"Cummins India Limited Q1 FY27 Earnings Conference Call"

August 06, 2026

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Moderator: Ladies and gentlemen, good day, and welcome to Cummins India Limited Q1 FY27 Earnings Conference Call. We hope you all are keeping safe and healthy. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Shveta Arya, Managing Director, Cummins India Limited. Thank you, and over to you, ma'am.

Shveta Arya: Thank you. Good afternoon, ladies and gentlemen. I'm Shveta Arya, Managing Director of Cummins India Limited. I hope all is well with you. Soma Ghosh, CFO of Cummins India Limited joins me on the call. Thank you for joining us today.

This fiscal year has begun with solid demand across key end markets and continued order execution, reflecting the strength of our customer relationships. However, higher commodity costs and inflation remain key factors influencing margins during the quarter.

Now I'd like to share the financial results of Q1 financial year '27 through this call. For the quarter ended June 30, 2026 with respect to same quarter last year. Our sales at INR3,375 crores are higher by 18% compared to INR2,859 crores in the same quarter last year. Domestic sales at INR2,854 crores are higher by 22%. Exports at INR521 crores are flat.

Profit before tax before exceptional items at INR721 crores is marginally lower by 0.7%. For the quarter ended June 30, 2026, with respect to last quarter, our sales at INR3,375 crores are higher by 14% compared to INR2,963 crores recorded in the last quarter. Domestic sales at INR2,854 crores are higher by 14%. Exports at INR521 crores are higher by 16%. Profit before tax before exceptional items at INR721 crores is lower by 12%.

Segment-wise breakups for the quarter ended June 30, 2026, are as follows. Domestic business, power generation domestic sales are at INR1,424 crores. That's a 35% increase over last year and 10% increase over last quarter. Distribution business sales at INR886 crores, 14% increase over last year and 16% increase over last quarter. Industrial domestic business sales are at INR458 crores. 10% increase over last year and 20% increase over last quarter.

Exports. High-horsepower exports at INR296 crores are a 16% increase over last year and 37% increase over last quarter. Low horsepower exports are at INR180 crores, which is 20% decrease over last year and 2% increase over last quarter.

With that, I now open the session for questions. Thank you.

Moderator: Thank you very much. We'll now begin the question-and-answer session. The first question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: Congratulations on highest ever top line, quarterly top line. So my first question is on the demand side. So given you have done such a phenomenal revenues in this quarter. So just wanted to understand on the ground, how is the demand? How are you able to supply to the demand? Are you in any way, I mean, not able to cater to demand or losing market share to the competition because of this?

Is there any capacity constraint in supplying the QSK60 or QSK95? Has the lead time increased? So just on the product side, I want to understand from you on the production side, how are you catering to demand? Are we losing out any orders because of shortage of the capacity?

Shveta Arya: Thanks, Parikshit. From a demand side, I'm presuming you're asking me a question about power generation, but I will give you answer for power generation perspective. So, from a power generation perspective, demand, we continue to see strong in the market, both CPCB IV+ range and in the higher range, different segments, but still continue to see demand coming in.

From a supply perspective, capacity on the higher end, there are a few players in the market, and everybody is facing the same situation as we are. Demand is outpacing supply for everyone. And we have been putting in efforts to increase capacity at those specific nodes. So largely, we are able to cater to the demand in the market.

But like I said, it is a similar situation for everyone in the market in the high horsepower space, where we are continuously adding capacity and demand is outpacing the addition of capacity that we are able to do. Are we losing orders? Well, the market is very competitive. And everybody who's playing in this market tries their level best to get the orders.

So losing orders is not just a function of whether we are able to supply it or not. It is a function of various other factors, customer preferences and the relationships of organizations with the customers. From our perspective, our relationships with all our end customers are very strong.

Our distribution business in the aftermarket gives us the capability to cater to aftermarket needs, the reliability of our products in the market. So we see that helping us continuously. I hope that answers your question.

Parikshit Kandpal: And just on the commodity, so we have seen the commodity prices, especially the pig iron going up almost on a Y-o-Y basis on a full year basis about 14% to 20%. So just wanted to understand, I mean, your earlier comment at the start of the call and even in the press release about the commodity impact on the margins. So, what kind of pricing actions we have taken, especially in Q1 and the start of Q2, so which will help us mitigate the impact on the gross margins of this commodity inflation?

Shveta Arya: Yes, you're right. Commodity has been impacting. Major commodities, steel, pig iron, aluminum, copper significant increases. And commodity-related cost inflation also has been impacting the West Asia crisis, labor shortages at our supplier, all of those have impacted us in the quarter. Now yes, we have taken some price increases and price is quite dependent on market conditions and how market accepts some of the price hikes.

We do continue to adjust pricing, we have taken one, and we will continue seeing how the market adjusts to this price increase and then see how best to manage the cost inflation and the price increases going forward.

Parikshit Kandpal: But do you think from Q2 onwards, we'll have the gross margins coming back to the historical levels, almost like we have done in the past 36%, 37%. So do you think that this pricing action will result in the impact from Q2 onwards or this slow grind reversal on the GPM?

Shveta Arya: I think the commodity increases at this point, in time are very unprecedented than ever in the past. And freight, by the way, as well has also been a challenge. Freight costs have been increasing. There are continuous supply chain issues that we see and continue to manage. So some of these issues will continue.

Price, as I mentioned, we will see how the market reacts to it and we then take some more, if needed. Will the margins reach historic level? What I can say is our ability to manage commodity increases, inflation increases and also trying at the same time to manage our costs, we are getting better at that.

So will we be able to improve our margins? Yes. I will not be able to say whether we will hit historic highs or not, because these are unprecedented times in terms of commodity increases and inflation coming at the same time.

Parikshit Kandpal: Just wanted to wish you all the best. I think under your leadership, you have delivered phenomenal returns to the shareholders and created wealth and hope it will continue post your departure. I wish you all the best.

Moderator: Next question is from the line of Jonas Bhutta from Birla Mutual Fund.

Jonas Bhutta: I have 2 of them. Firstly, on what we see as related party transaction approvals that have come in for the current year imply a very sharp increase and particularly in exports to the U.K subsidiary of the parent. If you can help us understand how does this sort of play out? Is this approval valid only for the current year or this kind of export is for a bulk period of maybe 2 to 3 years? How should we think of this sizable increase in the RPT approvals that you're taking for the current year? That's question one.

Shveta Arya: Jonas, I'll answer the question and then you can ask me the other one. So from a related party transaction purposes, this is only for the current year. The approvals that we have taken are only for the current fiscal year. The intent is to ensure that we have adequate flexibility to support any export opportunities that come our way instead of seeking repeated approvals from the shareholders. So this is what we do as a prudent governance practice. I don't think you should read any more into it than that.

Jonas Bhutta: Okay. The reason I ask is, every time you guys take this approval, the actual export sales are above those numbers. So I was just trying to understand whether this time around also, it's something that you already are aware of in terms of an order book coming in from the U.K. subsidiary or this is purely in anticipation, like you mentioned?

Shveta Arya: This is purely in anticipation, Jonas, just as a prudent governance practice and order books don't get built this early in the year, they get built 2 to 3 months in advance only and the geopolitical situation is not as stable to be able to predict a year down.

Jonas Bhutta: Sure, sure. The second question was on the distribution piece. We've seen very strong growth in the last 5 years. The sales of this segment have sort of grown at 20%-plus kind of CAGR. I know it's wrong to look at this 1 quarter, but this quarter, that growth has sort of come off to 14%, which is still healthy.

If you can remind us what are the drivers or levers still left in this business? That can support, if not a 20% growth, but at least a mid-teens growth. Is that possible or now are we seeing some bit of peaking in terms of penetration of the installed base, tapping of the installed base, etc.?

Shveta Arya: I think, as you rightly mentioned, you should not read too much into 1 quarter. Because I do believe that the distribution has more possibility of all the things that I have been mentioning until now, higher penetration, ability to serve customers as a one-stop shop end-to-end, our digital solutions, all of those coming in, all those things are on track.

And this is more a quarterly situation. Please also remember that we had a higher base earlier. And the next thing is that when commodity increase, freight issues, all of these happen, supply disruption sometimes cause us to deal with lower parts availability. So do not read too much into this quarter. DBU business absolutely has the potential to grow at 20% growth over this year and the next few years as well.

Jonas Bhutta: Perfect. Great. If I can just squeeze in 1 quick one on exports. This quarter, was it impaired because of these freight challenges or this was the normal run rate as it was as per target in the sense what you sort of budgeted for the first quarter?

Shveta Arya: This is normal. Remember that the West Asia crisis is actually leading to some of our exports not going to the Middle East as anticipated. There are other markets where we are getting some of this.

Moderator: Next question is from the line of Aditya Mongia from Kotak Institutional Equities.

Aditya Mongia: The first question that I had was on just the employee cost metrics, some clarification over there, given that employee count as per annual report was flattish. It seems to be a fairly large increment. And I'm asking you in context whether there are any one-offs inside because the parent has suggested some incentives that have a finite life being paid to employees by them?

Shveta Arya: Aditya, the employee costs, yes, you're right. The count is flat. So there are 3 things impacting the employee cost in this quarter. First is the annual merit increase that gets effective April 1, 2026. So there is an impact of that. Then we do true-up of our variable comp factor, based on which direction the company is going and where it is expected to land at. So we do a true-up in this quarter, which has been done and there is an impact of that.

And then there is some actuarial credit, which was booked in the last quarter. This resulted in you seeing a lower cost. So, there are 3 impacts in the employee costs.

Aditya Mongia: Understood. So, should one assume that this INR2,300 crores number, ideally speaking is a higher base for the remaining quarters of the year?

Shveta Arya: Yes.

Aditya Mongia: The second question that I had was more on the export story. I wanted to get a sense that when in the annual report, the mention is made about the company finally entering into Europe with Euro 5 certification, expanding presence inside North America and then again, getting inside Chile, a few other things.

Should one think through this as a good phase for exports? And I'm saying, so because typically exports go up in jumps. They stagnate and then they grow. Are we entering into a phase wherein the expectations are that exports will start growing, let's say, at a high single digit or low double-digit pace from here on?

Shveta Arya: Difficult to say that Aditya. Difficult to say because as I was mentioning in the answer to the earlier question, Middle East exports are not that strong for obvious reasons right now. The other markets have been pretty decent, like Europe, Asia Pacific and so on. I would not say don't read too much into it because, yes, this is a little lumpy quarter-on-quarter.

Moderator: Next question is from the line Renu Baid from IIFL Capital.

Renu Baid: Congratulations for the strong performance. Shveta, my first question is, last year, when we closed the year, you were expecting fiscal '27 to be a moderate year. And as we see 1Q has been pretty strong growth in volumes. So how do you read the volume outlook for fiscal '27? And your key comments in terms of the key end market outlook. Do you see positive surprises to come by in the second half of the year as the external volatility eases out? What would be your reading into it? That's the first question.

Shveta Arya: Renu, so I would answer this in 2 parts. For the domestic market, we see from an end market perspective, power generation growth to be pretty strong. We have seen that in this quarter. I am basing my optimism based on the orders we are generating today. So across be it manufacturing, data centers, residential, commercial realty, all those, we see decent order velocity in the power generation space in domestic market.

And for now, we continue to see that. We need to be very watchful of inflation in the regions because that can impact some of these orders going forward. For now, we have not seen that happen. but need to really watch it. Then mining, last year, if you remember, we were not seeing enough mining tenders, especially the coal mines coming in.

But now slowly and steadily, tenders are coming in. So mining is better this year. Marine is a lumpy business. It comes in some quarters, it doesn't in some quarters. So it will remain like that. And construction is flat in this quarter, if you see. And construction, there are no new road highway, national highway construction tenders coming in.

All the rural road construction is going on. So it's a mixed bag on the construction side. So we do see good demand in power gen, decent in construction, decent in mining. Railways has been strong. You have seen that in the last 2, 3 quarters. And for now, railways has been strong.

So yes, in the domestic market, end segment for now, we continue to see that demand. Exports is difficult to say and has been and continues to become difficult with the geopolitical situation. That is how I would put it.

Renu Baid: And secondly, I know it's difficult to comment on the near-term gross margin mix given that the cost structures are behaving. But the fact that we see growth coming in the high HP segment pretty strongly. Data center is a strong driver for us. So, if you take a 2-year view, where do we see the gross margin stabilizing? Are they reverting back to 35%, 36% range or you think that exports coming up, margins could have further tailwinds? How do we see a medium-term outlook on the material margin front?

Shveta Arya: Renu, I can tell you, it's a very difficult question to ask and answer. Given the way the situation, both on supply side and demand side is developing both domestically and in the export in a 2-year time frame, I may not be able to give you an answer of where the gross margins will land.

What I can tell you is that our endeavour definitely is to be at the kind of gross margins, which we think Cummins really should have. So that is our endeavour, and that is what we'll work towards try and get better at managing commodity, try and get better at anticipating some freight supply kind of challenges, manage our costs even better than we have done. So I think definitely, there is scope to improve our margins here on.

Renu Baid: Sure. And lastly, quickly, if I can ask, any updates on new product launches, which are planned for second half of the year, especially in the railway and the other part of the business?

Shveta Arya: Renu, you will get to know as soon as we are ready to announce those.

Moderator: Next question is from the line of Umesh Raut from Nomura.

Umesh Raut: Congrats for a very good set of numbers on domestic side. My first question is pertaining to your comment that you made in today's AGM that probably in the future, you are planning to supply components for data center market in U.S., especially towards Cummins Inc. So I wanted to understand scope for you in exports market on these particular lines, what all you can offer to your related party or parent entities.

And at the same time, if suppose there is an incremental demand in other Asian countries, as well as with respect to other geographies because of data center capacity expansion, would that be catered through India operations?

Shveta Arya: Umesh, there was no specific comment that we are starting components exports to the U.S. Let me clarify here. We are catering to the data center market in India domestically and since we are a global integrated supply chain, we do manufacture components and engines which go into our different plants.

Now this was not specific to the data center. This is not specific to U.S. And this is nothing new. We have been doing this for a long period of time. So I don't think there is any incremental demand coming from that. This is business as usual.

Moderator: The line for the participant dropped. We move on to the next participant. Next question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: Congratulations on a strong revenue growth. Just double-clicking on the revenue growth first. You did allude towards the growth outlook on the industrial side. One, how has the bigger ones, railways and construction sort of picking up in terms of demand across the HHP or the mid and the low end range. And secondly, within power gen, if you could help us better understand what led to the sharper growth? Was it more led by data center or products or what led to the growth there?

Shveta Arya: Ankur, on the rail side, we have consistently been seeing for the last few quarters, good orders coming in and good execution. And we will continue to see that based on the orders that we see currently. On the construction side, we largely see this quarter was flat to the same quarter last year, and slightly lower than the last quarter.

So construction largely is flattish. And there is a slowdown due to monsoons that is now anticipated. So that is about the rail and construction. Power generation, yes, you're right. There was some data center project execution in this particular quarter, which we saw yes.

Ankur Periwal: Sure, Shveta. And second bit, your earlier comment wherein you did highlight that the demand has been holding up pretty strong and especially led by the HHP part of the business. And you also mentioned that we had taken one price hike starting early this quarter, Q2, that is? Will it be fair to say that as we speak today, all the RM inflation has been passed through given the demand has been strong and logically, price increase would have been easier to take or are we still sort of contemplating, taking a hike depending upon the volatility and what's the thought over there?

Shveta Arya: Ankur, there's always a lag when the cost hits us and when the price realization actually starts happening. So price realization will start happening a few months down the line because we do run backlogs in our power generation business. I did mention that there is strong demand, and we are constantly in this space of supply catching up with demand.

So, there are backlogs because of that, and hence, price realization takes at least a quarter. So, we will we be able to recover all commodity increases through this price rise? No. So we will have to see, and that is what I said, commodity increases, we try and see what are the best ways of passing that on to the market. Price is one.

Our own cost control value engineering methods are another. We're working on both. And if required, we will then, based on the market absorption, see how we can do another price increase as and when needed and if needed.

Moderator: Next question is from the line of Amit Anwani from PL Capital.

Amit Anwani: My first question pertains to any development on the BESS side we saw, I think there was a commentary from the global parent also, and you guys also highlighted some time back. So I just wanted some color on that?

Shveta Arya: Amit. From a BESS perspective, we are still in the process of getting orders. We have already installed the BESS at one of our own plants, our own rebuild center in Phaltan. We have installed this BESS as a demonstrator and we are getting our customers to see and experience that. Very close to getting some orders, but nothing more to share yet on that.

Amit Anwani: Second question, I think in the last call, you highlighted about the inquiries picking up at an accelerated pace for the data centers, I think, from October onwards. And we have been hearing a lot in terms of probable delays. So just wanted to understand your color how has been the inquiry pipeline in the past 3 months.

Anything you would like to highlight in terms of the data center inquiry pipeline in domestic market? Are the customers able to take these price hikes or is this also impacting flow of orders? Any sense on the data center perspective in terms of inquiry book and execution?

Shveta Arya: Sure. Yes, the data center inquiries as they had picked up in the last few quarters, the momentum continues, very strong momentum on the data center side. And our execution has also been strong. Please remember, these are all big gensets. So they take time for delivery as well. So we are not only generating inquiries for this year, but we are now talking about the next year and the year after that.

And price increases as far as data center goes, I think, for data centers, it is really important to work on lead times and ability to supply when they have the site readiness, those are more critical, more important for data centers than the price. Of course, price is a conversation, but lead times and having genset available when their site is ready is more critical.

Amit Anwani: Yes. Lastly, anything on the capex because you talked about the long pipeline? What's the capex and utilization levels for this year and next year? Any color?

Shveta Arya: Our utilization level is between 70% to 75%. So it has been consistently going up. And the capital investment is in line with what we have been doing in the last few years in our existing plants.

Moderator: Next question is from the line of Rahul Gajare from Macquarie.

Rahul Gajare: I wanted to ask you that we have seen last year where the Gulf market was down this quarter also, we've seen that reflected in the LHP genset. I want to know, there must be these orders which are expected to be delivered. So is it right to assume that once the West Asia crisis or the disturbance settles, you will have a bunched-up delivery to Gulf region. Is that right to think?

Shveta Arya: No, Rahul. That is not. Because whatever we are not able to fulfill the market in the Gulf will try and fulfill with whatever availability they have from their own region. These orders do not stay that long.

Rahul Gajare: Okay. Fair enough. And I just wanted to double check this number. The HHP number that you quoted was INR296 crores for this particular quarter?

Shveta Arya: Exports?

Rahul Gajare: Yes, exports. Yes.

Shveta Arya: Yes, that is correct. INR296 crores.

Moderator: Next question is from the line of Shirom Kapur from Jefferies India.

Shirom Kapur: I just wanted to ask you; you commented that Cummins took a couple of price hikes at the beginning of this quarter. But just wondering whether 1Q also saw any price hikes that you've done to pass on this increase in commodity costs? And specifically on data centers as well, given these are longer lead time orders, how have you been able to take any price hikes here? Have you been able to get any better pricing on these given the commodity cost increase? That's my first question.

Shveta Arya: Yes. So price hikes in quarter 1, no. We did not take price hikes at that point in time. And data center is an order-to-order discussion with customers. It's not a blanket price increase; it really depends on what the volume of the order is? When is the delivery required? When do we start engaging with the customer? What is the customization level required? Price differs from one data center customer to another and from order to order.

Shirom Kapur: Understood. Just secondly, more of a bookkeeping question, if you could share the breakups between within domestic power gen across, MHP, LHP, HHP and also within industrial, the breakup across segments for this quarter? And also how much data center contributed to your power gen sales this quarter?

Shveta Arya: Yes, let me do that. So for power generation domestic, the low horsepower sales in this quarter was INR77 crores. The medium range is INR248 crores. The heavy duty is INR125 crores, and the high horsepower, the range after that is the remaining. And data centers out of this, in this particular quarter, was 40% of overall power generation revenue.

Shirom Kapur: Understood. And also on the industrial revenue breakup?

Shveta Arya: On the industrial: The Construction segment, INR148 crores, rail INR145 crores. Compressor INR52 crores. Marine INR50 crores and then the remaining is mining, defense and others.

Moderator: Next question is from the line of Mohit Pandey from Citi.

Mohit Pandey: My first question is on distribution. So you earlier indicated that there's scope for 20% plus growth this year and next year. So I just wanted to delve a bit deeper there. So are retrofitting mandates also something that has scope going forward? That would be one. And if you could share more color around the reach levels, etc., how much juice is left there? That would be second, yes?

Shveta Arya: Mohit, distribution business is retrofit and opportunity, absolutely, because some of our assets do have a long life. Sometimes also retrofitting when we want to control emissions. So yes, there are opportunities around both rebuilding our own engines and retrofitting our assets for managing emissions and things like that.

The distribution demand will likely come from more service contracts, more penetrations, rebuilding our own engines and also selling more through our own distribution channel so that we can provide more services and a one-stop solution to our customers. I did not understand your question on resellers. If you can repeat that, that will be helpful?

Mohit Pandey: Sorry, that was not resellers, that was reach?

Shveta Arya: Reach? From a distribution perspective, Mohit, we actually have excellent reach already. We have, between us and our dealerships, 3,500 trained engineers and 450 touchpoints in the country. At this point in time, our distribution business promises to all our customers, specifically critical customers. Critical customers are the likes of, say, hospitals that a service engineer will reach them within 2 hours of logging a complaint.

And all the other customers, our service engineer will reach them within 4 hours of logging a complaint, although we work very proactively and try and ensure that our customers do not have to call us and we reach them before they call us. But in case they do, a 2-hour and 4-hour service guarantee for critical and other customers in a country like India, which is very vast spread. So that is the kind of reach that our distribution business has already.

Mohit Pandey: Okay, ma'am. And then possible to give some color on how do gross margins vary between power gen and industrial. Any qualitative color if at all possible?

Shveta Arya: No, Mohit. I won't be able to give you that split.

Moderator: Next question is from the line of Kartik Kohli from Kotak Institutional Equities.

Kartik Kohli: I have 2. One on the understanding of how distribution revenues are shaping up in context of data centers.

Moderator: Kartik, sorry to interrupt, we're losing your audio in between. Can you speak a little louder, please?

Kartik Kohli: Am I audible now?

Moderator: Yes, go ahead.

Kartik Kohli: Yes. So my question is more on distribution side of things. I wanted to understand how much contribution are you seeing in distribution coming from the data canters, that you've already put in place? Because from what I understand you have more comprehensive contracts while signing up with hyperscalers and that sort. So any color on that?

Shveta Arya: Kartik, the revenue in the distribution business when we provide comprehensive contracts to any customer, even if it is data center or other customers, they start coming after warranty period gets over, which is 2 years after installation of our gensets at their site.

So as you can see, our data center revenues have been growing beyond the normal growth rate in the last 2 quarters. So once they come out of warranty, we will start seeing larger impact on the distribution revenue at that point in time. For now, it is just like any other segment, and we are getting that kind of revenue on the distribution side.

Kartik Kohli: Understood. My second question is more broad based. I wanted to understand if you can in some way quantify what is your market share in data centers within India? And in the past that you've been discussing the topic of data centers, especially in context of QSK78 and 96-liter engines. The discussion has been more around the fact that once you start seeing a pipeline, you will go ahead with expanding domestic capacities to manufacture these engines in India. So are you seeing that pipeline becoming strong enough for you to take a decision and expand. That will be my second and last question.

Shveta Arya: So I won't be able to give you the answer to the market shares because we do not have any syndicated market research for that. Now on the data centre, what I can tell you is that since we comprehensively cater to data center customers, even before they start floating their requests, we work with them to help them understand how our products can help them as they are putting up their sites and to understand their requirements better.

And then we stay with them throughout the lifetime through our distribution business. Also very strong products like you rightly mentioned, QSK60, QSK78 and QSK95. That is the reason a lot of data center customers prefer us, but I do not have market share.

And on capacity, India market is still largely QSK60. We are seeing momentum and ask of some more QSK78 and some QSK95, but still largely the India volume is QSK60. So we haven't reached the point where we would need to establish capacities yet of 78 and 95 liters and we continue to evaluate that.

Moderator: Next question is from the line of Teena Virmani from Motilal Oswal.

Teena Virmani: Shveta, congrats for good revenue growth. My question is related to the Power Gen segment. We've seen a very healthy growth in the Power Gen segment, but we see the split. The growth in the non-HHP segment is looking closer to around 5%, in quarter 1, on a year-on-year basis. And I believe this will be volume-led growth if the pricing increase has happened from Q2 onwards. So do you think that this volume growth has a scope of further improvement in the coming quarters?

Shveta Arya: Teena, I absolutely agree that this volume growth has scope to grow.

Teena Virmani: And how much can that be, like in line with the 12 GDP growth.

Shveta Arya: Very difficult, very difficult, Teena. This is a highly competitive market with more than 10 or 12 competitors in the market. Extremely difficult to say what the growth could be. I am saying from a Cummins focus and endeavor perspective, definitely higher volumes in that range is something we are looking for.

Teena Virmani: And in the coming quarters, you would also have the impact of price increases that you would have taken in the second quarter?

Shveta Arya: Absolutely. Yes.

Teena Virmani: Understood. And my second question is related to exports. So which geographies are doing well for you. Like this quarter, we have seen the number growing on a sequential basis, although Middle East is still smaller and may not have contributed much in the current quarter. But which are the geographies which are growing well, and which are the end user segments, from these geographies which are driving this particular growth in exports, particularly for the HHP side.

Shveta Arya: So Teena, largely Europe and Asia Pacific and some demand from Middle East was also there, which we were able to cater to, but this is largely Europe and Asia Pacific. I won't be able to tell you which customer segments because we sell into distributors in these markets who then sell to the end customers.

Teena Virmani: But not any specific areas like whether it is telecom or whether it is manufacturing or whether it is DC and all?

Shveta Arya: We won't be able to say because our sales are into distributors.

Teena Virmani: Sure, sure. That's it from my side, and all the best for your future endeavors.

Moderator: Thank you. Next question is from the line of Sandesh Shetty from HSBC.

Sandesh Shetty: Am I audible?

Shveta Arya: Yes, Sandesh.

Sandesh Shetty: Congratulations for a stellar quarter in terms of revenue. My first question is on industrial part. Ma'am, we've seen that rail run rate has been really good. How do you see this going forward? Like you introduced a couple of new products like hotel load converters and everything. How has been the reception? And how do you see rail outlook going forward?

Shveta Arya: Yes. Rail has been growing good order board and good execution from our end. So largely, the applications where we have been getting orders are power cars and diesel electric tower cars. Diesel-electric tower cars are used to make and maintain electrical overhead lines on the rail tracks. We continue to see that growing and power cars actually provide what is called the hotel load on different rail carriages.

So for now, for this financial year, we do see those growing. Hotel load converter acceptance has been pretty good as we have seen. But that was our first product in that space, and we are working on other products for the Indian Railways as well.

Sandesh Shetty: And congratulations for your stellar tenure. And I just wanted to understand what's the way forward from a leadership perspective? How should we look at that?

Shveta Arya: Thanks for the question, Sandesh. So Cummins management is involved and they are absolutely looking to appoint a rightful successor for me.

Moderator: Next question is from the line of Atul Tiwari from JPMorgan Chase.

Atul Tiwari: Ma'am, what was the contribution of data center to domestic power gen revenue in first quarter of FY26?

Shveta Arya: In first quarter of FY26 data center was 23% of overall power gen revenue.

Moderator: Atul, do you have any follow-up question?

Atul Tiwari: No. I don't.

Moderator: Next question is from line of Prathmesh Salunkhe from Nippon India Mutual Fund.

Prathmesh Salunkhe: One correction, I'm not from the mutual fund side of the business. I'm from the life insurance side of the business. But again, the question is on the pricing front. As you rightly said that the competition has been growing the industry, right?

So I just wanted to know the 2 price hikes which you took in this quarter. How has the response been from the distributors and other channels? And has it become slightly more difficult to pass the prices on?

Shveta Arya: Prathmesh, we have only taken one price rise at the beginning of quarter 2. So we are yet to see how it gets accepted in the market, and that's what I have been mentioning. We have to wait and see how that gets absorbed in the market.

Prathmesh Salunkhe: All right. So would it be possible for you to share what percentage of price hike you guys took?

Shveta Arya: No, it will not be possible for me to share that information.

Prathmesh Salunkhe: All right. No problem. So my second question was on the data center side of the business. So the offtake for the data center operators has become a problem for them. I mean the end customer offtake for them. So what we have seen is the execution has taken an impact on the data center side of it, EPC execution.

So just wanted to know, has it happened yet if an end customer has come to you and told you, okay, can we hold on to a delivery of, let's say, one DG set and postpone the deliveries for the same on the data center side of the business?

Shveta Arya: Prathmesh, we actually have not seen that. And quite the opposite, where all the data center customers are wanting us to prepone our deliveries to them.

Prathmesh Salunkhe: So largely, the volume and the execution has gone up.

Moderator: Next follow-up question is from the line of Aditya Mongia from Kotak Institutional Equities.

Aditya Mongia: Just a question on the royalty and the support services. The proportion of which as per FY26 as the proportion of sales have gone up to 2.5% and indications are it's going to go further up in fiscal '27. Is this more a catch-up from a low base in this line item or are there specific technologies that the company investing inside? And if it's the latter, could you give us a sense of what to expect from a revenue perspective?

Shveta Arya: Aditya, nothing like that. Actually, we had some different royalty percentages for different services, which used to range between 1% to 8%. We have standardized it to 4%. That's all. What you're seeing is a little standardization of royalty and nothing more.

Aditya Mongia: Understood. The other question that I had, which was linked to data centers was, as we see through the annual report, the purchases done with CTIL appears to be increasing quite rapidly over the last 3 to 4 years.

Is this something that has linked up to your requirement to deliver to your data center customers. And if so, should one then assume that there would be lower margins because while we say QSK60 is localized, the value addition is getting divided between CTIL and Cummins India?

Shveta Arya: So we choose what is the best path to market and the best path to market for our power generation business has been through CIL, and we try and manufacture in CIL what we can. And if there is scale in some other entity to produce some other components for us, we do it in that entity.

So it's really based on giving the best possible output to both the market and take advantage of scale and whichever entity we can take advantage. It's truly just based on that, Aditya. So do not read anything more into it.

Aditya Mongia: I'm sure, just a last question from my side. Basis what you have shared on data centers and their contribution in the way it has changed. It seems as if of 35% growth in power gen, almost 30% came from a large portion, data centres. The remaining business actually have grown single digit. Could you give us a sense, is this more a function of capacity constraints or market share losses or how things move, the residual business in power gen beyond data centers and while the numbers are weak?

Shveta Arya: So data center has grown faster in this particular quarter as compared to all others. There is a little bit of supply constraint that we faced. So it's a function of that.

Aditya Mongia: So, market share beyond DC is broadly intact?

Shveta Arya: I cannot share anything on market share, unfortunately.

Moderator: Thank you very much. Ladies and gentlemen, in the interest of time. We'll take that as our last question. I would now like to hand the conference over to Ms. Shveta Arya for closing comments.

Shveta Arya: Thank you. Thanks all of you for your active participation and engagement during the call today. As we look ahead, we believe that strong demand in various end markets will sustain. At this time, inflationary pressures and supply chain constraints are likely to continue and are shaping our operating environment.

Our focus will remain on operational efficiency, cost management and supply chain resilience while continuing to serve our customers reliably. With this, I close this call. Thank you once again, all of you for joining us today.

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