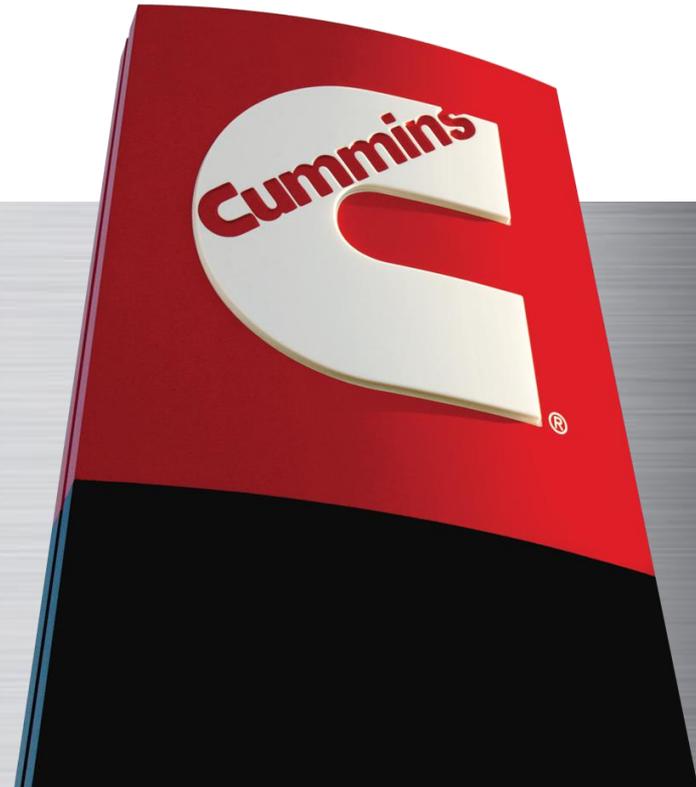


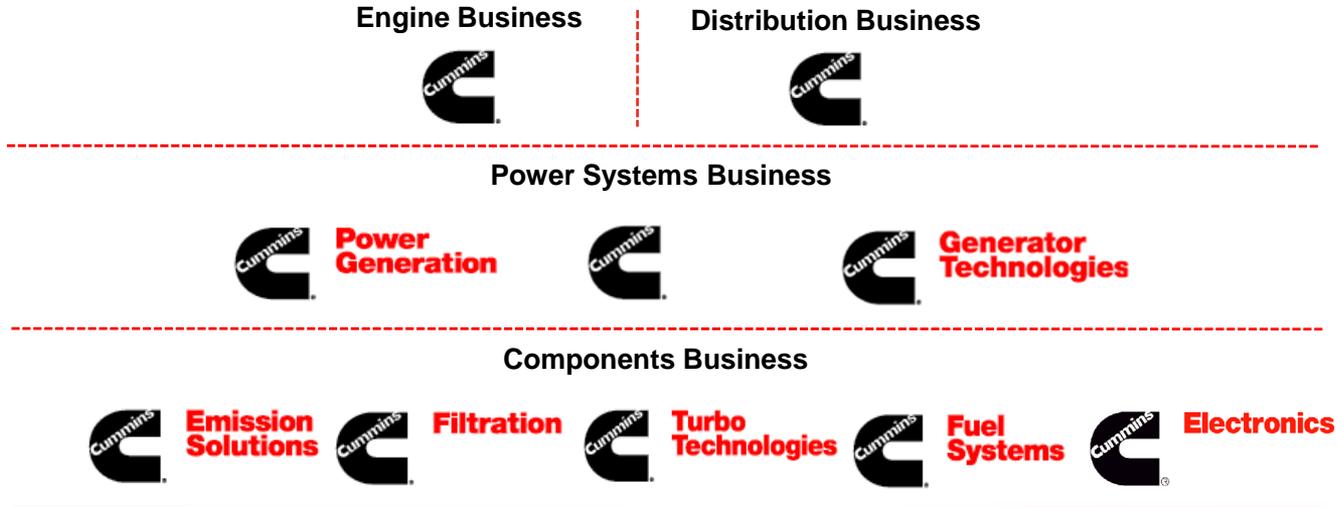
Cummins India Limited 55th Annual General Meeting

Anant J. Talaulicar

August 4, 2016



Cummins Inc.



1919 - Commenced in Columbus, Indiana

54,600 employees

Capex and R&D: \$1.5B

Cummins Business Services

Operations in 190 Countries

90 manufacturing locations

600 distributor locations
7,200 dealer locations

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

Cummins Business Model



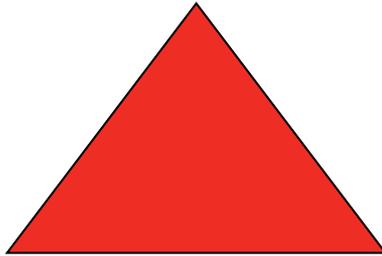
- Guiding Principles - Vision, Mission, Core Values, Personality
- Cummins Operating System (COS):
 - Ten Common Practices
 - Functional Excellence Framework (FE Statements, Measures, Processes, Tools, People Development)
 - Common Business Processes (Strategy, Performance Management/People Development,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



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
- Diversity
- Global Involvement
- Corporate Responsibility

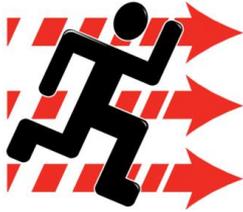
Mission:

- 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)



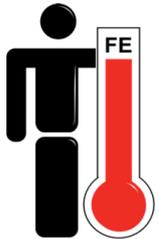
Design quality in every step of the process



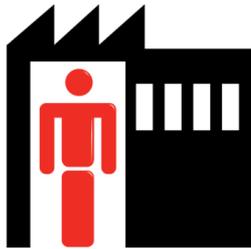
Involve people and promote teamwork



Ensure equipment and tools are available and capable



Create functional excellence



Establish the right environment



Treat preferred suppliers as partners

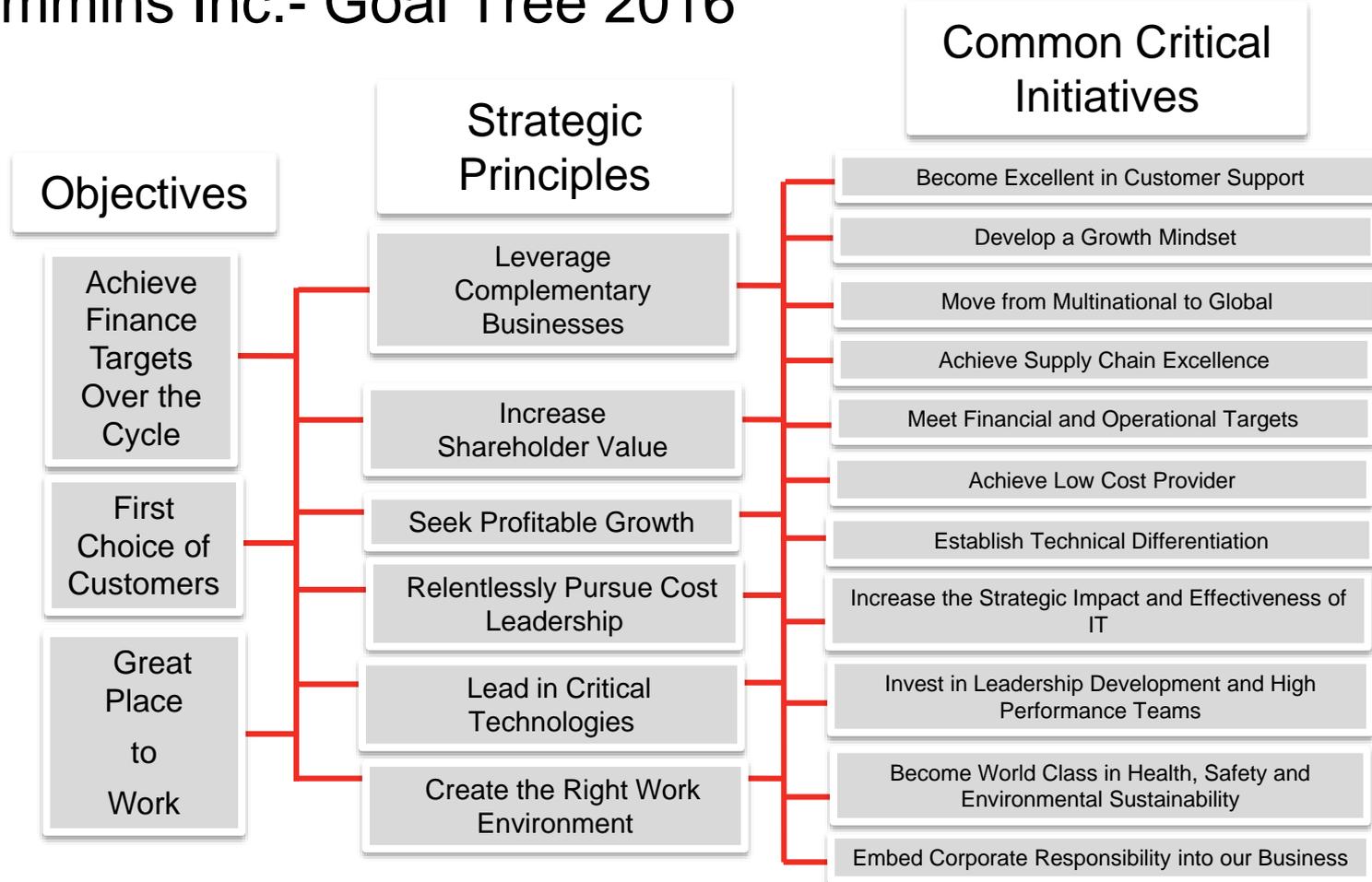


Follow common problem solving techniques



Use Six Sigma as the primary process improvement method

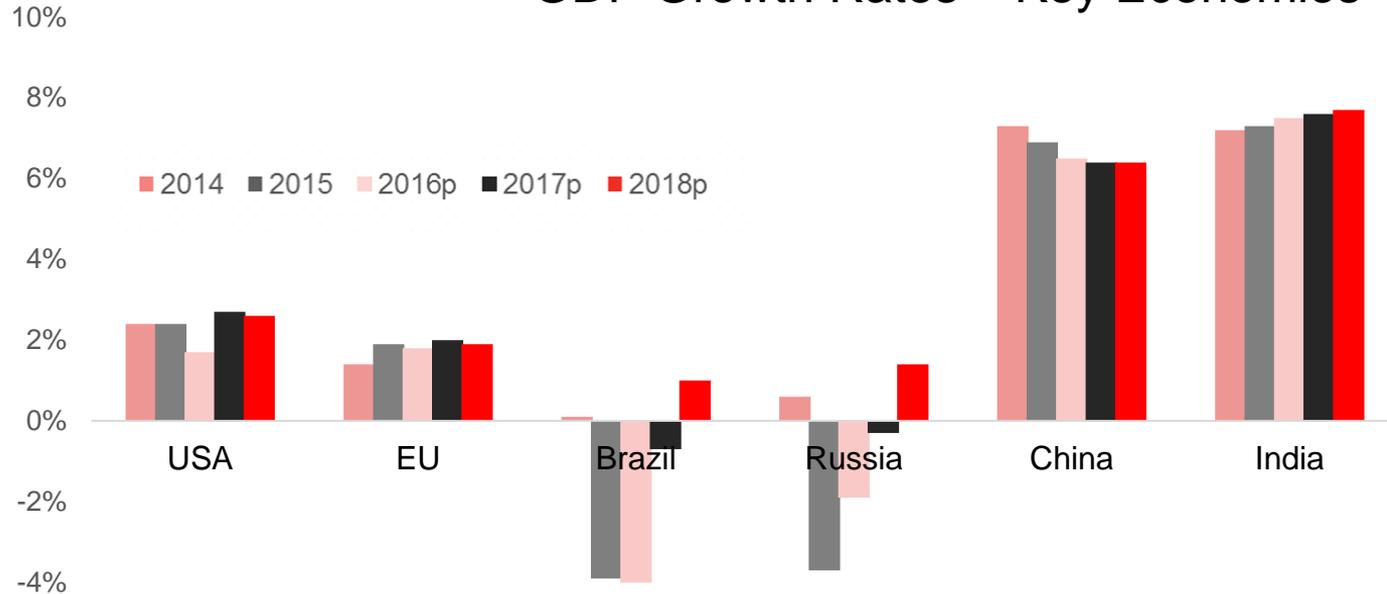
Cummins Inc.- Goal Tree 2016





External Environment – Continues to be Challenging

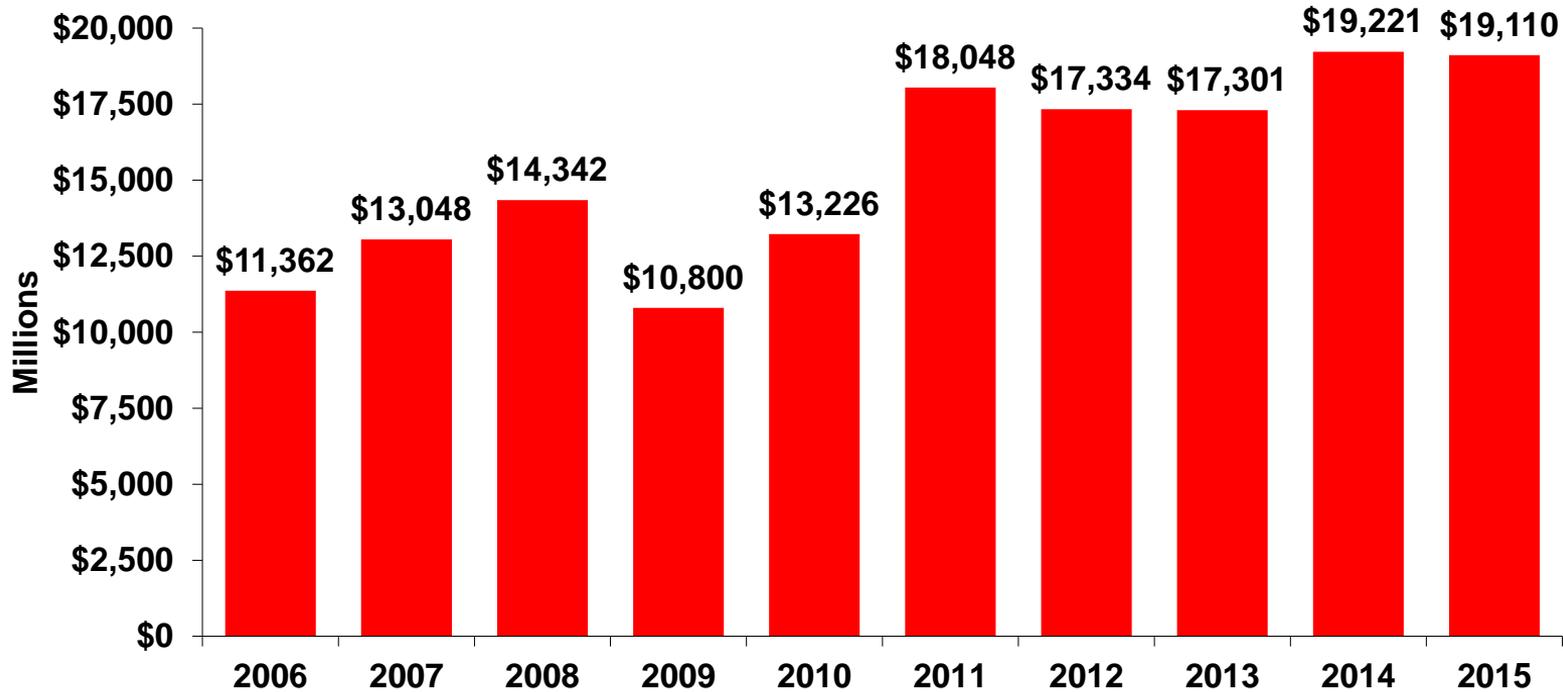
GDP Growth Rates – Key Economies



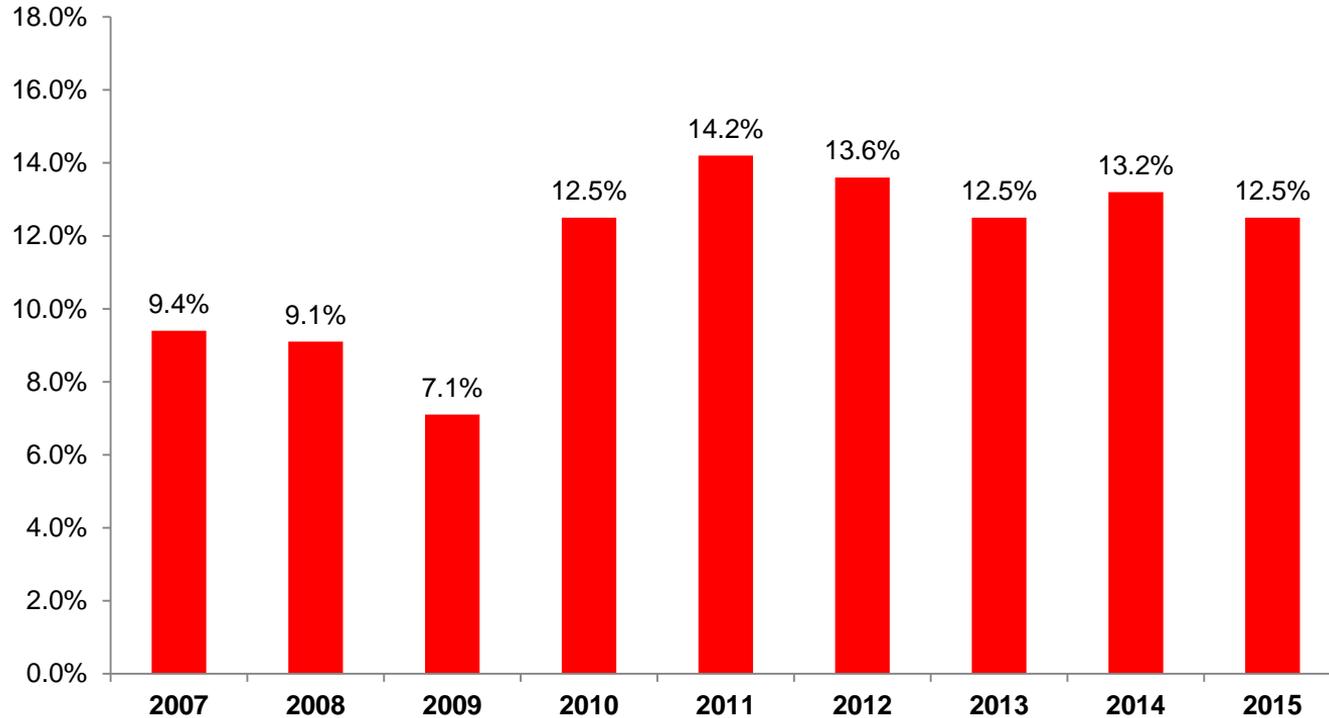
Source: IHS projections, May 2016

India: on Fiscal year basis

Cummins Inc. Revenues



Cummins Inc. EBIT%



Note: All numbers exclude special items (restructuring 2008, 2009, 2012 and 2015 and LDD impairment)

India Organization Snapshot



Cummins in India

Entities :

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

Business Units :

- Engine
 - On-Highway
 - Off-Highway
- Power Systems
 - High Horsepower Engines
 - Generators
 - Alternators
- Components
 - Filtration
 - Emission Solutions
 - Turbo
 - Fuel Systems
 - Electronics
- Distribution (1 PDC/ 5 Zonal Offices / 21 Area Offices / 212 Dealer sites, 1 company owned dealership)
 - Lubricants

Shared Services: CBS / CTCI / GAC / CSCO / Internal Audit

Cummins in India

- In India since 1962
- 7 companies (including 3 JVs)
- Over 10,000 employees
- INR 1.6B combined sales

Engine Business (32-500 HP)

On-Highway, Construction,
Compressors, Defense

Power Systems (600-3500HP)

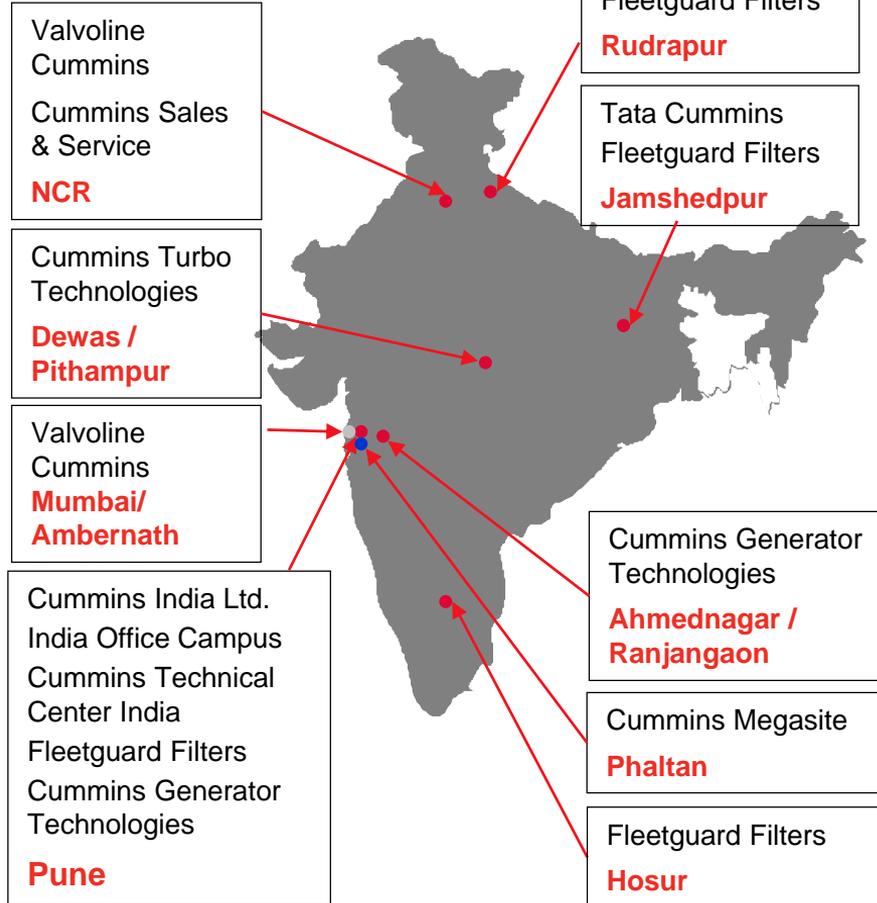
Mining, Pumps, Marine,
Rail, Oil & Gas, Power Generation
(7.5-3000 kVA), Energy
Management, Captive Power
Plants, Alternators

Components & Consumables

Filtration, Turbochargers, Emission
Solutions, Electronics, Fuel
Systems, Lubricants

Services

Engines, Gensets, R&D, Sourcing,
Finance, HR, GAC





Strategic Leadership Team



Anant Talaulicar

Chairman and Managing Director – India ABO



Sandeep Sinha
Chief Operating
Officer



Rajiv Batra
Finance &
Facilities



Open Position
Chief
Information
Officer



**Ashish
Aggarwal**
Government
Relations



Shveta Arya
Strategy &
Chief of Staff



**Qureish
Shipchandler**
Internal
Audit



Vikas Thapa
Human
Resources



**Venkat
Ramana**
Legal & Secretarial



Operating Leadership Team



Sandeep Sinha
Chief Operating Officer – India ABO



Ashwath Ram
Engine
Business



Mandar Deo
HHP Business
and Power
Systems
Operations



Amit Kumar
Power
Generation M&S,
CGT Business,
GAC



**Bhavana
Bindra**
Distribution
Business



Anjali Pandey
Components
Business & CTT



**Niranjan
Kirloskar**
Fleetguard
Filters



**Sandeep
Kalia**
Valvoline
Cummins



**Paul
Sowerby**
CTCI / CRTI /
Engineering



**Jayeeta
Lakhani**
Sales &
Marketing



**Aditi
Sharma**
Quality

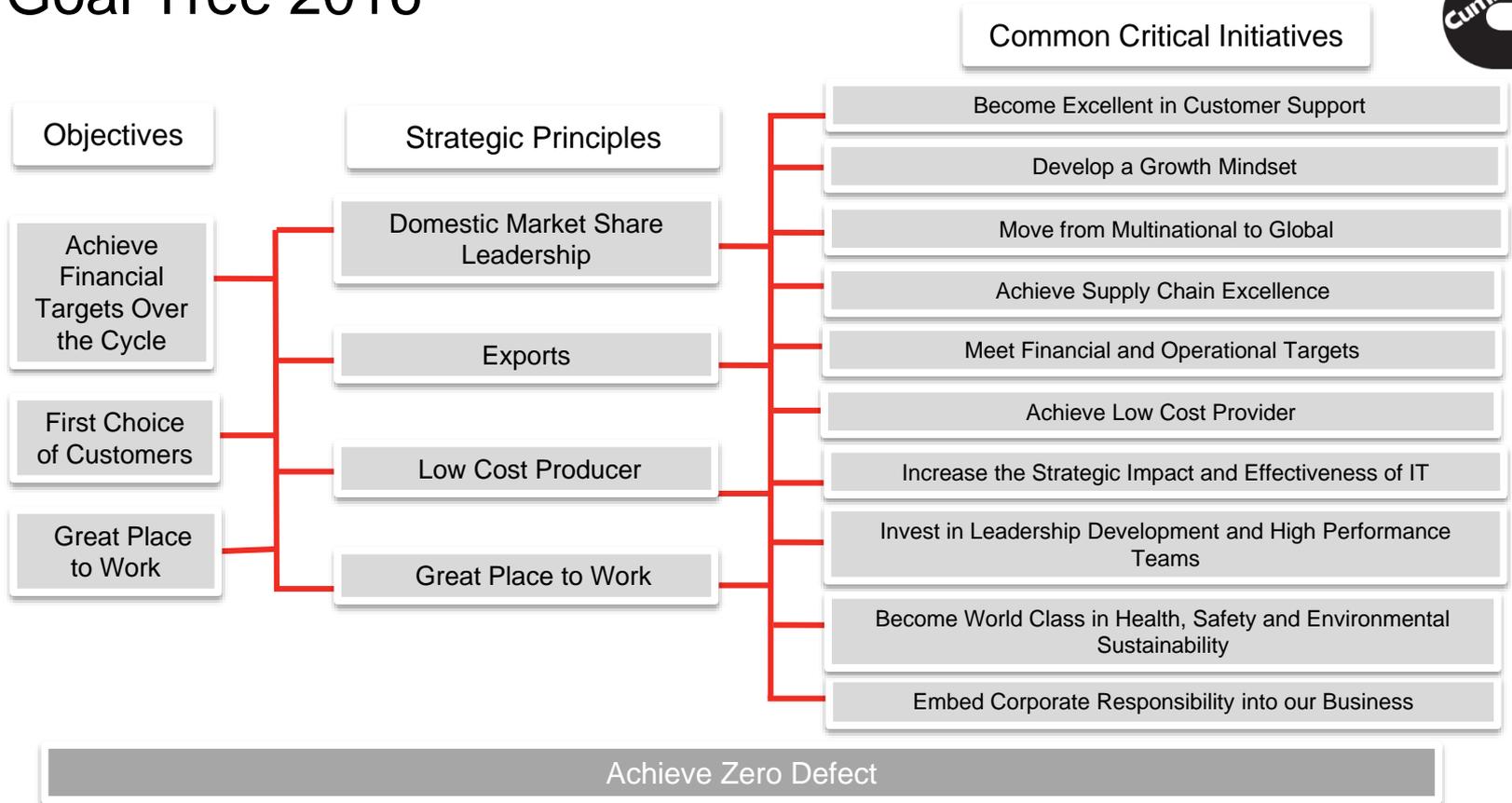


**Manoj
Solanki**
Central Supply
Chain
Operations



**Babu
Nagarajan**
Cummins
Business
Services and
Interim IT

Goal Tree 2016



Five Philosophies
for our Facilities





Cummins India Limited – Year 2015-16

- Sales and profits
 - Net Sales : ₹ 4,603 crores
 - PBT : ₹ 906 crores
 - PBT% : 19.7%

- Dividend at 700% (last year : 700%)

- Investments for growth
 - India Technical Center in Pune
 - India Office Building in Pune
 - Training Centers in Phaltan

Cummins India Limited - Financial Performance 2015-16



₹ Cr	2015-16	2014-15	% L/Y
Net Sales	4,603	4,321	7%
Operating Income	121	85	43%
%	2.6%	2.0%	0.7%
Raw Material Cost	2,959	2,707	9%
%	64.3%	62.6%	-1.7%
Employee Cost	421	391	8%
%	9.1%	9.1%	-0.1%
Depreciation	81	80	2%
%	1.8%	1.8%	0.1%
Other Expenses	584	576	1%
%	12.7%	13.3%	0.7%
Operating Profit	679	652	4%
%	14.8%	15.1%	-0.3%
Other Income	228	287	-20%
%	5.0%	6.6%	-1.7%
PBIT	907	939	-3%
%	19.7%	21.7%	-2.0%
Interest	1	1	-32%
PBT	906	937	-3%
%	19.7%	21.7%	-2.0%
PAT	752	786	-4.3%

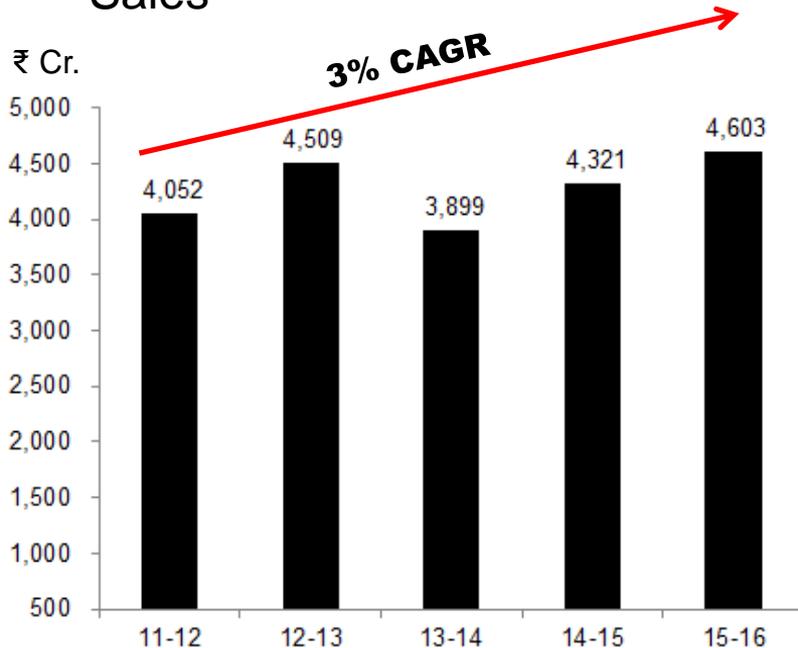
Key Notes:

1. Raw material cost: Impacted by adverse mix and E&O provision
2. Other Income: Sale of KPIT shares in 2014-15 (₹ 83 Crore)

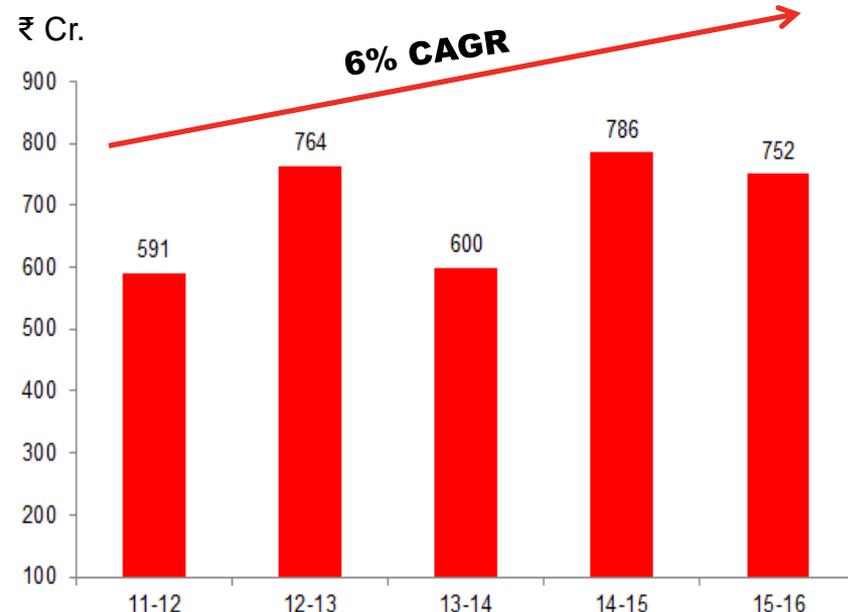
Cummins India Limited - Sales and Profit After Tax (PAT) – Last 5 years



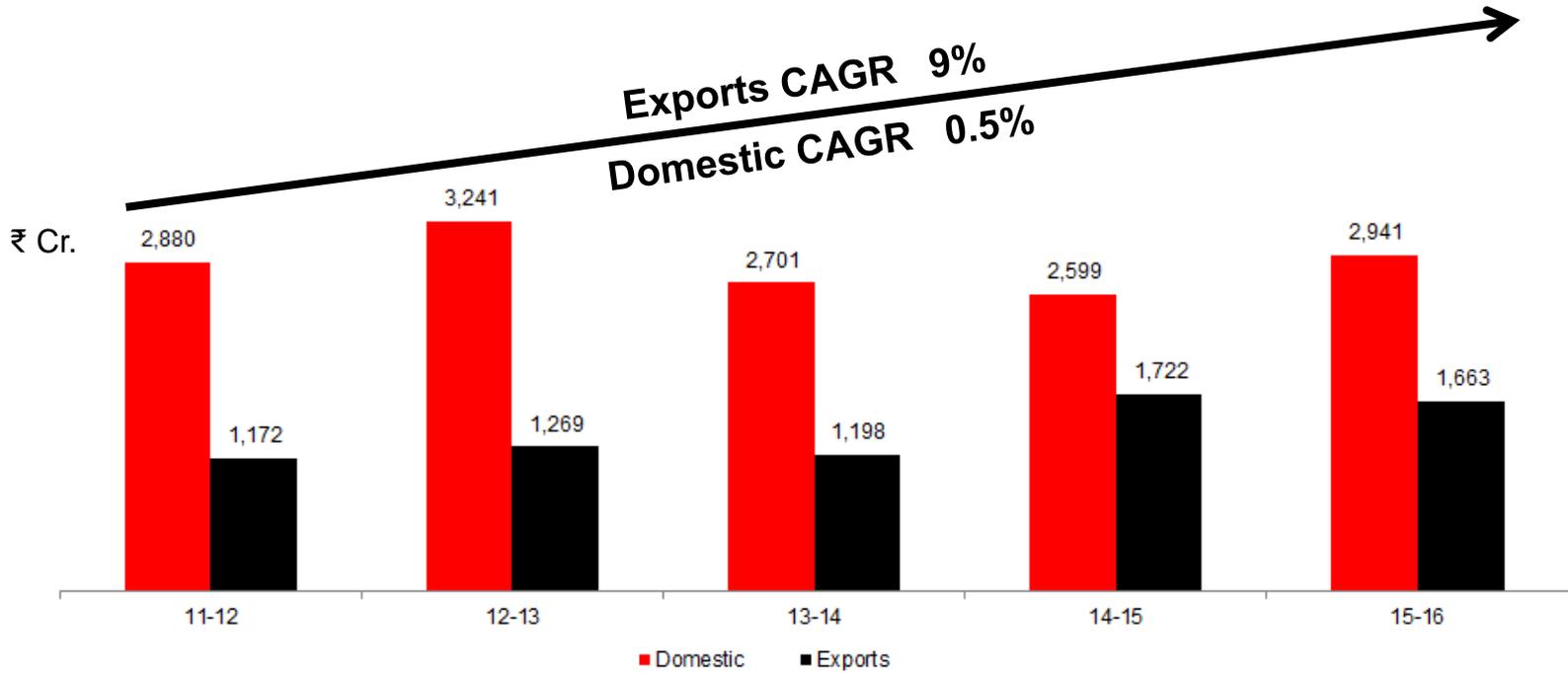
Sales



PAT



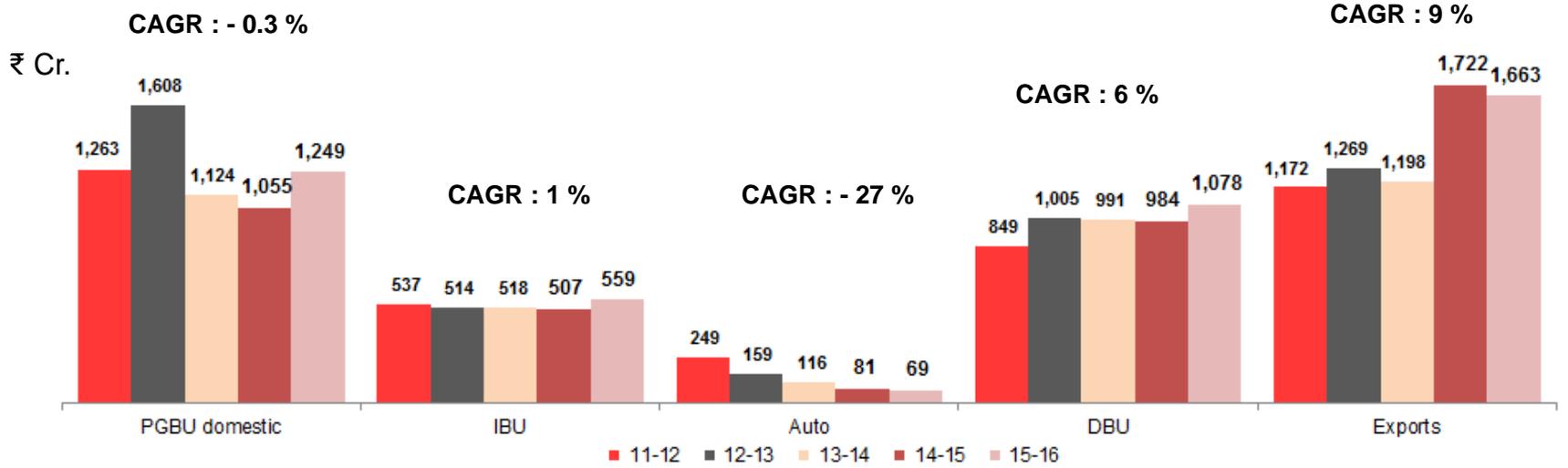
Cummins India Limited - Sales: Domestic & Exports





Cummins India Limited - Sales: By Business Units

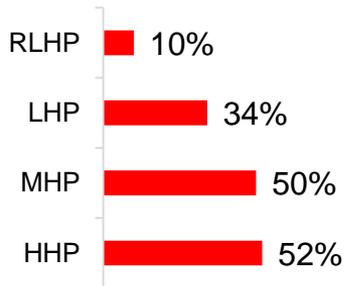
Overall CAGR 3%



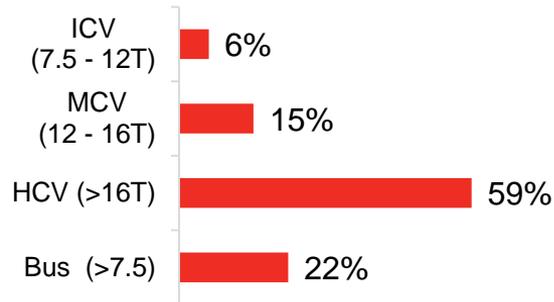


Cummins India Limited - 2015 Estimated Market Share

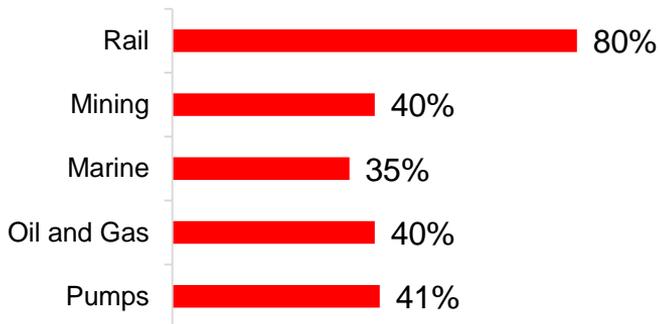
Power Generation*1



On-Highway*1



Industrial*2

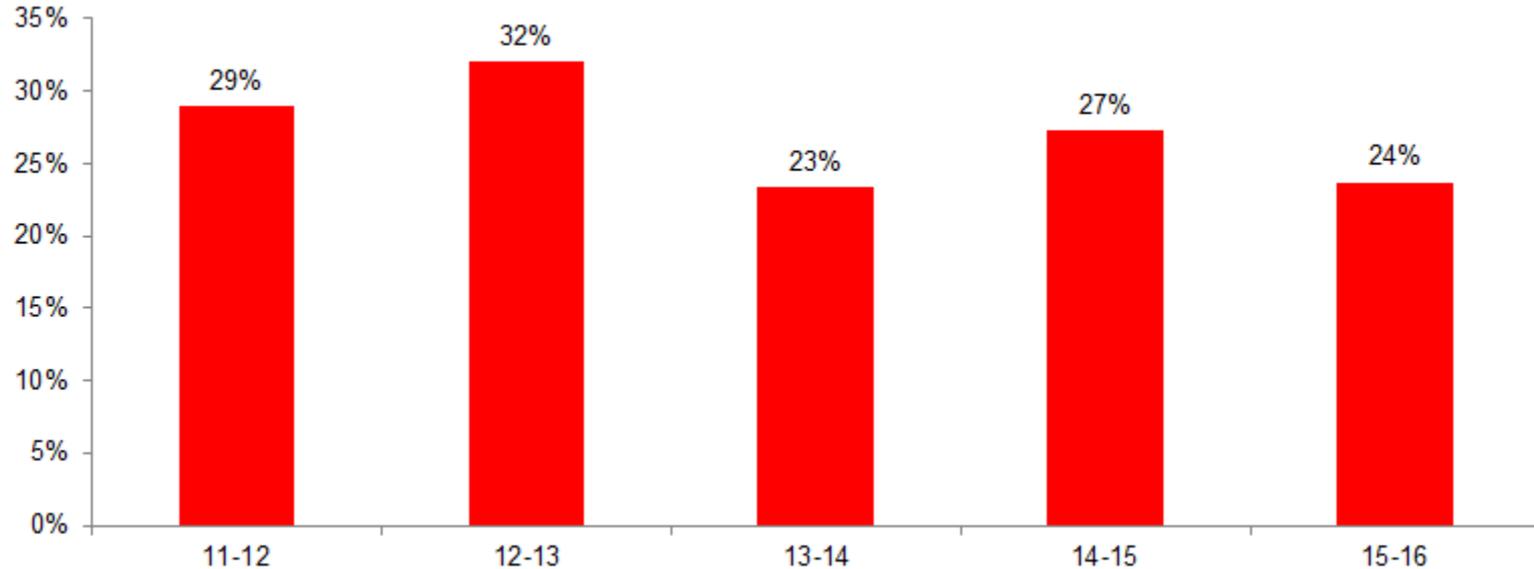


Off-Highway*2



Note: *1By Volumes *2By Value

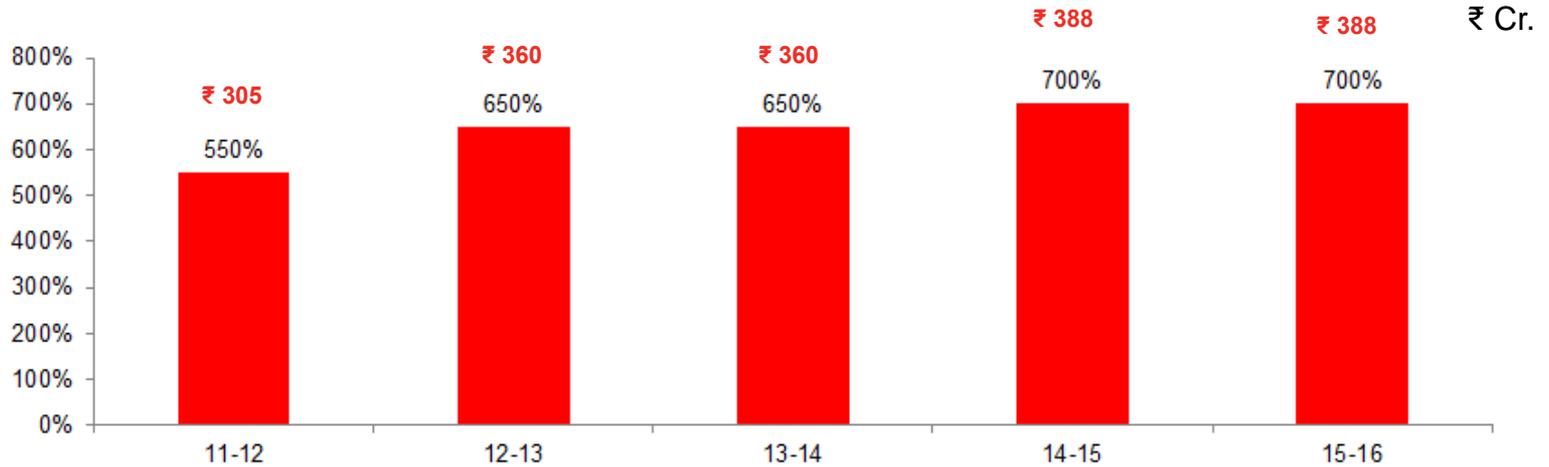
Cummins India Limited - Strong ROE Performance Despite Stepped Up Investments



* 2014-15 ROE higher by 3% due to sale of KPIT share (₹ 83 Cr)



Dividend Trend

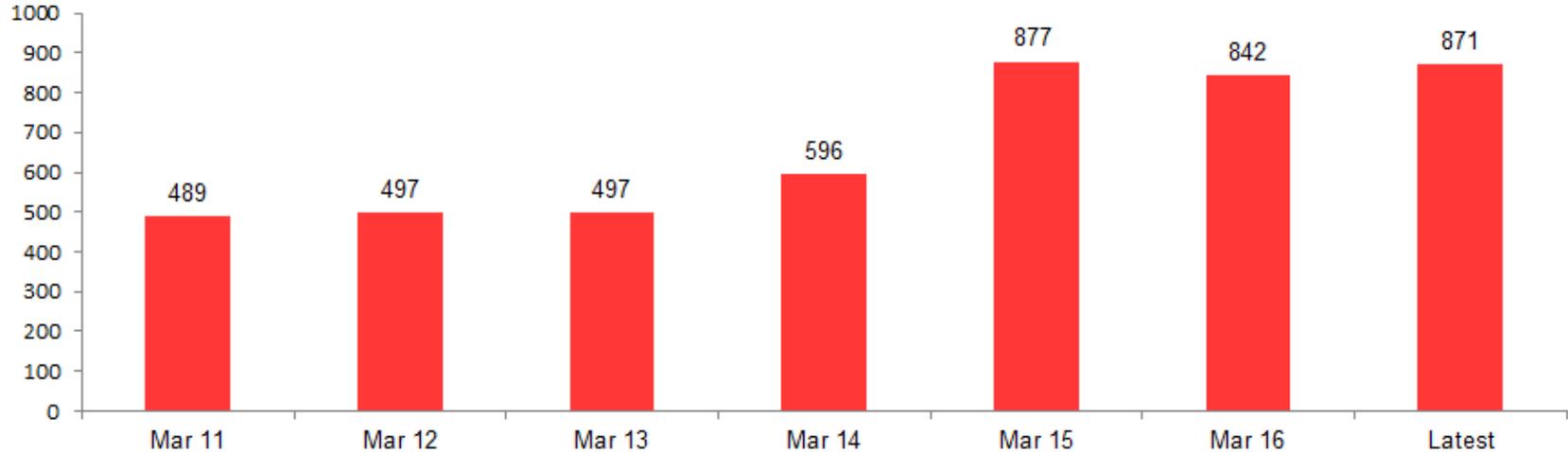


Face value of share: ₹ 2.0 since Year 2000

FY 15-16

- 250% Interim Dividend
- 450% Proposed Final Dividend

Cummins India Limited - Share Price Appreciation

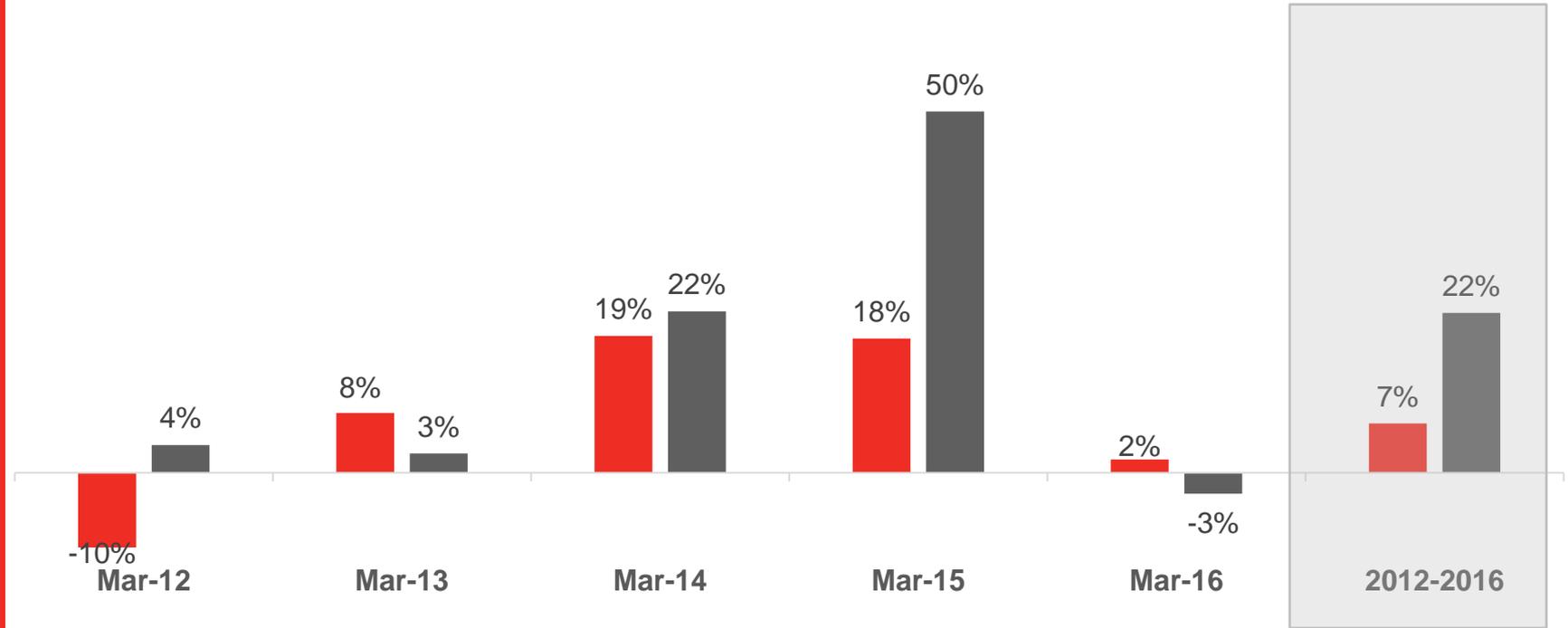


Face value of share: ₹ 2.0 since Year 2000



Cummins India Limited - Shareholder Return (Last 5 Years)

■ Sensex ■ CIL



2012-16 CIL Shareholder return calculated as change in share price adjusted for bonus and return on dividend reinvestment (annualized)

Source : BSE India website



Cummins India Limited – Strongly Positioned

■ **Strong balance sheet**

– Debt to capital



Zero Debt

– Cash & Equivalents #



₹ 425 Cr

■ **13.2% domestic growth in '15 – '16**

■ **Returned value to shareholders**

– Total Shareholder Return (5 Yrs*)



22%

– 700% Dividend (2015-16)



₹ 388 Cr

Includes Cash & Bank balances and Investments.

* Annualised

Building on Key Capabilities for Long-Term Growth



Strong Partnerships with all Stakeholders

Technology Leadership

Manufacturing Scale

Customer Support

Right Environment

Strong Partnerships with all Stakeholders

Towards Customers, Suppliers, Environment



■ Customers

- Competitive, fit-for-market products (e.g. - QSK50, L Mechanical) for key segments - rail, power generation and others

■ Suppliers

- Quality improvement programs such as AMaZe and Six Sigma
- Strengthened supply base with Total Value Performance strategy
- Assisting suppliers to export components to Cummins worldwide locations

■ Environment

- Reduced waste disposal by 15% and GHG emissions by 20%
- Achieved waste recycling rate of 95%
- All plants comply with Environment Management System (EMS) 14001 standards



Strong Partnerships with all Stakeholders

Towards Communities – Increased Commitment

Higher Education

Vikas Thapa

Women Education and Employability

Paul Sowerby

Education Assistance to Socially and Economically Weaker Sections

Qureish Shipchandler

Vocational Education

Bhavana Bindra

Energy and Environment

Rajiv Batra

Renewable Energy

Rajiv Batra

Indoor Air Pollution

G K Sharma

Outdoor Pollution (Air and Water)

Bhavana Bindra

Solid Waste Management

K V Ramana

Water Neutrality

Babu Nagarajan and Hardik Shah

Aforestation

Mandar Deo

Local Infrastructure and Social Justice

Sandeep Sinha

Rural Development Projects

Ashwath Ram

NGO Development

Manish Gulati and Qureish Shipchandler

PwD (People with Disabilities)

Amit K

Women Entrepreneur Development in socially weaker sections

Aditi Sharma and Manoj Solanki

active
employee
participation





Strong Partnerships with all Stakeholders

Towards Communities

Energy and Environment

- Harvested ~ 6,500 million gallons of water for the city
- Planted and maintained 35,000 trees
- Prevented ~20,000 MT carbon from entering the atmosphere
- Coached 7 lakh students through Coach Them Young

Higher Education

- Entered 25th year of our association with CCEW
 - Obtained academic autonomy status by the UGC
 - ~ 7,700 women engineers graduated since inception
- Rolled out Technical Education for Communities (TEC) program at second site in Kolhapur (after Phaltan)
- Awarded Scholarships to 155 students

Local Infrastructure and Social Justice

- Identified 12 additional villages for transformation
 - Constructed 7 check dams, created 4 ponds, desilted 1.9 kms and harvested 59 million gallons of water
 - Health survey in 3 villages, health camps in 3 villages
 - Upgraded schools in 11 villages, 3 schools obtained ISO Certification

Recognition

- Of the 14 projects submitted from India for the Cummins Inc. Environmental Challenge 2015, 11 projects were recognized from amongst the many projects received from across the globe.
- In the Economic Times survey of the top 200 corporates practicing Corporate Social Responsibility in India, Cummins edged its way up from 29th position in 2014 to 16th in 2015.



Technology Leadership



- Expanding technological capabilities with the establishment of the Cummins Technical Center India
- New product launches - QSK50 rail, L Mechanical generator set, ISBe 5.9 BS IV engine with SCR for commercial vehicles
- Commenced work on Telematics

Manufacturing Scale



- Increased generator set exports from the Megasite (SEZ)
- Expanded India Parts Distribution Center Operations
- Evolved our Supply Chain Organization
- Continued leveraging cost reduction programs
 - Accelerated Cost of Efficiency (annualized savings ~ ₹234 crores)
 - Total Cost of Ownership for Indirect Materials and Services (savings ~ ₹18 crores)
- Started exporting connecting rods from Kothrud Engine Plant

Customer Support Excellence



- Established world class training infrastructure at the Megasite
 - Technical Training Center for Service Technicians
 - ABO Training Center for Professionals
- Acquired Cummins Svam Sales and Service in Noida
- Upgraded Cummins Dealership Operating System (CDOS)
- Piloted standardized sales process at five dealership locations
- Introduced service vans
- Added new initiatives: Success Obstacle System and Customer Connect Program

Great Place To Work



A workplace based on the principles of

'Ethics/ Treatment / Common Processes / Policies / Health and Wellness'

Employee Engagement Model





Fostering the 'Right Environment'

“Cummins is committed to fostering a physically and psychologically safe, integrity based, respectful, inclusive, high performance culture that breaks down hierarchies and organizational boundaries, and engaging the full talents of our diverse employees to delight all our stakeholders (employees, customers, partners, shareholders, suppliers, communities) consistently.”



Right Environment

■ Leadership Development

- Five critical skills, Five additional for Senior Leaders
- Global Leadership Development Program
- Leadership Conversation Sessions
- Partnerships for Sponsored Education in management studies and technical programs (Kelley School of Business, S.P. Jain, IIM-A, ARAI-VIT). Added Manufacturing and Industrial Engineering streams to the existing Electronics and Engine Technology streams.
- 'Visionary Leadership for Manufacturing' Program in partnership with CII
- Continued focus on Six Sigma
- Growth Opportunities
 - Fresh hires (Engineers, CAs, MBAs & M.Techs) : 251
 - Rotations across functions and businesses : 227



Right Environment

■ Safety

- All plants comply with Occupational Health and Safety Assessment Series (OHSAS) 18001
- Reduced Safety Incident Rate (IR) for employees and contractors to a historical low
- Introduced 'Live It Lead It' program
- Training offered on two-wheeler defensive driving
- Opened the Cummins Residential Campus at the Megasite

■ Health

- Health and Wellness Program : Dedicated health care centers across our locations, Healthy Living Module, Health Program extended to employees' families, 'Birth and Beyond' and anemia eradication for women, ideal weight drive and employee assistance program (EAP), National Pension Scheme (NPS),



Right Environment

- Reinforcing Right Behaviors

- Cummins Environment and You Training Program and Right Environment Every Time Module
- Cummins Code of Business Conduct, Treatment of Others and Sexual Harassment Policies
- Ethics Committee
- Internal Complaints Committee

- Diversity & Inclusion

- Women constitute 30% of professional employees
- Broadening our scope of Diversity to include LGBT and other minority groups

Cummins India Limited : Sales Breakdown



₹ Cr	Q1 16-17	Q1 15-16	% LY	Q4 15-16	% L/Q
Domestic					
PGBU	328	342	-4%	292	12%
IBU	167	125	34%	151	10%
Auto	27	17	52%	23	15%
DBU	261	243	7%	232	12%
Others	34	19	76%	14	152%
Total Domestic *	816	746	9%	712	15%
Exports	413	532	-22%	322	28%
Total	1,228	1,278	-4%	1,034	19%

* Total sales are net of intercompany eliminations.

Financial Performance: Q1 16-17



₹ Cr	Q1 16-17	Q1 15-16	% L/Y	Q4 15-16	% L/Q
Net Sales	1,228	1,278	-4%	1,034	19%
Operating Income	31	32	-4%	27	12%
%	2.5%	2.5%	0.0%	2.6%	-0.1%
Raw Material Cost	803	830	-3%	655	23%
%	65.4%	64.9%	-0.4%	63.3%	-2.1%
Employee Cost	104	100	5%	101	4%
%	8.5%	7.8%	-0.7%	9.7%	1.2%
Depreciation	21	20	1%	21	0%
%	1.7%	1.6%	-0.1%	2.0%	0.3%
Other Expenses	146	159	-8%	129	13%
%	11.9%	12.4%	0.6%	12.5%	0.6%
Operating Profit	185	201	-8%	157	18%
%	15.1%	15.7%	-0.6%	15.2%	-0.1%
Other Income	42	60	-30%	51	-19%
%	3.4%	4.7%	-1.3%	5.0%	-1.6%
PBIT	227	261	-13%	208	9%
%	18.5%	20.4%	-1.9%	20.1%	-1.6%
Interest	2	2	-11%	2	-11%
PBT	225	258	-13%	206	9%
%	18.3%	20.2%	-1.9%	19.9%	-1.6%
PAT	181	211	-14%	167	8%

Q1 and Q4 15-16 Reinstated as per Ind AS

Macro Trends and Our Capabilities Will Drive Profitable Growth



Macro Trends

Growing Middle Class & and Favorable Demographics

Emissions & Fuel Economy Regulations

Infrastructure Development

Globalization

Key Capabilities

Technology Leadership

Local Manufacturing Scale

Strong Partnerships

Strong Customer Support Network

Diverse Talent & Leadership



Outlook and Conclusion

- Well positioned to leverage the emerging domestic opportunities and global revival when it comes

- We remain steadfast on :
 - Guiding Principles (Vision, Mission, Values, Personality)
 - Cummins Operating System
 - Objectives, Strategies, Initiatives
 - Inclusiveness Based Performance Ethic
 - Brand Promise of Dependability

- Grateful for your unstinting support

Thank you!



Five Leadership Skills



Coach and Develop

Foster Open Communication

Diversity Management

Talent Management

Think Strategically / Set The Aim

[BACK](#)

Five Additional Senior Leadership Skills



Safety

Authenticity & Trust

Constructive Conflict

Alignment

Individual & Collective
Accountability

[BACK](#)