



CUMMINS INDIA LTD. – UPDATE

February, 2014



CIL ANALYST MEET – AGENDA

**Making People's Lives Better
By Unleashing the Power of Cummins**

CIL Analyst Meet

February 11th, 2014

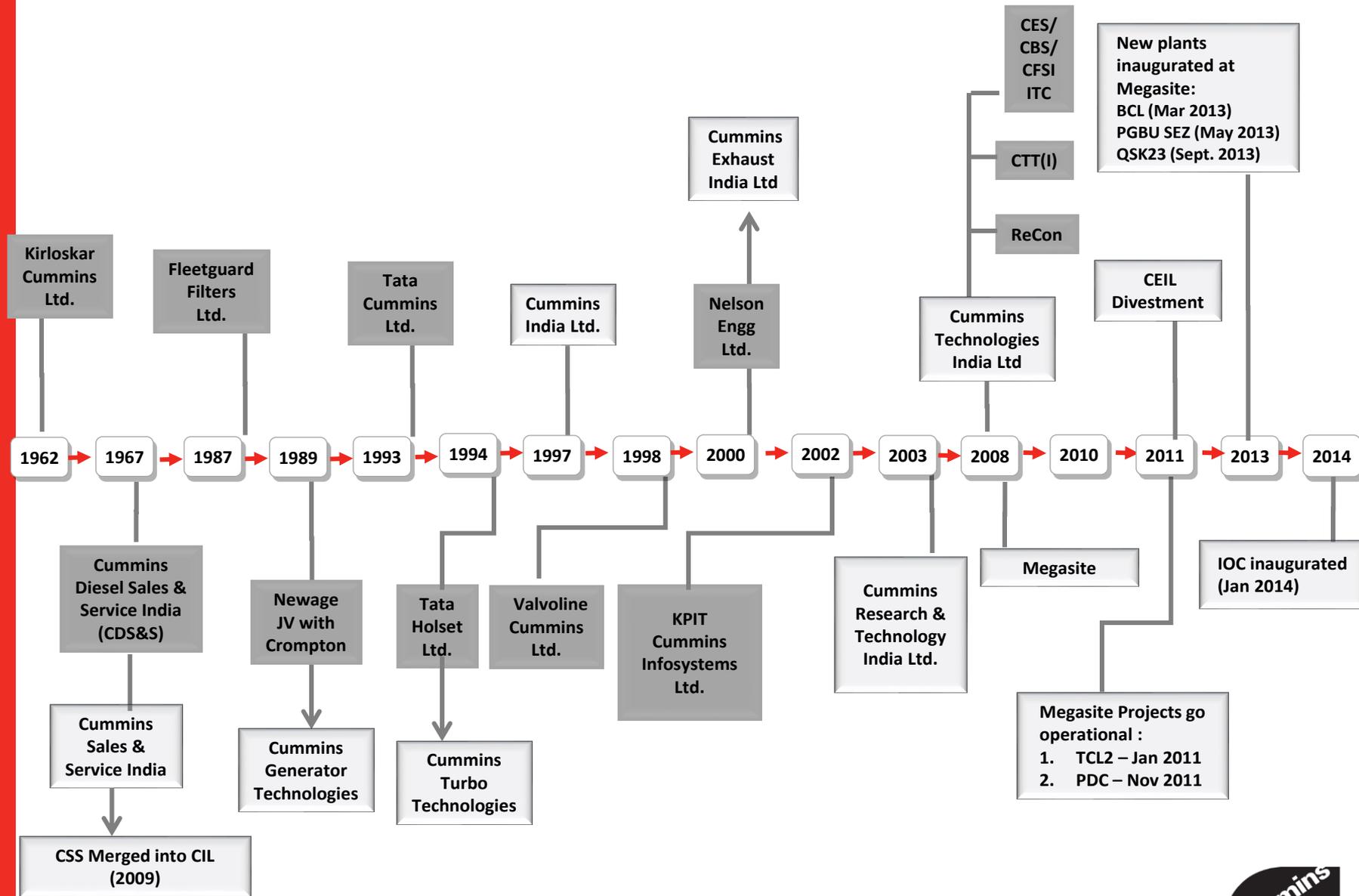
Location: IOC Board Room



Starting	Ending	Duration	Major Topics	Lead
11:00	11:15	0:15	Opening Address and CIL overview	Rajiv Batra & Mahesh Narang
11:15	12:00	0:45	CIL Business update : PGBU IEBU DBU	Amit K Sandeep Sinha Madan Patil
12:00	1:00	13:00	Q & A	



CUMMINS IN INDIA - SINCE 1962



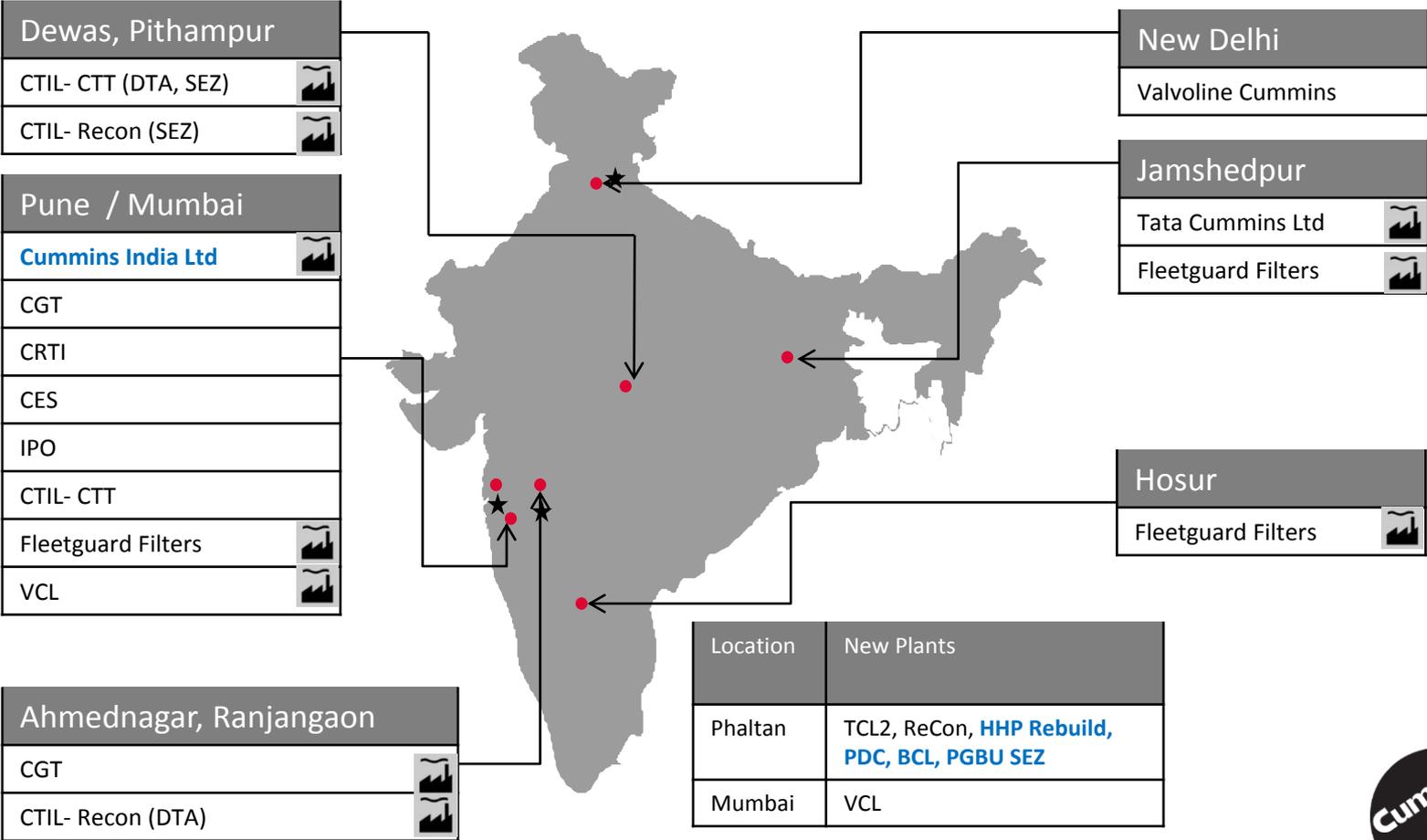
CUMMINS IN INDIA

8 Legal Entities (4 JVs)

Over 15,000 employees

\$1.7B 2013 sales

★ - New Plants
 - Factory



STRATEGIC LEADERSHIP TEAM



Anant Talaulicar

President – Components Group and
Managing Director – India ABO



Mahesh Narang
Chief Operating
Officer



Rajiv Batra
Finance &
Strategy



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 India



Ashwath Ram
Tata Cummins
Operations



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



Manoj Solanki
Purchasing



Sandeep Kalia
Valvoline Cummins



Niranjn Kirloskar
Fleetguard Filters



ORGANIZATION STRUCTURE

Cummins in India

Entities :

1. Cummins India Ltd. (CIL)
2. Cummins Technologies India Ltd. (CTIL)
3. Cummins Research & Technology India Ltd. (CRTI)
4. Cummins Generator Technologies India Ltd. (CGT)
5. Tata Cummins Ltd. (TCL)
6. Fleetguard Filters Pvt. Ltd. (FFPL)
7. Valvoline Cummins Ltd. (VCL)
8. Cummins SVAM Sales & Services Ltd. (Cummins SVAM)

Business Units:

- Engine Business
 - Automotive
 - Industrial
 - ReCon
- Power Generation Business
 - Generators
 - Alternators
- Component Businesses
 - Filtration
 - Emission Solutions
 - Fuel Systems
 - Turbo
- Distribution Business (1 PDC/ 5 Zonal Offices / 21 Area Offices / 212 Dealer sites)
 - Lubricants

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



CUMMINS INDIA LTD.

- ✓ Established in 1962, 51% subsidiary of Cummins Inc.
- ✓ Manufactures a variety of engines operating on diesel, natural gas and dual fuel
- ✓ Provides innovative solutions across Industrial, Power Generation and Automotive applications
- ✓ Manufactures over 50,000 engines p.a.
- ✓ Amongst India's largest exporters of Engg. Products
- ✓ 5 plants : Kothrud, Pirangut, PDC & BCL upfit plant at Phaltan and PGBU-SEZ



Kothrud, Pune



Pirangut



BCL upfit, Phaltan



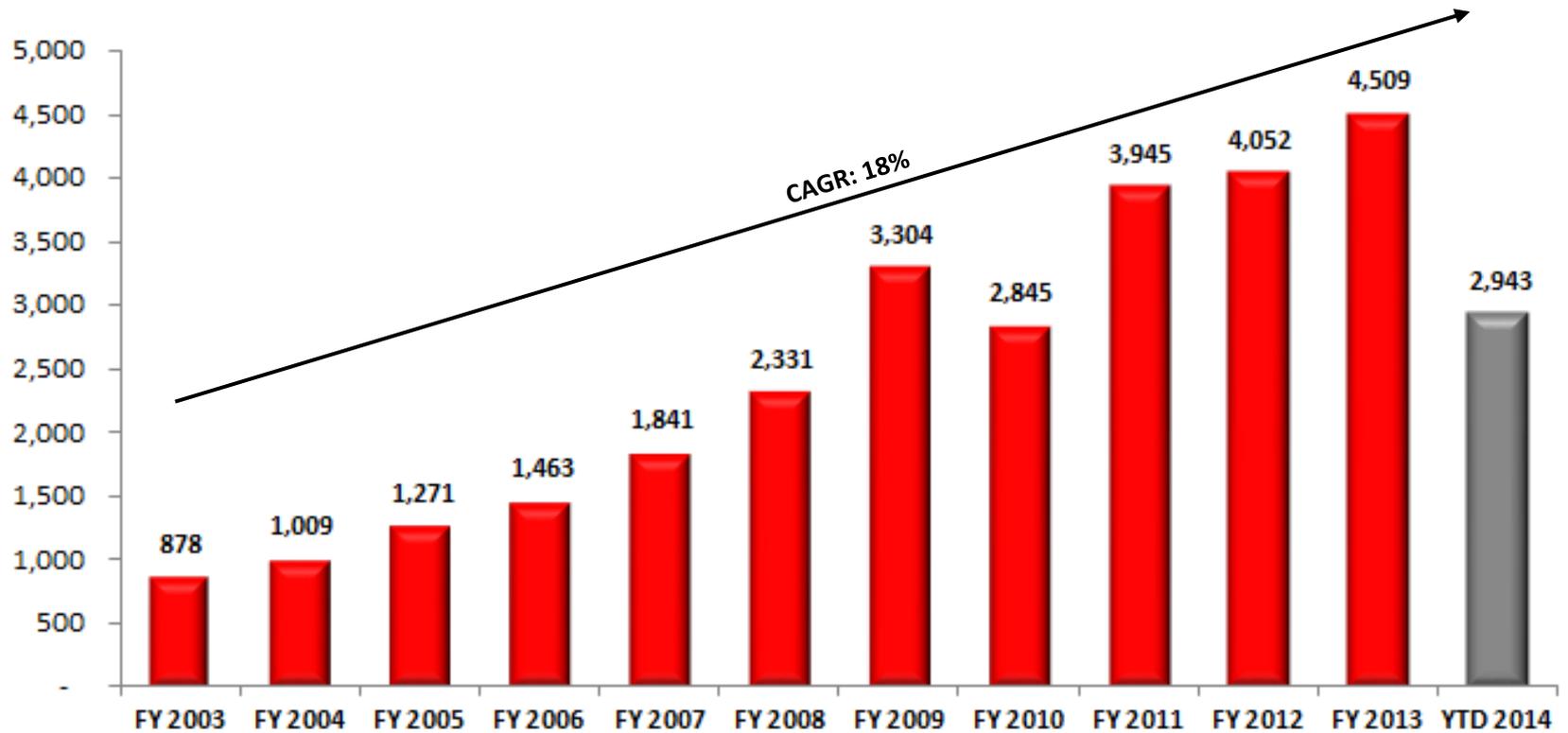
PGBU SEZ, Phaltan



PDC, Phaltan

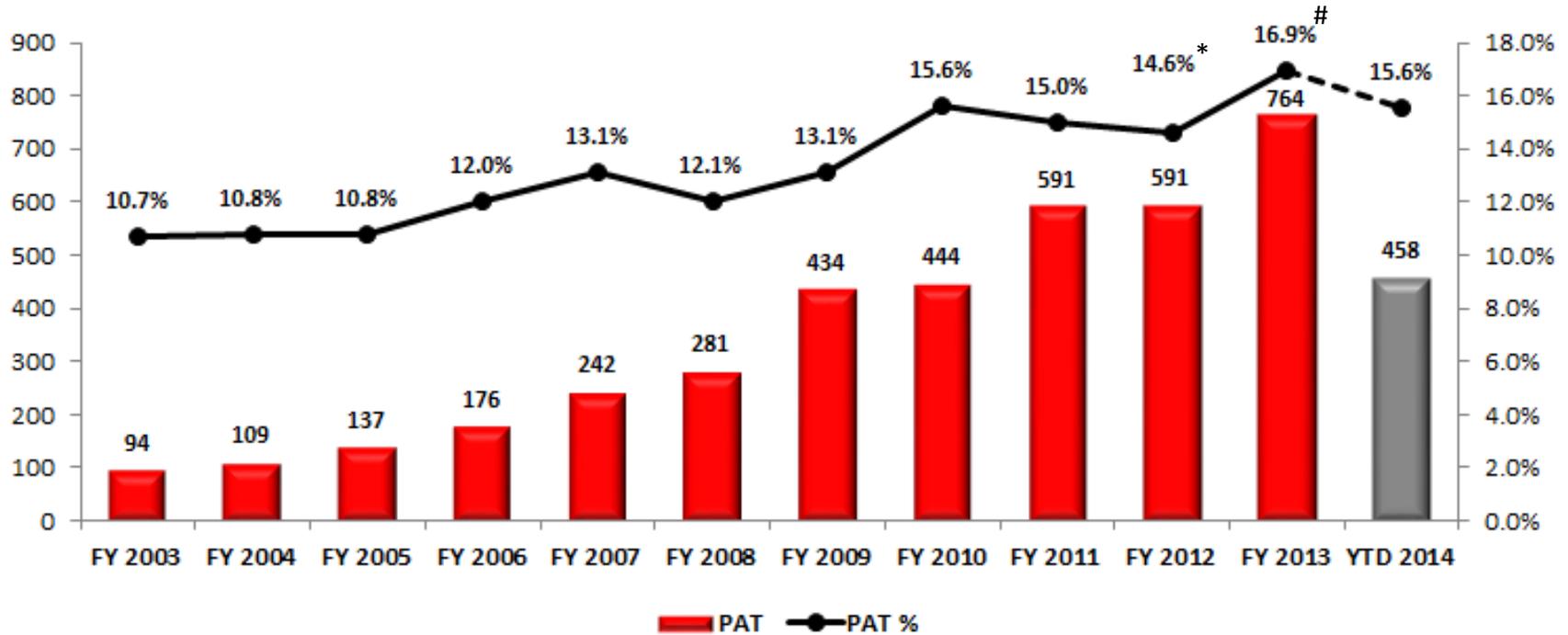
SALES TREND

Sales in Rs. Crs



PAT TREND

PAT in Rs. Crs



Note :

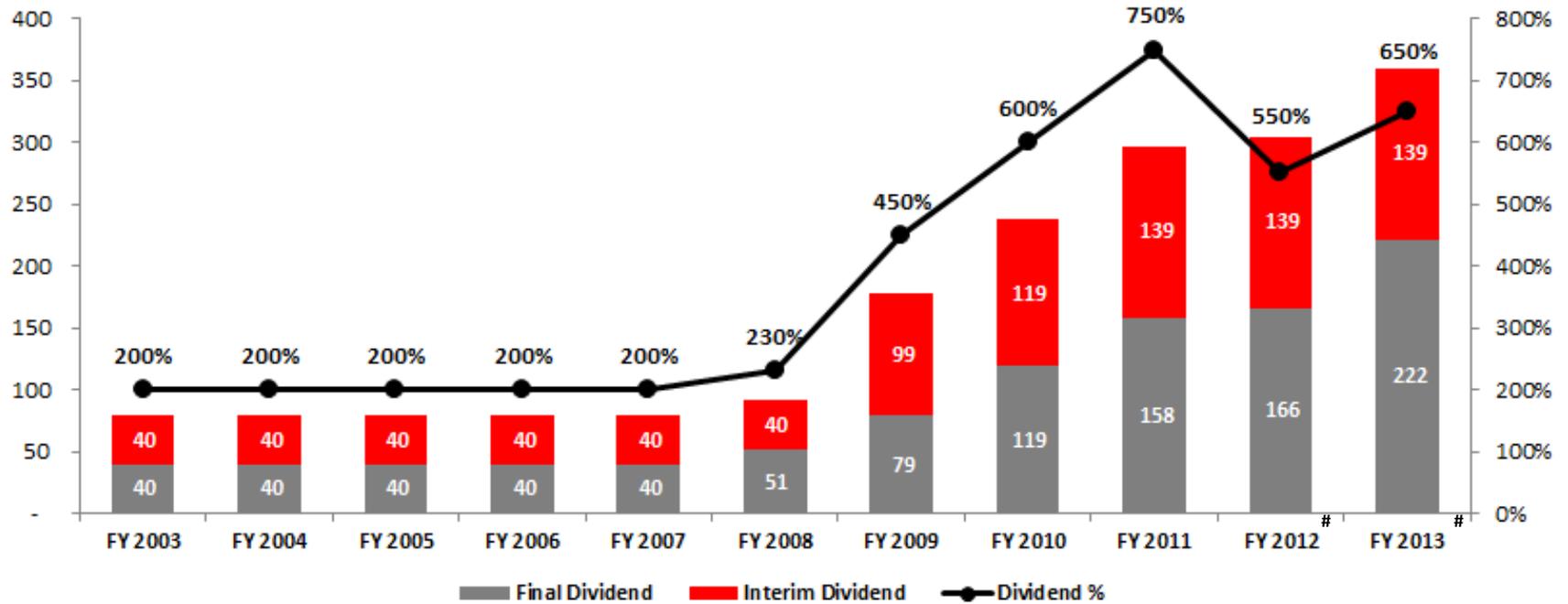
* Extra-ordinary gain of Rs. 51 Cr for CEIL divestment (1.3%)

Extra-ordinary gain of Rs. 62 Cr on sales of KPIT shares (1.4%)



DIVIDEND TREND

Rs. Crs



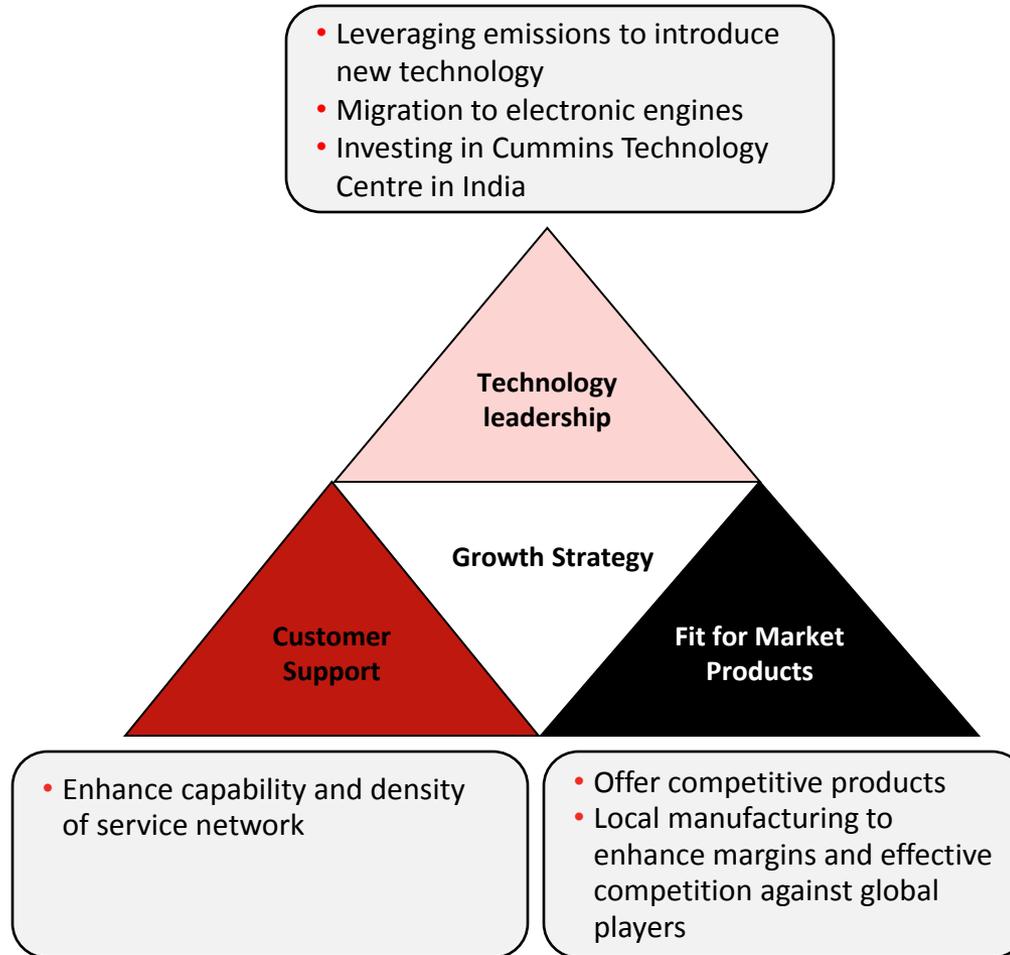
For FY 2014, interim dividend of 250% declared in the board meeting held on 04th Feb, 2014.

* Dividend before Dividend distribution tax

Dividend post bonus issue



CIL STRATEGY



POWERGEN BUSINESS UPDATE

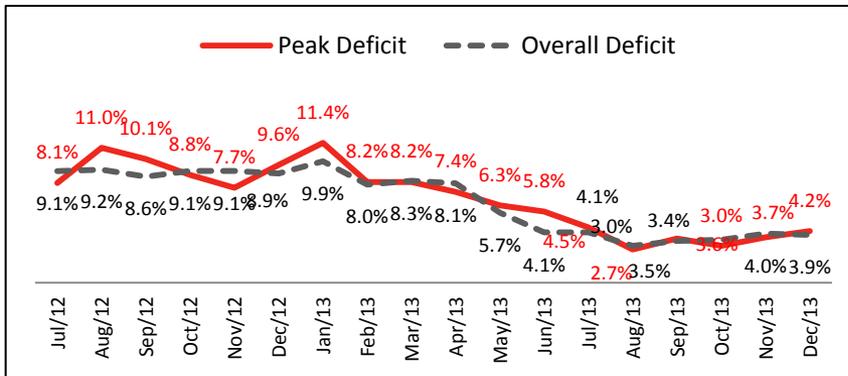


POWER GEN MARKET DRIVERS

Market Drivers

- Long term Investment in infrastructure
- Unreliable utility power & unstable grid supply
- High T&D losses and dismal financial state of DISCOMS
- High portion of grid backed up with gensets
- Fuel supply problems – Coal, Gas, Hydro power
- Emission regulations
- Lack of other credible back up power

Slow Down in Power Demand Growth



Region	Power (MW)				Deficit (%)	
	PEAK Demand		PEAK Met		Dec'12	
	Dec'12	Dec'13	Dec'12	Dec'13		
Northern	37830	40812	34743	37900	-8.2	-7.1
Western	39475	41335	37246	40304	-5.6	-2.5
Southern	35792	34816	29012	33541	-18.9	-3.7
Eastern	13806	13814	13056	13604	-5.4	-1.5
North East	1948	2009	1853	1890	-4.9	-5.9
All India	128851	132786	115910	127239	-10	-4.2

Impact Key Segments on Genset Market

Segment	Comments	Trend vs. 12
Realty	Monetary tightening – delay in project delivery	↓
Process Industry	No plans for capacity addition – FICCI survey	↓
Engineering	de-growing for the past 7 months – IIP	↓
Infrastructure	Macro and Govt. Policy factors – slowdown in execution	↓
Services	Sluggish 6 months- HSBC PMI	↓
Textile	Rising input costs and high finance costs weighed upon margins	↓

Key Regional Performance

Positive Growth States & Trend	Negative Growth States & Trend
Haryana	Tamil Nadu
West Bengal	NCR
East U.P.	A.P.



APPROACH TO CPCB2



Key Strategic differentiators	
Fit for Market product architecture	<ul style="list-style-type: none"> • Mechanical Fuel system preferred • Fuel Economy • 500 hours oil change interval
TCO reduction	<ul style="list-style-type: none"> • Foot Print reduction, improved power density • Down stream aggregate cost reduction • Improved service interval
Key Opportunities	
Improve price base line for India	<ul style="list-style-type: none"> • ~20% price increase on gensets

PGBU SEZ



Plot Area : 36 Acres
Plant Area : 10,800 Sq. mts
Product families: LHP Gen-sets & G-Drive
Key Customers : LHP Gensets Export

Rationale for the project:

- Leverage India's low cost status & create hub for LHP export gensets
- Proximity to TCL plants for LHP engines helping reduce logistics costs
- Megaspote SEZ incentives to continue for next 15 years

Shipment started in July 2013

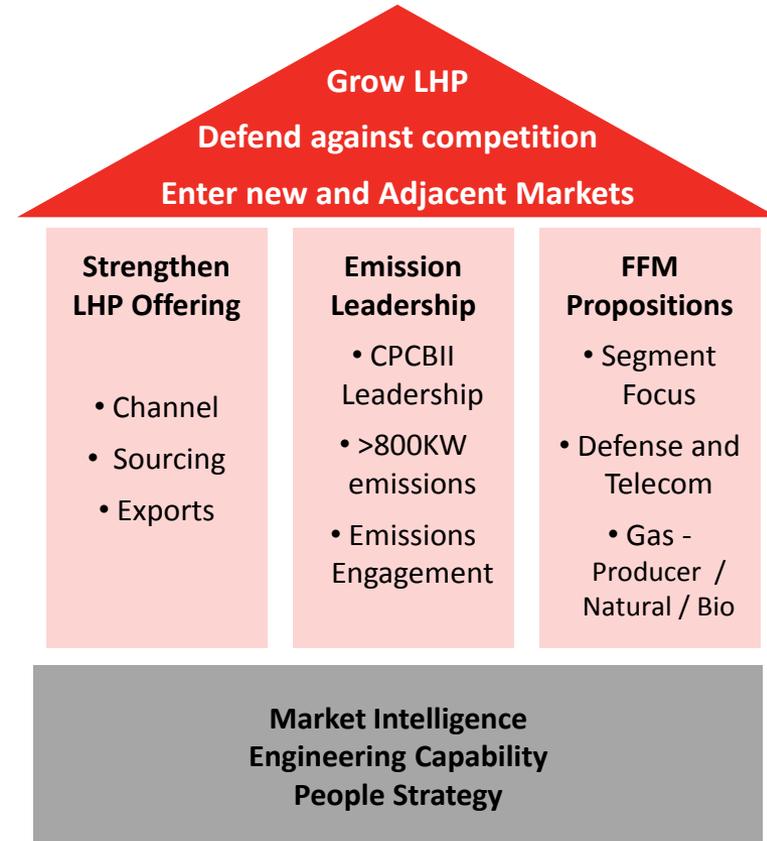
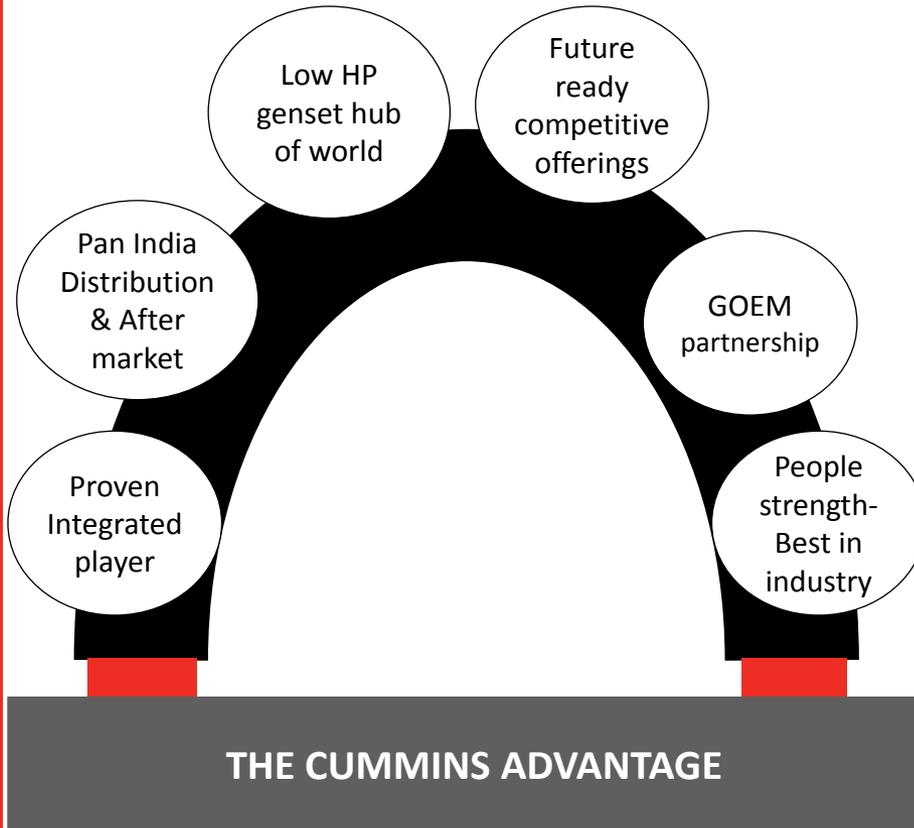
2013 New Product Launches

- Urja Product Range Extension- Added 140-175 kVA range
- CAG – Rental Application
- Gensets for telecom market globally

2014 New Product Launches

- Clone Product Range Extension- upto 330 kVA range
- CAG – Mobile Genset

LONG TERM PROSPECTS



INDUSTRIAL BUSINESS UPDATE



IEBU STRATEGY STATEMENT

Provide our OEMs & end users, a complete value package with a full range of emission engines segments and Consistent differentiated distributor customer support for Lowest cost of ownership

*Thereby, making peoples' lives better by **unleashing the Power of Cummins***



Dependable
Products



Dependable
Systems



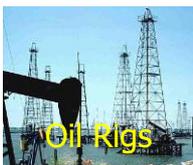
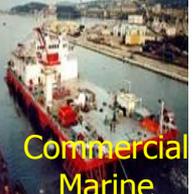
Dependable
Solutions



Dependable
People



IEBU MARKET – CUSTOMER SEGMENTATION

Mining	Construction & Compressors	Compact Construction	Marine	Rail	Oil & Gas	Power Gen G Drives	Parts
 <p>Dumpers</p>	 <p>Excavators</p>	 <p>Excavators</p>	 <p>Defence</p>	 <p>HHP DEMU</p>	 <p>Oil Rigs</p>		
 <p>Dozers</p>	 <p>Compressor</p>		 <p>Main Propulsion</p>	 <p>Power Car</p>	 <p>Gas Compression</p>		
 <p>Surface Miners</p>	 <p>Industrial & Fire Pumps</p>		 <p>Commercial Marine</p>	 <p>Shunting Loco</p>			

Market Drivers

Common Critical Drivers across markets are:

- Reliability
- Emissions
- Total cost of ownership
- Servicability

SEGMENT OUTLOOK



Construction:

2013

- **2013 remained under stress** due to high interest rates, high inflation, rise in input costs and sluggish investments due to muted demand.
- **OEMs are venturing into exports** to counter market slowdown conditions

2014

- **Sluggish demand** due to slowdown in infrastructure investment is **expected to continue** for another 2-3 quarters till infrastructure development picks up



Rail:

2013

- **Production constraints at ICF** for DEMU (bottleneck – traction alternator)
- **Delay in finalization of orders** of powercar by Indian Railways

2014

- Production expected for DEMU at BEML
- **Increased government spending** in Rail infrastructure and thrust on Safety



Compressor :

2013

- It is a cyclical market; **below normal 2012 monsoons** triggered the increased demand
- **Increasing customer demand for value package offerings**, faster payback to rig owners – higher productivity

2014

- Market **expected to go down** due to **cyclical nature** of the market



Mining:

2013

- High demand of 60 Tonne application resulted in higher sales & market share
- Coal India is expected to miss their FY13 target by 7Mn tons; though still registering a growth of 5% over FY12

2014

- **Recent environment clearances** expected to boost Coal Production by 40MT in FY15 & expected to propel equipment demand
- **Iron ore output set to rise 10%** in FY15, may cross 150MT

SEGMENT OUTLOOK

Marine:

2013

- Negative market outlook for marine due to macro economic indicators, Closure of shipyards due to poor financial conditions, devaluation of the Indian Rupee. & ban in mining activities. (Iron ore export- barge market)

2014

- The defense segment (Indian Navy/ Coast Guard) would remain stable due to major project execution plans
- Lift on ban in Mining activities, followed by Revival of Commercial Marine Barge & Tug market is expected in 2014.



Oil & Gas :

2013

- Overall market growth due to tender of drill rigs (BHEL/ ONGC 1000 rpm)

2014

- CGD market is expected to increase with the government announcing and increasing gas prices (lower demand from power sector), thereby facilitating availability of gas for CGD
- Drill rig market expected to be same as 2013

Pumps :

2013

- Large tenders requiring up-gradation of fire protection systems (Recommendations of MB Lal committee) in oil refinery depots at various locations in India.

2014

- Up-gradation of fire protection systems (Recommendations of MB Lal committee) in oil refinery depots at various locations in India, will continue to increase the demand of fire pumps.



Defense :

2013

- New projects executed with key OEMs on both wheeled and tracked equipment segments

2014

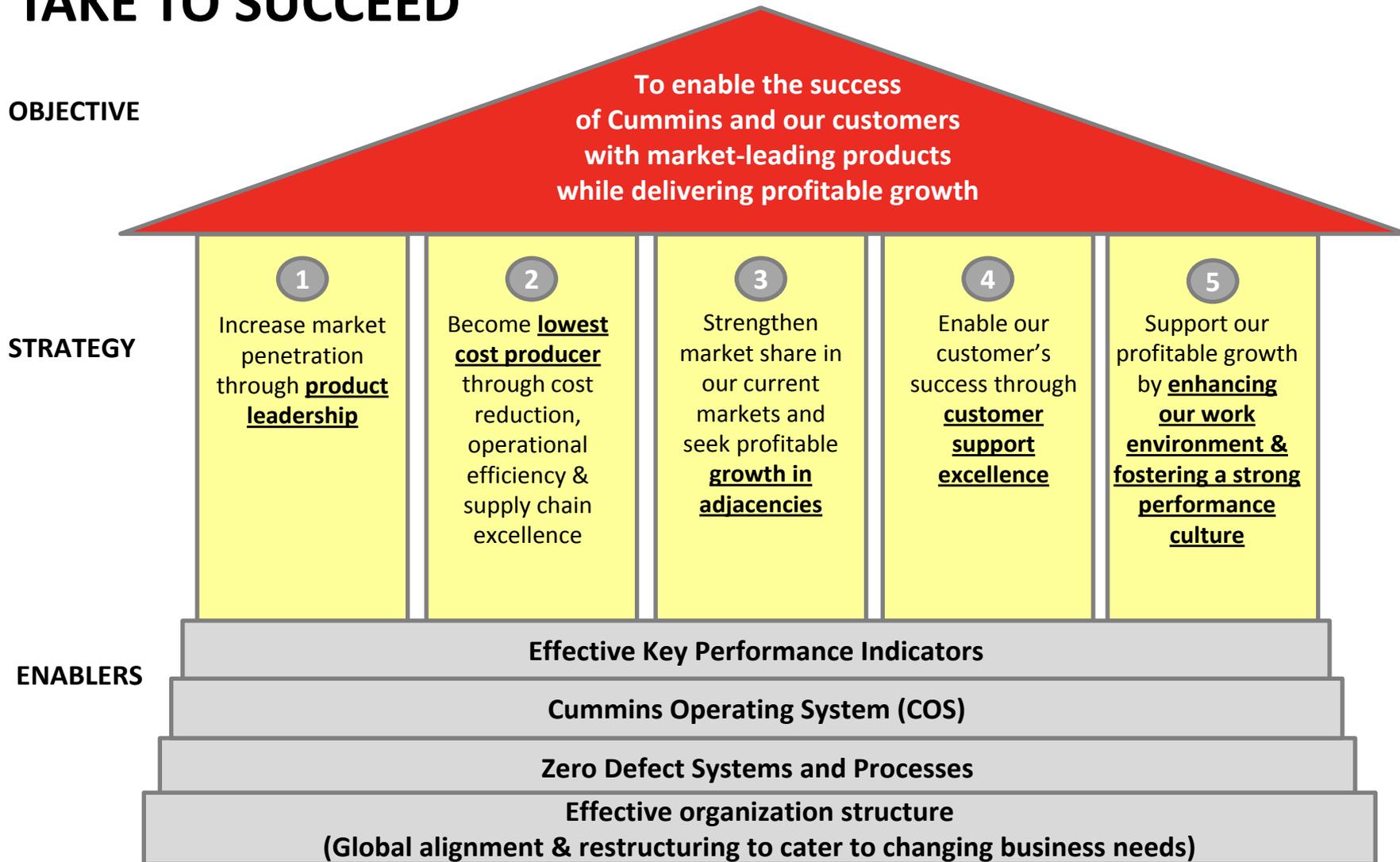
- With the increasing thrust on indigenization by MOD, long term demand of engines/ equipments is expected to grow



OUR CUSTOMERS



OUR OBJECTIVE, OUR STRATEGY & WHAT IT WILL TAKE TO SUCCEED

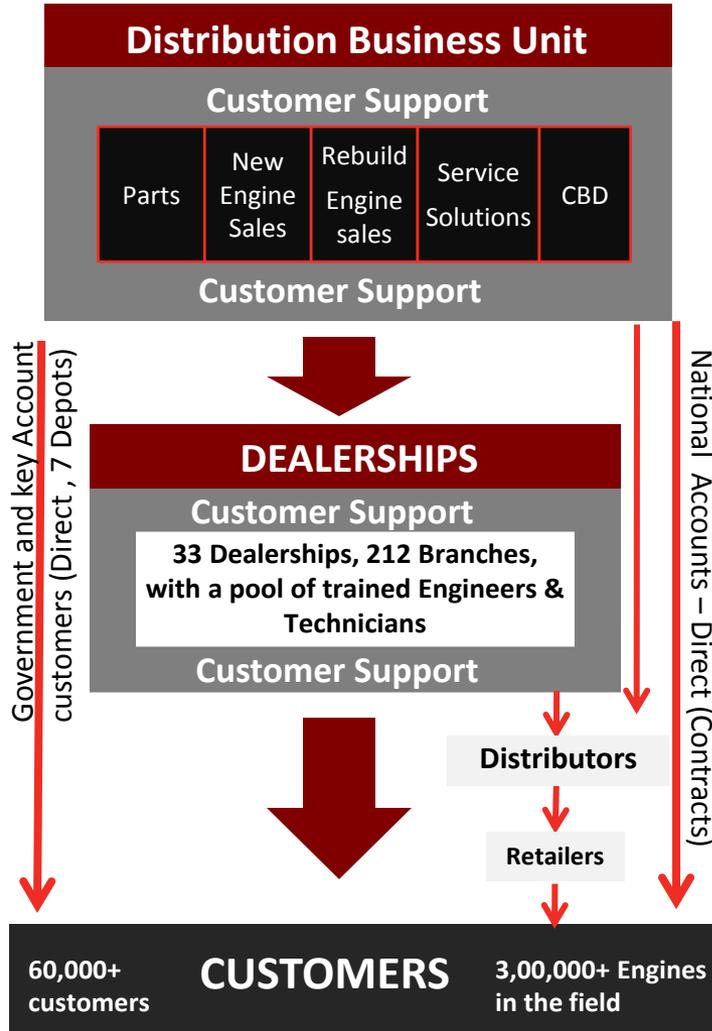


DISTRIBUTION BUSINESS UPDATE



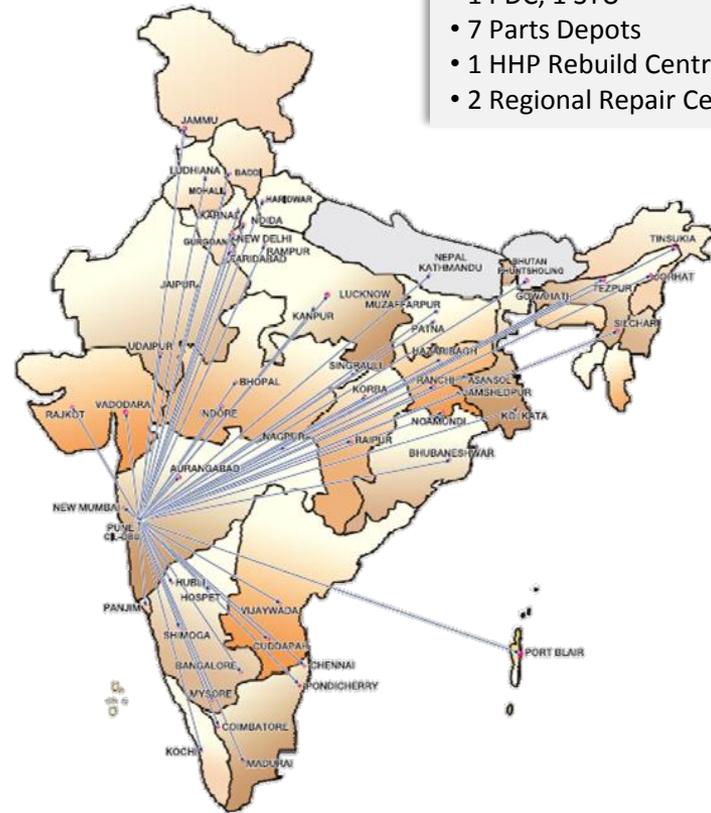
EXTENDING DEPENDABLE SERVICES TO CUSTOMERS ACROSS INDIA, NEPAL AND BHUTAN

Business Model



All India Footprint

- 4 Zonal Offices
- 19 Area Offices
- 1 PDC, 1 STU
- 7 Parts Depots
- 1 HHP Rebuild Centre
- 2 Regional Repair Centers



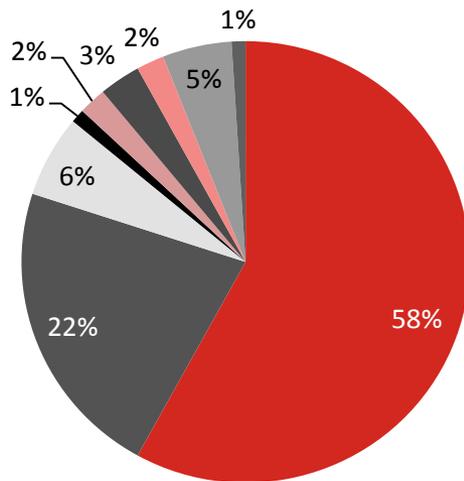
>3,500 Engineers & Technicians on field



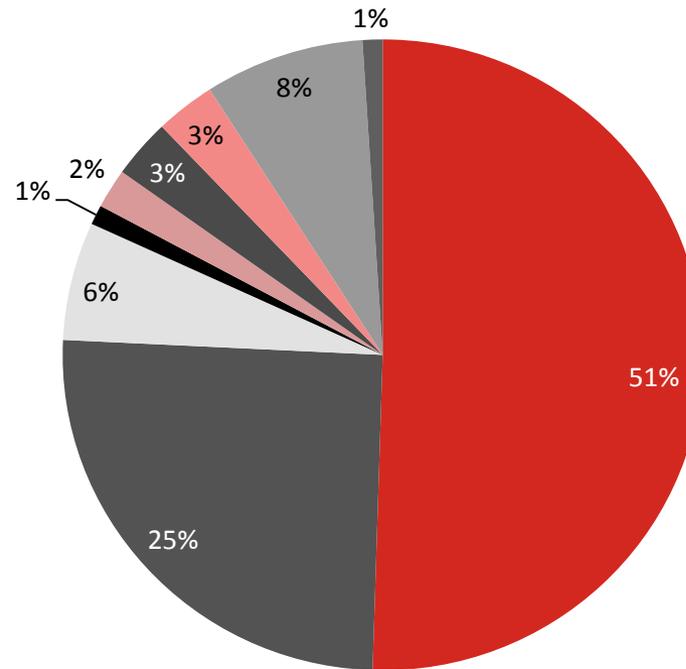
KEY CUSTOMER SEGMENTS

Market-wise Sales Revenue

2013



Expected in 2014-2015

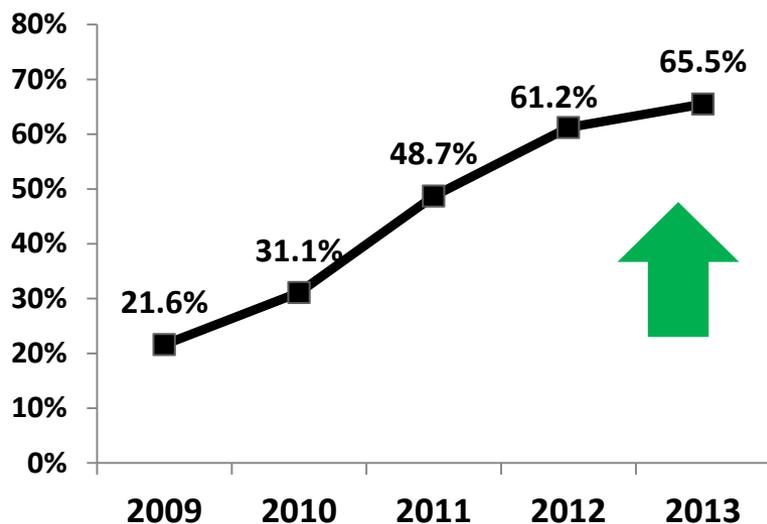


- Powergen
- Mining & Construction
- Automotive
- Agriculture
- Oil & Gas
- Defense
- Marine
- Railways
- Water Well Rigs



IMPROVING NET PROMOTER SCORE (NPS)

A REFLECTION OF GROWING CUSTOMER SATISFACTION



Relative NPS	US & Canada	Brazil	China	India
Distribution Business Unit	14%	-9%	24%	31%

Cummins= Leader*	Relative NPS (Cummins – Best competitor)
Cummins=Co-leader*	
Cummins=Not leader*	

Focus on enhancing customer experience -

- Revamping the service delivery process – structured processes & defined responsibilities
- Strengthening the dealership network by building technical capability & soft skills
- Six Sigma projects to improve NPS in low scoring customer segments or geographies
- NPS Council and loyalty workshops

KEY DRIVERS FOR THE BUSINESS

Driver	DBU Initiatives
Emissions regulations driving electronic products	<ul style="list-style-type: none">• Investment in infrastructure and capability development to address the customer service requirements of new technology products• CPCB II and CEV BS III already released
Growth in strategic business – Service solutions	<ul style="list-style-type: none">• Driving improvement in post warranty customer engagement through value added services such as annual maintenance contracts
Rupee depreciation impacting the imported parts	<ul style="list-style-type: none">• Indigenization of parts – to provide value to customers with TCO optimization

ELECTRONIC ENGINE SERVICE READINESS

FOCUS ON ENHANCING TRAINING CAPABILITIES

- The new **Cummins Global Training Center** in Noida was completed in 2013
- It will cater to the training need for growing electronic & imported engine population
- Equipped with classrooms for engaged theoretical learning, as well as dummy and live Quantum engines
- ~1100 engineers have been trained so far



- The proposed **Technical Training Center** in Phaltan will be operational in 2014
- It will conduct training courses for producing qualified service engineers
- The facility will encompass the entire range of domestic engines and exclusive station for filters from Fleetguard, allied products like batteries, coil coolers and a lube station from Valvoline

CRITICAL INITIATIVES

CHANNEL CAPABILITY DEVELOPMENT – COMMON DEALER OPERATING SYSTEM



Customer Value

Efficient Service

Tailored value addition

Ease of access

Business Efficiency

Process Efficiency

- Inventory optimization
- Improve engineer productivity
- Improved service levels

Sales Efficiency

- Proactive customer engagement
- Better lead management & Key account tracking

Marketing Efficiency

- Business Intelligence
- Customer feedback

Current Status

- 24 out of 33 Dealerships across India are live
- Remaining dealerships roll out planned in Q1 '14



THANK YOU..!!



Q & A

