

CUMMINS INDIA LIMITED
59th Annual General Meeting
[CIN: L29112PN1962PLC012276]
August 25, 2020
3:30 PM [IST] to 5.41 PM [IST]

Corporate Participants:

Mark Levett

Chairman

Ashwath Ram

Managing Director

Rajeev Bakshi

Independent Director

Nasser Munjee

Independent Director

Prakash Telang

Independent Director

Rama Bijapurkar

Independent Director

P.S. Dasgupta

Independent Director

Donald Jackson

Non – Executive Director

Antonio Leitao

Non – Executive Director

Lorraine Meyer

Additional Director

Norbert Nusterer

Non – Executive Director

Vinaya Joshi

Company Secretary

Ajay Patil

Chief Financial Officer

Other Participants to the Meeting -

Authorized Representative of Statutory Auditors

Authorized Representative of Secretarial Auditor

Authorised Representative of Cost Auditor

Scrutiniser

Other key Executives and Senior Management

Shareholders

Welcome Address by Chairman

Mark Levett

Good Afternoon Members, Directors, Ladies and Gentlemen,

I am Mark Levett, Chairman of the Company and I express my pleasure to welcome you all to the 59th Annual General Meeting of Cummins India Limited. The meeting is being held through video conference in accordance with the provisions of Companies Act, 2013, circulars issued by the Ministry of Corporate Affairs and Securities Exchange Board of India.

We greatly appreciate and value your interest in the Company and want you to know that we are very pleased to have you with us today.

In the current scenario, the COVID-19 pandemic has significantly impacted the global economy, operations, people, and communities. I would like to share that even during the stringent lockdown phases, Cummins did its best to make people's lives better. Continued support was provided to customers who were providing essential services. On CSR front, extensive support was provided to COVID front line warriors and community as a whole. Cummins has always viewed challenges as opportunities and has successfully tackled these head-on with resilience and determination. Cummins has been in existence for over 100 years globally and always emerged stronger, successfully navigating through the downturns in past. We have always been focused on powering a more prosperous world, be it financial stability or sustainability for our stakeholders.

At this juncture, I would like to put on record that I am attending this meeting from Columbus, Indiana, USA through video conference. In the event of unforeseen technical issue, if I get disconnected from this meeting, I would request Mr. Ashwath Ram, Managing Director of the Company to continue the meeting till I join back the meeting.

The Company Secretary has confirmed that requisite quorum is present through video conference to conduct this meeting. Members' participation through video conference is being reckoned for the purpose of quorum as per the circulars issued by Ministry of Corporate Affairs and Section 103 of the Companies Act, 2013. With the required quorum being present, I call the meeting to order.

Representations under Section 113 of the Companies Act, 2013 has been received by the Company including from the Holding Company.

Now, I would like to introduce my fellow Board Members starting from **Ashwath**

Mr. Ashwath Ram is on the Board since August 2019 and is also the Managing Director of the Company. Prior to this role, he has led the Engine Business Unit for Cummins where his key focus areas of the business included strategy, sales,

profitability, operations and supply chain. He is attending this meeting through VC from Cummins India Office Campus, Pune.

Mr. Nasser Munjee is on the Board as Independent Director and is also the Chairperson of Audit Committee of the Board. He is a renowned economist and expert in the field of finance and infrastructure investment. He is attending this meeting through VC from Dubai, UAE.

Mr. P. S. Dasgupta is on the Board as Independent Director and is also the Chairperson of Stakeholders Relationship Committee and Corporate Social Responsibility Committee of the Board. He is an Advocate by profession and has rich experience and expertise in Mergers and Acquisitions, Reorganization & Restructuring and Corporate Laws. He is attending the meeting through VC from Dubai, UAE.

Mr. Prakash Telang is on the Board as Independent Director and is also the Chairperson of Nomination and Remuneration Committee of the Board. He possesses expertise in Automobile and manufacturing industry. He is attending this meeting through VC from Pune, India.

Mr. Rajeev Bakshi is on the Board as Independent Director and is also the Chairperson of Risk Management Committee of the Board. He has rich experience in Marketing and Supply Chain Management. He is attending this meeting through VC from Delhi, India.

Ms. Rama Bijapurkar is on the Board as Additional and Independent Director of the Company. She is a thought leader on market strategy and India's consumer economy. Ms. Rama Bijapurkar is also on the Boards of several of India's blue-chip companies as well as Governing Councils of academic and public service institutions. She is attending the meeting through VC from Mumbai, India.

Mr. Antonio Leitao is Non - Executive Director of the Company. He is the Vice President of Cummins Inc. and Europe ABO Leader. He brings in vast experience in Strategy and Management. He is attending the meeting through VC from Brest in France.

Mr. Norbert Nusterer is Non-Executive Director of the Company. He is the Vice President of Cummins Inc., USA and President of the Power Systems business. His expertise is in Supply Chain Management, Turnaround Management and Business Process Transformation. He is attending this meeting through VC from Columbus, Indiana, USA

Mr. Donald Jackson is Non-Executive Director of the Company. He is Vice President & Treasurer for Cummins Inc and is responsible for the Corporate Treasury function. He is attending this meeting through VC from Columbus, Indiana, USA

Ms. Lorraine Meyer is Additional and Non-Executive Director of the Company. She is responsible for Talent Management at the Global Enterprise Level at Cummins Group. She is attending this meeting through VC from Columbus, Indiana, USA

Mr. Venu Srinivasan, Independent Director on the Board has conveyed his inability to attend this meeting due to urgent commitments and has requested for leave of absence.

Mr. Ajay Patil is Chief Financial Officer of our Company. He has multi- industry work experience in the field of Finance spanning for more than 25 years across countries. He is attending the meeting through VC from Cummins India Office Campus, Pune.

Ms. Vinaya Joshi is the Company Secretary and Compliance Officer of the Company. She has 11 plus years of experience in the field of corporate laws and allied legal matters. She is attending this meeting through VC from Cummins India Office Campus, Pune

Mark Levett

Thank you everyone.

Please note that we also have Auditors Representatives joining this meeting:

- Mr. Sethi and Mr. Khandelwal, Statutory Auditors, S R B C & CO LLP;
- Mr. Pramod Shah, Secretarial Auditor and;
- Mr. Ajay Joshi, Cost Auditor

We also have Mr. Sanjay Deodhar, Internal Auditor of the Company joined this meeting.

I once again welcome all of you to the 59th Annual General Meeting of the Company. We are now moving ahead with the proceedings of the meeting.

I am pleased to inform you that, this year we are celebrating the Centenary Year of Cummins Power Generation. To commemorate, we would like to play a short video -

[Cummins Power Generation video-plays]

Thank you.

I now request Vinaya Joshi, Company Secretary of the Company, to provide general instructions to all the Members regarding participation in this meeting.

Vinaya Joshi

Thank you, Mark. Good afternoon everyone.

Members may note this AGM is being held through video conference in accordance with the Companies Act, 2013 and circulars issued by the Ministry of Corporate Affairs and SEBI.

The video conference facility is made available for the Members on a first-come-first-serve basis and following the specifications as provided in the MCA Circular

We have 34 members participating today in this 59th AGM.

As this AGM is being held through video conferencing, the provisions for appointment of proxies by the members is not applicable. Hence, the Proxy Register of Members is not available for inspection.

The Statutory registers and such other documents as required under the relevant provisions are made available electronically for inspection by the Members during this AGM on the video conference screens. Members seeking to inspect such documents post AGM can send their requests to email id - Cil.Investors@cummins.com.

In accordance with the MCA circulars, the Annual Report for the Financial Year 2019-20 along with the notice of AGM has been sent on July 30, 2020 via email to those shareholders, whose email address was registered with the Company / Registrar and Transfer Agent and the depository participants.

The Annual Report along with the notice of AGM is also available on the website of the Company and that of BSE and NSE Limited.

The Company has received requests from Members to register them as speakers at the meeting. Accordingly, the floor will be open for those Members to ask questions or express their views.

It may be noted that the Company reserves the right to limit the number of members asking questions and the questions will be answered in the AGM depending on the availability of time at the AGM. The moderator will facilitate the session once the Chairman opens the floor for questions and answers.

The Members may pose their questions/ views/ suggestions on the "Ask a Question" tab provided on their video conference screens during the meeting. The questions will be addressed through appropriate modes by the Company, in due course.

The Company had provided remote e-voting facility to Members to cast their votes electronically, on all resolutions mentioned in the notice. Members who

have not yet cast their votes electronically and who are participating in this meeting can cast their votes during the meeting through e-voting facility provided by Kfin (e-voting service provider). Member can click on "Vote" tab on the video conference screen to cast their vote during the AGM, post announcement by Chairman.

Members are requested to refer to the instructions provided in the AGM notice and appearing on video-conferencing page for an uninterrupted participation in the meeting. In case of any assistance, Members may connect to the helpline number(s) provided in the AGM notice.

Recorded transcript of this AGM will be maintained and will remain in the safe custody of the Company.

Thank you. Over to you Mark.

Mark Levett

Thanks, Vinaya.

I would also like to inform that all efforts feasible under the circumstances have indeed been made by the Company to enable Members to participate and vote on the resolutions being considered in the meeting.

I thank all the Members, Colleagues on the Board and Auditors for joining this meeting through video conferencing.

Mark Levett

I now request Ashwath Ram, Managing Director of the Company to take you through a brief presentation on our Company and its performance during the Financial Year under review.

MD's Presentation

Ashwath Ram

Thank you, Mark.

Welcome everyone to the 59th Annual General Meeting for the year 2020. I am Ashwath Ram, the Managing Directors of Cummins India Limited and I am really happy that all of you have participated.

I'll start off with our story and the reason why we exist. We always start with this and that's mainly to explain to you, why we do all this and why we exist i.e. because of our mission to make people's lives better by powering a more prosperous world. What we want to accomplish is our vision, which is innovating for our customers to power their success and the way we will do it is through our values and these values have evolved over the 100 plus years that we have been in existence and because of integrity, diversity and inclusion, caring, excellence and teamwork. We have a culture of inspiring and encouraging all our employees

to achieve their full potential. We have a brand promise of powering our customers through innovation and dependability and our strategy is to deliver value to our stakeholders.

So this year, as you saw in the videos presented earlier Cummins Power is celebrating its 100th year of its being in existence and last year we celebrated Cummins Inc. being a company for 100 years and as many of you will note that, not many companies go through this kind of cycle and is able to survive for 100 years. We have gone through so many cycles of ups and downs, so many complexities of the nature of doing business and still have survived to continue to do better and grow in all of these difficult circumstances. You would have seen in the video that the power generation business was founded by Mr. D. W. Onan in 1920 and Cummins acquired this business in 1992 and was later integrated into the overall power generation business.

So, in 2020, despite us knowing that 2020 would be a tough year, global markets have all beginning to start to correct. This has still been a historic year for Cummins Inc. for example, Cummins put out its Planet 2020, which is its new environmental strategy which uses science and data-based methods by which we can beat commitments made in the Paris Agreement in the United Nations. Our leaderships globally have now reached a gender representation of 50%, which means now our top leadership globally has 50% women as part of its group, and you know that's a really proud achievement for us as a company. In our corporate responsibility activities, Cummins Powers Women, which is one of our big initiatives that impacted the lives of more than hundred thousand women to promote equality as well as promote the upliftment of women in different areas. We continue to invest very strongly into our business. We have invested about a billion dollars in R&D and engineering to continue to be the Market Leaders in our field. We also achieved record profitability as a Global Company.

All of you probably realized that nobody planned for the impact of Covid on the world. The impact is significant. Over 230 lakh people are already affected, 30 lakhs plus people are now impacted in India and in our own headquarter city, Pune is the epicentre of Covid as far as India is concerned, so every part of our business in some way is impacted by Covid. This is the worst disruption the globe has ever witnessed as far as these kinds of epidemics are concerned and the state we are in also has the single largest number of Covid cases but what I can tell you is that Cummins has a plan and it is implementing that plan in around 200 countries around the world. We are coming out of this in a very strong and successful manner. So, as you can see, the impact of Covid has a direct impact on our business as well and 2020 has slowed down as compared to 2019. It has impacted not only sales but record sales in 2019 and 2020 which is likely to be a much slower but also profit. The company has done several planning activities to control everything which can be controlled to be able to come out of this epidemic strongly.

As far as the Indian economy is concerned, it had begun to slow down and Covid has just made the situation even worst with our GDP growth for the last 4 to 5 quarters falling and with many economists informing that this year, we will have negative growth as far as GDP is concerned. It is going to take some time for the market to recover and come back to the level where we used be or to come back to double digit growth of GDP which is what the aspiration of many of the leaders

in our country are. It's going to take some time and one can't predict exactly how much time. Earlier people had estimated the things would all get back to normal and everything would be normal in the June- July time frame and as you can see, the cases continue to increase and so there is lack of clarity on how much time it will take to come out of this situation.

While the Government is doing a lot to come out of this situation. They have announced many plans to improve liquidity, they have changed the taxation structure, they have announced moratoriums to allow people to pay banks back, giving them more time to recover. While all of that has been happening, Cummins has been working really hard to come out of this pandemic in a strong manner. Even in this pandemic, we continue to live our brand promise of dependability. Some of the photographs you see here are our folks out in the field supporting customers even when the entire country was in lockdown for nearly two months. Our people were out in the field supporting customers, making sure that Gensets are up and running, making sure that critical equipment in hospitals, all critical applications for mining and so many other critical applications continue to run during this period. All were supported by our team living up our brand promise and after the business unlock has started, we also followed some of the best practices in the world to ensure that our employees return back to our plants in the safe manner and have gradually restarted our operations. Now, I would say 70 to 80% of our plants are up and running to utilize capacity of about 70 to 80% of what they are capable of. Cummins has introduced Covid- 19 safe work playbook based on our experience from around the world and this has been shared with not only internally within the Cummins but Cummins has also shared it with CII and SIAM and many other organizations to ensure that this data we have gathered from around the world and these safe practices that we have set up can be used by other companies to recover.

Cummins has been doing quite a bit of work to support the community during this pandemic to make sure that people's lives continue to be better even when things are all shut down. Our impact till date is as follows, we have spent about three and half crores rupees on Covid, we have been donating N95 masks, Cummins formed a global alignment with a leading mask manufacturer 3M and is using Cummins own filtration technology to set up and manufacture our own N95 plus masks and we are already setting up a machine to do that in India and very soon, we will be able to meet not only our needs but be able to support our communities and our suppliers and many other people with masks. We have been donating kits, foods and doing whole lot of work and not only by ourselves but also in partnership with the Maharashtra Chamber of Commerce, CII and SIAM and other organizations, so I feel really proud of the kind of work that Cummins's people are doing in helping us to recover out of this pandemic.

Our top three priorities as we come back or as we are working through this pandemic, the first of course has been the health and safety of our employees. We are doing and we will continue to do everything possible to ensure that our people are safe. As a matter of fact, our practises have been recognised so well by the Government of Maharashtra and especially the local Municipal Corporation in Pune that despite many other companies being under more severe restrictions, we have got approvals to go up to 100% of our capacities based on what they saw. Cummins is following some of the best practises in the world to ensure the safety of our people. We continued to serve our customers

when everything was down, and we will continue to serve them as we ramp up and gear up, to serve them even better than what we were able to do during the lockdown period. It's important to that Cummins which is a 100 years old company and in India, we have been here for nearly 60 years, the survival of the company and ensuring that the company stays healthy and strong so that it can live to fight another day and come out stronger is really important.

Cummins India in the last year has been extremely busy. We have been launching many new products, we have launched 40 KVA gensets, new K 19 engines, entirely new RoHS compliant low KVA products etc. These products give us the ability to export to many markets especially in Europe. We have executed the first ever order of the QSK 95 which is a 3000 horsepower Genset and we are getting more orders. Overall, we have been making many product breakthroughs. Some of the photograph you see are depicting the products launches. In the service sector, we have just been recovering from the cyclone which hit the southern part of India and Cummins played a very key role in ensuring power was restored, we played an amazing role in helping people to get back to their lives to normal. Our NPS Core at 84.86% is a 3% improvement in last year and this I can tell you is the best NPS score in the world that our service and support system get anywhere, and these kinds of numbers are unheard of. We ourselves as Cummins could not imagine that we could reach to these kinds of numbers and the battle of the journey doesn't end here. We will continue to work on ensuring and making sure that our customers stay satisfied with the kind of work we do. As far as the community is concerned Cummins ranked 50th out of the top 100 companies listed by Futurescape and Cummins College of Engineering for Women completed 25 years with 9500 plus student having graduated till date. We celebrated this achievement and it was a very proud moment for all of us here.

So far performance is concerned, for our revenue in 2019-20, we had sales of 5062 crores. We had profit of 799 crores, we generated nearly 600 crores of cash from operations and as per our dividend policy, we continue to be a high dividend-paying company by payout of 700% dividend. If you look at our revenue trend despite this being a very cyclical and a tough market in the last couple of years, we continue to grow our revenue and we have very strong plans in place to come out of this Covid situation. We have a good strategy in place and strong plans to try to recover out of this situation and continue our historical trend of growing this business.

As far as profit is concerned, basis the power generation market which is mainly going into a softer cycle and from the GDP charts, shown to you earlier. some of our markets are already going into a softening cycle and the Covid impact of not being able to ship much by the middle of March also has added a certain bit of impact on us. We had ended the year with a lower profit number of about 15.9% or 799 crores and we are working really hard to try to come up with plans to recover go back to our historical rates of profit and bounce back from this situation. Our domestic versus exports trend remains similar with 70% being from the domestic market and 30% being from the export market. India plays a very important role in the global supply chain and continue to be a major supplier to both customers and our plants around the world and these trends will continue to improve year on year.

As we go into a segment-wise revenue, the industrial business despite so many challenges continue to grow, and this was driven mainly by a very strong contribution from the rail industry where Cummins has some amazing product and some good share. This was the primary driver together with mining and compressor, the three segments which really helped us to have a growth in this tough year. Power Generation, as we mentioned has started to see softening cycle as most of our segments are cyclical markets, we hit the peak of revenue in 2019 and we are starting to see that market soften and with the Covid situation, this is going to soften even further. Distribution though continued to grow and we continue to have pretty strong sales despite some setbacks in the month of March. This business is also one which will probably recover the fastest from the Covid situation. For exports revenues, you can see that in this financial year, the exports markets started correcting even before the impact of Covid and we had much weaker high horsepower growth, spare parts also shrunk a little bit as did the LHP exports and our teams in Cummins India remains a major supplier to most of these markets while working really hard to recover from this situation and bring back strong growth for the future.

I have shown you earlier the kind of corporate responsibility work that Cummins did during the Covid period. We will continue to do some amazing work for the rest of the year as well. 83% of our employees completed a minimum of four hours of corporate responsibility work 45,000 plus hours were utilised for Corporate Responsibility projects and a huge number of projects were completed in the big areas that Cummins focuses, projects like Monsoon Resilient Maharashtra, where 33,000 kilolitres of water were conserved across 24 arid and dry villages, new technical education sites were set up. Out of the Corporate Responsibility awards that Cummins is awarded for its plants in India has secured three out of those awards and they were for the Udgam Project where women are manufacturing sanitary pads. The Cummins Powers Woman project was kicked off and 22 NGO leaders participated in this project. We continue to support 24 model villages in partnership with NABARD and so many more projects. We are a big part of the clean Air Delhi Program which was recognised by CII and SIAM. Huge number of projects continue to be sponsored by Cummins and this will continue into the future as well. The chart shown is revenue cycle for 20 years and as you can see Cummins business is a cyclical business. When looked closely, you can see that, out of every deep recession, every bad cycle that we go through, we have come out stronger and better as a company and that's what the 100 years of experience mean to us and that's why we have the confidence that we will come out of this cycle better and stronger than we were earlier. We will use this opportunity to become better and stronger than competition and other companies who compete with us in the marketplace.

Cummins India Limited has a very Strong growth strategy, built on a core of our historical businesses of power generation, our industrial business, our distribution business and our exports business. Everything is built on a foundation of cost improvement, on supply chain excellence, on quality enhancement. We have some amazing capabilities in the areas of technology scale, we are the largest independent diesel engine manufacturer In the world and we have an amazing distribution network, most dense distribution network to support the products that we manufacture and we have partnership with some of the most amazing customers and suppliers in the world. The who's who of customers in the world work with Cummins and by products from Cummins.

We continue to focus on market share growth, we continue to focus on content, which means as the technology becomes more sophisticated, we have more and more that we are adding on into our products to give you an example as engines go from mechanical to electronic engines, they also need emission systems which Cummins manufacturers. We are also focused on lot of new tech areas, new aligned areas which Cummins is investing very heavily, as you saw earlier that Cummins continues to invest at the rate of billion dollars a year into new products, new technology, engineering acquisitions, etc and we are investing in areas of telematics, electrification, renewables alternate fuels and advanced analytics. We have an amazing and experienced leadership team for which we are very confident that we can come out of this crisis in a strong manner. As seen from this slide, we also are at close to 50% gender representation in India as well as we aim to do even better than what we are doing around the world.

To answer, what are we doing to win in this downturn - We continue to invest in new technologies and launch new products in existing markets, we are introducing better products and fighting harder to gain market share and win more OEMs, we are exploring new strategies for organic as well as inorganic growth in the business, we are working very close with the Government to be part of the key roadmaps to improve energy and infrastructure of the country and introduce many new technologies and products. We are leveraging all the investments we have made in India over the last 50 plus years and also leveraging our infrastructure. Our people helps us grow the business and gives us confidence that we will come out of this cycle strong and continue to maintain leadership in this business.

Thank you

Mark Levett

Thank you Ashwath.

As the Notice convening the meeting is already circulated to all the Members, I take the same as read.

The Statutory Auditors, S R B C & CO LLP and the Secretarial Auditors, Pramod Shah and Associates have expressed unqualified opinion in their respective Audit Reports for Financial Year 2019-20. There were no qualifications, observation or adverse comments on financial statements or matters which have financial bearing on the Company.

The Statutory Auditor's Report on standalone and Consolidated financial statements are available on Page no. 99 and 172 of the Annual Report. Secretarial Audit Report is enclosed as Annexure 11 on Page no 91 of the Annual Report. With your permission I take the Auditors report also as read.

The Audited accounts for the year ended March 31, 2020, are part of the Annual Report and has already been sent to you.

Before we further proceed, I would like to bring to your notice that the Company has provided remote e-voting facility to cast vote electronically on all resolutions mentioned in the AGM Notice in accordance with the Companies Act, 2013. The

remote e-Voting facility was kept open for a period of 3 days from Saturday, August 22, 2020 (9.00 a.m. IST) and ending on Monday, August 24, 2020 (5.00 p.m.).

Members may please note that there will no voting by way of show of hands.

We will now take up the resolutions as mentioned in the Notice.

We shall begin with the question – answer session after all resolutions are tabled.

Item No. 1 -

To receive, consider and adopt the audited standalone financial statements of the Company for the Financial Year ended March 31, 2020, the reports of the Board of Directors and Auditors thereon.

Item No. 2 -

To receive, consider and adopt the audited consolidated financial statements of the Company for the Financial Year ended March 31, 2020 and the report of the Auditors thereon.

Item No. 3 -

To declare final dividend on equity shares for the Financial Year ended on March 31, 2020 and to confirm the payment of interim dividend for Financial Year 2019-20.

Item No. 4 -

To appoint a Director in place of Mr. Antonio Leitao, who retires by rotation and being eligible, offers himself for re-appointment.

Item No. 5 -

To appoint Mr. Ashwath Ram as a Director and to approve his appointment as Managing Director of the Company

Item No. 6 -

To appoint Ms. Lorraine Alyn Meyer as a Director

Item No.7 -

To appoint Ms. Rama Bijapurkar as a Non-Executive Independent Director

Item No. 8 -

To ratify remuneration payable to the Cost Auditor, M/s. Ajay Joshi & Associates for the Financial Year 2020-21.

Item No. 9 -

To approve the material related party transaction with Cummins Limited, UK

Item No. 10 -

To approve the material related party transaction with Tata Cummins Private Limited

The text of resolution pertaining to item no. 5 to 10 along with the explanatory statement under section 102 of the Companies Act, 2013 is provided in the notice, circulated to the Members.

Members who have not cast their vote electronically through remote e-voting, can cast their votes **now onwards** by clicking on the "Vote" tab on the video conference screen. Members may also note that a dedicated voting session of 15 minutes would also be provided after closing speech by the Chairman in this meeting.

The Board has appointed Mr. Pramodkumar Ladda (Company Secretary in Practice), as the Scrutinizer to supervise the e-voting process and scrutinize the votes cast through remote e-voting and e-voting facility provided at the Meeting. The results of the e-Voting will be declared on receipt of the Scrutinizer's report and placed on Company's website and the same will be sent to stock exchanges.

We shall now open the floor for questions from Speakers who have pre-registered themselves for asking questions at the Meeting.

Before proceeding with the questions, I would like to ask Ms. Vinaya Joshi to brief the Members on Question and Answers Session

Vinaya Joshi

Please take a note of below points while asking questions:

1. Kindly turn on your video and unmute your audio to ask question when you are projected on video conference screen;
2. Mention your name, folio number and location from where you are participating;
3. Each Member will have approximately 2.5 to 3 minutes to ask question(s) or express views/ suggestions;
4. The questions will be responded after all the Speakers have raised their questions.
5. Speakers are requested to keep their questions brief and specific.
6. Considering the availability of time, the Company may limit the number of members asking questions.
7. Once you have asked your questions, you may turn off your video and continue to watch the proceedings of the meeting;

The moderator will facilitate the question-answer session. I now request the moderator to take-up the questions of Members in queue.

Moderator

I would request the speaker whose name I am going to announce to start asking the question by unmuting the audio, switch on the video and start with their name and folio number and I would like to request the speaker to follow the instructions given by the Company Secretary.

Ms. Jyoti Sanghai

I am Jyoti Sanghai from Kolkata. My DP number is 12068000000096 and my question is respected sir, the company has all resources and fundamentals also appears good. But despite this, the EBITDA margin of the company has already declined. What plans do you have to improve the operating efficiency of the company? After one more challenge was a long lockdown of COVID-19. Thank you, sir.

Managing Director

Thank you. I'll do my best to answer as many of the questions possible in the given time. If you feel that you didn't get enough details in some of the answers, please feel free to write to us and we will provide a much more detailed response to you. So, starting with Miss Jyoti's question which is, the EBITDA margin has been dropping and what are you going to do? What are you doing to improve operating efficiency? We at Cummins, are cognizant of this problem that we have been facing and we had started off with a reduction in force and the VRP (Voluntary Retirement Program) scheme. We started to work on that as early as November and we have implemented that in the first quarter of this year. We are just starting to see the positive impact of some of those actions as of now, but that's not the only thing we're working on. We have started implementing a mechanism called rings of defence, which means that every variable which is involved in cost, whether it be material cost, whether it be fixed cost or whether it be any form of variable costs in the form, we analyse as to how we are utilizing the plant, the depreciation schedule, the maintenance expenses that we have. Every line item of cost is being looked at and there are teams following a very structured process to try to cut down costs and keep improving the efficiency to revamp the margins. So, this is something certainly we get, it's important to us as a business that we be a top quartile provider of profits to our shareholders and to our employees. There is a lot of focused efforts going on through the rings of defence projects, to be able to make those improvements.

**Aspi Bamanshaw
Bhesania**

Chairman Sir, Directors and shareholders I'm speaking from Bombay. I welcome Mr. Ajay Patil, our CFO and I'm sure he will take care of our accounting requirements. In the first quarter, top line is less than half in the quarter and almost 36% of last year's first quarter. So, net profit is also reduced to one third year on year. What steps is management taking to improve their profitability? This is almost the same question asked by my predecessor. Do you make diesel engines for 2/4 wheelers? or do you have anything to do with electric vehicles? What is the difference between mechanical and electronic engines? What was the order book on 30 June? and what is the order book now? And how much of

those orders will be completed in the second and third quarters? Is Cummins catering to metros and monorails also in addition to railways? What is a roadmap for the next two years? Thank you and all the best.

Managing Director

Thank you, Mr. Aspi Bamanshaw Bhesania. As mentioned by Mr. Bamanshaw, the Q1 revenue dropped significantly and you've rightly observed that the Company functioned only for one month in that quarter. So, what you see is a quicker recovery than expected. But I would say recoveries are not 100% but are closer somewhere in the range of 60-80%, depending which market segments and business are we considering and it's going to take some time for all segments to come back to the normal volumes. So, it is very important for us that while the market takes its own time to come back in different segments, we continue to focus on costs, so that we are able to deliver better profit margins. I'll get to the next question; We do not make any products for two wheelers and three wheelers or diesel engines of very small size and because it falls below the range of products which Cummins manufactures. Further, the difference between mechanical and electronic engines is that the mechanical engines use a mechanical fuel pump and they are based on complete mechanical controls. Whereas, the electronic engines are full scope electronic engines which means they have electronic fuel systems. They have a central processing unit by which it can control injection timing and everything to a very precise level. Hence they are much more advanced than the mechanical engines, which in fact allows us to get at a better price for the product also. It enables us to meet much tighter emissions norms and because the emission norms are getting stringent, you cannot make the new emission norms requirement products by using old mechanical technology. Therefore, while that technology has been in existence for a long time and has gotten more commoditized as this technology goes towards electronic, it actually helps gain its market share as well as improve its profitability. So, we had quite a strong order board with some pending demand, which we could not fulfil in nearly two months in the April and May timeframe and for a few weeks in March. We are quickly catching up and fulfilling all the demand and I would say by the September or October we would not have any backlog. So, it would be whatever the demand the market is able to provide. Now moving on to the next question, we do supply some products to metros and we are looking to expand the range of what all we can supply to the rail business.

Vasudha Vikas Dakwe

Hello, good evening. Respected Chairman, Board of Directors and my fellow shareholders, I am Vasudha from Thane. First of all, I congratulate the Company Secretary and his team for sending the soft copy of the report well in advance which indicates the clear picture of the company. I would also like to congratulate the CSR committee which performs their duties very well. I want to ask when is the last bonus given and when the next bonus will be declared. Secondly, please throw some lights on our R&D expenditures, which is comparatively high to last year. With these. I support all the resolution and these companies all the best for the coming years. Thank you very much.

Managing Director

Thank you, Vasudha Daphne for your question. Well, the last bonus was given in 2011. It was a two to five (2:5) bonus and I don't have a good answer for you on when we will do that again, when times are better when businesses is much better, may be as per our dividend and shareholding policy. Now moving onto next question, on the R&D expenditure we spent a total of 190 crores on R&D in the last financial year, 145 crores out of that was for pure product development and research and development kind of expenses and 45 crores was in other areas. The 145 crores are mainly to develop new products and also to keep making investments for the newer emission changes that are coming in. There are three large emission changes for our product lines which are coming in near future. The first one is CPCB IV plus, which is expected to now come somewhere in the 2022 timeframe. There is a CEV-BS4, which is the on road regular application emission change which was supposed to come in in October of this year (2020) but which has now got pushed out to July of next year. Then there is a track vehicle emission change, which is supposed to come out in 2020 but which is most likely going to get pushed out by roughly a year or so.

Shashikant Gajanan Marathe

Good afternoon to our Chairman. Because profits increased three percent in the last few years, I convey our appreciation for overall efforts, various awards, return on investment, sustainability, CSR and on top for a golden take off by declaring dividend during the adverse times. I don't see reduction around the year on top line profit before tax equivalents to about 700% dividend. Thank you for adding a shareholder friendly attitude. How many man days were lost in 2020 due Covid-19 and our first time when Company decided to terminate contracts. I said, what is your plan for recovery of lost orders, as well as you declared the VRS results in trimming of head and employees, our previous management did not reduce pay or cut at loose, they are nice. They were rightly rewarded with leading to celebration. A win-win situation which build trust. I offer and convey our appreciation to outgoing directors for their contribution to the company, this year particularly their number is more very much to be taken as our disputed unpaid status reduce list runs into two pages. Try to trim it judiciously with the introduction of GST, there will be less cases in the years to come. also ensure that unpaid dividend is paid and CMS must explore innovative ideas to look at this, too I recollect a company which after advertising make a sentence represented which agencies who cater only for higher power or sports engine with the central government's thrust on agriculture, infra fisheries is a working capital availability to SMEs comply with good monsoon, we must explore these opportunities and adapt Enable growth on all financial parameters. I wish you all good luck and to turn better results in Africa. Thank you very much for giving me a chance.

Managing Director

Mr. Marathe has asked a variety of questions and also gave us a lot of advice. Thank you for that advice, we will be sure to take some of those thoughts and ideas into consideration as we plan the business. So, some of the questions which I'll address goes all the way to 'how many man days were lost?', So to answer this I think roughly about 65 man days were lost during this process this

is because even as orders came and we started ramping up, it was not 100% ramp up from day one, it was a gradual ramp up, spread over nearly two or three months. Hence, it's pretty complicated to calculate how many man days we have really lost when we were gradually ramping up. But I would say from a business impact perspective. If we could round up, it would be roughly three months' worth of real business impact, I would say, it is what has been the real impact on the company. The plan for recovering orders is very aggressive. People are now working online, all the factories are up and working. So, all the offices and the tech centres and everything associated with the factories have all come back online and we are working there at roughly 70 to 80% level of utilization on average right now. All the other people who usually work in office buildings, we want to control the number of access points and the number of people who are exposed and so those people are all working out of home. Our distribution and service people continue to go out and meet customers etc. We are aggressively canvassing for more work with all the customers to try to recover our business. We are also looking at some opportunities where some of our competition is struggling with some newer technology investments etc, but where we can improve our market share and we're trying for some of those opportunities as well. So, we want to use this covert situation to come back a little bit stronger. There was a question on China emission norms and what I would say is, China emission norms are at par with India, there are few areas where now after the implementation of CPCB Four plus where India will move out of China on the DSPs. They are on par with India. There is a question on NPS and on which year we will achieve 90% NPS and I can't exactly predict when something like this will happen, but certainly, the efforts continue to keep working towards a higher and higher NPS scores and well, the score is a consequence of providing good service and support. Our focus is going to continue to provide good products, good service and support and scores will be a resultant of the action. Another question from you was on the VRS (Voluntary Retirement Scheme) and the question on how many people were impacted there, around 750 employees were eligible for the scheme and about 140 people opted for the same in the last cycle, and there was another question of what is the average age group of our employees? We are about 3000, close to 3500 employees and the average age is between 32 and 38 approximately.

DIPANKAR
PURKAYASTHA

So good afternoon. I have a question on both the audited accounts as also on the business, so I'll take up the accounts part first. The company holds investment properties with a book value of 1037 crores, which compares with the book value of 1197 crores of its own property, plant and equipment, it's very unusual for a manufacturing company to have an investment property book almost the same size as its own manufacturing assets. And if I look at the market value, then the market value is even more which is 1260 crores on this huge asset, we earned a pre-tax yield of 2.5%. If I look at the market value, and if I take the book value, the yield is 3%. So, my question is why do we keep these idle assets in our books? Why can't these be monetized and transferred out to the people who are using it? Our floor shareholders have invested in an engine

business not in a real estate management company. So, I would request the company to examine the feasibility of monetizing these assets and transferring it to the current users. If there are problems with the tax efficient ways of doing this, then we will have to sit to the lawyers and see how this can be done best. My second question on the audit trails is in the auditor's report. It has been stated that 46 crores are the amount which is receivable by you from customers in certain geographies where the central bank has restricted remittances in US dollars. So, first of all, which are these countries where these restrictions are enforced? Has this amount since been recovered as on date? And what does the company do to mitigate these risks in the first place? Why do we sell to such countries? I would just like to know and what are the steps we take to mitigate these risks. Now coming to the business as such not be audited accounts, the MD and CEO in his presentation had given the CAGR for the last four years as 2.5%, but if you even go back to 10 years, the CAGR remains at 2.5%. I am talking about the consolidated revenues FY 11 to FY 20 CAGR is 2.5%. If I factor in inflation, it's actually negative growth. In real terms, we are growing year on year and its 10 years, I think, it is a sufficiently long period to overcome the cyclical to which the MD refers to. So, does this lack of growth indicate that the diesel engine business is shrinking? Or has the company been losing market share over the years, if you could clarify that and also for the sake of comparison, what happened the equivalent CAGR during this 10 year period in Tata Cummins and Cummins Technologies India Private Limited, if you had seen an Indian given only the export figures, the low horsepower Gensets have been showing a consistently declining trend and this also conforms with the perception in the market that Cummins low horsepower Gensets are not competitive price wise. So, if Cummins is looking at exiting the low horsepower engine business, or does it still intend to continue with this shrinking business there are lot of things mentioned in the annual report about new and engine technologies like fuel cells, energy storage technologies, etc. Finally, if you can give us a brief update on the current status of the implementation of BS IV emission norms for real estate construction equipment. I think that's all and thank you and good afternoon.

Managing Director

Thank you Mr. Dipankar Purkayastha, you have raised quite a few questions. One of his question was about the yield from real estate investments and his view on that is 'why is a manufacturing company investing in, in real estate assets?' I would like to tell you that the intention was never to get into real estate asset, but it is a consequence of attempting to grow at a very rapid rate. So, it was felt at a certain time, years ago, that India would continue to grow at a 10 or 12% growth rate. So, we had this concept of build capacity before demand and hence a whole bunch of investment activity took place at that time, from CIL. Further, I want to disagree a little bit with you on what the yield numbers actually are because you're not yet seeing the full picture of the yield, our folks tell me that we have a better than 7% yield on these real estate Investments which is better than the yield we are getting from the fixed deposits and bonds that we have as a conservative company that we typically invest in. But certainly, your point is

very well understood that our core businesses are engines and powertrain technology and not real estate. If there comes a time when these assets are an impediment to our growth, we will be focusing on our technology and our product growth and then real estate assets, we will figure out a way to deal something differently with them. You may talk a little bit about emissions timing, and I think I've answered that question earlier. Then you had a question about the low horsepower business, and you feel that we have been losing it. It's not growing very well and is it because we are not comprehensive from a pricing perspective? And are we going to continue in this business? And I think I partially answered your question by talking a little bit about the Technology Roadmap. So, what happens is, in the pure mechanical power generation market, the technology has not changed for 30 or 40 years. Hence there are many other players, players who can make tractors who also sell into this market. All of them use their surplus engines and they compete with us in the low horsepower business. But as the technology is upgrading and as the emissions norms become tighter as we move towards CPCB Four Plus, you can no longer sell into even the low horsepower market with just mechanical products, you have to go into it with electronic products and with after treatments, which then require all the technologies, Cummins already has invested in it and the products are ready and available. So, we are not getting out of the low horsepower business. We intend to fight strongly in this low horsepower business, improve our profitability and grow our market share in this business, and many opportunities are opening up for us. We have seen this trend in other markets around the world and we think this will play positively for us in India, as well. You commented on the CAGR of CIL being low and you wanted some comparative data of TCPL and CTIPL. I don't have those numbers with me. But if you send us an email, we will provide you some additional information on those.

Dinesh
Kotecha

Amaruthlal

Yes, Good afternoon to all. First of all, let me congratulate you for knowing the intensity with which you are continuing the company. Hundred years over for the parent company and we are in the 59 years. 60 years is a long journey and we have moved from the old register of our company to our new brand -new factory. So, first of all, I will congratulate you for all the effort that is going on to keep our company in vibrant and good mood. Secondly, Sir, opportunities which other speakers have said that which we have lost in the last few, three, five years, the market cap and the declining ratios and all that, but I think some new innovation should be introduced from the parent company so that we can also capture the same market share once again. The strength of our R&D team must be tested for new innovations. Now, this is high time, sir. Sir, I would like to know, what are the dealer earnings and the real earnings that you're done during the Covid-19 which will help us to, you know, show better performance for your lessons learned from COVID. I would also like to know, basically that since even in the first quarter, as somebody already said that our sales are down, but I understand that for the first two months, we were not working so the first quarter results show only one month working if I'm right, and if that is the case, then we are at par with our yearly working because you only work for a month

and that ensures 50 crores turnover every month and this month or for this month, we have made a turnover of 52 crores for the first quarter. If you remove the first two months of zero working that means this is a working only for the month of June. Am I right sir? Rectify me if I'm wrong, sir again I would like to know the Power Generation business, the commercial buildings, hotels, hospitals, IT offices, data centres, indescribable subsegments etc. how do you see the traction now? after June? can you share about a fraction of the orders that we have got in this power generation section, you have got a JV, subsidiary, I would like to know some performance about it, what is happening there, are we going to increase our share of capex? what about the capex, any capex return will be different now? And how do you get the base business back under control and major steps with respect to operative steps, basically not simple steps. In basically operational steps, any major shift that you are going to undertake. Lastly, Sir, congratulate you for all the cost savings that you have done in this COVID period and the technological scale up if you can discuss, discuss it a little bit more, along with the distribution network. How is the distribution network? Are we closing down some distribution network? are we adding some distribution to tier three cities? Can you give us a little more landscape about it, so that we can understand the business metrics now better? Thank you very much, sir. and wish you all the best. Thank you.

Managing Director

Although I've covered the last question earlier, I'll address Mr. Dinesh and his question, 'how can we do better after COVID? How are we planning on recovering in the marketplace? What segments are impacted most?'. The answer to that question is, every time there has been a crisis, every time we have seen a very severe dip in the market, Cummins have always come out of it stronger and have benefited from that situation. Because Cummins already made significant investments whereas others continue to need to make investments. For example, investment in CPCB four technology. Cummins have already made significant investments in multiple parts and decided to break; we just have to bring part of that technology to India and make much lower investments. We also will use this opportunity to increase our share in the market. We are already in discussions with many more partners and OEMs, to work with them, to introduce more products and grow our share of the pie. We are also looking at some opportunities beyond the organic growth methods there. Further, we continue to have a very strong balance sheet, so we continue to be able to borrow funds at rates lower than our competition. We continue to be able to pay our suppliers better. We already made investments in all kinds of infrastructure and capital. So, we can ride through these down cycles with lower capex investments and that's what we are planning on doing. Now, in this COVID crisis also, we are planning to come out of the current situation with stronger market share and better products with more opportunities around the world. Your next question was on receivables especially from Africa, one of the answers there is that we have been able to collect a lot more receivables since the march timeframe and as you know, Cummins is a global company and so, there are people in 200 countries who work not only in getting orders but also in collecting

receivables and many of those in many of these markets, areas which are impacted the most. There are some of the smaller countries in northern and central Africa which are the kinds of countries which have gotten impacted in this timeframe. Certainly, during a cycle where, one is trying to protect as much cash as possible one will not be one and will not be putting in new money and selling to those markets during this time. But that was not the situation six or nine months ago when sales were made to those markets and there has been a lot of growing demand in many of those growing economies. Cummins has a good network to be able to collect money in many of those markets. As a matter of fact, you will see in our balance sheet that there are items of expense where Cummins is actually spending money to pay for sales, marketing and other efforts including collecting money. In some of those markets to be able to grow market share in those economies, the reason we focus so heavily on the export's businesses, it's a much higher margin business for us than the domestic low horsepower. Hence some of those other markets, which are with the current range of technology are very cutthroat kinds of market. So, we continue to focus on exports and we continue to believe that that's a great business for Cummins. Now as far as the network is concerned, Cummins network is just getting stronger, the distribution business is bouncing back faster and better than the other parts of the business. They're looking at more opportunities, they're looking at expanding the growth in the aftermarket, while demand from OEMs etc, are weak. When big capex spending does not happen. That is when the distribution business does even better because people continue to come to us for service or support for spares. That business then does even better. You wanted to get some data on which segments are impacted most after the June timeframe and how that's working for the different markets that we play in. I can say that the ones which are coming back the slowest I'll start off with, first being the industrial market and within the industrial market, we have the sub segments of rail which are coming back slowly because most of our new equipment goes into a passenger rail and since trains are still not yet running, the government is slowing down purchases in those areas. So, till that whole cycle, recovers and comes back up. that segment is likely to be slightly slower than the kind of growth what we have been seeing in the last couple of years. This is likely to be a little weaker, and then it will gradually ramp back up. There are many opportunities there, including opportunities for new technologies, but all of those will take time to implement and come back up. The mining market is starting to recover pretty strongly. The Marine market was subdued because of funds flow from the government. But now there it looks like it's starting to recover and starting to come back. The compressor market is a highly cyclical market and a peaked out last year. This year was supposed to be a severe correction. The correction is not that bad because the rains are good this year. When there are good rains, people drill more borewells and then there is more central funding for drilling borewell so the compressor market is looking like it's no surprise and we also sell some products into the defence market segments and the opportunities in those segments are opening up. Though the gestation period for business in those segments are much longer than any other segment

that is a one or two-year cycle typically. As far as power generation is concerned, the areas which have bounced back or are growing very strongly are in the areas of data centers, in the areas of telecommunication in the areas of small manufacturing, as well as some of the sectors like IT services, sectors such as farm related processing, food processing, FMCG those kinds of market segments are bouncing back very strongly but the one to bounce back slowly is heavy manufacturing, hospitality, hotels, all of those kinds of sectors, our hospitals are also bouncing back pretty quickly. But some of the more capital intensive segments are those which are bouncing back a little slowly. So that's how the segmentation recovery looks like.

Thank you all for listening to us patiently. Again, if you feel there are more questions you have or there are some questions which were not adequate answers to satisfaction, please write to us and we will get back to you.
Thank you.

Mark Levett

Thanks, Ashwath.

Please note that the additional questions received would further be answered by the Company in due course through appropriate mode of communication.

As per Companies (Management & Administration) Rules, 2014, results have to be declared by the Chairman or any other person authorized by Chairman in writing. Therefore, I am authorising Ms. Vinaya Joshi – Company Secretary to declare the results of e-voting and upload the results on the Company's website along with the report of the scrutinizer at the earliest. The same will be also be available at the registered office of the company.

The resolutions against the items no. 1 to 10 set forth in the Notice shall be deemed to be passed today subject to receipt of requisite number of votes.

I thank you all once again for attending the Meeting. The proceedings of the meeting have now been concluded. The voting through Instapoll shall continue for next fifteen minutes. Accordingly, the meeting shall stand concluded post voting ends. Thank you very much, take care and stay safe. Bye. Thank you everyone.