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August 17, 2022

The Relationship Manager, BSE Limited, Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai 400001 BSE Scrip Code: 500480	National Stock Exchange of India Limited Exchange Plaza, 5 th Floor, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai 400 051 NSE Symbol: CUMMINSIND
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Subject: Intimation of transcript of analyst conference call held on August 11, 2022

Dear Sir/ Madam,

With reference to our stock exchange intimation dated August 03, 2022, towards investor/ analyst/ Financial Institution conference call, we are enclosing for your records a copy of the transcript of the said conference call conducted by the Company on August 11, 2022.

Kindly take this intimation on your record.

Thanking you,

Yours faithfully,
For Cummins India Limited

Vinaya A. Joshi
Company Secretary & Compliance Officer
Encl.: As above.

(This letter is digitally signed)



“Cummins India Limited Q1 FY-23 Earnings
Conference Call”

August 11, 2022



**MANAGEMENT: MR. ASHWATH RAM – MANAGING DIRECTOR,
CUMMINS INDIA LIMITED
MR. AJAY PATIL – CHIEF FINANCIAL OFFICER,
CUMMINS INDIA LIMITED**



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Moderator:

Ladies and gentlemen, good day and welcome to Cummins India Limited Q1 FY2022-23 Earnings Conference call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touch tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Ashwath Ram, MD, Cummins India Limited. Thank you and over to you, sir.

Ashwath Ram:

Thank you. Good morning, ladies and gentlemen. Thank you all for joining us on this call today. I am Ashwath Ram, Managing Director of Cummins India Limited. I have Ajay Patil, our CFO for Cummins India Limited with me.

As we report first quarterly results for fiscal year 2022-23, we are happy to share strong quarterly results on the back of sustained demand from domestic and exports end markets. We continue to observe strong business activity which is corroborated by steady GST collections and other economic activity indicators.

The revenue growth and profitability however, is moderated to some extent by high inflation, supply chain disruptions caused by geopolitical events and many other factors. Despite these challenges, Cummins India is effectively able to manage the demand due to its strong and globally integrated supply chains.

We continue to remain focused in our efforts on cost control and pricing actions to mitigate impact of high commodity inflation.

Now I would like to share the financial results of Q1 FY23 through this call. For the quarter ended June 30, 2022, with respect to the same quarter last year, our sales at Rs. 1,657 crores is higher by 42% compared to Rs. 1,167 crores recorded in the same quarter last year.

Domestic sales at Rs. 1,172 crores is higher by 36%. Exports at Rs. 485 crores is higher by 58%. Profit before tax and exceptional items at Rs. 278 crores is higher by 63% compared to Rs. 171 crores recorded in the same quarter last year.

For the quarter ended June 30, 2022, with respect to the previous quarter, our sales at Rs. 1,657 crores are higher by 13% compared to Rs. 1,468 crores recorded in the last quarter. Domestic sales at Rs. 1,172 cores are higher by 12%.

Exports at Rs. 485 crores are higher by 14%. Profit before tax and exceptional items at Rs. 278 cores are higher by 14% compared to Rs. 244 crores recorded in the last quarter. Segment wise, break up for the quarter ended June 30, 2022 are as follows.



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The sales break up by segment. Power generation domestic sales were Rs. 496 crores, a 41% increase over last year and a 5% increase over the last quarter. Distribution business sales were Rs. 416 crores, a 39% increase over the last year and a 13% increase over the last quarter.

Industrial domestic business sales were Rs. 237 cores, a 25% increase over last year and 24% increase over last quarter. Exports. High horsepower exports were Rs. 232 crores, a 36% increase over last year and a 15% increase over the last quarter.

Low horsepower exports were Rs. 202 crores, a 74% increase over the last year and an 8% increase over the last quarter. With this, I now open the session for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parikshit Kandpal from HDFC securities. Please go ahead.

Parikshit Kandpal: So my first question is on the gross margin. So in earlier calls, you have been highlighting that we have been taking calibrated price actions to mitigate the commodity inflation. So despite that, in this quarter, despite a strong revenue and the strongest probability of high exports in the mix, the mix was in the favor, still we have seen a 300 basis point drop in gross margin. So if you can just explain why did this happened? And whether the price hikes are now adequately covering the gross margins in the ensuing quarter to the extent of 35%, 36%?

Ashwath Ram: Yes. Good question, Parikshit. The biggest factors which are leading to a reduction in material margin are because of significant material cost increases due to commodities. And as you rightly said, we have put in price increases. We are putting multiple price increases into the system. The last tranche of those actually went into effect on 1st of July. There is a lagging effect, almost now a couple of quarters growth of lagging effects until the commodity increases, which went up very, very aggressively and the price increases, which happened in a more controlled and periodic manner until those two equations balance out and catch up.

So that is the main reason why the material margin has dropped. We have also in this quarter had a little bit of a mix impact just based on the products that were sold in the quarter. We think we have enough of those increases in place, and we are starting to see commodities soften in certain areas. So the combination of both those two actions, we should see us catching up in the medium term as far as profitability is concerned.

Parikshit Kandpal: So my second question is, sir, on the acquisition, the global acquisition of Meritor is got concluded. So now the India structure will become more complex. Now you have a more entity, which comes in besides the CTIL, which is already there and listed CIL, so how things will work in India now with this coming in? So how do we intend to benefit? And how will you simplify this complex structure between the two entities, which are directly there in India?



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Ashwath Ram: You are certainly correct in stating that the structure is going to become even more complicated. We are trying to just figure it out since the completion of the acquisition just happened last week. We are still working out all those mechanics. But the way I look at it from a CIL perspective, it gives us access to more products to be able to sell to customers to offer customers a complete integrated solution.

As you know, in many markets, such as in marine, in defense, in many of the product segments which CIL plays in, there are applications of the products Meritor makes. And so it would give CIL access to those products as well into its portfolio. So that is the way we are looking at it right now, but we will keep you posted in the near future as things become clearer of how we are going to manage the whole integration and how we can maximize the efficiencies across these multiple companies.

Parikshit Kandpal: Sir, just the last question on, I think, 2 or 3 quarters back, you guys mentioned about running from hydrogen prototype, Leh or Ladakh will be running some bus, with the electrolyzer, small electrolyzer to take on for railways and since it is a small steel plant. So any update on those projects? Have you met some reasonable success there? And are there any initial comments on ordering from the prospective customers from those?

Ashwath Ram: Those tenders are still being negotiated so no major progress to report in that space other than more tenders are opening up, and we continue to bid for more of those tenders. We are trying to work with more partners to get into those spaces. So certainly, the activity has intensified. We are setting up more technical resources to start to work on those, but nothing major to announce as of today.

Parikshit Kandpal: Okay. Just one last thing, sir, on the pricing, sorry. When the commodity inflation correct, we are at a certain price level now. So will we have to pass on the benefit to the customer? Is there a price correction? Or are you able to retain some of the pricing actions that we have taken over the last few quarters?

Ashwath Ram: Yes. It is certainly our aspiration to get back to the profitability levels where we had been at in the past. So we are not highly motivated to reduce prices immediately. We want to be able to retain better margins as commodities correct. They are correcting at different paces for different types of commodities. So it is not a very simple one-to-one kind of equation. So we think we will be able to balance that out and help ourselves in improving the margin over the medium term.

Moderator: Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital Advisors. Please go ahead.

Ravi Swaminathan: My first question is with respect to the growth outlook in the domestic market for the Powergen and the steel business, if you can touch upon that, what kind of volume growth can we see for



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both these segments over the next couple of years? And your commentary on certain large orders from data centers, et cetera, what are there in the pipeline? So basically, this is question number one.

Question number two, similarly, with respect to exports also, across different geographies, if you can give a commentary on growth, that will be really great, sir?

Ashwath Ram:

Sure. So we are seeing an unprecedented amount of demand, which is partially curtailed by the ability of our supply chain to meet the demand. So as of today, we have pretty strong forecast and outlook for demand. Most of the demand is coming in from infrastructure, residential, realty, rental, data centers, pharma and biotech. And that is for the domestic space.

We continue to be constrained by all the challenges in supply chain, despite herculean efforts by our teams to keep doing better every quarter. The global supply chain is still quite broken and still continue to challenge. So from a demand perspective, demand is strong. In most market segments, the demand remains strong. Order books are pretty good. This is from a domestic perspective.

From an export perspective, we are seeing a similar kind of trend. We are seeing that markets in the Middle East and Latin America and Asia Pacific, the demand continues to be strong, again, driven by oil prices being high, so some of those economies, especially the Middle East economy, continue to invest pretty heavily also into data centers, also into telecom, also into regrowing infrastructure. The Middle East saw big inflow of capital during the Russia-Ukraine conflict, and that is spurred realty and construction, pretty aggressively.

So all of that is leading to strong demand, and we are trying our best to balance demand and supply. So we remain cautiously optimistic about the near as well as the long term as far as demand is concerned.

Ravi Swaminathan:

Large ticket orders like data centers, are they there in the pipeline? Like last year, we had one Rs. 120 crores order, something similar is there in the pipeline in the next 12 months?

Ashwath Ram:

The answer is, yes.

Ravi Swaminathan:

Okay. And is it safe to say that volume growth for the domestic and export business can grow at double digit, I mean 10% to 12% or something of that sort?

Ashwath Ram:

That has been our aspiration. It depends on the market conditions and our ability to get the entire chain in order. But from a demand perspective, I can say as of now that we are seeing double-digit growth in demand.



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Ravi Swaminathan: Got it, sir. And final question, which is, if you can give the breakup between industrial business across compressors, construction and also export business between geographies for HHP and LHP?

Ashwath Ram: Right. So I am going to go start off with the industrial business. So in the previous quarter, we had sales in the compressor segment of about Rs. 12 crores. Construction was a little more than Rs. 90 crores, mining was about Rs. 22 crores, rail was Rs. 65 crores, marine was Rs. 7 crores and others, which is a whole bunch of segments, was about Rs. 41 crores.

Ravi Swaminathan: And export breakup, sir, between LHP, HHP across geographies?

Ashwath Ram: Yes. Exports between HHP and LHP, HHP was Rs. 232 crores and LHP was Rs. 202 crores and miscellaneous spares, et cetera, was another Rs. 48 crores. As far as the region is concerned, Latin America was Rs. 97 crores, Asia Pacific was Rs. 107 crores, Europe was Rs. 83 crores, Middle East was Rs. 109 crores, and Africa was Rs. 39 crores.

Moderator: Thank you. The next question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.

Sandeep Tulsian: Sir, first question is pertaining to the industrial sector where you just shared a breakup. If you could also share an outlook to some of the larger pieces within this that is railways and construction followed by how do you see because the share of compressor segment has also gone down, was in mining, how it used to be historically? So if you could give a brief outlook on some of these individual items based on the new products that you launched?

Ashwath Ram: Sure. So I will start off with construction. See, construction, even though it has grown in this quarter, is underperforming, where we thought the market needs to be in the sense that there has been in the last 2 quarters, a slight downtick in the amount of roads, et cetera, being constructed all across the country. We think that, that segment is going to start bouncing back pretty strongly from the next quarter once the monsoons are over and people get back to full-scale building roads and infrastructure, we think construction is going to start to bounce back, but it has underperformed our own expectations of where that segment needs to be.

Rail is the segment which underperformed for 2 whole years because of COVID. And rail is now starting to come back not at the pace at which it went down, but it is performing significantly stronger. We are seeing a lot more orders, a lot more inquiries, a lot more happening as far as the rail segment is concerned. Compressors is highly cyclical. So we actually had in the previous couple of years, we had some amazing years with record sales in compressor. And it is going through a cyclical downturn. And our volumes in that segment are usually very strong.

And mining continues to grow at record levels. We expect that segment to keep growing multifold. As you can see that, India is facing power shortage, we continue to import coal just



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to keep the troubled power plants running. Steel is booming. Many of the big steel companies have announced multiyear doubling of capacities. So all of those kinds of endeavors lead to significant growth in mining. So we are starting to see mining starts to pick up very strongly.

And marine and defense, those kinds of segments actually are doing better than they have ever done. But those kinds of orders there is a long gestation period. And then when you get it, you get a big jump and then again, there is a long gestation period. So it is very difficult to predict the quarter-on-quarter impact of those segments doing well. But I can say that the overall trend in those businesses are growing for Cummins.

Sandeep Tulsian:

Got it. Second question was pertaining to the price hikes that you announced in the last quarter that you have taken strong price hikes. Historically, if you see Cummins over the last decade, typically, it followed 2% to 3% kind of annual inflation in prices. But of course, the quantum would have been higher. And subsequently, going forward in next year, we are likely to see CPCB norms getting implemented.

So if I were to take, say, a 2-year to 3-year view starting from early FY '22, if you could quantify what quantum of price hikes you have taken in the last 4 quarters? And going forward over the next 2 years, how these prices are likely to behave? Will you see because of past price hikes, future quantum is lesser despite CPCB coming in? Or you see pricing moving in substantially higher from where it is currently? If you could just give that context will be very helpful.

Ashwath Ram:

Sure, Sandeep. So I would not give exact percentages because those typically are factored in. And first of all, we do not do very flat price hikes for every product. We do price hikes depending on the impact of commodities on different products. So it is not necessarily the same price hike that we do for everything.

So this year, of course, price hikes have been higher than they have been in the past because the impact of commodities is significantly more. And you saw from our financial results that despite doing these significant price increases, we are still playing a catch-up game as far as commodities and material margins are concerned.

So with that in mind and CPCB-4 Plus coming, the CPCB-4 Plus products are significantly more complicated, more sophisticated, have greater amounts of technology as well as electronics and after treatment and so many other things go into those products. So it is more than likely and obvious that there will be significant size increases to be able to introduce those technologies into the market.

Sandeep Tulsian:

And from a technology perspective, what we also understand there is a lot of work has also done through the EMS companies on the electronics side. While some of the other domestic competitors have also stated that they are able to develop indigenously the new engines, which will be more energy efficient or more emission compliant, I would say.



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So from that perspective, do you think there would be a significant differentiation, which will be created between Cummins and the other larger peers? Or it would largely be between all the larger players versus the fringed players who would get margin aligned? How would the competitive scenario change or the landscape would change?

Ashwath Ram: If you look at the trends globally, whenever emissions have become tighter and as the technology has become more sophisticated, the impact on Cummins has been on better volumes, better price realization. We think we have seen similar trends in the automotive market in India, which is also a highly competitive market, and we expect to see similar kinds of trends happening in the Power Generation field as well. There is enough technology to be able to differentiate work with competition.

Sandeep Tulsian: Sure. And sir, just a bookkeeping question. If you could also share the breakup of the Powergen segment, the domestic Powergen segment which you usually share?

Ashwath Ram: Yes. So as far as the domestic Powergen segment is concerned, High Horsepower was Rs. 249 crores, MHP was Rs. 199 crores, LHP was Rs. 43 crores and others was roughly around Rs. 5 crores.

Sandeep Tulsian: So we give a breakup between, I think, HHP and heavy duty. So that part is included in HHP, is it?

Ashwath Ram: I will give you that breakup as well. If you break it up in that manner, HHP was Rs. 247 crores, heavy-duty was Rs. 64 crores, mid-range was Rs. 135 crores, LHP was Rs. 43 crores and others were Rs. 8 crores.

Moderator: Thank you. The next question is from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: Just two questions from my side. The first is from the CPCB norms perspective, when it becomes effective and considering there were the notification by the different governments on the ban of the kind of a DG. How do you see the picture evolving? Are there any more clarity on this? That is the first question.

And second question is in terms of supply chain, you said that there are still globally supply chain are broken. But as that improves, what is the potential basically you see over next short to medium term?

Ashwath Ram: CPCB-4 Plus the draft has already been released, and the target is for the transition to happen in July 2023. All our interactions with the ministries in the government tells us that there is nothing to prevent that date from getting postponed at this time. So we are going whole hog with the assumption that this will happen that we will need to plan the transition for the last 2 quarters of this financial year, we are planning for the effects of some levels of pre-buy, et cetera, to happen.



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So we remain positive that the dates are not going to change from what has already been announced in the draft. As far as if I could magically make all the supply chain problems go away and we could supply to unconstrained demand, I would say in the domestic market for Power Generation, there is anywhere between 10% to 18% upside possible.

Rajesh Kothari: So right now, basically, from your, what I would say, ability to meet demand, like in fourth quarter conference call you suggested roughly about 80% to 82% you were trying to meet the demand. Leaving 10% to 15%, you say it was supply chain availability, that number by and that remain same even today?

Ashwath Ram: It has not changed very significantly. As a matter of fact, in some months, it actually became worse than what it was even earlier. So some of those critical electronics, they continue to plague us and yes, I do not have any happy or good news to report at this time to say that I have visibility that things are going to improve. So we continue to be challenged. We continue to receive those under allocation from those electronic companies, and we are working very hard. We have people stationed at those locations. There are continuous war zones happening to mitigate this situation. But as of now, it is not clear when that is going to get resolved.

Rajesh Kothari: Understood. And last question, if I can squeeze. What is the industrial growth on a QoQ basis? I missed that number.

Ashwath Ram: So the Industrial segment grew 24% as compared to last quarter.

Rajesh Kothari: You mean quarter-on-quarter or YoY?

Ashwath Ram: Quarter-on-quarter.

Moderator: Thank you. The next question is from the line of Ankur Sharma from HDFC Life Insurance. Please go ahead.

Ankur Sharma: Just first on the domestic piece, and you did mention that the industrial business was slightly kind of hurt because of lower orders on the road side because the road construction being soft. But on the other hand, you also said that on the domestic Power Generation side, infra seems to be doing fairly good. So is it more of metros, airports? Just trying to understand what exactly is driving growth on the domestic Powergen and the infra side?

Ashwath Ram: Yes. So if you look at the big segment for Power Generation, certainly, from an infrastructure perspective, yes, it is those data centers, it is those, the infrastructure is related to telecom, the more towers are being built, 5G rollout is being planned, fiber is being rolled out to more people, residential realty is doing well.

And so of course, there is a certain overlap between construction and Power Generation, but not as much. So in the infrastructure segment, the market segment, which we track like stone



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crushers et cetera, those are slightly down for Powergen because they have not been crushing as much stone and building as many roles as they would like to do.

Ankur Sharma: Okay. Sir, secondly, again, on the domestic Powergen and as you highlighted, real estate doing well. Is it a function of projects getting completed, handed over and inventory coming down? Is that the key reason why we are seeing that big surge in the real estate led orders?

Ashwath Ram: I think part of it is a stack-up demand, right? We have had two full years of COVID when nobody ever moved out of their homes and people are tired of just being at home, they want bigger homes, so they are upgrading. They have started to move to other places. They have saved up some money, so they are buying homes. So part of it is completion of projects that were kicked off and they did not finish. But part of it is also people upgrading and buying more real estate.

Ankur Sharma: And sir, thirdly, you did talk about price hikes and margins. But one of your comments was about an adverse mix during the quarter also kind of hurting margins. Now clearly, exports have actually done fairly well, right? So my guess would be exports typically are higher margins, and therefore, despite that, our gross margins are down both Q-on-Q and YoY. So if you could help me understand where is this adverse mix coming from? And how do you really see margins here?

Ashwath Ram: Yes. It is actually, I would say, it is largely attributable to 2 areas: Lower horsepower Power Generation sales because, first of all, the commodity price increases have not yet caught up with our cost increases there; and second is in the construction area as well. Despite it underperforming to our expectations as a percentage, it is still higher than what it was in the previous quarter. So the combination of those two from a mix impact is slightly margin dilutive.

Ankur Sharma: And one last one, if I may just squeeze in. While it is good to know that you clearly, as you said, are seeing unprecedented demand, and clearly, you are struggling to kind of meet up and catch up because of constrained supply chains. When I look at a 3-year CAGR basis, just comparing our Q1 '23 numbers versus our Q1 '20, right, which was possibly the last normal quarter before COVID under the sort of comparable basis.

So our industrial sales actually have degrown slightly, our distribution business is up maybe about 5%, 6%, and Powergen maybe about 7%, 8%, which also has price hikes built into it, right? So I am just kind of trying to reconcile the two statements, very strong demand, but still moderate to kind of sales growth over a 3-year CAGR. So is it mostly, as you said, supply chain restrictions, which are kind of stopping you from scaling it up significantly?

Ashwath Ram: That is certainly one major factor. As we stated earlier, we think we could have gotten anywhere from 10% to 18% higher sales if we had been able to supply product. But the big segments like rail, which were at the peak before COVID, they are still recovering. So even if you look at construction, it has not really recovered from the impact of COVID as of now.



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So we remain optimistic that those segments, which were hit more badly during the COVID period, will bounce back. And also, if you look at segments like rail, where the power cars and those kinds of products where we used to sell significant amount pre-COVID is now fully migrating to electrical powered equipment. And while we are developing products for those and we have even launched new products there, that cycle of order intake and growth in that has not yet started. So that is likely to happen in the future.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment Advisors. Please go ahead.

Bharat Sheth: Sir, to understand a little more on the supply chain, is it a fair understanding that it is largely because of the electronics components are not available? And looking, I mean, demand scenario, how do we really plan to resolve this situation from a long, medium-term perspective?

Ashwath Ram: Biggest chunk is related to electronics, but it is not just, it used to be the base for core silicon. Now it has gone beyond the core silicon, it is sensors, it is wiring elements, it is other parts in the electrical subsystems that are the biggest bottlenecks. But it is not limited to that. There have been many small and medium suppliers around the world which have gone bankrupt during the COVID cycle. So there are many specialist parts, it could be forged items, it could be some cast items, machined items, where suppliers have gone out of business or gotten out of this industry due to stress, et cetera.

So what the company has been doing is, one is, we are creating alternate sources, we are trying to scale those up, we are trying to get alternate suppliers up to speed and increase capacity. So that is one side of it. On the electronics side, the industry is getting together as consortiums to try to increase the capacity, as you know, in electronics the increased capacity is a 2- to 3-year cycle before capacity really goes up.

So it is work in process, and there used to be single source on some items that now trying to do multi-sourcing on those kind of items so that the same scenario is not again repeated in the future. But it is not an easy task, and it will take years to resolve and not a months.

Bharat Sheth: So is it fair assumption that till I mean, next 2 to 3 quarters, this will not be resolved, likely to be resolved?

Ashwath Ram: I am not saying it would not be resolved 100%, but you can see from our own results and our outputs that quarter-on-quarter, we are improving. It means we are increasing the flow, we are getting more parts available, we are getting more material, but it is not to the extent that we can say we can supply unconstrained demand and lead times are back to what they were pre-COVID, that is not visible. The lead times are longer, and it is constrained supply as of now.



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Bharat Sheth: Okay. And second is looking at the environmental perspective, are we really working on some other alternate fuels?

Ashwath Ram: Yes. So Cummins is a leading company in the sustainability space. We have already announced our zero carbon footprint goals, which are to be a zero-carbon company by 2050. And as you know, India has signed up to be a zero carbon kind of nation by 2070. So Cummins as a company will be ahead of the curve as far as sustainability and moving to zero carbon fuels, et cetera.

With that in mind, we have always invested and attempted to be what we call a fuel agnostic, which means most of our products can not only burn diesel, they can also even today, work with high blends of ethanol, they can work with biodiesel. We have products which can use LNG, CNG. So we already have products ready. When those fuels are available in our markets, Cummins is ready to provide end users and customers products, which can utilize those fuels.

So this is very important to us to be a technologist who is also a leader in sustainability. And so we will continue to invest in that space.

Bharat Sheth: Sir, last question on my side. Sir, our parent is in apart from this engine business, they are in auto engine also as well as they are working on new technology for green hydrogen. So have we really earmarked that which business will go to listed and which will go to their 100% subsidiary? Is there any kind of, I mean, understanding has been reached?

Ashwath Ram: No formal understanding has been reached. But as we have stated in the past, those businesses and customers and segments, which already exist with the Cummins India listed entity, will continue to remain there. To give you an example, rail in India is expected to use a lot of fuel cells and green energy products. So all the green energy products for rail will be supplied through CIL, even if they are produced in Canada or wherever they are produced currently.

In the long term, the company is seeing what is the most cost efficient way by which those technologies can be brought into India. So as of now, those parts are not yet completely clear. But as and when we are clear, certainly, we will keep all of you posted.

Moderator: Thank you. The next question is from the line of Jonas Bhutta from Aditya Birla Sun Life Mutual Fund. Please go ahead.

Jonas Bhutta: A couple of questions on my side. So firstly, if you look at the export run rate that we have given in this quarter, it is about Rs. 485 crores. It is the highest since, I think, maybe 2016. So first point, (a) given the visibility that you have, do you believe that at least this run rate for the year can be managed on a quarterly basis at a quarterly run rate basis, one?

Second, sir, we were looking to launch the CPCB-4 engines and trying to sort of export them to North America, where in the process are we in terms of the certifications, et cetera? And given that does the new alternative energy bill that they have passed, it sort of supports things like



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hydrogen, et cetera, dampen the outlook for diesel genset exports to the states for now? So that is the first question.

Ashwath Ram:

Right. So we do believe that demand from global markets is strong. We also believe that unless some unforeseen further events happen in the geopolitical space, et cetera, which can cause disruption, notwithstanding that, we think demand can be sustained for this whole year. As far as exporting and the stage at which CPCB-4 Plus projects are, there are dozens of products that are being developed for CPCB-4 Plus. So they are in the final stages of testing and getting approval in the testing cycle.

And certainly, there are good products will then become leading emission products. And they will be the most advanced products anywhere in the world as far as emissions for the Powergen market is concerned. That does help us export to other markets. But we do not see that the energy bill is a significant barrier from us exporting. What is the significant barrier are things like USMCA where a lot of the content in America needs to be produced in Mexico, Canada or in the U.S. So those are bigger barriers than the energy bills, et cetera.

Jonas Bhutta:

Sir, the second question was on the new product development and new product launches that we spoke about even in the annual report. Can you talk about the initiatives or the contribution they have started to meet to sales through the last few quarters? And what are we planning in terms of new product developments for the current year?

Ashwath Ram:

Yes, very excited to talk about that. Lots of new products coming in. I would say, some of the most technologically and efficient product are being introduced by our teams. They have already started contributing. I think we are constrained slightly by our ability to produce enough of them to make a significant impact in an environment where we are not meeting unconstrained demand. It is an open field for everybody, even if their product is not as great as ours to continue to sell in that kind of market.

So that is the kind of situation we are facing right now, but we continue to launch many new products. If you see the growth in exports, quite a bit of it is led by new products, which are meeting the needs of the customer and market segments in those countries. And similarly, the products we have launched in India have met with a great deal of success as far as the customer enthusiasm and demand is concerned. The bottleneck before we start seeing them really contribute and play a part are still controlled by our ability to produce those products in sufficient volumes.

Jonas Bhutta:

And my last question, sir, was, is there a correlation in the traded goods line item that you see in the raw material cost to what we are doing on the data center side? So are we meeting data center demand largely from a CTIL manufactured product and just making manufacturing margins on this. So is there a correlation between the two? So the Rs. 178-odd crores kind of traded good item that we see, is there a read-through for that on the data center side? That is my final question.



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- Ashwath Ram:** That number is made up of many segments. So it is not just the data center. For example, a big chunk of it is construction where engines are bought from other businesses, et cetera, and then value-add is done within Cummins and then sold to our end customer. So it is not fair to say it is just the data center segment. It is a combination of multiple segments where product is bought from other entities. So it is not a direct correlation to any one market segment.
- Moderator:** Thank you. Participants, we will take the last two questions. Next question is from the line of Harsh from Jefferies India. Please go ahead.
- Harsh Shah:** I actually missed the segment-wise breakup. Can you provide that, please?
- Ashwath Ram:** Sure. So in the domestic market, Power Generation was Rs. 496 crores, industrial business was Rs. 237 crores, distribution was Rs. 416 crores and others was Rs. 23 crores. In the exports market, High Horsepower was Rs. 232 crores, Low Horsepower was Rs. 202 crores and others was Rs. 48 crores.
- Moderator:** Thank you. The next question is from the Amit Mahawar from Edelweiss Financial. Please go ahead.
- Amit Mahawar:** I have two quick questions. First is, in the last 3 to 4 quarters of Rs. 4 billion-plus export run rate, is there any share of new mandate that you may have won? That is question number one. And second, between domestic and export revenues, have we seen a shrinkage in profitability on export revenue? Or any color on gap vis-a-vis how export and domestic profitability is for Cummins?
- Ashwath Ram:** I think both exports and domestic have been doing quite well, and it is very difficult for us to say which one is doing better. All I can say is Powergen has been on an up cycle for the last 3 or 4 quarters. And we continue to see strong demand there. And we do continue to prioritize exports because if those customers do not consistently receive products from India, they then look to other markets to start to supply products.
- So reliability, dependability and timely deliveries are absolutely key in the export market, whereas, of course, they are key in the domestic market as well, but we have a little more flexibility being on ground to be able to work with those end customers directly and manage their expectations it is a lot more complicated in the global supply chain. So I do not see any clear trends over there. Other than as of now, it seems positive for the Power Generation business for pretty much all areas that we are working in.
- Amit Mahawar:** Okay. And any specific share of in last 3 to 4 quarters of export run rate from new mandate that you may have won or there is no specific mandate that has shifted to us?
- Ashwath Ram:** There have never been mandate as such. As I have mentioned before, Cummins has three main manufacturing hubs in the world, North America, China and India. And based on who has the



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best cost, quality, delivery, business gets awarded on those kinds of variables. And certainly, with us in India, we starting to get even more efficient than we were, even more cost competitive than with the weakening rupee than what some other countries are, it improves our market position and help us get a larger share of a pie, which also is growing. So it is not a win/lose from any perspective as far as anybody is concerned. The whole pie is growing, so our opportunities are increasing.

Moderator: Thank you very much. I now hand the conference over to Mr. Ashwath Ram, for closing comments.

Ashwath Ram: So thank you, everyone, for your participation today. Cummins India certainly believes that demand in various end markets will sustain. Supply chain disruptions, though will take some time to recover, considering the complexity of the geopolitical situations, the high rate of inflation, likely impact on demand as Central Banks around the world take monetary policy measures to counter inflation.

We continue to remain optimistic though cautiously about economic activities and growth to sustain in the short to medium term. We are well positioned, considering our on-ground manufacturing infrastructure, our strong human resource capital, strong balance sheet, our expertise and being in the India market for over 60 years and being a global sustainability leader who has been in the business for over 100 years.

So we feel we are well positioned to capitalize on the positive tailwinds of India growing and continue this growth we have experienced over the past few quarters. With this, I close this call, and thank you for your participation, and stay safe, everyone.

Moderator: Thank you very much. On behalf of Cummins India Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.