
Accounts receivables	22,925	27,543	32,624	38,510	44,777						
Inventory	10,222	11,685	14,019	16,548	19,241						
Net fixed & other tangibles	24,485	24,811	25,969	25,780	25,481						
Goodwill & intangibles	0	0	0	0	0						
Financial & other assets	13,322	19,495	19,495	19,495	19,495						
<b>Total assets</b>	<b>96,057</b>	<b>107,274</b>	<b>119,537</b>	<b>134,792</b>	<b>151,756</b>						
Accounts payable	15,682	16,500	19,796	23,368	27,171						
Short-term debt	0	0	0	0	0						
Long-term debt	0	0	0	0	0						
Provisions & other liab	10,195	11,795	12,570	13,459	14,403						
<b>Total liabilities</b>	<b>25,877</b>	<b>28,296</b>	<b>32,366</b>	<b>36,827</b>	<b>41,574</b>						
Shareholders' equity	70,180	78,978	87,171	97,966	110,182						
Minority interests	0	0	0	0	0						
<b>Total equity</b>	<b>70,180</b>	<b>78,978</b>	<b>87,171</b>	<b>97,966</b>	<b>110,182</b>						
<b>Net debt (Adj)</b>	<b>-25,103</b>	<b>-23,741</b>	<b>-27,430</b>	<b>-34,460</b>	<b>-42,761</b>						
Net debt to equity (Adj) (%)	-35.8	-30.1	-31.5	-35.2	-38.8						

For definitions of the items in this table, please click [here](#).

## 4QFY26 Earnings Call Key Takeaways

**Powergen demand ex of datacentres** – As we have highlighted earlier in our initiation, Cummins has a wide bench of independent demand drivers which lends resilience. The new driver which management flagged in this quarter was domestic solar cell plants; while other drivers continue (including pharma, quick commerce etc.). We note broader peers ABB India and Siemens Ltd's results/commentary had positive readthrough for broader demand trends, which was further re-affirmed by Cummins India's commentary on non datacentre powergen demand.

**Data centers** – Contributed 30%–35% of full-year and ~35% of Q4FY26 segment revenues. Management noted a sharp acceleration in inquiry velocity since October 2025, driven heavily by co-location (colo) players alongside hyperscalers. Over the next two years, execution will be anchored by the fully localized QSK60 engine. Cummins counters margin dilution and competitive pricing pressures through its end-to-end lifecycle solutions and deep local supply chains. Global lead times for larger high-horsepower (HHP) nodes (78L/95L) remain elongated due to explosive global demand, but the parent company's \$450M capacity expansion is expected to compress import timelines over the medium term.

Figure 1. Cummins India – Lumpy datacentre delivery linked revenue boost has seen a pickup (highlighted in yellow\*)

Year End Mar31 (Rsmn)	1Q	2Q	3Q	4Q	FY24	1Q	2Q	3Q	4Q	FY25	1Q	2Q	3Q	4Q	FY26
Power Generation	8,740	5,097	10,730	8,550	33,117	8,030	8,970	12,710	8,740	38,450	10,550	13,400	10,690	12,940	47,580
LHP (15-62 kVA)	1,030	350	430	570	2,380	490	720	820	690	2,720	840	1,000	670	550	3,060
Mid range (82.5-250 kVA)	2,730	435	1,320	2,050	6,535	1,530	2,020	1,960	1,810	7,330	2,290	2,500	2,290	1,770	8,850
Heavy duty (320-500 kVA)	1,110	784	1,280	970	4,144	930	1,030	990	810	3,760	1,150	1,000	1,120	1,080	4,350
HHP and Others (>500 kVA)	3,870	3,528	7,700	4,960	20,058	5,080	5,200	8,940	5,430	24,630	6,270	8,900	6,610	9,540	31,320
<b>Total</b>	<b>8,740</b>	<b>5,097</b>	<b>10,730</b>	<b>8,550</b>	<b>33,117</b>	<b>8,030</b>	<b>8,970</b>	<b>12,710</b>	<b>8,740</b>	<b>38,450</b>	<b>10,550</b>	<b>13,400</b>	<b>10,690</b>	<b>12,940</b>	<b>47,580</b>

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\*HHP offerings find application in multiple other areas also beyond datacentres, even as the yellow highlighted boosts are datacentre led

Source: Company Reports, Citi Research

**Margins** – Monitorables include rising commodity inflation, fuel costs, and labor shortages at supplier ends. Passing through these costs features an operational lag, creating minor near-term margin friction on pre-existing order books (which carry a 3-to-6-month lead time for HHP). However, structural pricing power remains solid: the 30%–35% initial price hikes from the CPCB IV+ transition are sustaining well across mid-to-high ranges, with pricing pressure isolated mostly to the commoditized low-horsepower segment. Overall revenue growth is volume-led.

**Distribution** – The Distribution Business Unit (DBU) posted an impressive +22% YoY growth for the full year driven largely by volumes. A structural tailwind arrives in June 2026 as the highly sophisticated, electronically controlled CPCB IV+ engines begin rolling out of their standard warranty periods. Cummins targets to (and has been) aggressively capturing this high-margin lifecycle revenue via proactive extended warranty schemes and specialized maintenance packages.

**Industrial Portfolio Divergence** – The primary growth anchors are Railways and Mining, where a sharp recovery in public tender velocity over the last six months is building out the order book. Conversely, Construction has moderated to a stable pace in line with current road-building velocity, while the Compressor business

growth is soft. However we note in FY27E, there will likely be no extended monsoon linked headwind which impacted growth in FY26; price hikes should also help revenue.

**Capex** - Blended capacity utilization across combined facilities stands at approximately 70%. Management stated there are currently no plans for major new capital expenditures. Instead, the company is focusing on leveraging the more than Rs10bn invested over the past five years to modernize existing lines, increase throughput per line, and debottleneck capacity. Continuous routine capital allocation will persist to maximize output from the current installed base.

**Exports: Geopolitical Caution and Region-Specific Growth**- Management noted that projecting overall export demand remains difficult due to ongoing geopolitical instability. Geographically, modest growth is being driven by Europe and Asia-Pacific markets, while demand in the Middle East has decelerated. Regarding foreign exchange, management indicated that any benefits from currency depreciation are eventually passed on to distributors and the parent entity through periodic commercial negotiations.

Figure 2. Cummins India - Quarterly Results Snapshot

(Rsmn) (YE Mar31)	4QFY25	3QFY26	4QFY26	4QFY26E	%YoY	QoQ	v/s est.
<b>Net sales</b>	<b>24,144</b>	<b>30,062</b>	<b>29,632</b>	<b>27,832</b>	23%	-1%	6%
<i>Growth</i>	6%	-1%	23%				
Exports	4,790	4,710	4,500	4,311			
<i>YoY</i>	39%	2%	-6%				
Domestic	19,354	25,350	25,130	23,521			
<i>YoY</i>	1%	-2%	30%				
Raw materials	(15,438)	(19,085)	(19,260)	(17,812)			
% of net sales	63.9%	63.5%	65.0%	64.0%			
Gross Margins	36.1%	36.5%	35.0%	36.00%			
Employee Cost	(1,668)	(2,003)	(1,964)	(2,000)			
% of net sales	6.9%	6.7%	6.6%	7.2%			
Other expenditure	(2,267)	(2,716)	(2,467)	(2,550)			
% of net sales	9.4%	9.0%	8.3%	9.2%			
<b>EBITDA</b>	<b>4,771</b>	<b>6,258</b>	<b>5,942</b>	<b>5,470</b>	25%	-5%	9%
<b>Margins</b>	<b>19.8%</b>	<b>20.8%</b>	<b>20.1%</b>	<b>19.7%</b>			
Depreciation	(457)	(504)	(511)	(504)			
<b>EBIT</b>	<b>4,314</b>	<b>5,754</b>	<b>5,431</b>	<b>4,966</b>	26%	-6%	9%
<b>Margins</b>	<b>17.9%</b>	<b>19.1%</b>	<b>18.3%</b>	<b>17.8%</b>			
Interest	(52)	(48)	(24)	(48)			
Other Income	2,119	1,397	2,315	1,750	9%	66%	32%
Other Operating Income	425	487	480	500			
<b>PBT</b>	<b>6,807</b>	<b>7,591</b>	<b>8,202</b>	<b>7,168</b>	20%	8%	14%
Tax	(1,593)	(1,768)	(1,916)	(1,720)			
Rate %	23.4%	23.3%	23.4%	24.0%			
<b>Recurring PAT</b>	<b>5,214</b>	<b>5,822</b>	<b>6,285</b>	<b>5,448</b>	21%	8%	15%
<b>Margins</b>	<b>21.6%</b>	<b>19.4%</b>	<b>21.2%</b>	<b>19.6%</b>			
<i>Growth</i>	-7%	13%	21%				
Exceptional		(1,684)	216				
Tax Adjustment		392					
<b>Reported PAT</b>	<b>5,214</b>	<b>4,531</b>	<b>6,501</b>	<b>5,448</b>	25%	43%	19%

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Source: Company Reports and Citi Research Estimates

Figure 3. Cummins India - Quarterly Sales Trend – Business Wise

YE Mar31 (Rsmn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
Power Generation	8,030	8,960	12,710	8,740	10,560	13,400	10,690	12,940
Growth	-8%	84%	18%	-7%	32%	50%	-16%	48%
Industrial	3,720	4,060	5,110	3,790	4,180	3,870	4,640	3,810
Growth	58%	35%	25%	9%	12%	-5%	-9%	1%
Distribution	6,510	6,580	7,460	6,310	7,770	7,960	9,290	7,760
Growth	23%	20%	13%	4%	19%	21%	25%	23%
Others	470	484	494	514	847	536	732	622
Exports	3,890	4,400	4,640	4,790	5,230	5,450	4,710	4,500
Growth	-22%	-13%	43%	39%	34%	24%	2%	-6%
<b>Sales</b>	<b>22,620</b>	<b>24,484</b>	<b>30,414</b>	<b>24,144</b>	<b>28,587</b>	<b>31,216</b>	<b>30,062</b>	<b>29,632</b>

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Source: Company Reports, Citi Research

Figure 4. Cummins India - Key Business Wise Revenue Growth Estimates

Year End Mar31 (Rsmn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
<b>Net Sales</b>	<b>49,518</b>	<b>55,257</b>	<b>50,616</b>	<b>42,561</b>	<b>60,256</b>	<b>76,123</b>	<b>88,164</b>	<b>101,662</b>	<b>119,497</b>	<b>141,544</b>	<b>167,081</b>	<b>194,271</b>
Growth	0%	12%	-8%	-16%	42%	26%	16%	15%	18%	18%	18%	16%
Powergen	13,480	16,000	14,350	11,080	19,590	25,550	33,750	38,440	47,580	56,776	67,783	80,114
YoY		19%	-10%	-23%	77%	30%	32%	14%	24%	19%	19%	18%
Industrial	7,730	9,500	9,750	7,430	8,990	10,260	12,944	16,680	16,500	18,975	21,821	25,094
YoY		23%	3%	-24%	21%	14%	26%	29%	-1%	15%	15%	15%
Distribution	12,467	13,500	13,616	12,020	14,840	18,720	23,490	26,860	32,780	40,975	49,170	58,021
YoY		8%	1%	-12%	23%	26%	25%	14%	22%	25%	20%	18%
Exports	15,740	16,516	12,910	11,530	16,100	20,500	16,730	17,710	19,890	21,879	25,161	27,677
YoY		5%	-22%	-11%	40%	27%	-18%	6%	12%	10%	15%	10%
Others	101	(259)	(10)	501	736	1,093	1,250	1,972	2,747	2,940	3,145	3,366

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Source: Company Reports and Citi Research Estimates

Our earnings revisions are driven by higher growth assumptions in powergen (led by higher HP) and distribution, both of which are positive for margins.

Figure 5. Cummins India - Earnings Revision

Year End Mar31 (Rsmn)	FY27E	FY28E	FY29E
<b>Net Sales</b>			
New	141,544	167,081	194,271
Old	134,713	154,306	NA
Change	5.1%	8.3%	NM
<b>EBITDA Margins</b>			
New	20.1%	20.7%	21.1%
Old	19.5%	19.5%	NA
Change	63	122	NM
<b>EBITDA</b>			
New	28,487	34,631	40,979
Old	25,848	29,659	NA
Change	10.2%	16.8%	NM
<b>PAT</b>			
New	27,978	33,766	39,886
Old	25,925	29,679	NA
Change	7.9%	13.8%	NM

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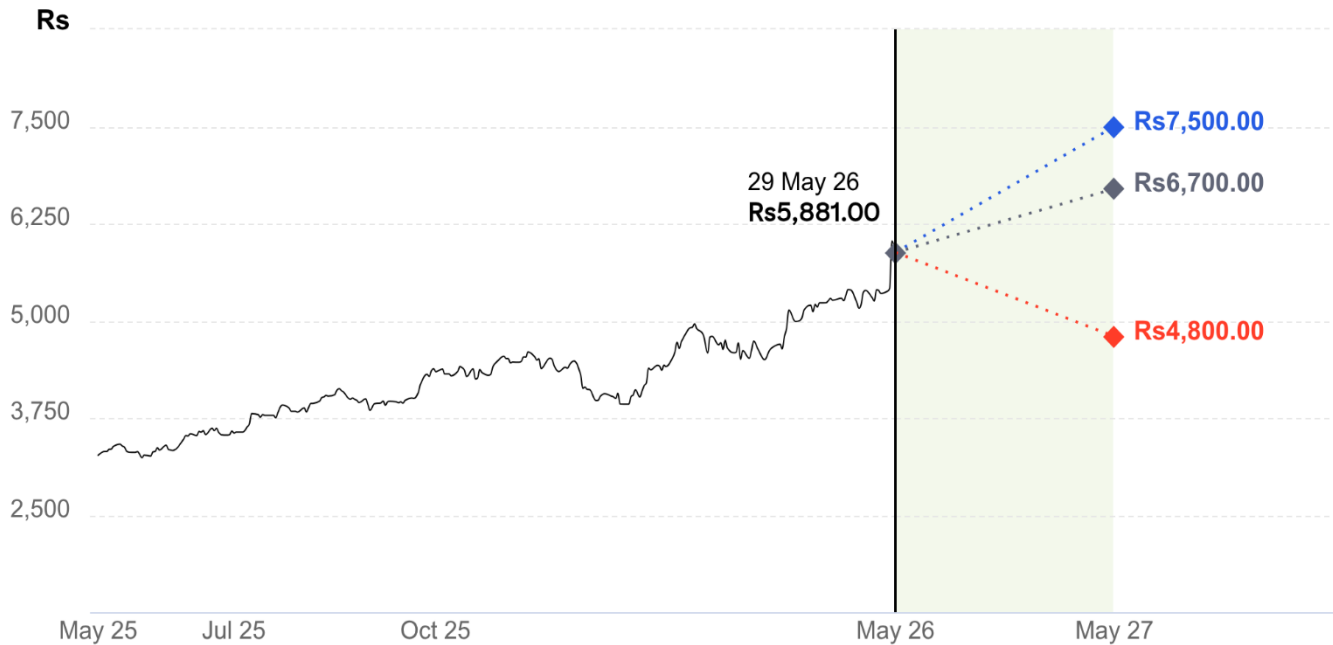
Source: Citi Research Estimates

# Bull/Bear: Cummins India (CUMM.NS)

**Rs 7,500.00**  
▲ 28% Upside

**Rs 6,700.00**  
▲ 14% Upside

**Rs 4,800.00**  
▼ 18% Downside



Spread 46pp  
Current Price and expected returns (upside/downside) as of 29 May 2026

## BULL Assumptions

- 5% Higher EPS on greater than expected demand traction in powergen and swift export rebound
- P/E multiple re-rates to 60x

## BASE Assumptions

- We bake in an EBITDA CAGR of ~19% over FY26-29E with average RoE of ~35%.
- We apply a target PE multiple of 55x Mar28E.

## BEAR Assumptions

- 10% lower EPS on weaker than expected demand trends across powergen and industrial. Exports recovery gets delayed further
- P/E multiple de-rates to 45x

## Cummins India

### Company description

Cummins India Limited (CIL) is a 51% subsidiary of Cummins Inc., USA, the world's largest independent diesel engine designer and manufacturer above 200 HP. Set up in 1962, CIL is India's leading manufacturer of diesel engines and value packages serving the power generation and industrial markets. CIL also caters to the growing market for dual fuel engines and has also recently forayed into battery energy storage systems.

### Investment strategy

We rate Cummins India shares as Buy given its high market share in powergen business in India, technological advantages, healthy RoE/RoCE and consistently healthy FCF generation. A wide bench of independent end market drivers supports resilient powergen outlook with datacentres presenting upside catalysts. Recent foray into storage expands TAM and also caps terminal risk. Execution capability has stood out over last few years aiding both margins (cost controls) and growth (deeper distribution penetration). Industrial also has the potential for being an independent engine over the medim term. Over the medium term, exports, where expectations are low, could be more than just a cyclical rebound, aiding overall growth trends.

### Valuation

Our target price of Rs6700 on Cummins India shares is based on a target P/E multiple of 55x Mar-28E, ~50% premium to past 5-year average trading multiple of ~36x due to improved outlook on demand (datacentre and distribution tailwinds), better cost control, improving mix and reducing terminal risk. We believe our target P/E multiple is supported by EBIT CAGR of ~21% over FY26-29E with average RoEs of ~35%.

### Risks

Key downside risks that could prevent the shares from reaching our target price include: (1) Prolonged capex deferrals in India which can hurt demand trends; (2) Weaker than expected exports ; (3) Greater than expected competition especially from alternative backup power sources; and (4) Inability to pass on input cost volatilities (5) changes in gov't policies around genset usage.

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## Appendix A-1

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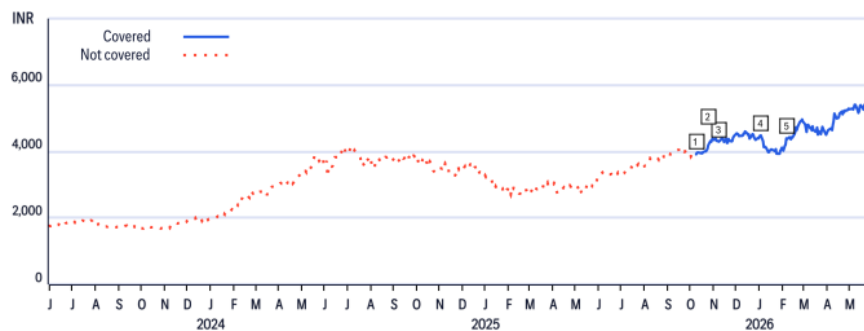
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#### Cummins India (CUMM.NS)

Ratings and Target Price History  
Fundamental Research

Analyst: Mohit Pandey



Date	Rating	Target Price	Closing Price
08-Oct-25 23:33:28	*1	*4,650.00	3,912.50
26-Oct-25 19:08:15	1	*4,750.00	4,183.20
09-Nov-25 18:30:25	1	*4,875.00	4,291.80
02-Jan-26 05:07:58	1	*5,075.00	4,482.10
05-Feb-26 13:50:29	1	*5,200.00	4,391.40

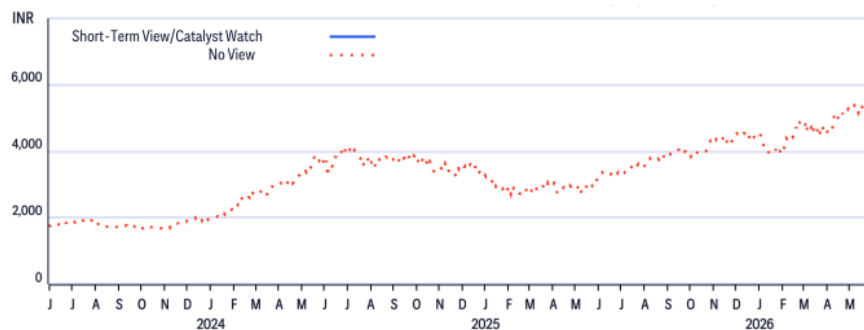
\*Indicates Change

Rating/target price changes above reflect Eastern Time

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Short-Term View/Catalyst Watch Research

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