



# Cummins India Limited 52<sup>nd</sup> Annual General Meeting

August 1, 2013



# Cummins Inc.

Engine Business



Distribution Business



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Power Generation Business



**Power  
Generation**



**Generator  
Technologies**

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Components Group



**Emission  
Solutions**



**Filtration**



**Turbo  
Technologies**



**Fuel  
Systems**



**Electronics**

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1919 - Commenced in  
Columbus, Indiana

44,000 employees

R&D: \$329 million

Cummins  
Business  
Services



Operations in 190 Countries

50 manufacturing locations

500 distributor locations  
5,200 dealer locations

Making people's lives better by unleashing the Power of Cummins



# Cummins Business Model

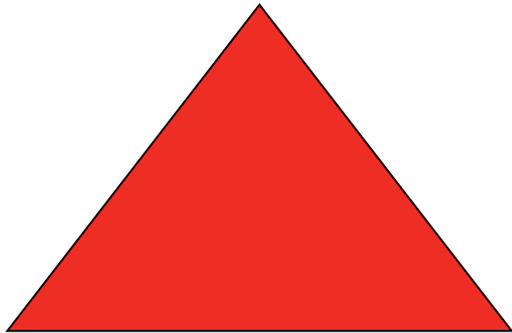
- Guiding Principles - Vision, Mission, Core Values
- Corporate & BU Objectives, Strategies, Initiatives, Projects -- (Goal Trees)
- Cummins Operating System (COS):
  - Ten Common Practices
  - Functional Excellence Framework (FE Statements, Measures, Processes, Tools, People Development)
  - Common Business Processes (Strategy, Performance Management/People Development, New Product Development)



# Why We Are Here – Guiding Principles

## Vision:

“Making people’s lives better by unleashing the Power of Cummins”



## Personality:

- Decisive
- Driven To Win
- Agile
- Passionate
- Caring

## Core Values:

- Integrity
- Innovation
- Delivering Superior Results
- Corporate Responsibility
- Diversity
- Global Involvement

## Mission:

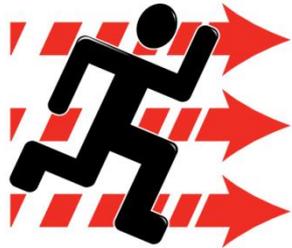
- Motivating people to act like owners working together
- Exceeding customer expectations by always being first to market with the best products
- Partnering with our customers to make sure they succeed
- Demanding that everything we do leads to a cleaner, healthier, safer environment
- Creating wealth for all stakeholders



# COS 10 Practices



Put the customer first, and provide real value



Synchronize flows (material, physical and information)



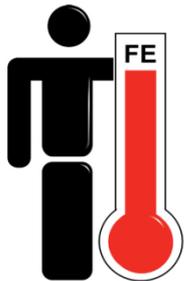
Design quality in every step of the process



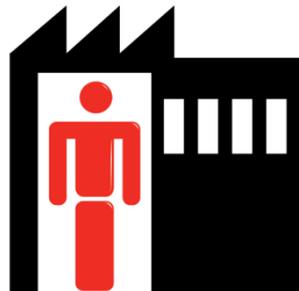
Involve people and promote teamwork



Ensure equipment and tools are available and capable



Create functional excellence



Establish the right environment



Treat preferred suppliers as partners



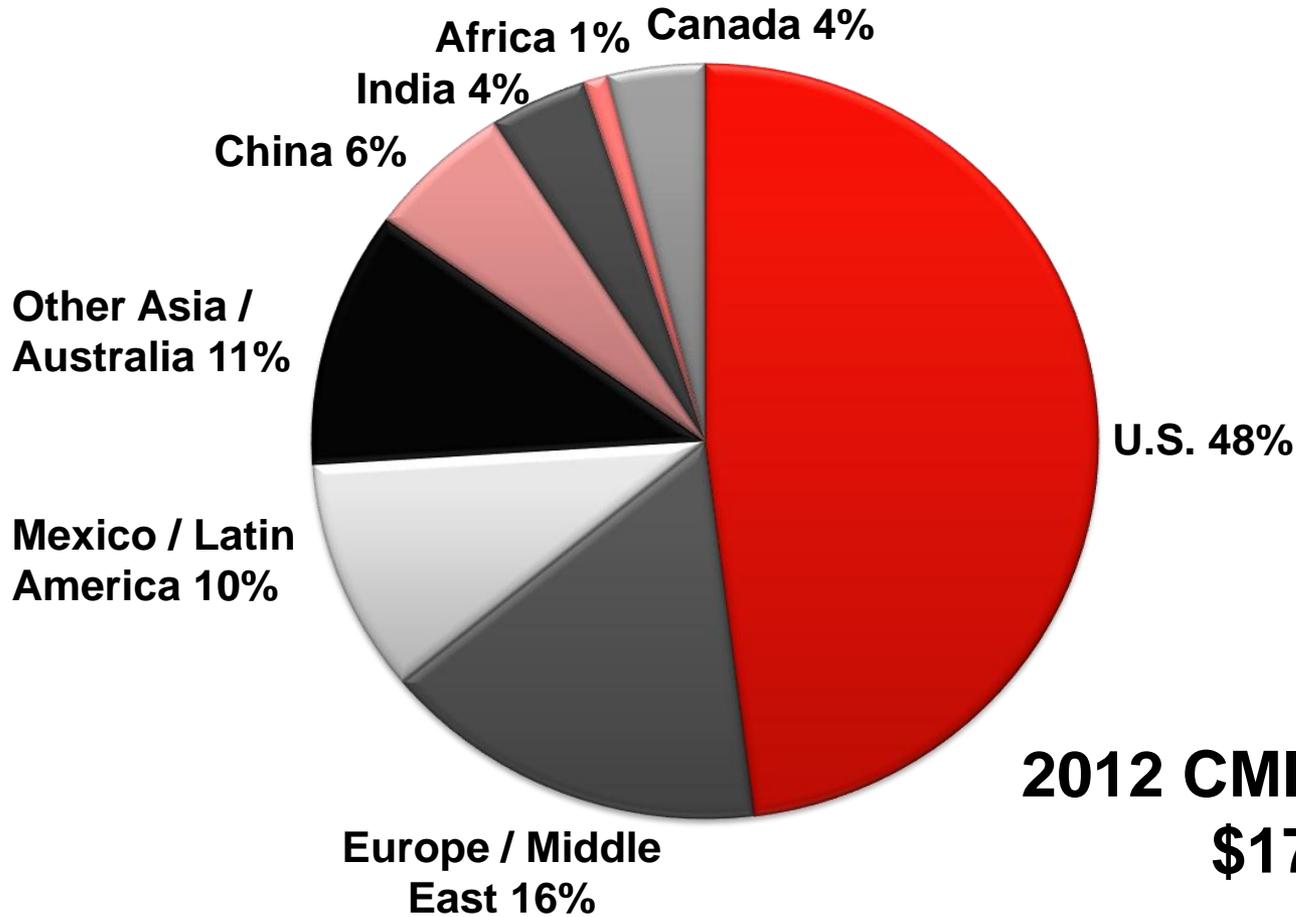
Follow common problem solving techniques



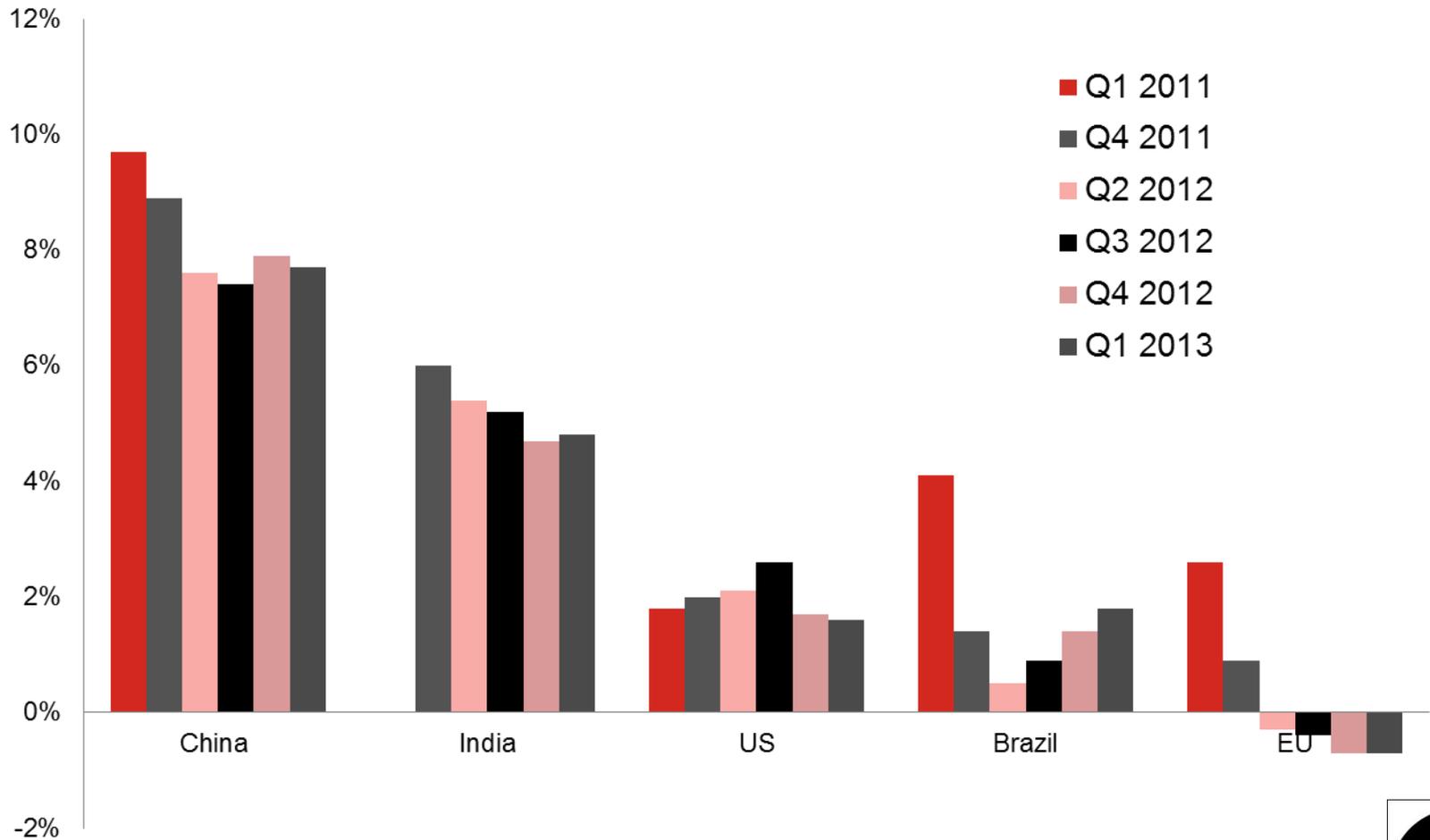
Use Six Sigma as the primary process improvement method

# Cummins Inc.

## 2012 Revenue by Marketing Territory



# 2012-13 Real GDP Trend at Constant Price (over same quarter previous year)



# Cummins in India

- In India since 1962
- 9 companies (including 3 JVs and 1 Service JV)
- Over 9,000 employees
- \$2.1B combined sales

## Engine Value Packages (32-3500 HP)

Auto, Construction, Mining, Compressors, Pumps, Marine, Rail, Oil & Gas, Defense

## Power Generation

Gensets (7.5-3000 kVA), Energy Management, Captive Power Plants, Alternators

## Components & Consumables

Filtration, Turbochargers, Emission Solutions, Lubricants

## Services

Engines, Gensets, IT/ITES, R&D, Sourcing, Finance, HR

Valvoline Cummins  
Cummins SVAM  
**NCR**

Cummins Turbo Technologies  
**Dewas / Pithampur**

Valvoline Cummins  
**Mumbai/ Ambernath**

Cummins India Ltd.  
KPIT Cummins  
Fleetguard Filters  
Cummins Research & Technology India  
Cummins Generator Technologies  
**Pune**

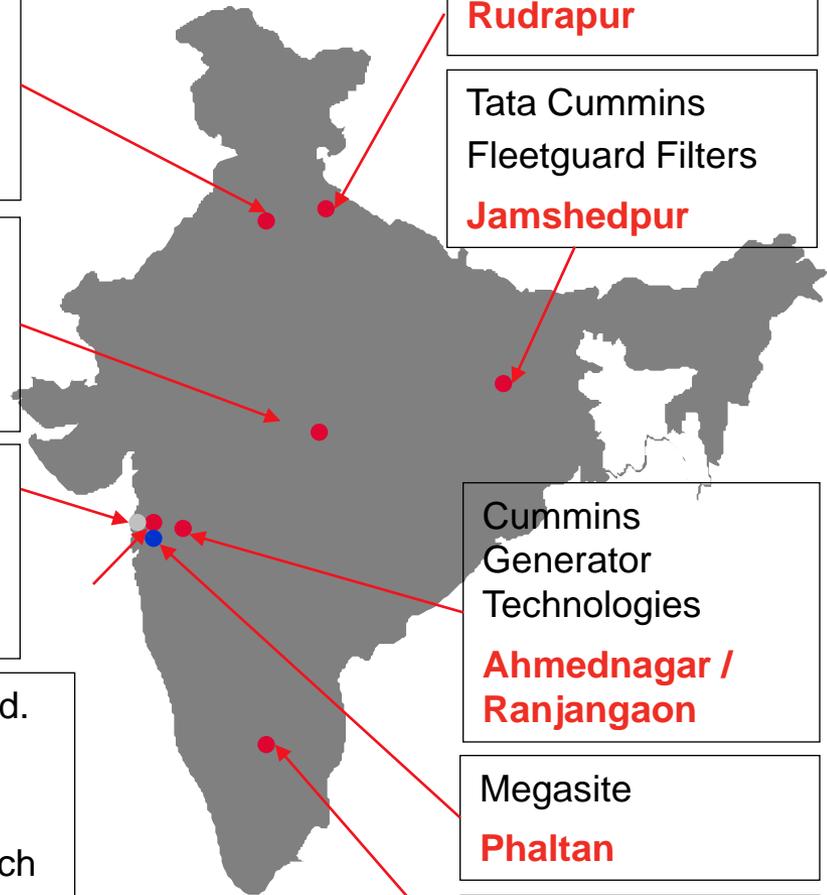
Cummins Turbo Technologies  
Fleetguard Filters  
**Rudrapur**

Tata Cummins  
Fleetguard Filters  
**Jamshedpur**

Cummins Generator Technologies  
**Ahmednagar / Ranjangaon**

Megasite  
**Phaltan**

Fleetguard Filters  
**Hosur**



# India Organization Snapshot

## Cummins in India

### Entities :

1. Cummins India Ltd.
2. Cummins Research & Technology India Ltd.
3. Cummins Generator Technologies India Ltd.
4. Cummins Technologies India Ltd.
5. Tata Cummins Ltd.
6. Fleetguard Filters Pvt. Ltd.
7. Valvoline Cummins Ltd.
8. KPIT Cummins Infosystems Ltd.
9. Cummins Svam Sales & Service Limited

### Business Units :

- Engine
  - Automotive
  - Industrial
  - Parts & ReCon
- Power Generation
  - Generators
  - Alternators
- Component
  - Filtration
  - Emission Solutions
  - Turbo
  - Fuel Systems
  - Electronics
- Distribution (1 PDC/ 5 Zonal Offices / 21 Area Offices / 212 Dealer sites, 1 Service JV)
  - Lubricants

**Shared Services: CBS/Tech Centre/IPO/Internal Audit**

# Strategic Leadership Team



**Anant Talaulicar**  
President – Components Group and  
Managing Director – India ABO



**Mahesh Narang**  
Chief Operating  
Officer



**Rajiv Batra**  
Finance,  
Strategy,  
Facilities



**Sudha Dhar**  
Chief  
Information  
Officer



**Ashish  
Aggarwal**  
Government  
Relations



**Nagarajan  
Balanaga**  
Human  
Resources



**Sameer  
Chugh**  
Legal &  
Secretarial



**Qureish  
Shipchandler**  
Internal  
Audit

# Operating Leadership Team



**Mahesh Narang**  
Chief Operating Officer – India ABO



**Sandeep Sinha**  
Industrial Engine  
Business



**Bhavana Bindra**  
Auto Business



**Amit Kumar**  
Power  
Generation



**Vipul Tandon**  
Distribution  
Business



**Milind Madani**  
New & ReCon  
Parts



**Ashwath Ram**  
Tata Cummins  
Operations



**R.S. Raman**  
Generator  
Technologies



**Arun Ramachandran**  
Cummins Turbo  
Technologies



**Anjali Pandey**  
Cummins Emission  
Solutions



**Paul Sowerby**  
ITC / CRTI / Eng



**Kuldeep Kaur**  
Emissions  
Compliance



**Manish Gulati**  
Cummins Fuel  
Systems



**Aditi Sharma**  
Quality Champion



**J. Nilakantan**  
CBS



**Bijoy Bose**  
Purchasing



**Sandeep Kalia**  
Valvoline Cummins



**Niranjn Kirloskar**  
Fleetguard Filters



# Cummins in India - Goal Tree 2013



# Cummins India Limited – Year 2012-13

- Best Year Ever
- Record sales and profits
  - Net Sales : INR 4,509 crores
  - PBIT (before exceptional items) : INR 994 crores (22.1% PBIT)
- Strong balance sheet
- Dividend increase
- Investments for growth
  - New Projects at the Cummins Megasite in Phaltan
  - India Technical Center in Pune
  - India Office Building in Pune

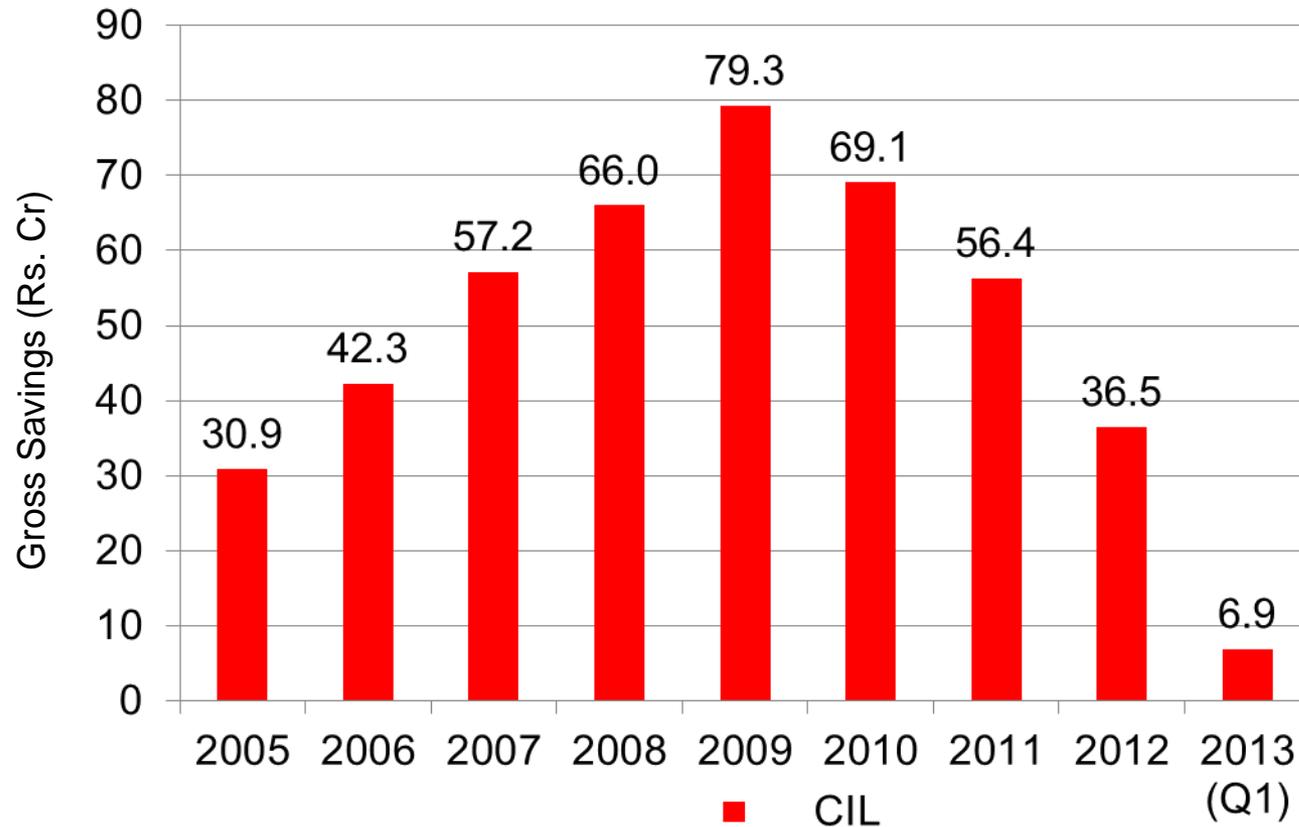


# Cummins India Limited - Financial Performance 2012-13

Rs. Crores	2012-13	2011-12	% L/Y
<b>Net Sales</b>	<b>4,509</b>	<b>4,052</b>	<b>11%</b>
Operating Income	80	65	24%
%	1.8%	1.6%	0.2%
Raw Material Cost	2,887	2,645	9%
%	64.0%	65.3%	1.2%
Employee Cost	339	304	11%
%	7.5%	7.5%	0.0%
Depreciation	47	42	13%
%	1.0%	1.0%	0.0%
Other Expenses	528	471	12%
%	11.7%	11.6%	-0.1%
<b>Operating Profit</b>	<b>788</b>	<b>655</b>	<b>20%</b>
%	17.5%	16.2%	1.3%
Other Income	207	123	68%
%	4.6%	3.0%	1.5%
<b>PBIT</b>	<b>994</b>	<b>779</b>	<b>28%</b>
%	22.1%	19.2%	2.8%
Exceptional Inc	62	51	20%
Interest	5	5	-15%
<b>PBT</b>	<b>1,051</b>	<b>825</b>	<b>27%</b>
%	23.3%	20.4%	3.0%
<b>PAT</b>	<b>764</b>	<b>591</b>	<b>29.2%</b>



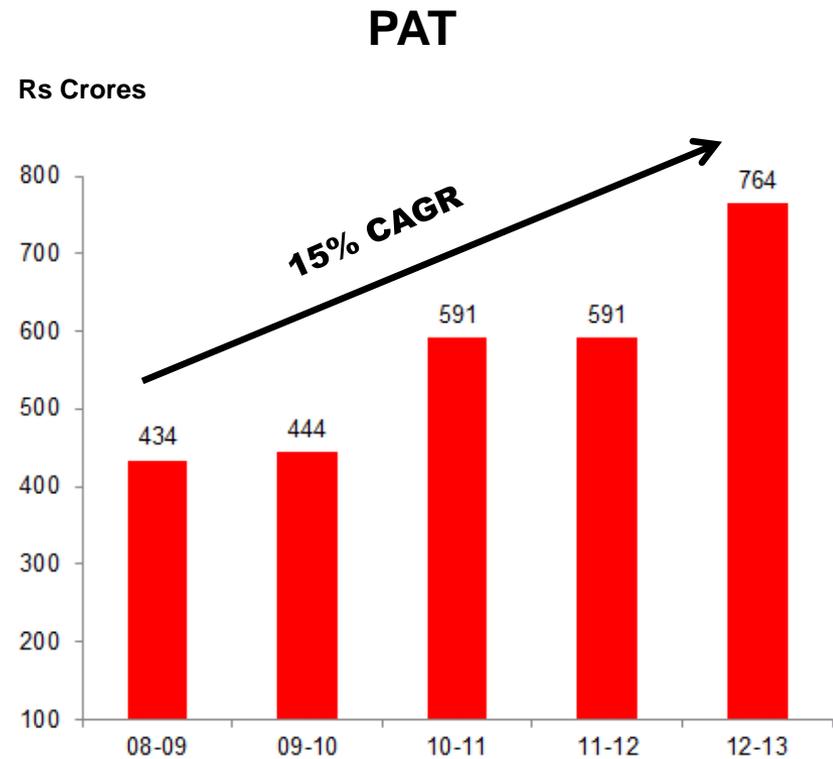
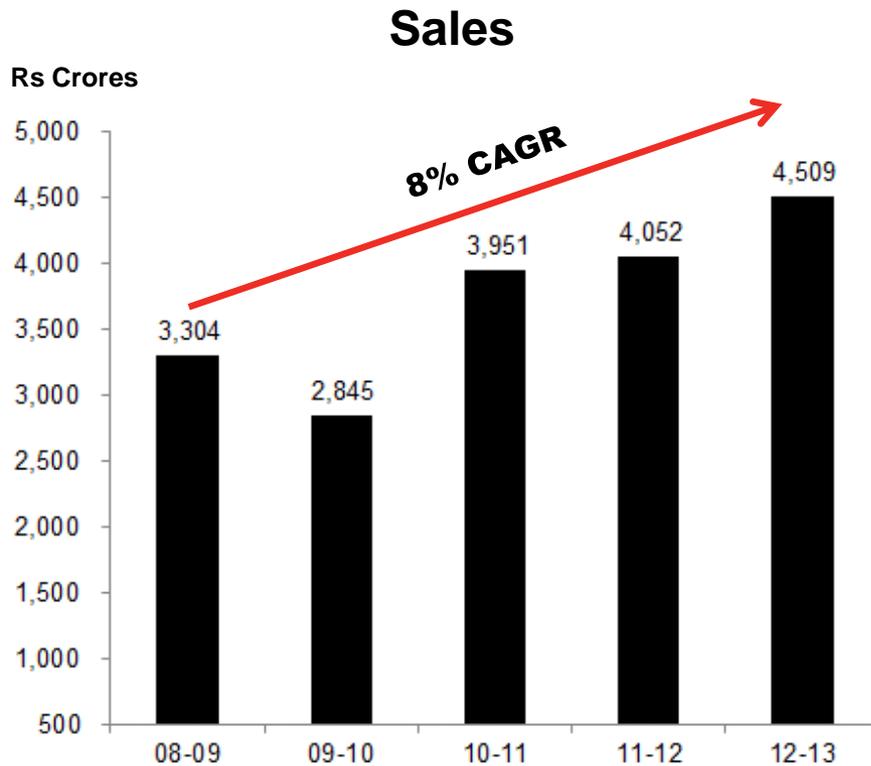
# Cummins India Limited - Summary of Gross Material Cost Savings



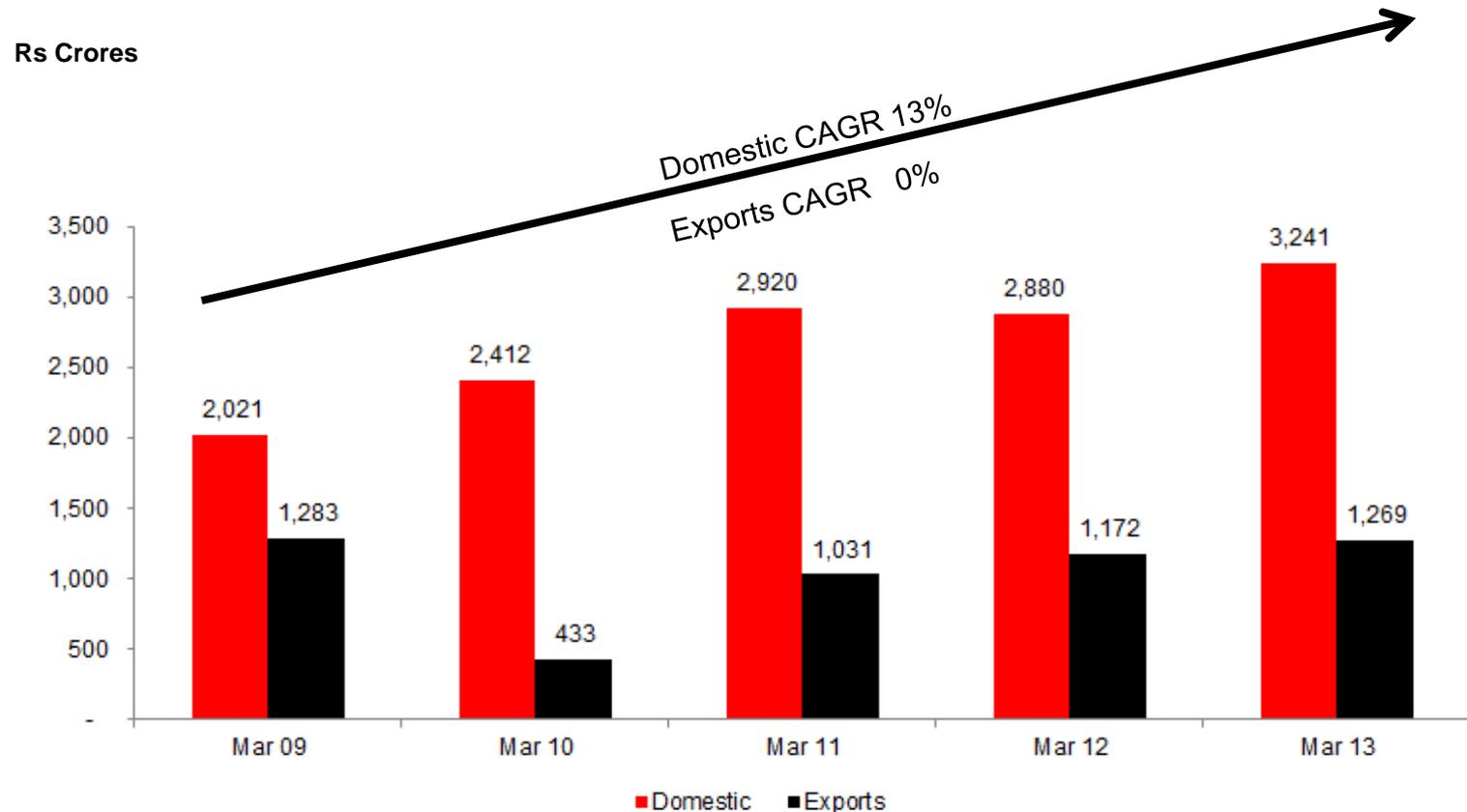
Data for 2005, 2006 and 2007 represents only IEUBU.



# Cummins India Limited - Sales and Profit After Tax (PAT) – Last 5 years

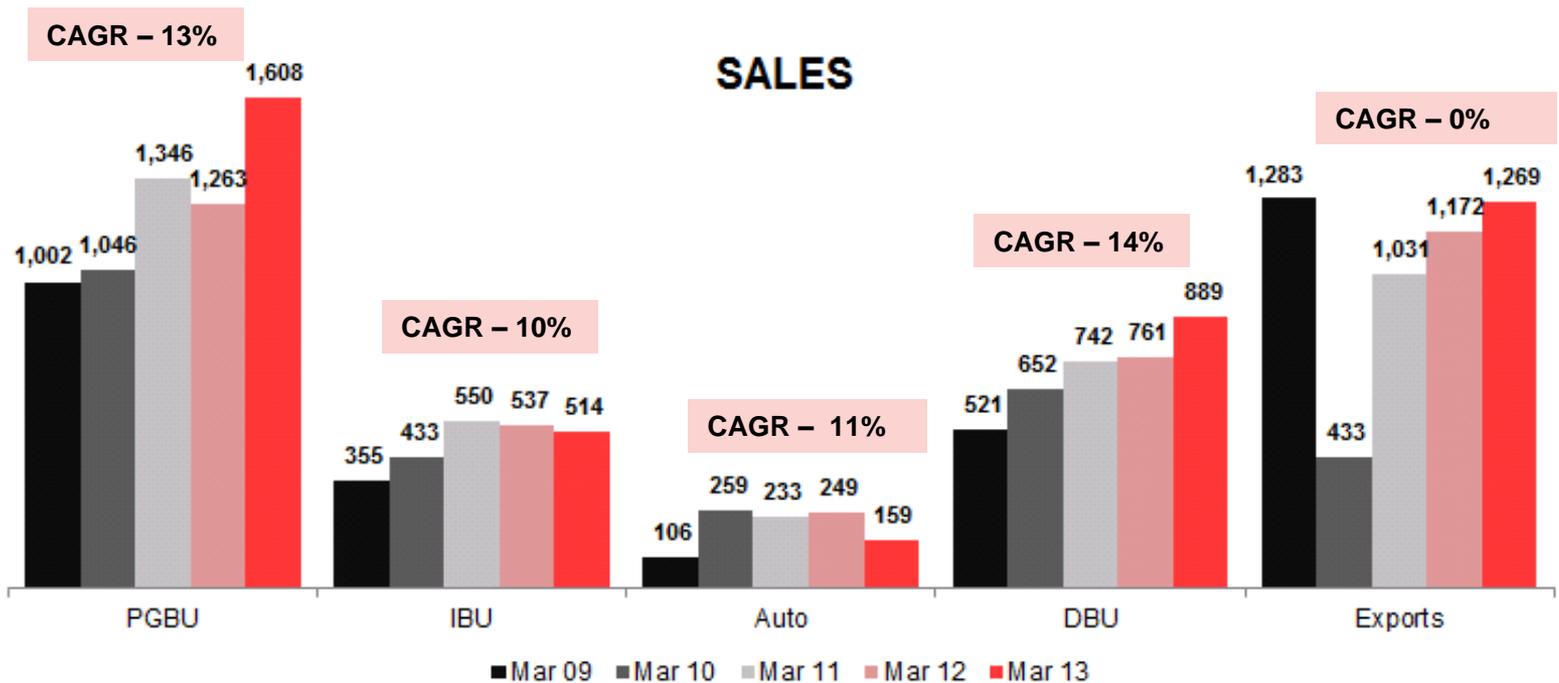


# Cummins India Limited - Sales: Domestic & Exports



# Cummins India Limited - Sales : By Business Units

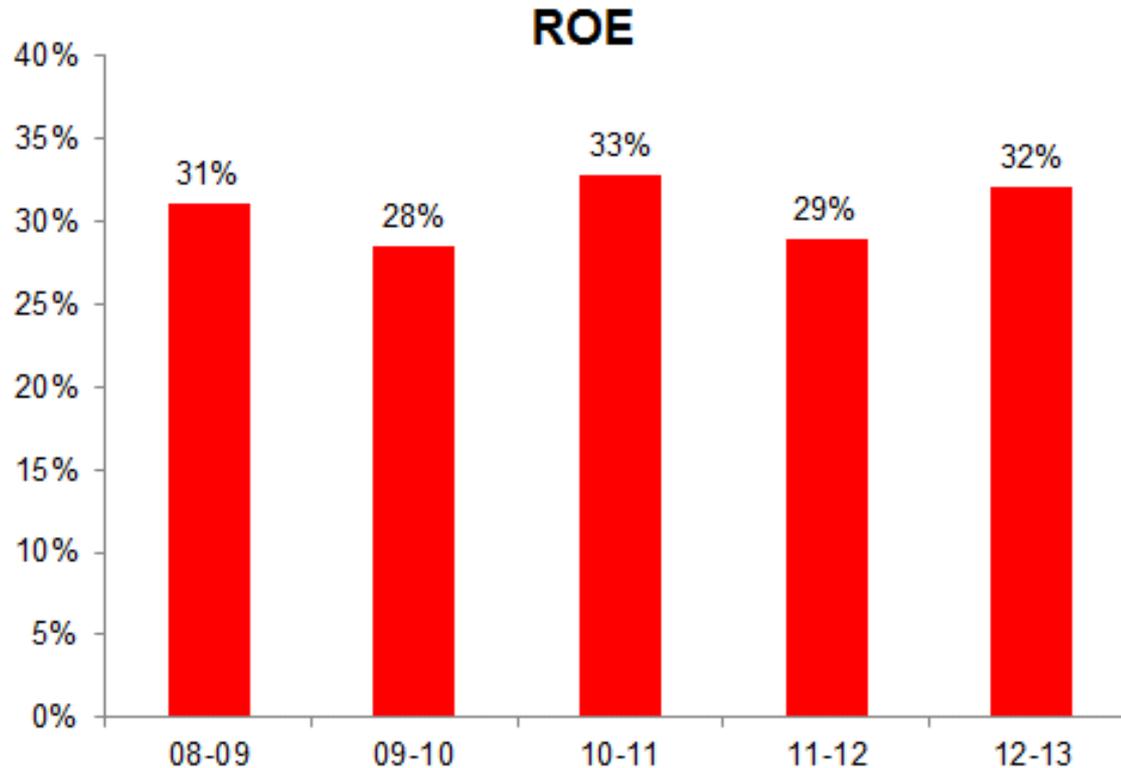
Rs Crores



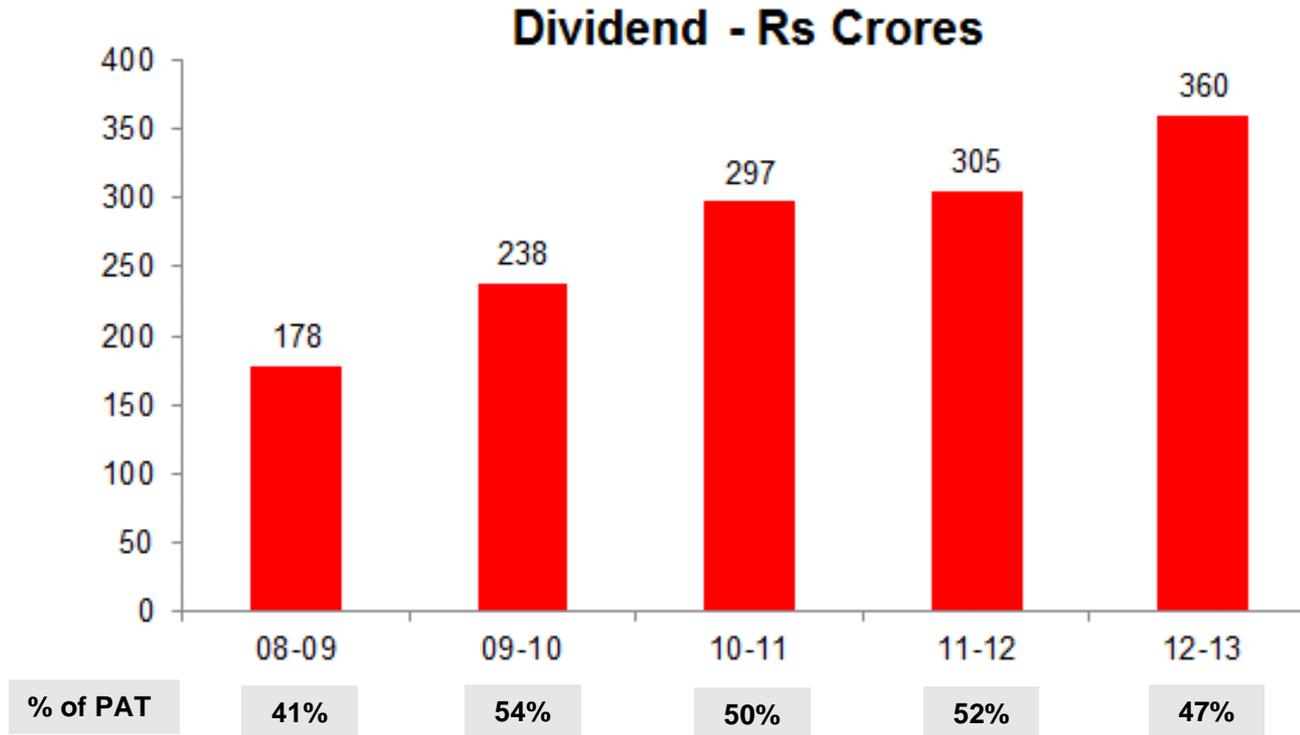
\* CAGR for 5 Years



# Cummins India Limited - Strong ROE Performance



# Dividend trend

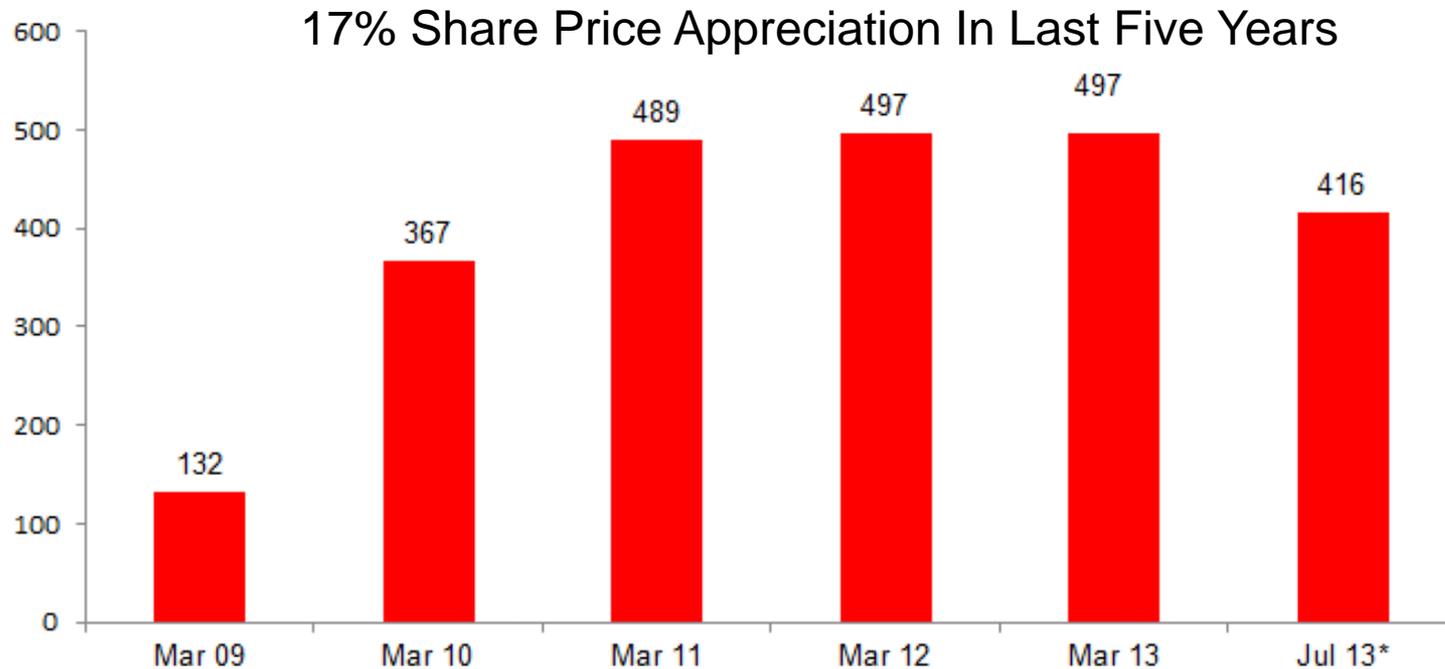


## FY 12-13

- 250% Interim Dividend
- 400% Proposed Final Dividend



# Cummins India Limited - Share Price Appreciation

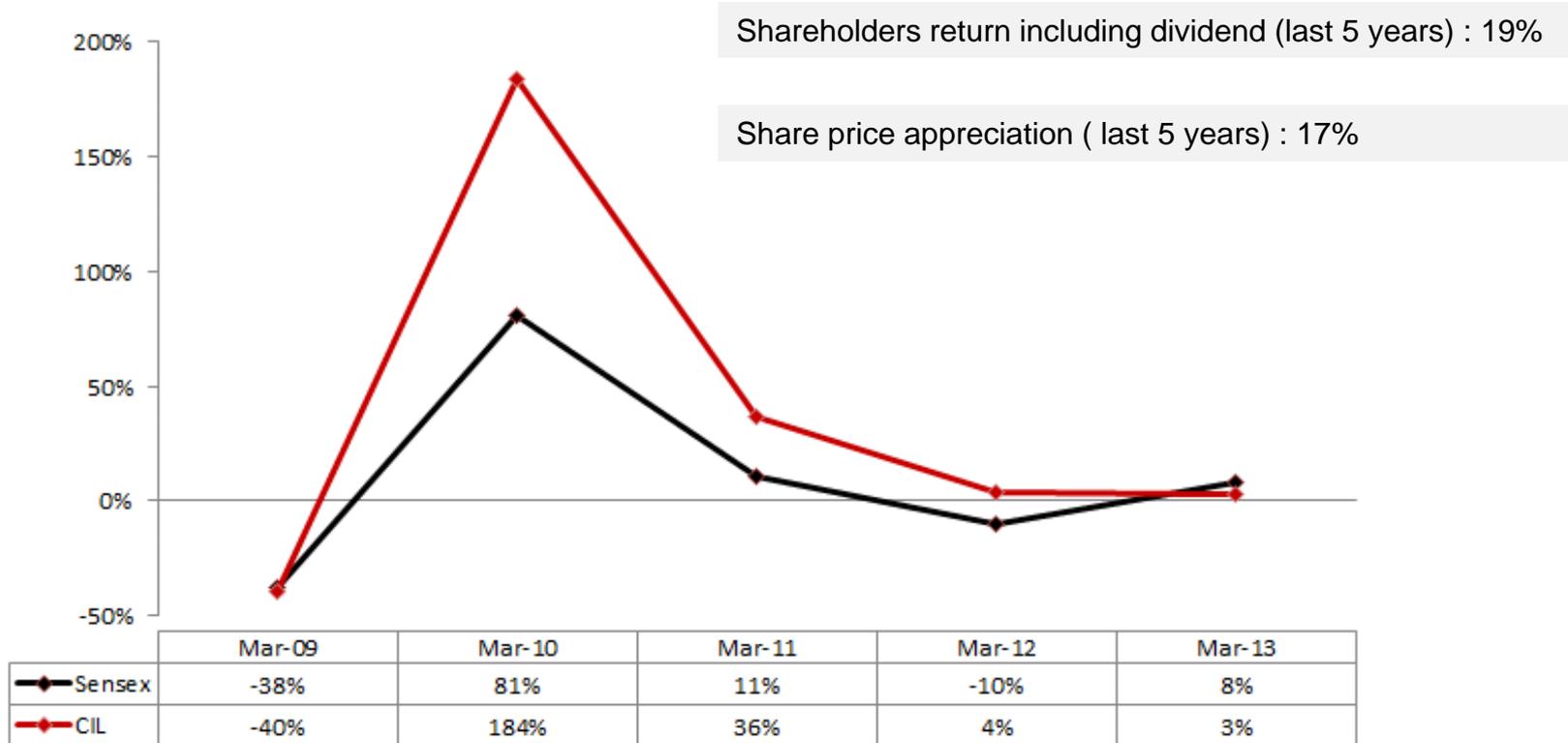


\* As on 30<sup>th</sup> July 2013 on BSE Sensex

Share prices upto Mar'10 have been adjusted to bonus issue



# Cummins India Limited - Share price appreciation (Last 5 Years)



Shareholder return computed as a % change in the share price (adjusted for bonus)

Share price appreciation ( 1962- 2013) : 19%



# Bettering lives of Shareholders

## ■ **Strong balance sheet**

- Debt to capital  **Zero Debt**
- Cash & Equivalents  **Rs. 982 Cr**

## ■ **Grew our business**

- Sales growth (5 Yrs CAGR)  **8%**

## ■ **Returned value to shareholders**

- Return on equity (5 Yrs Avg)  **31 %**
- Share appreciation (5 Yrs)  **17%**
- 650% Dividend (2012-13)  **Rs. 360 Cr**

# Decisive

- Continuing to Invest in the Future
  - Operational Projects
    - Phaltan Midrange Upfit Center
  - Upcoming Projects
    - Exports unit for manufacturing generator sets and G-drives
    - High horsepower engines for exports in the 19 - 60 litre range
    - Plant for L series engine for automotive, power generation and industrial applications
    - India Technical Center
- Reducing Cost and Improving Efficiencies
  - ACE III
    - Rs. 44 crores annualized savings in the second year of implementation. Expected savings of approximately Rs. 230 crores upon successful completion in 2014.



# Driven to Win

- Fit-for-Market Solutions
  - Generator sets engines compliant with CPCBII
  - Mechanically controlled 5.9 litre for automotive and construction segments
  - 19 litre engine for rail power cars
  - Lower kilowatt generator sets
- Enhancing Dealership Operational Excellence
  - Cummins SVAM Sales and Service Limited



# Agile

## Reducing Cost and Improving Efficiencies :

- Six Sigma
  - Now in its 13<sup>th</sup> year
  - 399 projects closed
  - Rs. 48 Crores in savings
  - Leadership development tool
- TRIMS (Total Reduction in Indirect Materials and Services)
  - Rs. 7.52 Crores in bottom line savings and Rs. 22.9 Crores in avoidance savings

# Passionate

## Towards our Customers' Success:

- Established Training Centers :
  - Global Training Center in partnership with OEM, Jakson Power Solutions
  - Cummins Comprehensive Technical Training Facility
  - Chhindwara Center of Excellence
- Introduced Common Dealer Operating System



# Caring

## Towards Employees:

- Hire-to-Develop Philosophy
  - Global Leadership Development Program
  - Sponsoring higher education in management and technical streams
  - Campus recruitment
  - Rotations across functions and businesses
- Leadership Development
  - Leadership Culture Series
  - Building Success in Others
- Gender/Regional Representation and Inclusion
- Team Based Work System at the Megasite

# Caring

## Towards Employees:

- Revised Wage Agreement for associates at the largest manufacturing unit
- Recognition Program, CMD Awards, in its 7<sup>th</sup> year
- Second Cummins in India Management Conference
- Employee Participation in Corporate Responsibility
  - 99% last year as compared to 88% the previous year
- India Office Campus

# Caring

## Towards Communities:

- Higher Education
  - Cummins Scholarship Program
  - Cummins College of Engineering for Women
  - Phaltan ITI Sponsorship
  - Phaltan Engineering College Involvement
- Energy & Environment
  - Zero Garbage Project at the second ward in Balewadi, Pune
  - ‘Catch them Young’ – A commemoration of Cummins’ golden anniversary in India
- Local Infrastructure Development
  - Transforming Nandal into a ‘model villlage’

# Recognition

- Tata Motors Technology and Innovation Award
- Engineering Export Promotion Council's National Award for the 24<sup>th</sup> successive year
- Long Association Award from Asia Motor Works
- Six Sigma : Six projects received the CMI Chairman's Quality Award
- Corporate Responsibility :
  - Recognition from the Maharashtra State for Zero Garbage Project piloted at the Katraj Ward in Pune
  - Six projects won the 2012 Environmental Challenge from a total of 15 awards given worldwide by Cummins Inc.
  - Best Employer for Women in Corporate India Award from the WILL Forum India



# Financial Performance Q1 13-14 vs Q1 12-13

Rs. Crores	Q1 13-14	Q1 12-13	% L/Y
<b>Net Sales</b>	<b>1,029</b>	<b>1,241</b>	<b>-17%</b>
Operating Income	21	17	18%
%	2.0%	1.4%	0.6%
Raw Material Cost	654	797	-18%
%	63.6%	64.2%	0.6%
Employee Cost	83	85	-2%
%	8.1%	6.8%	-1.3%
Depreciation	12	11	3%
%	1.1%	0.9%	-0.2%
Other Expenses	136	144	-6%
%	13.3%	11.6%	-1.6%
<b>Operating Profit</b>	<b>164</b>	<b>221</b>	<b>-26%</b>
%	15.9%	17.8%	-1.9%
Other Income	67	38	74%
%	6.5%	3.1%	3.4%
<b>PBIT</b>	<b>231</b>	<b>260</b>	<b>-11%</b>
%	22.4%	20.9%	1.5%
Interest	1	1	-10%
<b>PBT</b>	<b>229</b>	<b>258</b>	<b>-11%</b>
%	22.3%	20.8%	1.5%
<b>PAT</b>	<b>166</b>	<b>181</b>	<b>-8%</b>

# Financial Performance Q1 13-14 vs Q4 12-13

Rs. Crores	Q1 13-14	Q4 12-13	% L/Q
<b>Net Sales</b>	<b>1,029</b>	<b>1,128</b>	<b>-9%</b>
Operating Income	21	26	-22%
%	2.0%	2.3%	-0.3%
Raw Material Cost	654	728	-10%
%	63.6%	64.5%	0.9%
Employee Cost	83	89	-6%
%	8.1%	7.8%	-0.2%
Depreciation	12	12	-5%
%	1.1%	1.1%	0.0%
Other Expenses	136	144	-6%
%	13.3%	12.8%	-0.5%
<b>Operating Profit</b>	<b>164</b>	<b>181</b>	<b>-10%</b>
%	15.9%	16.1%	-0.2%
Other Income	67	82	-19%
%	6.5%	7.3%	-0.8%
<b>PBIT</b>	<b>231</b>	<b>264</b>	<b>-13%</b>
%	22.4%	23.4%	-1.0%
Interest	1	1	9%
<b>PBT</b>	<b>229</b>	<b>263</b>	<b>-13%</b>
%	22.3%	23.3%	-1.0%
<b>PAT</b>	<b>166</b>	<b>189</b>	<b>-12%</b>

# The Road Ahead - Macro Trends and Our Capabilities Will Drive Profitable Growth

## Macro Trends

**GDP Growth**

**Infrastructure Development**

**Growing Middle Class**

**Power Deficits**

**Emissions Converging to International Standards**

**Leveraging Low Cost Position Globally**

## Key Capabilities

**Technology Leadership**

**Local Manufacturing and Scale**

**Successful Partnerships**

**Strong Customer Support Network**

**Diverse Employees & Leaders**



# Outlook and Conclusion

- Well positioned to weather market fluctuations
- Bright outlook on a sustained basis
- We remain steadfast on :
  - Guiding Principles (Vision, Mission, Values, Personality)
  - Objectives, strategy
  - Cummins Business Model / Cummins Operating System
  - Inclusiveness based performance ethic
  - Brand Promise of Dependability
- Committed to delivering value to all our stakeholder
- Grateful for your unstinting faith