Ref: STEX/SECT/2025

February 10, 2025

BSE Limited, Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai 400001 BSE Scrip Code: **500480**	National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai 400 051 NSE Symbol: **CUMMINSIND**

Subject: Transcript of Q3 FY 2024-25 Results Conference Call

Dear Sir/ Madam,

Pursuant to Regulation 30 read with Para A of Schedule III and Regulation 46(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our stock exchange intimation dated January 24, 2025, regarding Q3 FY 2024-25 Results Conference Call, please find enclosed herewith transcript of the said call held on February 07, 2025.

Kindly take this intimation on your record.

Thanking you,

Yours faithfully,
For Cummins India Limited

Vinaya Abhijit Joshi

Digitally signed by Vinaya Abhijit Joshi
Date: 2025.02.10 18:17:46 +05'30'

Vinaya A. Joshi
Company Secretary & Compliance Officer
Membership No.: A25096
(This letter is digitally signed)

Encl.: As above.

“Cummins India Limited

Q3 FY 2024-'25 Earnings Conference Call”

February 07, 2025

MANAGEMENT: **MR. SHVETA ARYA – MANAGING DIRECTOR – CUMMINS INDIA LIMITED.**
MR. PRASAD KULKARNI – INTERIM CHIEF FINANCIAL OFFICER – CUMMINS INDIA LIMITED

Moderator: Good morning, ladies and gentlemen. Welcome to Cummins India Limited Q3 FY 2024-'25 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 your touch-tone phone.

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

Shveta Arya: Thank you. Good morning, ladies and gentlemen. I hope you are all doing well and staying safe and healthy. Welcome to the Cummins India Limited Quarter 3 2024-'25 Earnings Conference Call. I am Shveta Arya, Managing Director of Cummins India Limited. Joining me on the call today is Prasad Kulkarni, Interim CFO of Cummins India Limited.

Thank you for joining us today. I would like to inform you all that the Board meeting -- at the Board meeting of the company held earlier today, the Board approved sale of 100% subsidiary of Cummins India Limited, namely Cummins Sales & Service Private Limited, CSSPL, for a consideration of INR56.5 crores. Post the completion of the transaction, CSSPL will cease to be a subsidiary of the company. The expected date of closing the transaction is April 1, 2025.

I would now like to share the financial results of quarter 3 financial year 2025. For the quarter ended December 31, 2024, with respect to the same quarter last year, our sales at INR3,041 crores are higher by 22% compared to INR2,502 crores recorded in the same quarter last year. Domestic sales at INR2,577 crores are higher by 18%. Exports at INR464 crores are higher by 43%.

Profit before tax at INR670 crores is higher by 11% compared to the same quarter last year. For the quarter ended December 31, 2024, with respect to the previous quarter, our sales at INR3,041 crores are higher by 24% compared to INR2,448 crores recorded in the last quarter. Domestic sales at INR2,577 crores are higher by 28%. Exports at INR464 crores are higher by 5%. Profit before tax at INR670 crores is higher by 13% compared to the previous quarter.

The segment-wise sales breakup for the quarter ended December 31, 2024. For the domestic business, PowerGen domestic sales were INR1,271 crores, 18% higher compared to last year and 42% higher compared to last quarter. Distribution business sales were INR746 crores, 13% higher compared to last year and 13% higher compared to last quarter. Industrial domestic business sales were INR511 crores, 24% higher compared to last year and 26% higher compared to last quarter.

For exports, high horsepower exports were INR202 crores, 47% higher compared to last year and 1% higher compared to last quarter. Low horsepower exports were INR216 crores, 47% higher compared to last year and 9% higher compared to last quarter. Regarding the sales outlook for the full year 2024-'25, we expect to achieve double-digit revenue growth over the fiscal year 2023-'24. I now open the session for questions. Thank you.

Moderator: The first question is from the line of Mohit Pandey from Macquarie Capital.

Mohit Pandey: Congratulations for the set of financial results. My first question, ma'am, is on the domestic PowerGen business. If you could please comment on pricing trends at the portfolio level and now that there's -- more than 6 months have passed with full-fledged adoption of CPCB IV, if you think pricing levels have more or less settled? That would be question number one, ma'am.

Shveta Arya: Mohit, thank you for the question. From a PowerGen domestic perspective, we believe that pricing will take at least another one or 2 quarters to settle in the market. We spoke last time that there was inventory of CPCB II available till the last quarter. So we still will see -- now we will see the market completely buying CPCB IV+ products. So another quarter or 2 is what we believe pricing will take to settle.

Mohit Pandey: Okay, ma'am. And a follow-on to that, if you could give end market-wise color on what has driven the strength in the domestic PowerGen market in this quarter, that would be very helpful.

Shveta Arya: Yes. So the infrastructure growth in our country continues. And specifically for the power gen market, we see demand in the mission-critical power segment. As infrastructure is getting built in the country that continues to grow. Data center segment continues to grow in our country. And with the infrastructure spend, there are many other segments which continue to grow. So this demand is actually across various segments.

Mohit Pandey: Okay. And ma'am, typically, you give a breakup across low HP, medium HP, high HP for domestic. If you could please share that for this quarter?

Shveta Arya: Yes, I can do that. For this quarter, for PowerGen low horsepower, we recorded sales of INR82 crores. For the midrange, we recorded sales of INR196 crores. For the heavy-duty, we recorded sales of INR99 crores. And for the high horsepower, we recorded sales of INR893 crores in this quarter.

Mohit Pandey: Okay, ma'am. Ma'am, does the high HP sale number imply a big data center delivery in the quarter?

Shveta Arya: Yes, it includes data centers. It includes other mission-critical segments as well, which buy the high horsepower products.

Mohit Pandey: Understood. Ma'am, very last question on the sale of the wholly owned subsidiary today. If you could give more color around the rationale and how was the valuation for that arrived? That would be my last question.

Shveta Arya: Sure. So this wholly owned subsidiary is actually a dealership entity. And we had this one dealership entity that the company had shares in. Across the country, there are other dealerships that we have as well. And strategically, what we have seen is that having independent dealers around the country really helps us serve our customers well.

So strategically, going forward, that is the model that the company -- which we have adopted for the last year, last few -- many years. We will continue with that model. And with that intent in mind, we have divested this dealership entity. I hope that helps.

Mohit Pandey: And any color on the valuation, if it is possible to share?

Shveta Arya: No, it's a normal process of valuation that every company follows using -- there's nothing out of the ordinary.

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

Parikshit Kandpal: Congratulations on a great quarter. So my first question is on pricing. So since these products were introduced by us in July, so from that point until now, have you seen any cut in prices for your own product portfolio?

Shveta Arya: We -- So thanks for the question, Parikshit. Parikshit, we are still seeing the pricing settle. As I said, we will still see changes in the pricing probably come in, in the next 2 quarters. So we are watching this space continuously.

Parikshit Kandpal: No, I'm talking about your product portfolio. About your own...

Shveta Arya: Our product portfolio, we have been able to maintain pricing until now.

Parikshit Kandpal: Okay. That is what I was asking about.

Shveta Arya: Yes, we have been able to maintain our pricing.

Parikshit Kandpal: And if I look at the universe of the subsets of -- I mean, till last few quarters, the competition has been lagging and introducing their nodes. So do you think now our competing nodes would be like across the competitive -- entire competitive environment? So we have now the entire portfolio of competing products from our peers?

Shveta Arya: Yes. Now everybody has launched their products. Cummins is the company which has products across the range. So our competition definitely has launched products in the ranges that they operate in.

Parikshit Kandpal: Is there any comments from your own market intelligence that what could be the pricing differential and also the total cost of ownership? Because if our engines are more efficient, they have more power density. Do you think we are still competitive even if we are priced higher? So first of all, how much is the pricing differential between our and the universe and whether the total cost of ownership still give better value to customers?

Shveta Arya: What I can tell you is that we launched the products in July '23, and we've had the time to really work on our product very well. So the total cost of ownership definitely works for the customer and our product is very well accepted. The technology is quite advanced and our products are doing well in the market. So well-accepted product. We have been able to work on the product to make sure that the TCO works for the customers.

And as far as pricing goes, this will settle in the market in the next 2 quarters, and we'll see how that goes. But the product is well accepted. And this is advanced technology. There is higher content in the products. And yet from a total cost of ownership perspective, given the advancement in technology, we believe that it works for our consumers.

Parikshit Kandpal: Any comment on pricing differential between us and the peers?

Shveta Arya: It is quite dynamic, very different across nodes, very different across segments. It's very difficult to give you one single answer for this.

Parikshit Kandpal: But high single digit or early double digit, mid-teens? So any commentary?

Shveta Arya: No, no, -- it varies. It really varies, and it's settling. So it's quite dynamic. It's not settled yet. So I won't be able to give you a number just yet.

Parikshit Kandpal: But we'll be higher than the peers, right? Our pricing will be higher than the peers. Is that the right understanding?

Shveta Arya: We have a very advanced technology, and we bring in expertise from around the world. We have aftermarket presence, which really helps our customers. So we -- definitely, our brand commands that kind of value in the consumer's mind. So I would say that's what drives the value of our product for our customers.

Parikshit Kandpal: Okay. And Shveta, last question, the parent has announced $200 million capex for India, the country. So what portion of that will come to the listed entity? So how will it get divided between various entities? And what would be our share in that? And what will this capex be incurred for?

Shveta Arya: So our -- we, as a company, keep evaluating our capex needs very regularly to see what are the new product ranges that we want to launch, what are the new technologies we want to launch for our customers. And that's a regular cycle. And the parent has announced for a few countries their capital expenditure.

It will definitely come to us as well based on our needs, what -- where we need to spend in our manufacturing capability, where we need to spend in new product introduction. Depending on that, it will come to us. And that's under evaluation at this point in time.

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

Jonas Bhutta: Congratulations on a great set of numbers. Two questions, Shveta. Firstly, on the domestic growth, what we see, particularly in the high horsepower, there seems to be a delta of roughly INR300 crores to INR400 crores versus the normal run rate of INR450 crores, INR500 crores, which is roughly INR900 crores this quarter. Is it fair to say the large part of this delta is driven by the data center order execution?

Shveta Arya: Jonas, thanks for the question. This is driven by a few things. Definitely, there's data center growth. There is also growth in mission-critical power requirements across different segments, and there is better execution as well at our end. So it's a mix of all those things.

Jonas Bhutta: Understood. And does the current order book on the data center projects give you enough visibility to sustain these kind of delivery levels at least for the next 3 to 4 quarters?

Shveta Arya: Data center demand continues to grow, Jonas, and we are continuing to see the movement in the orders coming in. So difficult to tell you for the next 3, 4 quarters. The demand continues for now. We are continuing to build the order board. I really won't be able to comment on the next 3, 4 quarters with -- at this point in time.

Jonas Bhutta: Sure. And is this what explains the both year-on-year and a sequential dip in our gross margins, a higher execution of the data center piece and even almost doubling of our LHP sales. Does that sort of bridge the gap in terms of the gross margin movement?

Shveta Arya: So the gross margin movement, Jonas, I would say the 2 big factors over there. One is that in the last year, if you're looking at that, there was a onetime benefit that we had, which we didn't have this year. And then overall mix of products that we saw in this quarter is what impacts the gross margin. It is not just those 2 that you pointed out, but the overall product mix that we saw in the quarter and the onetime that we had in the last year, which we didn't have this year.

Jonas Bhutta: Sure. My second question was on exports. Any movement or development in CIL's exports towards US particularly because that was something that was expected to start moving once the CPCB adoption sort of happens, and we are more or less at the same -- at par with the US emission norms. And we also sort of, I think, a couple of quarters back, announced that we've got certified by the US agency for a certain node.

So any visibility on how is that panning out? And how is that likely to pan out over the next couple of years?

Shveta Arya: Yes. Jonas, we launched certain products in that -- for the North American market in the higher ranges electronic engines. These were launched some time back. So we are still watching how the market picks them up, but the products got launched.

Jonas Bhutta: So would it -- can you share North America as a percentage of our export sales in the 9 months?

Shveta Arya: No, difficult to say that. Really, the products are picking up, very early days, Jonas. So still picking up.

Jonas Bhutta: Got it. And any update because as the parent sort of announced the $200 million capex across 3 regions, any clarity because the parent entity, some of the factories are getting pivoted to executing these large data center orders there themselves. There was a belief that certain products sort of get -- lines get shifted to China and India. Any development there? And should we read into the capex announcements in sync with this?

Shveta Arya: I would say that -- I answered this earlier as well that we are continuously evaluating our capex requirements, especially towards building our manufacturing capabilities and enhancing our products as needed for the market. And based on our requirement for our customers and the markets we serve here in India, is how we will get the capex.

And that continues. The company is cash rich, and we continue to get the capex that we need to serve our customers. And it is in evaluation. This is our needs at this point in time.

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

Amit Anwani: My first question pertains to the Industrial segment where we have given very strong performance and the 9-month sales is almost equivalent to the full year sales of last year. Any color you would like to give which subsegments, railway, mining, construction, where are we getting traction?

And how one should look industrial sectors in coming quarters with respect to the trends for you? And possible for you to share the breakup of subsegment for the first 9 months, yes.

Shveta Arya: Sure. Let me do that. For the first 9 months, let me give you a little color on the subsegments of the industrial market. Construction, we have INR455 crores; rail, we have INR357 crores; mining, INR170 crores; and then the rest of the segments like marine, compressor, oil and defense, others. So I gave you the top few segments there. The overall number for the 9 months is INR1,289 crores.

In the Industrial segment, there were 2 or 3 things which led to this growth. The first, the construction segment, which because there was strong demand from our customers, specifically execution of infrastructure projects that is happening and hence, construction equipment movement there and demand. So we had backlogs over there, which we were able to clear through better execution and there was strong demand in the market. So that was the construction segment.

And then railways, really good demand from railways, and we were able to match it with good execution. So this demand was across diesel electric tower cars, power cars, all the places we play in, in the railway segment. So good demand in the quarter with good orders coming in and execution in the railway. Those are the large factors for the Industrial segment growth. Do we expect the trends to continue?

The growth of this segment is largely linked to the capital expenditure by the government. We continue to see that expenditure happening. And hence, we continue to see that demand.

Amit Anwani: Right. My next question is on the gross margin. You highlighted that the previous base quarter was having some one-off benefits and the mix impact. How should one look at the gross margins now going forward as you've already highlighted that the prices are yet to settle for the CPCB IV. So shall we consider this 35% as a kind of baseline number going forward? Or is there any chance that the gross margin will further normalize in upcoming quarters?

Shveta Arya: So from a gross margin perspective, I think our endeavour is to continue improving it. It obviously depends on a lot of factors like mix and others during different quarters. I would say our efforts to make sure that our products, we are continuously working on them, bringing in cost reductions, bringing in efficiency in our manufacturing, those efforts continue. So the endeavour is to continue improving the margins.

Amit Anwani: Sure. Lastly, a bookkeeping question. What was the value-wise contribution of CPCB IV in this quarter?

Shveta Arya: Sorry, contribution. The contribution of CPCB IV sales in this quarter. Okay.

Amit Anwani: Yes.

Shveta Arya: Okay. CPCB IV roughly would have been around 40% in this quarter.

Amit Anwani: Of total?

Shveta Arya: Of the total power gen.

Moderator: We'll take the next question from the line of Jason Soans from IDBI Capital.

Jason Soans: Just in reference to a previous participant also, I understand that you mentioned the Industrial segment breakup. But just wanted to -- from your viewpoint, just wanted to know how is the outlook for the various subsegments in terms of end market demand, say, construction, marine, compressors or mining.

Just wanted -- and in relation to that, just also would want to ask with the CEV norms coming out in January 2025, what is the pricing increase, if any, you are expecting or at the moment, for these newer entries?

Shveta Arya: Let me answer the first question on the construction rail mining trend first. I'll ask you probably to repeat the second question later. The first question, how do we see the trends? So I did tell you in the construction market, there was demand and there was some backlog. So backlog, we have cleared. The demand continues, but construction is a segment which gets cyclical as well. So we continue to watch it, right?

The base demand because of the infrastructure growth in the country and the capital expenditure continues, but it is a segment which can be cyclical. So we continue to watch that. Difficult to say at this point in time how that will play out in this year. Rail. In rail, there were quite a few orders that came in, in the last quarter, and we were able to execute them as well. The base demand in the railways continues.

Definitely, the frequency of the orders and all of that changes based on how the tenders come out. Then again, mining, we do expect activity to pick up in mining. We -- again, it's a tender-based business. So it really depends on the tender velocity. We anticipate the tender velocity to be better in this year. Remains to be seen how the tenders come out.

And if the tenders do come out in time, then we will definitely be able to execute and fulfil the demand. Could you repeat your second question for me?

Jason Soans: Yes. Sure. So the CEV, the construction equipment and vehicle and BS V norms coming from January 2025 for the construction equipment and agricultural equipment, which is a non-road segment. Just wanted to know with engines, you're catering to that segment and that's already come into effect.

So I just wanted to know in terms of you supplying engines to the OEMs, what is the pricing increase if anything you have seen and the margin impact for us for the Industrial segment?

Shveta Arya: It is a small portion of the total sale. And whenever these kind of emission changes happen, it's a wait and watch after you introduce the product. It takes the market some time to adopt it, right? So both of those things, it's a small portion. I would not say that it has a very large impact or bearing on the numbers.

Jason Soans: Sure, Shveta. And Shveta, I just wanted to know in terms of -- you obviously alluded to mission-critical equipment. If you could provide some color in terms of a further breakdown like, for example, say, manufacturing, real estate, hotels, what do you think is driving this mission-critical equipment? Just would want some more color on the end market demand in terms of power gen.

Shveta Arya: So it's across the board really, Jason. There are segments like Commercial Reality. There are definitely manufacturing, there are hospitals. So it's across the board, very difficult to split it for us.

Jason Soans: Sure, sure. And finally, I just would want to know from an export standpoint, your exports have picked up this quarter. So just in terms of geographies, just some color on how Europe, how is -- or Africa, how is trajectory looking in those geographies?

Shveta Arya: So it still remains -- export still remains a mixed bag. This quarter, we did see Middle East pick up. We definitely saw Latin America pick up as well. But it's a mixed bag. We continue to watch the situation. Our efforts to improve our sales in each of these regions continue. And some of what you see is also a result of our efforts happening in those regions. But it's a mixed bag at this point in time, continue to watch it.

There's no specific trend that I can point out to, to say that this is likely to continue and sustain. There are definitely -- these geopolitical issues continue to exist. And now with the US tariffs, everyone is evaluating around the world on how they will impact each of the end markets. It's under evaluation at this point in time. Likely to have an impact, it's under evaluation.

Moderator: We'll take the next question from the line of Renu Baid from IIFL Securities.

Renu Pugalia: My first question would be a bit on the Industrial segment. If you see incremental growth for the quarter essentially has come from mining and to some extent from rail. So to this extent, can you throw some light in terms of -- there were quite a few new products that were in pipeline for these end markets.

Where are we with respect to the commercial volume offtake for the new product introductions in these segments? And do we see the volume growth uptick that we've seen in the mining and rail sustaining through the next few quarters?

Shveta Arya: So in the rail segment, I definitely said that diesel electric tower cars, powered cars, those are the places where we had good orders. These are existing products. Definitely, in the power car space, CPCB IV+ products go. So if that's what you're referring to the new product, well accepted in the powered car segment, and that's what led to the growth.

And it -- railways does continue to invest. it is a tender-based business. So the demand continues to be based on the tender velocity that come up. We continue to see the base demand in the railway segment. In mining, again, execution based on tenders in this particular quarter. So there were more number of orders to fulfill in this quarter.

And these are existing product-related sales. So there is continuous endeavour to upgrade our product. The CPCB IV+ product in the railway segment was the new product that we launched that is well accepted. Mining also, we expect the velocity of tenders to be there in this year as well.

So both -- in both those segments, given government infrastructure spending, we continue to see demand.

Renu Pugalia: Where are we with respect to the approvals for Vande Bharat trains products that are going in these products?

Shveta Arya: We are working on those. We are working on those products, and it's a long process. It's a long gestation period. These are new products. There's a lot of technology, R&D effort that goes on at our end, along with the railways as well. And these products also take time to come out into the field because there's a long trial period for them. So it will take some time. We are continuing to work on it, and we are on track based on our internal plans.

Renu Pugalia: Okay. Second is on the distribution segment. While there was a broad perception that the growth in distribution was significantly led by the RECD kits for upgrade of the old gen sets. Now that CPCB IV has been in place, but we have continued to see the distribution revenues inch northwards. So can you highlight the key drivers here?

Would these be associated with the AMC revenues for CPCB IV products or a good growth coming in for industrial base? Some more color on this would be appreciated.

Shveta Arya: In the aftermarket, it is really linked to the utilization of the products. The higher the products get utilized in power gen or industrial, in each of those subsegments, the higher utilization, which we are seeing happening that leads to better aftermarket demand. So that is one of the factors. And while there is CPCB IV+ product available in the market, that is for new sales.

For existing gensets, we provide the solutions like retrofit emission control device or DF kits, and they are continuing to pick up because if you see in the NCR region during November and December when the GRAP guidelines are introduced, people who want to buy new gensets then go for CPCB IV+.

People who have existing gensets have the option to buy retrofit emission control devices or dual fuel kits from us. So those continue to sell. So that, combined with higher utilization of assets already on ground is leading to the demand for aftermarket and definitely better execution of orders at our end.

Renu Pugalia: Sure. And my last question is, previously, the team used to reiterate that even if we see CPCB IV coming in, given the localization, the broad guidance on the gross margin was in 34% to 36% range. So do we stand by those numbers given the way the mix is evolving and commodities are behaving?

And also, could you mention what would be the level of localization that we are currently at for CPCB IV range? And what are the plans to increase it further in the next 12, 15 months?

Shveta Arya: So let me first answer the localization part. CPCB IV+ has a very large part of the product portfolio localized. We are a global company. Our supply chain is quite integrated. And based on the scale of the components in different regions, we get them for our products. But largely, the CPCB IV+ product is localized, and we continue to move towards opportunities where we can localize even more.

And then on the margins, we -- as now the products sell more, we get more information, we get more opportunities to improve the value that we provide to our customer. We also get more information on our product usage. That really guides us on how we can make our products even more cost effective. So that effort continues.

And that can lead to margin improvements, but that's an endeavour at our end to try and improve our cost so that we can provide better value to our customers.

Moderator: The next question is from the line of Subramaniam Yadav from SBI Life Insurance.

Subramaniam Yadav: Ma'am, if you can let us know what was the onetime benefit in Q3 FY '24? And you also mentioned that overall mix in this quarter was different. So which category if you can highlight lower kVA or in export lower or higher horsepower, whichever is you have the margin is lower to be generated?

Shveta Arya: So the onetime in the last year was some provisions that we had taken, which we, at the end of the year based on assessments had to reverse. And from a mix perspective, this is across products, different products that we have. We have a portfolio of products and across a number of products at different points in time when we end up selling different products, it can impact the margin.

So it's not 1 or 2 that I can highlight for you. There was a mix across the portfolio of products.

Subramaniam Yadav: My understanding was, ma'am, because you have taken some price cut in low kVA products. So is that contributing to lower gross margin? Or is it that export is increasing where in lower horsepower, we might have a lower margin?

Shveta Arya: Sorry, Subramaniam, could you please repeat that question? It wasn't clear.

Moderator: Sir, I'm sorry to interrupt. I would request you to use your handset. Your voice is muffled a little bit.

Subramaniam Yadav: Yes. I just wanted to understand because we have cut prices in the lower kVA segment, if I'm right. So is it hurting our gross margin at that level? Or is it because our exports are increasing where in lower horsepower, we might have a lower margin in that category?

Shveta Arya: No, no. I would not say that is the case. It's a matter of -- on certain products, we have different margins, and it's a mix of products that have gone out into the market. I cannot really attribute the margin on the 2 aspects that you mentioned.

Moderator: The next question is from the line of Amit Mahawar from UBS Group.

Amit Mahawar: Great to see strong growth in domestic market. I have 2 quick questions. First is, can you let us know the 9-month market share in CPCB IV+ product vis-a-vis last year? So what is the market share we have in IV+ product this year because there's no base last year. That's why.

Shveta Arya: The CPCB IV+ product continues to do well in the market. The consumer acceptance for the product is high. People recognize that it is very advanced technology and the Cummins brand is delivering the promise of reliability along with innovation. Our market presence in CPCB IV+ is also strong as our presence has been all along in the power gen market.

Amit Mahawar: Can I still say it's like more than 85%, 90%, which was the case the last communication what Ashwath had given us was almost 90%. Are we maintaining that number?

Shveta Arya: I won't be able to say that. I can tell you that our market presence in CPCB IV+ is very strong.

Amit Mahawar: Fair. The second question is on exports. You alluded to North American mandates we have. We have had a lot of launches in last year. Is the run rate for exports in '26 and '27 looking higher to you basis these nodes? And which are these nodes in terms of end markets?

Shveta Arya: So end markets continue to be a mixed bag for us, really, Amit. And now with the US tariffs being announced, we've gone -- we're all evaluating across different regions on how these tariff changes will impact the end markets. At this point in time, it's really difficult to say because the evaluation is in progress, the announcements of tariffs have been very decent. Yes, please go ahead. You were saying something.

Amit Mahawar: Yes. The quick one is, can I say the current 9-month gross margins and I understand your limitation in guidance for that is the best case we have. We have the best of all the possible scenarios, pent-up in rail, possibly with good margins, distribution, unprecedented growth, you had a very strong mix, perhaps the richest ever in the last 6 quarters. Can I say 9-month gross margin is the peak number we have today?

Shveta Arya: It would be the peak number that we've seen. And you're right, it's a mix of all those factors really working in our favor. And we continue our efforts towards cost reduction and providing value. So definitely, all the factors worked very positively for us in the 9 months.

Moderator: We'll take the next question from the line of Vinod from PhillipCapital.

Vinod: If you look at the last 2 budgets, last 2 budgets, the government has been emphasizing a lot on SMRs. So do you think structurally, this could be a direct competition to a product like DG set when you come to data center applications? How do you look at the future of DG sets given that there's a lot of R&D happening on the battery side as well on storage as well as SMRs getting pushed. How should we look at the whole industry, say, 10 years down the line?

Shveta Arya: From our perspective, we continue to see data center demand growth. And in the data center demand, the diesel genset requirement, the diesel genset is the backup requirement, which has the ability to provide continuous power for a long period of time. And that is the insurance that data centers really value. We see that continuing at this point in time. And we don't really anticipate the small reactors.

There's still work going on over there. And the way we see it, small reactors definitely, when they become feasible for the data center market, can be the primary power provider to data centers. Diesel gensets will continue to be the backup power requirement of the data centers because this is the -- diesel gensets are the products which can provide continuous power no matter what conditions for a long period of time as much as you can maintain them.

And keep providing the fuel. So it does remain the primary backup power source.

Vinod: But what about battery storage once it becomes commercially...

Shveta Arya: The reliability of a diesel genset as a backup power is well known. And at this point in time, we do not see that getting replaced so easily till the reliability and the prices of the batteries come to very, very similar space of a diesel genset, which is not the case today.

Moderator: We'll take the next question from the line of Aditya Mongia from Kotak Securities.

Aditya Mongia: The question that I had was more on the Mexican -- or let's say, the interplay over here on tariffs as you are suggesting. Just wanted to kind of get a sense that basis our capabilities, can we replace some of the nodes that Mexico is giving to the US in power gen? Just some more color on what could be the business prospects from a tariff increase that happens in case of Mexico? That will be the question here.

Shveta Arya: First and foremost, the tariff increases are being evaluated at this point in time to see what is the impact. Second, from a supply chain perspective, it's not just the tariff, it's also the logistics cost and all the other things that get added when you send a product from one place to the other. So it's a mix of those things we have to evaluate to optimize our network to say which is the best place to build and -- which is the best place to build the engines and export.

So it will be an evaluation of these factors, Aditya, to be honest, and that's continuing to go on at this point in time. I won't be able to really say whether -- which way it will show us the feasibility.

Aditya Mongia: Just a follow-up, ma'am, not a separate question, but is this -- are the nodes that we are making a direct overlap? Or do we have to make separate nodes by itself to kind of replace Mexico if the opportunity comes?

Shveta Arya: No, no, no. The North America market from a PowerGen perspective is a very different market. So while we -- we make very different products in India. While we can make those products, but these are different, there's no overlap.

Moderator: The next question is from the line of Pulkit Patni from Ampersand Capital.

Pulkit Patni: Can you please just help us understand that considering all the mix change and everything that has happened, what is the kind of sustainable EBITDA margin that you are looking at? And is there any scope of improvement from here on?

Shveta Arya: Scope for improvement, we definitely hope to because we are working on cost reduction for our products. At all points in time, we are looking to improve the value to our customers, and we continue to get the benefit of our scale. We also continue to bring in efficiency in our operations.

So the endeavour to improve the margins is there. But just like you said, the margins are a play of our efforts, what's happening in the market, the volumes that we get and also the mix finally that we see across our different product portfolio. So it's a mix of all those things.

Pulkit Patni: So can we say that, I mean, this 19-odd percent what you have reported, that is kind of sustainable and with all the efforts that you are talking about, there can be improvement, but we don't know whether it will happen now or not.

Shveta Arya: You're right. Our endeavour is to improve. And will it happen or not, I won't be able to give you a number just yet or be able to tell you, but our efforts continue.

Pulkit Patni: Understood. And the second question is that on this website, you have said that you have and many such things. But still the price is a little unsettled and you're saying that it will take a couple of quarters' time. But how is the overall inventory situation? And is the industry situation to correct any kind of competitive dynamics quickly enough or the inventory will kind of stop you from not being able to responsive to market changes?

Shveta Arya: The inventory of CPCB II is now done in the market. Now the market -- the demand in the market will be only for CPCB IV+ in this year. So that is not a factor. But given that all the competition has their products in the market, now the CPCB II+ inventory is extinguished in the market. Now that is why I say that we will see another quarter or 2 to see how the pricing settles. So -- but no, inventory impact, I think we -- that's behind us at this point in time.

Pulkit Patni: Okay. And how is the difference your price versus your competition? And is the pricing premium similar to what it used to be in CPCB II or the premium has gone up?

Shveta Arya: Well, Cummins, Cummins is a well-known brand in the space, and our products are very well accepted. The technology and the reliability of the product is well accepted. So the value to the customer is through those factors. And pricing is a function of very different -- different dynamics in the market continues to change.

It's difficult to say that here is one answer for the pricing that we get in the market because it varies across nodes, across customer segments, across various different parameters.

Pulkit Patni: But overall, are you really sceptical that there can be a significant change in pricing because you were saying that it will take a couple of quarters to settle, but like how -- is it going to -- is it like there are quite a few new entrants which are coming in or it is going to be a competition among the known players and considering the technology that you have, like the -- finally you are seeing them settle, but it's already in the market for some time.

So overall, how should one see it?

Shveta Arya: I'm not sceptical. This is a very, very advanced technology. And because of the content addition, the consumers take time to adopt and for the real pricing to settle in the market. That is what I mean. It's not being sceptical about it, but just that the content has changed and the price levels in the market have changed. And the product is an integration of different components, very advanced technologies.

Really the reliability of a product comes out after a period of time. That's what the customers value, and that's when they are ready to pay the higher price for the content and the technology. The customers have to see the product performing in the market for the long term, see the reliability, see the quality and understand this technology. There are -- the competition which existed, those are the competitors in the market.

There are no new entrants per se. But this is a very difficult and advanced technology to master. So it takes time to settle.

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

Pulkit Patni: Two questions. The first one, ma'am, while I completely understand there's been a mix change, but just my elementary understanding is that what you've done on high HP in this quarter is INR900 crores of revenue, and this is a number you used to do on the overall PowerGen number till a few quarters back. Our understanding was that on the high HP is where you make the maximum margin because that's where our brand positioning is the strongest and competition is the least.

So to that extent, can you explain what this mix change means? Because the contribution of the biggest HP segment seems to be the highest in the quarter. That's my question number one.

Shveta Arya: Thanks for the question, Pulkit. So yes, there is the sales of around INR900 crores in the high horsepower segment definitely is there. But across all the different customer segments and applications that we sell, there is PowerGen here, there is Industrial markets over here, which have various different subsegments and there is Distribution business unit.

And there is a portfolio of products which goes in each of these 3 that I spoke about, PowerGen, Industrial, Distribution, different products that go in. And based on what volumes have gone up in which subsegment over here, the actual margin that you see is a play of that. High horsepower is just a part of PowerGen.

There are various other subsegments also in Industrial where we had higher volumes, for example. Distribution also grew. So that comes into play over here. So Pulkit, that is the reason you see the margin play out in this way.

Pulkit Patni: Sure, Ma'am. Maybe I was looking it too simplistically. Ma'am, my second question is on capex. Now even if we leave aside what the parent said, given the fact that we finished our capex cycle about 5 years back, we've seen very strong growth in the last few years. Are we reaching a stage where we need to now plan new capacity or we have sufficient capacity that for the next few years, even without adding something, we are in a good shape?

Just -- I'm not trying to time it, but are we close to that start of the capex cycle for you again?

Shveta Arya: We have been continuously adding capex over the last few years, continuously, slowly, steadily adding capex. And even today, we are evaluating. So this is a continuous evaluation process, Pulkit. But you're right that there was a large capex cycle that we had 5 years ago. Even in the last 5 years, continuously small capex has continued to be added.

And there are many projects going on even now, sustenance projects, which -- for our facilities, which are going on, which are used for the upgrade of our manufacturing facilities, which are used to improve the output of the facility, build more utilizing the same lines and also some newer products require changes.

So all of that has happened and is continuing to happen even now.

Pulkit Patni: Sure. So any capex number for next year that you would like to share with the investors?

Shveta Arya: No, I won't be able to share that, Pulkit.

Moderator: We'll take the next question from the line of Priyankar Biswas from BNP Paribas Exane.

Priyankar Biswas: My first question is regarding your Distribution segment. Can I get some idea like what would be the contribution of RECD and dual fuel kits, let's say, in the distribution mix? The reason that I ask, I also want to get a sense of the continuity because I guess, there is still a lot of, let's say, pre-CPCB IV products that needs to be converted. So can you throw some color on that aspect?

Shveta Arya: Yes. So we did see good contribution of the RECD, dual fuel kits in this quarter. But in the Distribution business, the asset base that we have in PowerGen and Industrial segments on the ground at this point in time, which is managed by our Distribution business is really large. So the contribution of RECD as compared to what we do for our existing asset and also replacing engines which are old, rebuilding them, doing all the AMC work for all our assets, that is really the larger contribution to the DB business.

While I can definitely tell you that we have seen strong growth in the RECD product sale as well, which we continue to see because of large asset base in the PowerGen segment today, which is non-CPCB IV+ and certain government policies which keep coming in or like the CAQM efforts that happen in Delhi or the GRAP guidelines that happen in Delhi or different state pollution control boards.

Which continue to come up with these guidelines for their states mandating the use of RECD or a dual fuel kit that is continuing at this point in time. So we will see that demand.

Priyankar Biswas: So is it fair to say that this level of distributions, at least for the 9 months that you have delivered, that should possibly continue or maybe grow in the next coming years. So would that be a fair assessment?

Shveta Arya: Absolutely, our endeavour to grow. As we continue to grow our asset base in the field, we definitely have endeavour to be able to service them and have them in our food. So we're definitely putting our efforts in that direction.

Priyankar Biswas: And ma'am, just 2 small numbers that I require from your end. While you gave us the breakup for industrials, would you mind to share the numbers for the water and marine specifically for the quarter?

Shveta Arya: For the marine space for the quarter, we had around INR20 crores of revenue for this quarter. And what else did you ask? Marine and?

Priyankar Biswas: Compressors.

Shveta Arya: Compressor. Yes. For compressor in the quarter, we had INR51 crores.

Moderator: Ladies and gentlemen, we'll take the last question for today, which is from the line of Shrinidhi Karlekar from HSBC.

Shrinidhi Karlekar:: My question is on exports business. Would it be possible to comment us on demand outlook for some of the large exports market like US, U.K. and China...?

Shveta Arya: Very difficult because we are in the evaluation phase of seeing the tariff impact at this point in time. What we have done in the past few months is, we spoke about it, we have made efforts to increase our exports to each of the markets that we operate in. From a product portfolio perspective, from a channel perspective, our endeavour has gone in, and we are continuing to do that.

But the tariffs have recently been announced and that evaluation for different regions is happening and the answer for different regions might be different. So very difficult to tell you at this point in time what that will end up in.

Shrinidhi Karlekar: Yes. And my second question really is on the -- this order backlog at the hand. I know you don't really quantify that number, but would it be qualitatively comment whether your order backlog at the hand is higher compared to the previous quarter? And how is it compared to the same period last year?

Shveta Arya: Order backlog as compared to the last quarter, what would we would have cleared would have been pretty similar. As compared to the last year same quarter, we would have done better because we've executed better in this quarter. We've been able to work a lot in clearing our backlog. So definitely, this year, this quarter as compared to last year, much better. Clearance...

Shrinidhi Karlekar: No, I was asking pending orders, Ma'am. Is it more or it has kind of...?

Shveta Arya: Do we have backlogs? You mean do we have backlogs?

Shrinidhi Karlekar: Yes, yes. So the backlog, is it higher? Or...?

Shveta Arya: We've managed to clear a lot of backlog. We've really managed to execute and clear a lot of backlog, to be honest, in this quarter.

Moderator: As that was the last question for today, I would now like to hand the conference again to Ms. Shveta Arya for her closing comments. Over to you, Ms. Arya.

Shveta Arya: Thank you. Thank you, everyone, for your active participation and engagement during the call today. Cummins India believes that the broader domestic economic outlook is stable and India's GDP is expected to grow by 6.4% to 6.6% in financial year '25 based on the current estimates. Fiscal and monetary policy stability, coupled with the government's focus on infrastructure development and strong private sector participation really works well for our end markets.

The company continues to closely monitor global geopolitical events and their impact on demand and supply chains. Cummins India Limited is well positioned to leverage all opportunities to sustain its growth momentum. With a strong balance sheet, world-class manufacturing infrastructure, best-in-class talent, we are confident that we will be able to sustain our growth trajectory.

Thank you for your continued trust and confidence in the Cummins brand. With this, I would close the call. Thank you so much, everyone, for joining.

Moderator: Thank you, members of the management. 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 now, and you may disconnect your lines. Thank you.