



“Cummins India Limited
Q1 FY '25-'26 Earnings Conference Call”
August 08, 2025



**MANAGEMENT: Ms. SHVETA ARYA – MANAGING DIRECTOR –
CUMMINS INDIA LIMITED
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CUMMINS INDIA LIMITED**



Moderator:

Good morning, ladies and gentlemen. Welcome to Cummins India Limited Q1 FY '25-'26 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 commentary concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touchtone phone.

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

Shveta Arya:

Good morning, ladies and gentlemen. Hope you and your family are doing well and are staying healthy. Welcome to the Cummins India Limited Quarter 1 2025-'26 Earnings Conference Call. I am Shveta Arya, Managing Director of Cummins India Limited. Joining me on the call today is Soma Ghosh, Chief Financial Officer of Cummins India Limited. Thank you all for joining us today on this call.

Now I would like to share the financial results of quarter 1 FY '26. For the quarter ended June 30, 2025, with respect to the same quarter last year, our sales at INR2,859 crores were higher by 26% compared to INR2,262 crores recorded in the same quarter last year.

Domestic sales at INR2,336 crores are higher by 25%. Exports at INR523 crores are higher by 34%. Profit before tax at INR726 crores is higher by 32%. Profit before tax after exceptional items at INR770 crores is higher by 40%.

For the quarter ended June 30, 2025, with respect to the last quarter, our sales at INR2,859 crores are higher by 18% compared to INR2,414 crores recorded in the last quarter. Domestic sales at INR2,336 crores are higher by 21%. Exports at INR523 crores are higher by 9%. Profit before tax before exceptional items at INR726 crores is higher by 7% and profit before tax after exceptional items at INR770 crores is higher by 13%.

The segment-wise sales breakup for the quarter ended June 30, 2025, is as I will speak now. Powergen domestic sales were at INR1,056 crores, 31% increase over last year and 21% increase over last quarter. Distribution business sales were at INR777 crores, 19% increase over last year and 23% increase over last quarter. Industrial domestic business sales were INR418 crores, 12% increase over last year and 10% increase over last quarter.

High horsepower exports were INR257 crores, 27% increase over last year and 18% increase over last quarter. Low horsepower exports were INR225 crores, 46% increase over last year and 5% increase over last quarter. While we continue to monitor the geopolitical uncertainty around global tax and trade policies, India's economy remains stable. Remaining cautiously optimistic, we anticipate having double-digit growth in the full year 2025-'26.

I now open the session for questions.



Moderator: Thank you very much, ma'am. We will now begin the question and answer session. I now open the session for questions. First question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: Congratulations on a great quarter and great numbers on the board. So my first question is on, you have introduced the BESS solution in India. So just wanted to understand, are you going to set up a manufacturing footprint? How are you going to set up the supply chain? And have you already started booking orders? What kind of TAM does this address? And any risk can it cannibalize our existing business? So any flavor on the BESS opportunity in India would be great.

Shveta Arya: Thank you, Parikshit. Thanks for the question. We have just launched the BESS solution in India. We are still building the order board. We are meeting customers at this point in time to share our value proposition on the BESS. So just recently launched, the order board is just getting built.

We will see how we are seeing the results in the market, what are the customers asking, what do they need? And accordingly, we will take calls on future supply chain and manufacturing. For the time being, our focus is to ensure that the customers understand our value proposition on the BESS.

The risk, as you mentioned, of cannibalization, as far as possible, we don't see this. We do see our customers wanting a mix of energy capabilities. So while genset is for their backup power, there is a mix -- a good mix -- energy mix that battery energy storage provides, especially for customers who might also have solar power in their premises.

So the battery can be used to store that solar power. So we see this getting added to our portfolio. As of now, we do not see a risk of cannibalization. I hope that answers your question.

Parikshit Kandpal: So this will be largely targeted at the C&I customers for auxiliary power? And do you think you can also offer a solution like utility grades, BESS solutions for utility storage of energy for grid stability?

Shveta Arya: We're starting with C&I customers. The nodes that we have launched are for C&I customers. Like I said, we will showcase our value proposition to our customers and then take calls of whether we could go to utility grade or not. We will absolutely evaluate that as we go along in the next few months.

Parikshit Kandpal: Okay. The second question is on the growth. We have seen in the Powergen in this quarter, so it seems to be like quite high. And given that even May was impacted by Operation Sindoor and when we were checking on the ground, there were some delays in decision-making, but still you've delivered a stellar growth.

So just wanted to understand, was there any one-off project order-based revenues booked in this quarter on the Powergen side or is it just the core G-Drive growth, which you have delivered? So some flavor on that would be helpful.



- Shveta Arya:** Yes. Parikshit, this is core G-Drive growth. There's been a lot of focus across all segments in the market, a lot of stabilization in the CPCB IV+ product and good order building and execution. I would say, great execution as well to deliver what the market needed across the board.
- Parikshit Kandpal:** So no major project business booked. So that has not happened in this quarter despite that the rate...
- Shveta Arya:** No, not till this quarter.
- Parikshit Kandpal:** Yes. Last question on pricing. Any color on the pricing and the utilization and the volumes, CPCB IV versus CPCB II. I think last time you said we are tracking at about 85%. So how is the volume stabilized now in this quarter? And also on the pricing, have you seen any correction or pricing holding up?
- Shveta Arya:** From a volume perspective, we are back to pre-CPCB IV+ volumes now. So we have reached those volumes in the market now. And from a pricing perspective, I think there is now a good settlement of pricing in the market. There is a lot of competition still and that will continue. But pricing more or less seems to have settled.
- Parikshit Kandpal:** No cut in prices in this quarter, like what -- status quo quarter-on-quarter. Last quarter, you said there was no cut in prices. Even this quarter, it continues to hold on?
- Shveta Arya:** We are -- our endeavor is to continue holding on, and we always evaluate based on customer needs and deal-by-deal basis. And as and when we have those requirements, we attend to those, but we are trying to hold on to our prices absolutely.
- Moderator:** Next question is from the line of Nitin Arora from Axis Mutual Fund.
- Nitin Arora:** Congratulations on strong set of numbers. I have 2 questions. One is when we look at this Powergen growth of 30% plus and you articulated that we have reached to the CPCB IV level kind of volumes. Is it very broad-based? Can you just throw some contours that which segments do you still think are sustainable of that segment on the Powergen side, the way you explain in every quarter? That's my first question.
- Shveta Arya:** Nitin, so yes, Powergen growth in this quarter was very broad-based, but I'll throw some light on the segments that did well for us. So I have shared this that we've been focusing on quick commerce, and that is one growing segment, and we saw that segment growing in this quarter as well.
- And then the mission-critical segment, which is also broad-based where you can include government infrastructure spend-based segments like roads, hospitals, airports, we saw some growth from those segments as well as manufacturing and pharma. So these were some of the key segments, but I will still say that the growth is very broad-based. These are just some of the key segments that I'm highlighting for you.
- Nitin Arora:** Very helpful. And this looks sustainable to you the way you articulated in the call?
- Shveta Arya:** This looks sustainable, yes.



Nitin Arora:

Great. On the second aspect on the export side, it looks like it's coming back. So I just want to know your perspective that given when we met last time also and you did a call and you were a little uncertain. Is it just the export has bumped up because there is prebuying or you are seeing markets a little bit settling because when we track a few data of inventory levels, so is it like inventory is now normalizing in the market and demand is coming back? How you're thinking about exports going forward?

Shveta Arya:

I would say exports, we are still cautiously optimistic, Nitin. There are still various geopolitical issues going around. I would say the reason why exports have been performing for us is because we've been focusing on end markets, what do they need, what products they need.

I have been sharing that there are specific projects that we are running to make sure that we are continuously improving our product positioning and making sure we are delivering to the customers in those end markets what they need, by the time they need. So this is a result of focused efforts, not necessarily all markets picking up demand. So that's why we stay cautious about exports.

Nitin Arora:

Got it. And just one thing on the profitability. I remember in the last 4 quarters, despite we being doubting on the company that profit margins or the EBITDA margin would come under pressure or pricing would come under pressure. But I think it's been a very consistent delivery in margins as well.

Do you see a little bit more operational leverage coming in given it's a very broad-based recovery. And I'm sure where you have a higher nodes, there you are only the one, which is gaining market a lot. I mean, competition looks like it is on the lower node side. So just one comment on the profitability, that would be very helpful?

Shveta Arya:

Nitin, I would say, we do have competition in the higher nodes as well, and it's getting tougher. So while we try to hold on to what we do, which is we continue to work on cost optimization and delivering better on the profitability side, I would definitely say that competition is across the nodes at this point in time, also in the higher nodes.

But like I have been saying, we put in efforts to make sure that we do find that cost leverage and cost optimization opportunity. So that will be the endeavor. That's the best I can provide to you at this point in time, perhaps.

Moderator:

Next question is from the line of Umesh Raut from Nomura India.

Umesh Raut:

Congratulations for strong set of numbers. My first question is pertaining to distribution segment. So if I look at, I think, growth for this quarter as well, it has remained strong at about 19%. And in last year as well, we have delivered 22% kind of CAGR. I think it is looking like largely on the account of new product launches, especially you had talked about a lot on these new products, especially in the recent annual report.

So if you can share the addressable opportunities for some of these new products like DF kits, RAS, power management solutions, DGBLue, which is diesel exhaust fluid and hydraulic filters as well, and especially on the new product launches in the railway segment track recording car



and hotel load converter. So that insight on the new product launches and the TAM would be helpful for us.

Shveta Arya:

Yes, thanks for the question, Umesh. Umesh, you asked about the distribution business growth and is it primarily due to these new products? I would say that the distribution business growth is primarily due to our better penetration in Powergen and railways, better execution and it's broad-based.

The new products have started to contribute. But I would not say that the growth is primarily based on new products. It is based on better penetration in the traditional Powergen and railway segments and providing better aftermarket solutions to our customers. So that is what the growth is based on.

Umesh Raut:

Got it. And the new product launches on railway side, especially and the Industrial segment, if you can give us a TAM or opportunity because there, we are now compensating for railway electrification. So just wanted to understand from an annual ramp-up point of view on the railway side, whether we can grow in the range of about 20%, 25% from INR500 crores of revenues in '25 as well?

Shveta Arya:

Umesh, you're referring to the hotel load converter. And while we had launched the product, it was still undergoing field trials. So serialized production of the product is yet to start. So it's early to say. The product will be productionized from a serial production perspective very, very soon. As of now, it was undergoing field trials, so it will start contributing in the coming quarters.

Umesh Raut:

Got it. And even with the introduction of CPCB IV+, do you think that the consolidation will happen in favor of branded players in aftermarket business more and more and because it is more of electronic-based content, so opportunity can be even higher for distribution business for you?

Shveta Arya:

You are absolutely right. That gives a better opportunity because the products are technologically more advanced than what we had in the CPCB II era. So the products are more advanced and they will require better aftermarket support and technically strong teams on the ground to help our customers. So you're right, it could lead to better opportunities.

Umesh Raut:

Got it. My last question is on the export side. If you can share geography-wise export contribution, especially from Asia, Middle East, Europe, North America, Lat Am. And other part was related to whether you are seeing any incremental traction because of now CPCB IV+ previously compliant product, which is now getting accepted in newer markets and exports?

Shveta Arya:

So from an export perspective, both the high horsepower and low horsepower ranges are doing -- have done well in the quarter. And the growth is pretty broad-based across markets. I will not -- this particular quarter, there's no specific market to call out. Largely, we've seen Latin America and Europe performing better as compared to the last quarter and even the last year, but it's broad-based across markets.

And on the question on CPCB IV+ products, since we supply our products to many markets around the world, these -- a large part of these markets are still on lower emission norms than CPCB IV+. So they continue to buy those products. And the markets, which do buy products,



which are CPCB IV+, we continue to work with them as well. But a large part of these exports are still the lower emission products for now.

Moderator: Next question is from the line of Mohit from ICICI Securities.

Mohit: Congratulations on a very, very good quarter. My first question is, can you give us the breakup between HHP, MHP and LHP sales in Powergen during the quarter?

Shveta Arya: Yes, sure. So low horsepower for this -- Yes, sorry, give me one second. Yes. So low horsepower for this quarter is INR84 crores, medium range is INR229 crores, and what we call heavy duty is around INR115 crores and then high horsepower is INR628 crores, totaling up to INR1,056 crores for the quarter.

Mohit: My second question is, ma'am, is the -- has the data center sales contributing more than 20% of the HHP Powergen? Is it fair to assume that this is the contribution? And how are you seeing the data center sales in this fiscal year compared to the last fiscal?

Shveta Arya: So data center, I would just correct you there. It is 15% to 20% of overall Powergen sales, not just high horsepower. So that is the contribution of data centers. And we have been seeing steady growth in the data center market comparable to the rest of the Powergen segment growth as compared to last year.

Moderator: Next question is from the line of Jason Soans from IDBI Capital.

Jason Soans: Just wanted some color on the Industrial side of the business as well in terms of the various subsegments like mining, construction, compressor. Just if you could give some color on that as well as the breakup for that segment for the quarter?

Shveta Arya: Sure, Jason. Yes, for the quarter. So for this quarter, the Construction segment clocked INR147 crores; Rail, INR148 crores; Compressor, INR56 crores; and then the remaining, totaling up to INR418 crores for this quarter. So a little bit of color on this segment. Railways performed really well for us owing to orders for the diesel electric power cars and power cars.

Construction segment, steady growth; however, in this particular quarter, we did see some projects getting affected due to early monsoon. And then Compressor segment just continuing on steady demand, very comparable to the last quarter. Those were the key highlights.

Jason Soans: Sure. And just in relation to the exports, just wanted to understand in light of this tariff thing. So I mean, is there any exposure of us to the U.S. markets or some products that feed into the U.S. markets? Any color on the development in terms of this tariff increase?

Shveta Arya: Jason, we are evaluating at this point in time. We are quite diversified in terms of the markets that we export to. Yes, we do export to the U.S. But since we have quite a diversified portfolio, the share of what we export to the U.S. will not be very high. So -- but we are evaluating how this will impact our exports to the U.S.

Moderator: Next question is from the line of Ruchit Agrawal from Unifi Mutual Fund.



Ruchit Agrawal: Many congratulations on the strong set of results. Just one question from my side. As you alluded to the fact that we are seeing prices settling down now and the endeavor is to hold on to prices. Can we say that the margins that we've had in the last 2 quarters are sustainable? And any color on that?

Shveta Arya: Ruchit, thanks for the question. So that is our endeavor. But then we always have to be competitive in the market, right? So we wait and watch depending on the competition activity and to provide the best value to our customers. So while our endeavor is to hold on to the margins, for sure.

Ruchit Agrawal: Sure. That helps. And just one question on the competitive intensity, as you mentioned. If you can give some on our market share, especially in the high HP nodes, are we seeing some foreign players entering the market? And have we had any impact on the same?

Shveta Arya: We have quite a few players in the market, Ruchit. There are domestic players as well as foreign players, yes. And that intensity has been increasing for sure. We continue to watch. We do I can't comment on the market share, but we do have good brand presence and acceptance because we have been around in the country for a long period of time. So there is a lot of brand acceptance and customers do prefer our products. But you're right, there is a lot of competitive intensity, including from foreign players in this segment.

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

Amit Anwani: My question is on exports. You did highlight it that Lat Am and Europe, the demand was good and the demand is very broad-based. So I think in past 4 to 5 years, I think only FY '23, we did about INR2,000-plus crores export.

Can we expect sustainable export numbers from here on despite there are challenges, and we understand that you're still evaluating the tariff impact maybe for certain sales from U.S. But given Europe and Lat Am doing good, is it sustainable? And can we see INR2,000 crores plus numbers in any annual sales maybe this year? And second, which user industries or segments, which are contributing to broad-based numbers in the export market?

Shveta Arya: From an export's perspective, we are a little cautious. And while we do see in the last quarter that all the markets, be it Latin America or on the high horsepower side, Europe, on the low horsepower side, all the markets like Africa, Middle East, all of them, we saw growth coming in due to a lot of efforts we have been putting.

But the geopolitical situation does keep changing. And that's why we are cautious about exports. optimistic because we are putting in a lot of efforts, but still cautious and evaluating the current situation. Could you repeat your second question on the industries?

Amit Anwani: Yes. So in Europe and Lat Am, especially since you highlighted, which are the segments' end users where we're getting good demand from in these markets?



Shveta Arya: These are Powergen segments largely C&I in both these markets. There could be some rental players, there could be some C&I players, Powergen largely in both -- in all the markets that we sell to.

Amit Anwani: Right. Second question on your guidance of double digits. Since we have done extremely well with respect to numbers in Q1, and we did about 25% number. So just for understanding perspective, are we seeing kind of high teens or maybe 15% to 20% growth since Q1 is already very strong. If you can give some color with respect to the growth.

Shveta Arya: There is -- we do see domestic demand continuing. But as I mentioned, we are cautious on the exports. So at this point in time, I would say double-digit growth does remain our outlook and endeavor. Beyond that, it is difficult to give you a range.

Amit Anwani: Understood. And on the gross margin, will this be sustainable since you're saying export is cautious. So in domestic also, are there margin-accretive products contributing? And is this gross margin we can assume that is possible to sustain?

Shveta Arya: On the gross margin side, we did get a lot of leverage benefit in this quarter. So if the volumes continue, we expect to sustain the gross margin from this perspective. That is -- so gross margins based on volumes and the product mix will be a play. So we -- our endeavor is to maintain it at these levels.

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

Rahul Gajare: Congratulations on a strong quarter. My first question is, you've already touched upon certain sectors and segments, which are driving growth. I wanted to know specifically if you have been able to cater to all the demand, which is coming from data center, specifically given some of -- most of the higher nodes for you all are imported.

And I also understand that Caterpillar has been able to pick up a lot more orders recently and improve its market share, given their shorter time lines of delivery. So here, what are you doing to shorten the time lines for imports, especially of nodes upwards of 3,000, 3,500. So those are the questions that I've got?

Shveta Arya: Thanks for the question. So there's a lot of work that we are doing to shorten our lead times as well on those nodes, not just for our market, but for around the world. So there's work going on, on shortening the lead times for our product deliveries.

And on the other hand, we are working with our customers so that we can generate the orders in advance and make sure that we deliver to them based on their own site readiness. So those efforts are going on. We have been able to fulfill the demand that has come our way, since you asked that question. We have definitely not lost because of our inability to deliver.

Rahul Gajare: Okay. And do you think that the demand from data center will continue this way, given that you've not specifically called out data center when you talked about some of the earlier sectors?



- Shveta Arya:** The demand from data centers is continuing, yes. I specifically did not call out data centers because that has been steady for the last few quarters. I only highlighted some of the segments that actually did really well in this quarter. But yes, data center demand is steady and continuing for the time being.
- Rahul Gajare:** Okay. And continuing with this question, are there any specific areas where you've seen that demand has drastically collapsed or significantly reduced, including inquiry levels?
- Shveta Arya:** No, we haven't seen any segment dropping demand to the level that it comes to our notice. It's been quite broad-based, yes. No such segment like that.
- Moderator:** Next question is from the line of Chandrakant Kanase from Ericsson.
- Chandrakant Kanase:** I have a question regarding the flexible fuel engines. Are we ready to launch them in India? And what is the potential for those flexible fuel engines?
- Shveta Arya:** Chandrakant, flexible fuel engines, it's -- we have something that we are working on at this point in time globally, which we call -- there's a platform, which we call HELM, which we are working on. But right now, we do not yet see the need to launch it.
- And we are working on that to see if there is a need for the time being, for our company, given Powergen segment is the most important segment and growing segment, which might require some options for beyond diesel, there is a dual fuel kit that's available to help customers who would like to try diesel along with gas and thereby have the option of the dual fuel kit.
- So the dual fuel kit is already launched in the market. And that's how we are catering to the customer requirement who would want to try gas as well as diesel as a fuel.
- Chandrakant Kanase:** Yes. And my next question was regarding the Railways segment, basically the powertrain part of the railways based on hydrogen fuel. What is the potential for Cummins there? And what could be the time line there?
- Shveta Arya:** So there is definitely potential; however, hydrogen as a fuel on the railway side would be a hydrogen fuel cell discussion, which is still some years to come. We have electrified railway tracks. So the Indian Railways is really focusing on that and trains, which can work on those electrified railway tracks. So there are conversations around hydrogen fuel cell, but it is some time to come, at least more than a decade from now.
- Chandrakant Kanase:** Okay. And it will come out of Accelerata...
- Shveta Arya:** We will evaluate at that point in time when we are ready and when we are having the conversation with railways. At this point in time, there are very little discussions on hydrogen fuel cells.
- Moderator:** Next question is from the line of Saif Sohrab Gujar from ICICI Prudential AMC.
- Saif Sohrab Gujar:** So just one question on the exports. So Cummins globally, U.K. is a very big hub for them globally, right? And since now there is an India U.K. FTA, is there an increased from parent for



supplying to U.K. since there is annual report also, we see transactions with Cummins Limited, which have been growing anyways, right, the U.K. entity, you have proposed to increase it by 26%, around INR1,167 crores, which is big, right? So is there a direction in that towards supplying more to U.K. entity basis the discussions with parent?

Shveta Arya: Thanks for the question, Saif. So we are looking at it. We are trying to see how we can improve our presence in that market given the announcements made. Definitely, that is something we are evaluating with our global counterparts.

Saif Sohrab Gujar: And just a clarification from earlier questions. You mentioned 31% Powergen growth is without any project business revenue, which you typically recognize in 4Q, right? So there is no project business revenue in this quarter?

Shveta Arya: There is project business revenue. There is project business revenue in it. There are no one-offs. The question was around one-off growth items. There are no one-off growth items, but definitely, there is project focus in that.

Saif Sohrab Gujar: And still the margins have been muted. Fair. Thanks.

Moderator: Next question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: My question is again on BESS. So right now, the prices on the import side is about INR1 crores to INR1.2 crores per megawatt hour. So do you think that Cummins will be competitive enough to match that kind of pricing? And I mean, do we have any right to win? That is basically my question what I want to know, given the pricing is so aggressive now on the import side?

Shveta Arya: Yes, Parikshit. So we are evaluating. We're working with our customers because our product does have quite a few features, which the customers would appreciate on the safety side and on the utilization of the BESS. So we are working on that to provide the right value proposition to the customers. And if the need be, we would definitely work on the cost side as well.

Parikshit Kandpal: But on your internal assessment, what kind of TAM could this be? I mean, for C&I customers to start with? So what kind of opportunity we do 1 or 2 years down the line you'd say this could present?

Shveta Arya: A little too early to say, very early, Parikshit, we just launched the product about 2 months ago.

Parikshit Kandpal: Okay. Just one question, which used to always keep coming earlier on the CTIL and CIL merger. So any thoughts there? And again, I mean, I'm taking it after a long time, but this was a question, which used to come on the calls. So any thoughts there? How is the parent thinking about it? Any discussions around that?

Shveta Arya: That's a continuous assessment that the parent does. But at this point in time, there's nothing that I can share, which is concrete at all.

Parikshit Kandpal: Okay. You said the project business is now regular, so what was this quantum in this quarter, if you can quantify out of the total Powergen business?



- Shveta Arya:** I won't be able to share the exact number, but it's a steady number. It's not -- there is a small number of project execution, but I won't be able to share the exact number.
- Parikshit Kandpal:** So high single digit or even double digits, right? That much color if you can give.
- Shveta Arya:** Double digit.
- Parikshit Kandpal:** Okay. And just one last question on this. What is the composition of the CPCB IV engines now in the total Powergen mix, and revenues you booked this quarter? So what is that quantum? Is it -- will it be like 80%, 85%?
- Shveta Arya:** So CPCB IV+ range, not 80%, 85% from a value perspective. But -- sorry, I'm trying to decipher your question. So below 910 kVA is fully CPCB IV+. Did you mean how much is CPCB IV+ in the full Powergen?
- Parikshit Kandpal:** Yes, yes. So domestic Powergen business of INR1,000-odd crores that you booked this quarter. So how much of the contribution came from the CPCB IV engines?
- Shveta Arya:** Roughly 60%.
- Parikshit Kandpal:** Okay. 60% will be CPCB IV and 40% will be non-CPCB?
- Shveta Arya:** Yes, that's right.
- Parikshit Kandpal:** And lastly, on this hydrogen electrolyzers, any update? And now you have introduced that, so anything you're hearing from your customers who want like to try out from Cummins electrolyzer products. So any thoughts there, when do you expect this to come into the markets for the power backup?
- Shveta Arya:** Hydrogen electrolyzers are not for power backup. Hydrogen electrolyzers are just to generate hydrogen for the customers. So that is not something that we've heard too much on in the market in the recent past.
- Moderator:** Next question is from the line of Harshit Jitendra from Elara Capital.
- Harshit Kapadia:** Congratulations for a strong set of numbers. Just 2 questions from my side. On the call, you mentioned that till now we are looking at a growth in data center. Now is this reference to that the demand from one of the large U.S. IT company related to data center has come down because of AI. And given that you may have a higher exposure to that particular customer, you are a little bit worried of data center growth, let's say, not in this year, but probably in FY '27, '28?
- Shveta Arya:** No, we are not worried about that. We still have a robust order board on the data center from all different kinds of data center players, be it the ones from the U.S. or be it the ones from India. So there is a strong order board on the data center side.
- Harshit Kapadia:** Understood, ma'am. And on the second question was on distribution side. Until now, what we understood was 60% of your distribution was directly through Powergen and 40% was because of the Industrial. Now given because of the CPCB IV and our electronic item usage in the



Powergen is going to rise, will we see Powergen share increasing significantly in the distribution mix and because of which even margins will also increase?

Shveta Arya: So the distribution business mix is across Powergen and Industrial business, yes, but we are seeing growth across both...

Moderator: Sorry to interrupt ma'am. Your voice is breaking.

Shveta Arya: Clear now?

Moderator: Yes, please go ahead.

Shveta Arya: Okay. So on the distribution business side, we are seeing growth both on Powergen side and also on the Industrial business side. So why Powergen CPCB IV+ has does present opportunities to penetrate more on the Powergen side...

Moderator: Ma'am, your voice is breaking again.

Shveta Arya: Can you hear me better?

Moderator: Yes, please proceed.

Shveta Arya: I'll repeat my answer. On the distribution business side, both Powergen and industrial business are growing for us. On the Powergen side, CPCB IV+ does offer possibilities of penetrating more, but the same opportunities and in a different way are present in the Industrial business side as well. For example, in railways, in mining, in marine. So it would not be fair to say that Powergen would outstrip the growth on the Industrial business side. Both are growing for the distribution business.

Harshit Kapadia: Just if I can squeeze in one question related to Industrials on Marine. We have been saying that we'll see a lot of growth on the marine side because of a lot of defense-related ships are on a rise. Could you give us some thought on what kind of growth we can expect and from which quarter is this growth going to fructify for us?

Shveta Arya: So there is steady growth in that segment, and these are dependent on government orders and our tender-based projects. So there's steady growth happening. There's nothing that I can say that by this period of time, we will see because these are government tender-based projects largely.

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

Aditya Mongia: So the question -- the first question was on exports. At least the data that we track, we started seeing QSK38 and QSK50 engines started becoming relevant U.S. exports over the last few months. We also see in the annual report mentions of U.S. kind of opening up of the market on these nodes. I wanted to understand the tariffs aside, can U.S. start becoming a more sizable share of our sales over the next few years?



- Shveta Arya:** Aditya, thanks for the question. So remains to be seen. The products definitely have been launched, and we saw good traction from the market. Now we have to evaluate the current situation and see how that impacts us. But yes, there is a possibility of growth in that market through these products, definitely.
- Aditya Mongia:** Understood. Just a related question to this. From INR1,600 crores, INR1,700 crores run rate of exports, we are now coming back to INR2,000 crores. Should we assume that bulk of this change that has happened, which has happened fairly quickly, is because of share gains and the macro is still as weak as it was in the last year and thus, if it were to change, there would be a second uptick that happens from here on?
- Shveta Arya:** Very different market by market. There are -- like I was saying, there are places where we have been able to provide the right products through the right channel. It is -- I mean, these are various markets that we sell to, right? Europe itself is like so many different markets, so is Africa, Middle East. So difficult to say how we would have gained share in each of those different markets and how this would have moved.
- Aditya Mongia:** Okay. The second question that I had, Shveta, was just to get a Birdseye view from your lens, as in from there on, which segment is a segment wherein you would want to focus a lot more and where a lot more value creation can happen among the Powergen exports and distribution? Obviously, trying to get a sense more on distribution so this question.
- Because our sense is that, that business, at least your predecessor was talking about that having a 5-year kind of track record -- a 5-year kind of future, which is fairly decent. But if you have to pick one segment where you want to focus the most, which one would that be?
- Shveta Arya:** That is a tough question. I would not want to pick one segment because the India domestic market presents opportunities across the board. So in the Powergen side, there is demand, which is growing because there's need for backup power. The Industrial segment because of government spend, infrastructure spend presents opportunities.
- And when we utilize all these opportunities, the distribution business also continues to grow owing to higher growth of our engines on the ground, higher penetration and new products being launched. So I definitely would not want to pick up one segment because there are opportunities across the board.
- Aditya Mongia:** Just a minute of a clarification. You said that Powergen revenues have come back to CPCB II levels for you. How far away would the market be at this point of time to be reaching that stage? And can that happen this year itself?
- Shveta Arya:** My comment was not about Powergen revenues. My comment was about overall market volumes. Overall market volumes at this point in time are back to CPCB II levels. That was what my comment was about.
- Moderator:** Next question is from the line of Anupam Goswami from SUD Life.



Anupam Goswami: Ma'am, if you could summarize where -- how do I look at the growth across the segments and specifically which segment? And of course -- and our product lines also where do you see the Industrials and Powergen, where -- which factors would lead it to? A little specific on this, if you can help that.

Shveta Arya: Anupam, so if you're talking about the current quarter and what we see in the market, so Powergen, there are a few segments that I called out like quick commerce, mission-critical segments, which are hospitals and roads, airports, some of them, manufacturing segments, pharma. Some of these have presented opportunities in this quarter and continue to grow at a robust pace. So that's from a Powergen perspective. It is across the nodes, this demand. So we are seeing that.

In the Industrial business side, we are seeing demand from the railway, diesel electric tower car and power cars, which we continue to see. Construction segment was impacted a little by monsoons, but we do see some steady movement in that.

So these would be the key highlights. And other than that distribution business, we continue to see a similar kind of growth. So those are the key things that we see in the market. And given the way the domestic economy is performing, we do believe this will continue at least for some time.

Anupam Goswami: Ma'am, on the -- let's say, from the last year, what sort of changes are we finding this time given the stabilization of CPCB IV has happened and any sort of disruption is now behind us?

Shveta Arya: What sort of changes? Could you please clarify?

Anupam Goswami: Ma'am, in terms of growth and demand factors, where do you see the market is opening up and where do we see our USP or our advantage that we are getting?

Shveta Arya: From a market demand perspective, I just shared with you. From our USP perspective, specifically in the Powergen space, we do have very good customer relationships, which we have built over the years. The brand promise that we deliver on reliability and innovation has been working in our favor.

The CPCB IV+ product being very technologically advanced has been accepted very well by the market. On the -- and the aftermarket support, much needed by the customer on the Powergen side, specifically for such a technologically advanced product is being well appreciated.

On the Industrial side as well, our execution, our ability to execute orders, which sometimes are very customized based on requirements of the tenders and the ability to deliver aftermarket support for a long period of time for that. These are some of the USPs, which are well accepted by the market and are continuing to show us possible growth areas as well.

Moderator: Next question is from the line of Pulkit Patni from Goldman Sachs.

Pulkit Patni: Shveta, when I look at the last couple of years, while we've done very well on growth, we've also been very tight on costs, whether it is employee cost, we've been -- we've had a few VRS,



etcetera. Now as you chart out the next 3, 4 years growth trajectory for the company, how should we look at cost for you?

You think you are rightsized or we'll have to sort of rebuild capacity? How do you think about capex utilization? So I'm just thinking about best margins and best growth for the company in the last couple of years. How should that trend from a cost perspective going forward?

Shveta Arya:

Pulkit, thanks for the question. So Pulkit, you're right, we have been focusing a lot on our costs as well. And we have been working very hard to optimize our costs to the right level. So that from an employee cost or other kinds of spends will continue.

On the other hand, capacity, in our capacity in terms of upgrading the lines, expanding the lines, we have been putting in capital over the last few years continuously, and that will continue for us to ensure that we are providing to the domestic market as well as to help with our exports growth.

So that capital has been coming in continuously and continues going forward. Our capacity utilization at this point in time is around 65% to 70%, but that's also because we have been continuously putting in capital on line upgrades and line expansions and finding ways to utilize it better.

So those are some of the things that have worked for us. The way you should think about it is that going forward, we will have leverage gain because we've worked on a lot of optimization, but we will also continue investing to fuel our future growth. So that is probably the best way to think about it.

Pulkit Patni:

And in that context, what should we build in for capex for the next couple of years?

Shveta Arya:

I won't be able to give you numbers. But like I said, we've been continuously investing in capex over the last few years. You could build in a very similar scenario.

Pulkit Patni:

Okay. So about INR225-odd crores, which we spent last year. That's something we can bake in for the next few years as well?

Shveta Arya:

I won't be able to give you the numbers.

Moderator:

Ladies and gentlemen, we will take this as the last question for the day. I would now like to hand the conference again over to Ms. Shveta Arya for her closing comments. Over to you, Ms. Arya.

Shveta Arya:

Thank you, everyone, for your participation and engagement and all the questions on the call today. Cummins India believes that the broader domestic economic outlook is stable. India's GDP estimate for financial year '26 remains at around 6.5%, and the CPI has eased over the last quarter.

Economic policy reforms, coupled with reduction in interest rates and government focus on infrastructure development bodes well for our end markets. However, we do have uncertainties pertaining to global tax and trade policy, and we remain cautiously optimistic about the near- to medium-term demand outlook.



Cummins India Limited
August 08, 2025

With this, I would like to close the call. Thank you so much, everyone, for joining us today.

Moderator:

Thank you, ma'am. On behalf of Cummins India Limited and the leadership team, we would like to thank you for joining us today and making it an engaging session. We are ending the conference call now. You may now disconnect your lines. Thank you.