Ref: STEX/SECT/2020

June 29, 2020

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, 5th Floor, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai 400 051 NSE Symbol: **CUMMINSIND**

Subject: Intimation of transcript of analyst conference call held on June 18, 2020

Dear Sir/ Madam,

With reference to our stock exchange intimation dated June 12, 2020 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 June 18, 2020.

We request you to please take this intimation on your record.

Thanking you,

Yours faithfully,
For Cummins India Limited

VINAYA ABHIJIT JOSHI Digitally signed by VINAYA ABHIJIT JOSHI Date: 2020.06.29 18:19:33 +05'30'

Vinaya Joshi
Company Secretary & Compliance Officer

(This letter is digitally signed)

Encl.: As above.

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Cummins India Ltd.

Analyst Call

June 18th, 2020

SPEAKERS:	**Management, Cummins India Ltd.**
Moderator:	Good morning, everyone. I am Harpreet Kapoor, the moderator of this call. Thank you for standing by and welcome to Cummins India Limited analysts call for Quarter Four 2019-20. Today on this call, we have with us our leadership team from Cummins India. We have Mr. Ashwath Ram, Managing Director; Mr. Ajay Patil, Chief Financial Officer and Mr. Anubhav Kapoor, Legal and Secretarial Head. So I would like to now hand over the proceedings to Mr. Ashwath Ram. Over to you, sir.
Ashwath Ram:	Hi, good morning, ladies and gentlemen. This is Ashwath Ram, the managing director of Cummins India Limited. These are very difficult and complicated

times and I hope you and your family are all doing well and are staying safe and healthy. Also joining me on today's call is Mr. Ajay Patil, who is our CFO for Cummins India Limited. Thank you for joining us on this call. I would like to share the financial results of the quarter and year ending March 31, 2020 through this call. I'll now talk about our financial results. For the quarter ended March 31st, 2020 with respect to the sequential quarter, our total net sales stood at INR 1032 crores, which declined by 28% compared to the INR 1428 crores recorded in the preceding quarter. Net of COVID-19 revenue declined by 14%. Domestic sales stood at INR 775 crores, declined by 27%. Exports stood at INR 257 crores and declined by 31%. Net of COVID-19 domestic revenue declined by 12% and exports declined by 21%. Profit before tax and exceptional items at INR 121 crores, declined by 52% compared to INR 254 crores recorded in the preceding quarter. For the quarter ended May 31st, 2020 with respect to the quarter ending March 31, 2019 year-on-year, our total net sales stood at INR 1032 crores which declined by 21% compared to the same quarter last year. Domestic sales stood at INR 775 crores, which declined by 22%. Exports at INR 257 crores, declined by 20%. Net of COVID-19 domestic revenue declined by 6% and exports declined by 9%. Profit before tax and exceptional items at INR 121 crores, is 42% lower as compared to INR 209 crores recorded in the same quarter last year. Segment-wise breakup for quarter ended March 31, 2020. To give you a sense of the sales breakup segment-wise, industrial domestic business sales were at INR 45 crores, 9% drop over last year. Power generation domestic sales were INR 267 crores, 32% drop over last year. Distribution business sales were INR 254 crores, 22% drop over last year. Exports - high horsepower sales - export sales were INR 141 crores, 15% drop over last year. LHP export sales were INR 97 crores, 25% drop over last year. For the year ended March 31, 2020 with respect to the previous year, our total net sales stood at INR 5062 crores, declined by 8% compared to INR 5526 crores recorded in the previous year. Domestic sales stood at INR 3771 crores which declined by 3%. Exports at INR 1291 crores, declined by 22%. Net of COVID-19 domestic revenue grew by 2% and exports showed a decline of 20%. Profit before tax and exceptional items at INR 779 crores is 24% lower as compared to INR 1030 crores recorded last year. As far as Cummins India financial guidance is concerned, as the company's operational gradually scale up post relaxation of lockdown and continue to fight the threat of COVID. We remain focused on the safety of our employees, serving our customers and supporting all stakeholders. Considering the economic uncertainty associated with COVID-19, the company is not providing revenue guidance for the next year at this time. While customers have resumed operations partially, the company expects a significant impact to its next quarter results due to the nationwide lockdown and consequential impact on the economy. With this, I would like to throw the session open for questions. Thank you.

Moderator: Thank you so much, sir. With this, we will open the floor for Q&A interactive session. So, participants, if you wish to ask a question, you may please press '0' and then '1' on your telephone keypad and wait for your line to be unmuted. First question of the day we have from Ranjit Shivram from ICICI Securities. Your line is unmuted. Please go ahead.

Ranjit Shivram: Good morning, sir. This other expenditure has increased despite a decline in sales. So, is there any one-off in that other expenditure INR 161 crore?

Ashwath Ram: I think the other expenditure has gone [Audio Cut] compared to the previous quarter by about INR 10 crores and little bit of it is due to - due to the FX impact but there are no one time kind of, you know charges and we are working on figuring out how to move that lower.

Ranjit Shivram: How much will be that FOREX impact that?

Ashwath Ram: I would say about INR 2 to 2.5 crores.

Ranjit Shivram: Okay. And sir, what's the kind of gross margin which we should be looking at next year because we are seeing commodity prices have come down? So, we may be able to gain some benefit out of that in terms of gross margins.

Ashwath Ram: I wouldn't be able to give you a guidance on gross margin, but all I can tell you right now is that we are slowly ramping up and scaling up and it's very difficult to predict because different customers, different segments are coming back at different varying rates. So, it's better we will keep you posted every quarter on how things are going and how we are recovering and we'll get more clarity as we go on.

Ranjit Shivram: And sir, lastly on the revenue breakup, both the revenue and the Powergen segment wise.

Ashwath Ram: You're talking about for this quarter?

Ranjit Shivram: For this quarter and the full year.

Ashwath Ram: Right. So, I'll start off with the full year. As far as breakup is concerned, domestic as I mentioned earlier was INR 3771 crores and exports was INR 1291 crores. In that the -- let me first talk about domestic. Powergen was roughly INR 1435 crores, the industrial business was INR 975 crores, the auto segment was nearly INR 20 crores and the distribution business was about INR 1340 crores. As far as exports is concerned, high horsepower was roughly INR 727 crores, low horsepower was INR 482 crores and spare parts was about INR 80 crores.

Ranjit Shivram: And the Powergen breakup in terms of HHP, heavy duty MHP, LHP?

Ashwath Ram: Yeah. So, if you look at -- if you look at the breakup, this is -- the domestic breakup is the roughly high horsepower is roughly INR 645 crore, medium horsepower is about INR 415 crores, low horsepower is about INR 370 crores.

Ranjit Shivram: And heavy duty?

Ashwath Ram: Yeah. So, if you breakup -- if you breakup medium horsepower into mid range and heavy duty, I would say mid range is roughly about INR 400 crores and heavy duty is about INR 230 crores.

Ranjit Shivram: Okay sir. Thank you. I'll join for further questions.

Ashwath Ram: Thank you.

Moderator: Thanks for your question. Next we have Sandeep Tulsiyan from JM Financials. Your line is unmuted. Please go ahead.

Sandeep Tulsiyan: Yeah. Sir, good morning. My first question is pertaining to the cost savings that we had guided for that including VRP and RIF, what is the annual savings that we can accrue in FY21? The earlier guidance for 40 to 45 crores only for VRP. And in addition to this, what other cost saving measures have been implemented in form of reducing the fixed expenses? So by what quantum can bring down the fixed expenses in FY21?

Ashwath Ram: Right. So, I won't give you exact numbers. All I can tell you is the impacted roughly about 15% of the workforce in the actions we took between December and January. The true positive benefit of that we will start seeing starting from April which is this quarter. We have also taken payroll actions as far as wages of all the employees are concerned and we have also deferred merit and this is for all employees of the company. We are further looking at what we call our rings of defense, which I mentioned in my earlier call where we are looking at every aspect of fixed and variable cost of the company. And we are also looking at utilization. We are looking at facilities cost. We're looking at the impact of remote working of employees. We are looking at optimizing space. Pretty much every line item is being looked at from a new perspective based on how we see things coming back and how we think we need the cost structure to be based on the demand scenarios that that turn out. So, I think you'll start seeing these numbers flow into the -- into the balance sheet from the next quarter.

Sandeep Tulsiyan: Sure. And second question is regarding the rental income that come in such as it's a fairly high number of INR 120 crores a year. So, had there been -- has there been any renegotiation or waiver that is being discussed currently for that?

Ashwath Ram: Not so far, but we are - we are, you know, aware that other such real estate properties around the country are impacted and we are looking out to the risk for that, but we see minimal risk because most of our real estate is rented out internally and a little bit to some large external [indiscernible].

Sandeep Tulsiyan: Sure. And last question is sir on this INR 190 crore amount that we have assessed. How has that been calculated because we can't see any significant buildup in the inventory in the balance sheet number that you have disclosed? So, where exactly does this INR 190 number come from?

Ashwath Ram: You're referring to which item now, sorry, it wasn't clear to me.

Sandeep Tulsiyan: This -- we have mentioned in our press release that revenues were lower by INR 190 crores on account of COVID-19 impact. So, how have we arrived at calculating this number is what we're trying understand?

Ashwath Ram: Right. Okay. Right. I think it is calculated from the number of days of the March month where we could not ship, where we already had orders in hand. We had material ready, and then we abruptly shut down the factory. So this is the impact of not being able to ship anything in the last roughly 15 days of the month.

Sandeep Tulsiyan: But we cannot see any buildup in inventory is what my query was to that extent.

Ashwath Ram: I think it just balances out. I don't think you'll see it in the inventory build-up numbers because anyway we were cutting down inventory. If you look at the trend of the inventory typically towards the year end, you try to clear out all the inventory and reduce it. So if you look at our inventory as compared to September of 2019 versus march of 2020, you will look -- you'll see almost over INR 100 crores reduction in the inventory itself. So, that won't give you an indication of what the breakup of that inventory is.

Sandeep Tulsiyan: Understood. Understood sir. Thank you so much.

Moderator: Next we have Abhishek Puri from Axis Capital. Your line is unmuted. Please go ahead.

Abhishek Puri: Thank you for the opportunity. Sir, two questions from my side. First in terms of the balance sheet, how have we been able to reduce the receivables in the third quarter? Most of the companies have actually seen the increase given that they could not collect during the last week of March due to the COVID impact. So, one is that and secondly, your payables have also, you know, increased by an equivalent amount and the cash flow has been better. So, if you can comment on that, and secondly, in terms of some of the industries, you know, if you can just broadly pick up the outlook for the segments in the Powergen segment and the industry segment if it is possible.

Ashwath Ram: Sure. So I think receivables management is just an ongoing process. So, we continue to work very, very closely with our customers and even during the down period. We have been pretty much interacting with them on a daily basis to collect the money. But when you look at overall past dues, they have gone up, even though - even though -- you know we have collected some amount of money maybe better than others but past dues have certainly gone up because some of the big customers especially the government, was not able to release any money during that period and I would say the past dues have gone up -- I would say it has gone up by about 25-30%. As far as -- we'll continue to, of course -- working capital management is very critical to the company and our people understand that well, and so we are looking at every aspect of working capital management and our teams are working very closely with customers to get receivables better, to get that under control, and we are pretty confident that we will get that well under control. So it's not a real worry for us in any manner. As far as how we think business will come back, it's going to be - it's going to be different for different market segments. So in Powergen, we think some aspects of the export size of the business are coming back a little bit faster than the domestic. Within the domestic power generation business, that will come back a little bit faster in certain segments. So, certain segments such as hospitals, certain segments such as the data centers, certain segments such as critical power applications. Those will come back at a much, much faster rate. But certain areas like commercial real estate, residential real estate, Powergen there will come back at a much slower rate depending on the appetite of customers who want to do large CapEx spends in this time of uncertainty. As far as the industrial segments are concerned, we think that compressor is going to remain weak because cyclically we are entering a weaker period in compressor, because we've had two reasonably decent years going there. As far as construction is concerned, it's actually very -- it has dropped off pretty significantly. But we think if all the government's plans to spend money on building roads and the MGNREGA schemes kick in and you start building canals and other work, then construction actually has the ability to bounce back, though at this state, it's still unknown. The areas like rail, we have seen that once the people have come back into work, those people are ramping up pretty quickly, and we think they will bounce back, bounce back quite well and we have - we have market share in that area. So we think those areas will recover quickly. Mining never shut down. So even though it slowed a bit because the people were not available, so we think mining will actually bounce back quite quickly. And marine which is again dependent on a lot of government spend, we'll have like a medium recovery kind of period. And then areas like defense, etc., it's currently we have to wait and watch. It could come back quickly or it could take some time as the government takes some time to spend money in those areas. So that would be my – distribution will come back faster than anything else because when people don't buy new equipment, they rebuild old equipment, they service equipment, they buy spare parts. So we think distributions will come back faster than all other segments.

Abhishek Puri: Thanks for the comprehensive outlook. If you can quickly highlight on the export market also if any of the market has come back to you or expected to come back? Thank you.

Ashwath Ram: Yeah, the market in export which has come back the fastest has been China and the U.S. All other markets continue to lag and because many of them are just getting out of the quarantine periods now, and so we should get more clarity of which of those markets will now start to recover faster in the next couple of months. But out of the gate, the fastest to recover has been China and some of the Southeast Asian countries like Vietnam and Indonesia, etc.

Abhishek Puri: I'm done with my questions. Thank you.

Moderator: Next we have Lavina [ph] from Jayshree [ph]. Your line is unmuted.

Lavina: Yeah. Hi, sir, just wanted to understand if you can comment on the industry pricing trends last three months, six months because what we understand is competition has intensified. Just wanted some comments from you on that. And secondly, the tax rate, there's been no tax payment in this quarter. So should we work with a 17-18% tax rate on a sustainable basis? Thanks.

Ashwath Ram: Right. As far as competition is concerned, all I can - all I can say at this stage is that everyone has been down for almost two and a half months. And so, you know, when we all get back into production, yes competition is likely to intensify as people try to get their utilization, et cetera up. We are in good shape as far as our supply chain is concerned, as far as approvals and our factory, out investments, et cetera is concerned. So we should be able to -- we should be able to fight well in the market and improve our market position. That's our strategy. As far as taxation is concerned, I'm going to hand it over to our CFO Ajay and have him comment on what long-term projections on tax are likely to be.

Ajay Patil: Hi, good morning to all of you. Can you hear me all well?

Lavina: Yes, sir.

Ajay Patil: There are two things on the -- thank you. So on tax base, two things. One is that we have for transition from the previous tax rate regime for the new and efficient tax rate regime. So that has given us a beneficial impact on our tax rate to the extent of about 10%. And besides that, there have been some, you know, tax-related planning activities, whether it is the R&D investments and higher rate of depreciation that has given us the impact on tax rate. And number two has been the impact of these deferred taxes. Post the abolition of DDT, some of the undistributed profits that we anticipate from our subsidiaries or joint ventures, a consequence of that is what is reflected in the deeper taxes for both standalone as well as for the consolidation part.

Lavina: And sir longer term tax rate, the sustainable one, should we work with 17-18 or 20 to more towards that?

Ajay Patil: I think as you can imagine from -- as we transition from the previous tax regime to the new one, there is a transitionary one-time impact that we have, as you see it in this current quarter. Going forward, I would expect our ETR to hover around 24-25% on a sustainable business.

Lavina: Thank you.

Ajay Patil: Yeah.

Moderator: We have Renu from IIFL. Your line is unmuted. Please go ahead.

Renu: Yeah, hi. Good morning, sir. So my first question is to understand a bit more on the exports side. You did give some comment on China, Vietnam and U.S. markets picking up. If we can give a little more qualitative assessment in terms of how was the demand outlook in some of the gen market split up HHP and LHP portfolio and overall what was the shrinkage in terms of revenues across some of these key markets in our portfolio for the last financial year?

Ashwath Ram: Right. So, like I mentioned, the reason some of those markets are picking up at different rate is based on how those economies are opening up since the China market opened up the earliest. They have recovered the fastest and their economy is doing well. And so, the demand for high horsepower is more from that market. We think higher horsepower market will recover faster because Cummins products are very well accepted, respected and performed very well for data center and other critical applications. So where the application is more critical and more intensive, that's where Cummins products perform better. So those markets are actually reviving faster. And so we are seeing more exports there. The low horsepower and the medium horsepower are used in industry and in consumer applications more. Those are certainly taking longer to recover. When we look at - when we look at how last year many of those markets have performed, America for example dropped by only 1% as compared to the previous year. Africa dropped by about 40%. Europe dropped by 41%. Middle East dropped by 42%. Rest of Asia dropped by 46%. Mexico dropped by 33%. And others actually went up by about 21%. So, pretty significant drop across the board I would say especially in -

Renu: And how does the mix of some of these markets look in our export portfolio, as in the top five markets, what would be the revenue contribution for us?

Ashwath Ram: I think nothing changes as far as the top five markets for the company. It continues to - it continues to be, you know, Europe, Middle East, Africa, Southeast Asia and China. I think those continue to be the top five kind of markets for the export products from India. And as those markets start recovering, as they start opening up more, I think we will start seeing the more positive trend there.

Renu: Right. And then I want to understand broadly even if we leave aside the April to June quarter which has been severely impacted because it's a lockdown, thereafter for the rest nine months based on whatever qualitative judgment and indication you have, how should one look at the broad range, as you're the export -- as you mentioned, exports are starting to pick up. Sir, probably the decline in exports incrementally in 21 may not be as severe for the rest of the nine months because you've already seen this portfolio being fairly weak for the last three to four years. Do you think we are close to the bottom now or there could be further headwinds on the broad export market trend?

Ashwath Ram: See the overall Cummins strategy as far as using India as the base for all of the exports for these products has not changed. So, it's very difficult to predict based on the impact, you know, this setback has on the global economy. So, if the global economy bounces back, which is we are the only [indiscernible] there, you know, we will also bounce back, but if it continues to remain weak and the global economy itself is impacted in terms of the GDP of all of those countries and those nations, then it is unlikely that we will not be impacted. So it's very difficult to say that is this now the new bottom? We think so. But can I just say absolutely that it is the case? I'm not too sure yet till the countries actually start recovering and get their economy going again. But if the trends one is to see all countries are pumping in lot of money and liquidity into their economies to try to bounce back. China if you take that as an example is the only country we have seen which has really bounced back in a very, very short period. So if one can remain optimistic and positive that other people will also bounce back, if that happens, we will always bounce back to that extent.

Renu: Sure. And my last question is sir on the broad ramp up as in given that is a manufacturing setup and supply chain is extremely constrained, in your view, how much time or how many months would one require to come back to pre-COVID levels of 80-90% - 80-90% of the pre-COVID levels? So would it be more of a quarter phenomena of weightless or it could take up to six months to that extent, just a broad assessment based on the current ramp up.

Ashwath Ram: See we're already -- already more than 50% of our factories are open in terms of - in terms of capacities. In some parts, we are open up to 50%. Some parts are even open at 80% already, the factories we have in remote locations. But it's a little difficult to predict because the entire supply chain in India is spread in different parts of the country. And we have three main clusters of suppliers in India, one being in the Chennai region in Tamil Nadu, wouldn't say just Chennai region, one in Maharashtra and the third in the National Capital Region. So, these are -- these areas are also hot belts for COVID and since ours is a very complicated supply chain when if any one of those areas gets impacted, it starts impacting our supply chain. So as of today we are operating, they are operating smoothly. We are, you know, scaling up. We are trying to ramp up and meet all the demands. But I can't be bold enough to really predict exactly when we will be back to 80% operations because COVID as a problem is not going away in a short span and at least my view that this is a problem spread over three to six months at least. And so we will, we will continue to keep expanding our capacities and come up, but we are well prepared. We have so much capacity and we have made all those investments in early years that that's not really a problem for us right now.

Renu: Sure sir. Thank you so much and all the best.

Moderator: Next is Bhavin from SBI Mutual Fund. Your line is unmuted.

Bhavin: Yeah, thanks Ashwath. Sir, I have three questions. So the first one is you gave a sectoral outlook of the power generation segment. What it would help us assess is if you can give a breakup of what is the share of data centers, the pharmaceutical, the hospitals, hotels, residential realty, commercial realty and the manufacturing. You gave directional outlook of that, but if we know the contribution of these sectors it will help us understand better. So that's first question. Second is if I'm looking at the cash flow statement where we see the share of profits in the joint venture actually moved up pretty significantly in this financial year, so if you can give some color on them that will be useful. And third is more of a question is, when I look at the last year's annual report, other expenditure broadly were 55% was variable and 45% was fixed. And when we look at the current quarter, we saw 20% drop in the top line, but other expenditure actually increased from INR 150 crores INR 160 crores. So if you can throw more light on that, will be useful. Thanks. These are my questions.

Ashwath Ram: Right. So the first question is the Powergen segment and unfortunately, I don't have access to that data right now and we're still trying to work out how those shares are going to be changing over a period of time. What I am able to give you is just some directional indicator of which portions of those segments we see coming back faster and that's what I did earlier where I said, areas of critical care and applications like data centers, power generation for technology, infrastructure, IT, those areas are the ones which are coming back faster and Cummins has a very strong presence in those markets. So we are seeing a pull from those segments and segments such as commercial realty, etc. are still -- and residential realty are subdued at this stage. But it's only been 15-16 days since our distribution channels, etc. have really started trying to go in the field and trying to sell products. So it's very, very early stages to try to estimate which one will come back quickly and which one will not. So I'll leave it there for now and at a later stage in a couple of months, we will be able to give you much better information on that.

Bhavin: Sorry, sorry. Sorry to interrupt. Actually, if you can -- when I was actually looking at the share of the revenues within the subsegments, I mean broadly if you said residential, commercial will take time and some of these others where you believe maybe directionally or from the external world. So if you can help us with what is the share of commercial and residential for fiscal year 20? And maybe or if you can breakup between the fast moving [indiscernible].

Ashwath Ram: So I don't have access to that data at this time. I will -- you know, we will we will work that out and then we'll try to get back to you in the future. Yeah.

Bhavin: Sure, no problem.

Ashwath Ram: The second question was on joint venture profitability and let me let me transfer you to Ajay and let him answer that another question about other income – other expenses.

Ajay Patil: Hi, Bhavin. I think if I got your question, right, the first question was what is driving the joint venture share of profit on a full year financial. Correct?

Bhavin: Correct. Correct, correct.

Ajay Patil: So we have seen year-on-year as you can notice, it's about approximately INR 30 crores higher profit and primarily coming from our joint ventures with Valvoline, we call it Valvoline Cummins, that's the primary driver for change as well as some uptick in profit from our Cummins generated technology, the other associates company that we have. Two of them have contributed to that increase. The other question that we have was on the other expense. When you see on a full-year basis, the other income and other expense, we do see -- from a quarter point of view, it shows a modest increase of about INR 10 crores again, I think Ashwath covered that earlier. Ashwath cover that earlier in terms of the effects and other impacts and when you see it on a full year context, I think what we are seeing while they're having, you know, volume related some impacts that we have seen because our volumes have been down, so some of the volume related expense has been positive for us. What has been really impacting the quarter is primarily some of the other aspects above the expenses, which are operational and more fixed in nature and, therefore, those really don't have that sort of elasticity with volume. And from a timing perspective, that's what's kind of weighing on the numbers as it was here.

Bhavin: So, actually, sorry to -- just a followup, I mean if I look at 45% of the other expenses, which are variable and in the quarter where revenues are down 20%, even they should be down 20% because they are volume linked. But when we actually look at on an absolute basis, there is an increase in the total other expenses. So is there some lag impact that because we would have already spent on the freight and et cetera and that is the reason why it -- and because we had a sudden shutdown, it's not showing up and we will actually see normalization in the subsequent quarters, would that be the case?

Ajay Patil: I won't be able to really address the numbers that you quoted Bhavin, but all that I can say is that yes, there is an impact of some semi-variable and fixed costs which are really not that linear with respect to the volume changes. And that's, that's what is kind of weighing on right now.

Ashwath Ram: But we're looking at all of those items Bhavin and we have clear targets internally to try to cut that because as you rightly said, you know, they are moving reverse to drop in volumes, which is not acceptable to us. So we are focused on trying to reduce those.

Bhavin: Understand. Sure. Thank you so much for taking the questions.

Moderator: Next we have Ankur Sharma from HDFC Bank. Your line is unmuted.

Ankur Sharma: Yeah, hi. This is Ankur from HDFC Life. Sir I have just one question on the domestic Powergen business, you know and specifically on the commercial real estate and the industrial end market which are significant for us. So if you could just talk about based on your interactions once the lockdowns moved out and once customers are willing to kind of take [indiscernible]. So I don't understand is are you seeing deferrals from the customer side or our customers canceling already placed orders with you before the lockdown? So if you just help us understand what exactly are you seeing especially on the gen market that appeared to us to be relatively most [indiscernible].

Ashwath Ram: So the first thing is we're not seeing cancellations. We are seeing customers -- now that things have opened up, we are seeing customers start to pick up that material and complete those projects. Of what is yet to be seen is if there is growth and if people are going to start more projects. So existing projects continue, they are moving forward and we are fulfilling all the orders which we could not fulfill because things were shut down. But we are yet to see because it's just been 15 days in which our people have started interacting and that too not 100% be able to go and meet people and close deals and those kinds of things. But I don't have a good indication of what that will mean for future growth in some of those markets. It's a wait and watch as people come back.

Ankur Sharma: Okay, okay, and there is another issue on payments either. So customers are willing to pick up on existing orders and also willing to pay as per the original schedule which is agreed with them. So, is that the way…?

Ashwath Ram: Yeah, we are pretty much. I mean we do get -- we do get -- we do see from the sales side, we do see some requests to say can I pay a little bit later or defer payments a little bit or ask us to throw in some installation complimentary or some such help is sometimes requested but by and large I would say that, you know, it’s nothing which is phenomenally changed in terms of customer behavior.

Ankur Sharma: Understood. Alright. So that was my question. Thank you.

Moderator: Next we have Nilesh Shetty from Quantum Mutual Fund. Your line is unmuted. Please go ahead.

Nilesh Shetty: Yeah. Hi. Just a couple of questions. I just wanted some clarification. So I mean, you in your comments earlier you suggested that the capacities open 50%. So what is the production run rate that you’re doing right now compared to your normalized pre-COVID levels?

Ashwath Ram: I would say, as of today, since some of our plants have only started operations from 1st of June, I would say overall, we would be at roughly about 35 or 40% utilization. I would say that's where we are when I just calculate an average of all the utilization at all the facilities.

Nilesh Shetty: No, I mean -- so, I’m just trying to understand. So earlier and you would suggest utilization of the plant even in a normal environment you would be somewhere in the region of 60 or 70. Are you saying compared to that you're at 35 or compared to the production rate of earlier you were at 35-40%?

Ashwath Ram: Yeah, I would say compared to 100% capacity even at a normal production is we were at 65 to 70%. Now, we would be at about 35%.

Nilesh Shetty: Okay, okay. So essentially 50% which of normalized pre-COVID kind of production [Audio Overlap].

Ashwath Ram: Yeah, yeah.

Nilesh Shetty: Okay and this is…

Ashwath Ram: And like I said every week it is increasing. So it's a dynamic situation and every week we get more and more approvals and more and more people we are able to bring back into work. So the situation is just improving.

Nilesh Shetty: Okay, okay. And just clarification on the export side [indiscernible], you had an agreement with Cummins on the rupee or so, if the rupee goes beyond a certain band then you share the benefit. Can you just clarify what is the band beyond which you start? Is there a 2% or 3% depreciation beyond which you share the benefit of rupee depreciation?

Ashwath Ram: No, I don't think we can share that at this time, but it's a very well documented arm's length kind of practice, which has been - which has been in place for more than 15 years. So, nothing is changed as far as those policies are concerned.

Nilesh Shetty: Okay. And just a clarification on -- so, as in FY21 [indiscernible] are very tough to figure out. What I'm saying is your sense on post slightly longer term 22 onwards. I remember you've given earlier a domestic kind of some 9 to 11% domestic growth and exports was 0 to 5%. Do we get back to those kind of levels or you think given the environment perhaps structurally we'll be growing slightly slower in that?

Ashwath Ram: See this the business of CIL is pretty diversified. So, it has the ability in the longer term to bounce back quite well and be quite strong. And as far as the company is concerned, almost all critical investments are already made. We have a complete technology leadership as far as the -- as the areas in which we serve in this country and in other markets. So, I'm very bullish on our ability to bounce back and come back pretty strongly. And I think the situation other companies find themselves in I think, it opens up more opportunities for a company like Cummins.

Nilesh Shetty: Okay. Just on the export side, you listed sort of tope five markets. Can you just share, I mean what is the share? How much is it Europe, Middle East, Africa in terms of percentages?

Ashwath Ram: I'm afraid we don't share that kind of information on what our share in those markets is. But, you know, all I can say is Cummins is one of the leading players in power generation in the world. And so it is our ambition to continue to grow that business and continue to be the major player in those markets as well.

Nilesh Shetty: In your revenue or exports revenue share, how much are these [indiscernible], not in terms of market share in those markets?

Ashwath Ram: You mean exports as a percentage of Powergen business?

Nilesh Shetty: No, within the exports which would these countries be in? So how much Europe be in is it 30% or 35%?

Ashwath Ram: Okay. Okay, I think we give you the top five markets, the top five markets probably contribute to almost -- I wouldn't say 75%, 60 to 75% of our market share, so, -- of our sales. So, you know, you can draw the conclusions from that.

Nilesh Shetty: Okay. Okay. Thanks a lot. I don't have any questions.

Moderator: Next we have Atul from Citigroup. Your line is unmuted.

Atul: Yeah, thank you, sir. Sir, just wanted to find out a couple of data points. So for FY20 for the industrial segment, what will be the breakup between different subsegments compressor, construction, mining, railway, marine, etc.? And what would be the market share in FY20 in terms of Powergen, high horsepower, MHP, LHP?

Ashwath Ram: Right. I think if you look at - yeah, if you look at maybe first answer to your question about the industrial market and its breakup in our overall -- breakup as a percentage of revenue. So that segment had a revenue of about INR 935 crores out of which compressors makes up about 15%, construction makes up about 30%, mining makes up about 8%, rail makes up 40%, and marine and others make up another 7%. So, that's the last breakup but these keep fluctuating based on which segment is doing better. As far as your second question on Powergen, I think I've already answered. As far as market share is concerned, we are holding to market share in most areas and in some areas we seemed to have gained a little bit of market share. So our [indiscernible] has been solid, has roughly about 15% market share. Our LHP has about 33% market share, our medium horsepower product has about 53% market share and high horsepower has about 64% market share.

Atul: Okay and sir just last one. I could not get the data [indiscernible] in FY20 exports revenue, how much was the LHP and HHP number?

Ashwath Ram: Yeah so [Audio Overlap]. Yeah, exports, we pretty much break it up into high horsepower and low horsepower. So we don't classify it into the three or four ways we do it for domestic and I would say it is roughly I would say 60% is the high horsepower and 40% is low horsepower.

Atul: Okay. Thank you, sir. Thanks a lot.

Moderator: Next we have Sujeet from ASK Investment. Your line is unmuted.

Sujeet: Sir, the export top five markets that you've given, how much they contribute to the total export sales - Europe, Middle East, Africa, Southeast Asia and China? Not as a total, each individual market.

Ashwath Ram: Yeah, so usually we don't provide that kind of detailed information but those five like I mentioned contribute to almost 70% of our market share. So [indiscernible]. So you can get, you know –

Sujeet: In the previous calls, you given the understanding -- yeah, yeah. So, is it fair to understand that Middle East Africa roughly one-third, Europe roughly one-third and the rest of the world roughly one-third?

Ashwath Ram: No, I wouldn't make any such assumptions. You know, it is pretty different in different geographies and there are many, many variables including how those currencies are doing, how those markets are doing. So there are a lot of variables. So it's not as simple one-third kind of calculators, but I can tell you that we have a long-term presence there, we have physical locations. We have people out in the field selling. So, these are all strong geographic presence Cummins has in those markets and it intends to keep enhancing its share in those markets. So, you know, there is complete focus on trying to grow share over here.

Sujeet: And if hypothetically China were to impose duties on imports, then we need to know at least what is the China number in the export pie percentage?

Ashwath Ram: Yeah, I won't tell you the exact percentage, but you know these products are only manufactured in India. So Cummins doesn't have alternate locations to make the same products. So if duties are applied, then all it means is that the product becomes more expensive in China and that would result in lower sales but it doesn't change the -- it doesn't change the nature of what Cummins does with the product.

Sujeet: What is that number that it contributes in exports?

Ashwath Ram: I can’t give you that exact contribution. I can tell you it is becoming more and more important as a market for us. And that's and that’s not because they like us, it’s because the product is very good.

Sujeet: Will it be sub 10?

Ashwath Ram: Sorry.

Sujeet: Will it be sub 10%?

Ashwath Ram: I cannot answer that. I am sorry Sujeet, but all I can tell you is that it's a decent market for us and it is unlikely to have significant impact even in the current situation.

Sujeet: And one last question is on margins, not asking for a guidance, but even before COVID our normative margins had fallen to 11-12% band from about 16%. So, when situation normalizes, would that be a new normal which is what it was before COVID?

Ashwath Ram: I will say so. We are always trying to improve margins and there are certain inflection points in the market which allow you to improve margins and some of them are based on technology changes. And we are continuously working to try to improve margins and introduce new products and new technologies will keep improving our margins. So no, we don't expect any normative levels of margin. We're always trying to improve it and do better or do better than even what you've done in the past.

Sujeet: Thank you.

Moderator: Thanks for your question. So at this time, there are no further questions in the queue. I would like to now hand over the floor back to Mr. Ashwath Ram for the final remarks. Over to you, sir.

Ashwath Ram: So, thank you, everyone. Really good, amazing questions. If I were in your shoes, I'd be asking similar kinds of questions and I'm also sorry that I'm not able to give you total clarity because that's the way the situation is. There is a little bit of, quite a bit of ambiguity out there based on the overall situation in the country, globally, etc. All I can tell you is Cummins is a very, very strong company. Two years ago, last year, we celebrated our 100th anniversary as a company. This year, our power generation business is celebrating 100 years in the power gen business. So we are not in any business to just take it trivially and not care about the long term. We are in India now for close to 60 years. So we consider ourselves an integral part of India and more than 90% of all the products that we produce in India are all localized. So, the Aatm Nirbhar Bharat, I think we have a critical role to play here. Significant amount of our sales comes from exports with very minimal imports. So we are going to benefit from as India becomes a better base for exporting products. While we are in the middle of a deep, deep crisis as a nation because of this pandemic, I can tell you as a company we feel very optimistic about the future that we will recover better and faster than competition and we will continue to grow this company in an aggressive manner. Thank you.

Moderator: Thank you so much, sir for addressing this session. Thank you participants for joining in. That does conclude our conference call for today. You may all disconnect now. Thank you and have a pleasant day.