



Ref: STEX/SECT/2024

June 04, 2024

The Relationship Manager, BSE Limited, Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai 400001  BSE Scrip Code: <b>500480</b>	National Stock Exchange of India Limited Exchange Plaza, 5 <sup>th</sup> Floor, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai 400 051  NSE Symbol: <b>CUMMINSIND</b>
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**Subject: Intimation of transcript of analyst conference call held on May 30, 2024**

Dear Sir/ Madam,

With reference to our stock exchange intimation dated May 20, 2024, towards investor/ analyst/ Financial Institution conference call, we are enclosing for your records a copy of the transcript of the said conference call conducted by the Company on May 30, 2024.

Kindly take this intimation on your record.

Thanking you,

Yours faithfully,  
For Cummins India Limited

Vinaya A. Joshi  
Company Secretary & Compliance Officer  
(*This letter is digitally signed*)

Encl.: As above.



“Cummins India Limited Q4 FY24 Earnings  
Conference Call”

**May 30, 2024**



**MANAGEMENT: MR. ASHWATH RAM – MANAGING DIRECTOR,  
CUMMINS INDIA LIMITED  
MR. AJAY PATIL – CHIEF FINANCIAL OFFICER,  
CUMMINS INDIA LIMITED**



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**Moderator:** Good morning, ladies and gentlemen. Welcome to Cummins India Limited Q4 FY 2023-'24 Earnings Conference Call.

We hope you all are keeping safe and healthy. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” and then “0” on your touch-tone phone.

I will now hand the conference over to Mr. Ashwath Ram – Managing Director, Cummins India Limited. Thank you, and over to you, Mr. Ram.

**Ashwath Ram:** Thank you. Good morning, ladies and gentlemen. Hope all of you are doing well and staying safe and healthy. Welcome to the Cummins India Limited Q4 and Full Year 2023-'24 Earnings Conference Call. My name is Ashwath Ram, and I am the Managing Director of Cummins India Limited. Joining me on the call today is Ajay Patil – Chief Financial Officer of Cummins India Limited.

We are happy to announce that Cummins India Limited recorded the highest annual revenue and profit during the year ended March 31, 2024, aided by strong domestic demand across various market segments and proactive measures by the company on managing costs and improving profitability.

I would like to share the Financial Results of Q4 FY '24 and Full Year FY '24 through this call.

I am now going to the Financial Results:

For the quarter ended March 31, 2024, with respect to the same quarter last year, our sales at Rs. 2,269 crores are higher by 20% compared to Rs. 1,889 crores recorded in the same quarter last year. Domestic sales at Rs. 1,925 crores are higher by 38%. Exports at Rs. 344 crores are lower by 30%. Profit before tax at Rs. 701 crores is higher by 70% compared to the same quarter of last year. For the quarter ended March 31, 2024, with respect to the last quarter, our sales at Rs. 2,269 crores are lower by 9% compared to Rs. 2,502 crores recorded in the last quarter. Domestic sales at Rs. 1,925 crores are lower by 12%. Exports at Rs. 344 crores are higher by 6%. Profit before tax at Rs. 701 crores is higher by 16% compared to the last quarter.

I would now like to share a segment-wise breakup for the Quarter Ended March 31, 2024:

The sales breakup segment-wise is as follows. Domestic. Power Generation, domestic sales were Rs. 943 crores, 40% higher compared to last year and 12% lower compared to last quarter. Distribution business sales were Rs. 604 crores, 25% higher compared to last year and 9% lower compared to last quarter. Industrial domestic business sales were Rs. 348 crores, 60% higher compared to last year and 16% lower compared to last quarter. Exports. High horsepower



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exports were Rs. 171 crores, 17% lower compared to last year and 25% higher compared to last quarter. LHP exports were Rs. 142 crores, 42% lower compared to last year and 3% lower compared to last quarter. For the year ended March 31, 2024, with respect to the last year, our sales at Rs. 8,816 crores are higher by 16% compared to Rs. 7,612 crores recorded in the last year. Domestic sales at Rs. 7,143 crores, are higher by 28%. Exports at Rs. 1,673 crores are lower by 18%. Profit before tax at Rs. 2,143 crores is higher by 44% compared to the last year.

The segment-wise breakup for the year ended March 31, 2024, is as follows:

Domestic:

Power Generation, domestic sales were Rs. 3,335 crores, 32% decrease over last year. Distribution business sales were Rs. 2,349 crores, 25% decrease over last year. Industrial domestic business sales were Rs. 1,296 crores, 24% increase over last year. Exports. High horsepower exports were Rs. 817 crores, 9% lower compared to last year. LHP exports were Rs. 699 crores, 27% lower compared to last year. Cummins India financial guidance.

Regarding the sales outlook for 2024-'25, we continue to expect double-digit growth over the fiscal year 2023-'24.

I now open the session for questions. Thank you.

**Moderator:** Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

**Parikshit Kandpal:** Congratulations on a great quarter and the year, sir. Sir, my first question is on this quarter. So, we have seen exceptional margins, EBITDA margin is at 23.5%. So, was there any one-off during the quarter? Because if we see the numbers, other operating expenses seems to be at Rs. 100 crores, which is like all-time low. So, if you can highlight any key reason for this outperformance in margin?

**Ashwath Ram:** Yes. I think it's a combination of multiple things why the margins are better for this quarter. One is we got a onetime true down benefit of a little over Rs. 60 crores from management cross charges. Second is we have some advantages on rates and taxes. We also had some netty benefits, so the combined other expenses came in a lot lower. Like you said, it's a onetime gain that we had this year and this quarter. Similarly, we also saw that profit was better because mix was better. We were able to contain our costs reasonably well. We were able to hold on to some of the commodity gains even though commodities have started to inch up and we had some mix advantages that were favorable to us.

**Parikshit Kandpal:** The Rs. 60 crores was the one-off, right, in other expenses during this quarter?



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**Ashwath Ram:** That's correct.

**Parikshit Kandpal:** Yes. Sir, secondly, if I see that traditionally, we have seen the existing growth drivers for the company, right? So, data centers, hospitality, real estate put together. So, if you see over the next 2 to 3 years, do you think emergence of any new demand drivers for our business given next 6 to 7 years, we will have a big push on the clean energy theme. So, allied to that do you think what could be potentially the new growth drivers? And based on that, incrementally we have been guiding about 2x GDP growth. So, do you think that number can get revised higher over the next 2, 3 years?

**Ashwath Ram:** First, I don't think the numbers can get revised to very much higher. The aspirational GDP of our country is to grow between 6% to 8% for the next 8 to 10 years. So, proportionately, our growth can be 12% to 16%. So, that's a pretty broad and ambitious growth rate for a company when you compare it to the historicals of the company. So, we would continue with that kind of guidance.

As far as markets are concerned, we think that at least for the next 5 years or so, the existing infrastructure-linked investments will continue pretty strongly. So, if India wants to become a \$7 trillion economy, which means doubling from where we are currently, it has to be driven by investments in core infrastructure, in social schemes, which also requires infrastructure. And the combination of all of that requires Cummins' product to be used in those. So, I don't see any new market segments emerging, but I think the existing strong market segments will continue to do well over a long period.

**Parikshit Kandpal:** Okay. Just the last question, sir, you did allude that you will grow maybe at 2%, 12% to 16% is a broad range. So, that means even for FY '25, despite taking price hikes on CPCB IV+ power gen and implementation from July 1. So, looks like you don't see any major volume impact of the same. So, given the prices will go up for these and last quarter, I think the contribution was about 25% of the power gen sales from CPCB IV+. The margins at approximately 20%, so if the growth is sustained, there's no major volume declines, do you think that margins can improve? There's a case for margin improvement from here also. So, that's another question.

**Ashwath Ram:** So, that's always been what we've been striving for. If you heard me talk over the last 4 or 5 years, we are continuously working on improving the margin of the business, managing costs and trying to get growth. So, trying to not just get growth for the sake of growth, but to get profitable growth. So, that will always be our endeavor. Of course, there will be more pressure as CPCB IV+ becomes a full stream and then everyone tries to do a market share grab. But we will stick to our principles of how we've operated in this market, and we think the opportunities are there for us to continue to grow at the 2x GDP level we are aspiring to grow at.



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**Parikshit Kandpal:** On the share of the power gen, sir, in this quarter. I think 25% was in 3Q. So, in CPCB IV+, how much was in the mix per share in Q4?

**Ashwath Ram:** Yes, I would say roughly 1/3 of our sale in the quarter was from CPCB IV+. So, it's starting to move pretty rapidly into CPCB IV+. So, we see the transition in the next quarter to happen completely.

**Parikshit Kandpal:** And any prebuying you're expecting in in the first quarter before the CPCB IV+ gets implemented before we enter into 2Q?

**Ashwath Ram:** Not very significant because see literally we have had 1 year of prebuy, how much more can people keep prebuying. So, we don't expect it because what happens is even if you were to prebuy now a CPCB II product and then we go in and next year somebody comes in and says that fit in a retrofit device. So, you add all those retrofit devices to the cost of a CPCB II genset, the cost is probably a little bit more than buying a CPCB IV+ genset. So, that prebuy, which happened all over the last 3 quarters, was driven by the fact that many of the people did not have complete product ready in CPCB IV+. Now everyone has had literally a year to prepare, so everyone should have a product, and I don't see that impact of a prebuy playing going forward.

**Moderator:** The next question is from the line of Ravi Swaminathan from Avendus Spark. Please go ahead.

**Ravi Swaminathan:** Congrats on a good set of numbers. First, with respect to the power gen business. I have 2 questions. One is what has been the volume growth that you had seen this year vis-a-vis last year? Just to get a sense on what is the volume growth and value growth mix that we had seen. And secondly, what is the share of data centers? Was there any large orders which were there this quarter? Or do you expect any large orders coming in over the next 12 months?

**Ashwath Ram:** So, to first answer the volume question, we have seen overall volume has grown by roughly about 30% compared to last year. It's different by different nodes, et cetera. So, it's very difficult to say exactly by which node much it's grown. But overall, I would say it's a pretty significant growth, a 30% year is I would consider one of the better years of growth. As far as the major segments in the market are concerned, they continue to remain the same. There hasn't been a very significant shift and those data centers continue to grow well, infrastructure related growth and investments in power gen continue, as the commercial realty, as the residential realty, as the manufacturing. So, across the board, we are seeing reasonably strong demand as far as power gen market segments are concerned.

**Ravi Swaminathan:** And there has been a sharp up-move in the industrial business revenue this time. 60% growth, yes, there was a slight base effect which was there in the corresponding quarter last year. But even adjusted for that, the number would have been very strong. Which are the segments which are driving this growth, sir?



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**Ashwath Ram:** Biggest is the construction. Construction, which has been lagging considering that the country is spending so much money on infrastructure, construction was lagging quite a bit for the last few years, that has bounced back pretty significantly. The other segments all related to compressor, marine, all have started to bounce back pretty strongly, and that's what is leading to this level of growth in industrial business.

**Ravi Swaminathan:** And my final question is with respect to the distribution business, consistently we have been growing at 25% kind of growth in this particular segment. What is the mix which is coming from power gen and what is the mix which is coming from Industrial? And what's driving this growth?

**Ashwath Ram:** Yes. So, typically, it's very difficult for us to say how much is power gen and how much is industrial. But what I can tell you is that over the last 3 or 4 years, we have increased significant focus on trying to make the distribution business a strong, stable, independent profitable kind of business, and we see growth happening in parts, we see growth happening in service contracts. We see growth in new engines. Pretty much everything that we do in distribution, we are seeing growth. So, it's nice to see that you sometimes put forth strategies, and some work, some don't work, in this case, a strategy that we put forth 3 or 4 years ago, it seems to be working steadily.

**Moderator:** The next question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

**Mohit Kumar:** Congratulations on a very good set of numbers and a very good fantastic year. My first question is in every annual report, you mention megawatt sales in a year for domestic power generation. Of course, you have shared that number, you said 30% growth. It means that the number which you've done for the entire fiscal is 6.2 gigawatt. Do you think this number is ballpark right?

**Ashwath Ram:** I have absolutely no clue, but I can get somebody to calculate something like that. All I can tell you is it's been growing year-on-year, number of big sets have also been growing significantly. So, it would not be surprising if that number is close. But I I honestly don't have a good answer for that right now. So, I won't just speculate and tell you something.

**Mohit Kumar:** My second question is, sir, what could be data center contributions to our top line last year? Is it fair to assume that you're closer to now 8% to 10%? And compared to last year, the data center opportunities, are you more positive this fiscal?

**Ashwath Ram:** So, yes, the answer is it's getting closer and closer to become about 10% plus of our PowerGen revenue. It is also accurate to say that we continue to see significant demand, both in India and globally for data centers. As a matter of fact, we continue to remain on allocation for certain types of gensets and certain types of engines around the world, there's just isn't any capacity and some of our factories globally are booked for 18-plus months now. So, we anticipate this demand to remain robust and to continue strongly.



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**Mohit Kumar:** Last question. Sir, Cummins has launched Phantom series of 1.7 megawatt to 2 megawatt series for data center. So, when we serve the Indian customer, do they expect you to offer the new launches in India and do you need to indigenize it?

**Ashwath Ram:** I think most of those are made in India, at least the core cool packs are certainly made in India. All global products is launched in India as well. So, certainly, we'll be launching those in India as well.

**Moderator:** The next question is from the line of Amit Anwani from PL Capital. Please go ahead.

**Amit Anwani:** My question is on the export market, wanted more color since there's been decline from past 2 quarters, and we have been pessimistic on few markets. Just wanted to understand how the growth was for full year and what is the outlook on key export market for FY '25?

**Ashwath Ram:** Right. So, last year, as I stated, we degrew or became smaller by about 18%, the biggest drops have been in Europe, which almost halved and Middle East, Africa, as well as Asia Pacific. So, there has been literally no market which grew for us last year as far as exports is concerned. As far as '25 is concerned, there still appears to be a little bit of concern as far as geopolitical crises and availability of funds in some of those markets, especially in Africa. So, we are not very, very optimistic that we have seen the bottom of the market yet. So, we expect it to maybe correct a little bit more before it bottoms out and then we start to see it grow back again.

**Amit Anwani:** Secondly, wanted to understand since there has been pretty strong growth in the domestic market and from past 2, 3 quarters the outlook remains pretty strong. Wanted to understand any CAPEX requirement and what are the current utilization levels?

**Ashwath Ram:** Just balancing CAPEX is what we always do as we bring in more products, to balance out some of the capacities, we keep doing incremental CAPEX. But when you look at the installed CAPEX, we continue to remain at roughly 50% utilization. From a manned CAPEX, we are greater than 90% of utilization. So, capacity is not a problem for us. So, if we can get more demand, we will certainly be able to scale up pretty quickly. And some of the strategic long-term investments, those are typically 18- to 24-month type of projects. Those are being done for global demand and those kinds of things. So, there's no real CAPEX short term surge or emergency that is happening. But there is a steady plan to meet the long-term demand and to attempt to be a better global player.

**Amit Anwani:** Lastly, on the data center, so you highlighted that we are approaching 10%. So, just wanted to understand, do we have a strategy outside India also with respect to data centers and anything we are expecting from the export market also for data centers?





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**Ashwath Ram:** Certainly, we continue to sell products to other countries for use in data center markets. So, some of our high horsepower exports go into those markets. So, certainly, our attempt is to try to maximize and export more as well as the global opportunities keep opening up, we continue to attempt to play in there.

**Moderator:** The next question is from the line of Renu Baid from IIFL Securities. Please go ahead.

**Renu Baid:** Congratulations to the strong performance. Sir, my first question is to understand a bit more with respect to how has been our localization plan for the CPCB IV engines? And as in terms of timeframe over next 2 or 3 years, how do we expect to fully localize this product? And thereafter, what kind of impact on the gross margins do you see as the localization progresses for the new range of product?

**Ashwath Ram:** Yes. We have over a dozen platforms. And I would say a majority of them are at high levels of localizations, and I mean high levels is greater than 70% to 75% of what we usually classify as high level because there are certain components related to electronics and certain types of parts which are not made in India, so we continue to have to import them. There are some new introduced product lines which were never made in India, which are currently being imported and sold and we are in advanced stages of planning of attempting to localize them. So, this is an ongoing cycle of trying to increase the percentage of localization and then using that to help with pricing, to help with a better position in the market and to use it to improve the profitability of the company. So, there's nothing which is either going to be very dramatic. It's a gradual process because a very large chunk of the products is already localized.

**Renu Baid:** And in this context, you also mentioned the commodity price has started to inch up now. So, how should we look at the gross margin outlook for fiscal '25, combination of CPCB IV change in the mix, commodity price going up. Earlier, you had indicated 33% to 35% gross margin range. Last year, we clocked about 34.5%, 35%. So, how should we look at the margin outlook for next year?

**Ashwath Ram:** We will continue to aspire to hold at that kind of margin level, though it's starting to become a challenge because every major piece of commodity, whether it be copper, nickel, exotic materials used in after-treatment, platinum, silver, gold and even oil prices are all inching upwards. Even some forms of steel which we had seen a decline now for nearly 6 quarters in a row have now bottomed out and have started to inch up. So, there will be significant pressure on the material margin, but we will continue to work with the supply base in trying to get more efficiency out of that and attempt to hold this growth. This is the line in the sand which we want to hold, but it's always a challenge to do that.

**Renu Baid:** Got it. And with respect to new product development, can you share update where are we with respect to certain products for the rail market, including Vande Bharat train sets, for mining and



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marine. And how can this help to accelerate the growth in the respective segments for the industrial portfolio in fiscal '25-'26?

**Ashwath Ram:**

So, quite a bit of progress has been made as far as new products is concerned, especially in rail, we have supplied new prototypes of our Hotel Load Converter, we are now supplying CPCB IV+ compliant diesel sets into the 500 kVA power cars and also in the backhauling coaches. We are beginning to supply new products in DETC propulsion sets. We are also entering into tenders for all kinds of CPCB IV+ compliant power cars. So, overall, as we are looking at the market, we are seeing quite a few opportunities, not only in rails, but we are introducing new products in mining, we are introducing new products in marine. Of course, power gen, we've already introduced most of the new products. We continue to increase new products even into the construction segment with new series of engines, et cetera. So, overall, both as far as product proliferation and adding significant new products into the market, that work continues pretty strong.

**Renu Baid:**

So, in your view, the industrial segment, which was clocking high teen growth in '22 '23 and moved finally to 22%, 25% growth should continue to grow in high double-digit 20%-plus? Or the growth will moderate in high teens?

**Ashwath Ram:**

I think it will grow at 20%-plus, but our long-term outlook when we had provided it a couple of years ago was that we see at least 2x of GDP growth of the industrial segment to continue for 10 to 15 years because we are comparing where our infrastructure is today compared to where some of the developed nations, like China and Europe and America are. And when you look at the state of the infrastructure, we have versus the state of the infrastructure they have, significant amount of investments are needed. So, I think if we continue this journey of wanting to become a #3, #4 economy and improve our infrastructure, then this demand should continue.

**Renu Baid:**

And last, if I can, bookkeeping. We have seen very strong cash conversion profile of the business continuing. Today, we are sitting on net cash shift of almost Rs. 2,600 crores. How do you plan to utilize this for future growth?

**Ashwath Ram:**

Well, we continue to give return to the shareholder significant amount of cash. And we are also looking to fund some of the future growth and some of the future ideas on how the business will look in the future. Some of those investments are not likely to pay back returns very easily. As you know, in some of the new energy cases, billions of dollars have been sunk and the returns have all been negative so far. So, we are creating this war chest and looking for opportunities, and we will deploy it as needed. Currently, we are using the war chest to develop new products and continue to invest in scale and capacity as we become a major supply chain hub for the world.

**Moderator:**

The next question is from the line of Jason Soans from IDBI Capital. Please go ahead.



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**Jason Soans:** So, I was saying, sir, with the scope of distribution which is increasing and the CPCB IV+ component also increasing in the sense there will be more electronic parts here in this business. So, just wanted to know, sir, in terms of margin profile, is there scope for a better margin profile going ahead with the contribution of CPCB IV+ increasing?

**Ashwath Ram:** The answer is yes, that is what we have been aspiring to do. The reality is still to be seen when competition heats up, when everybody is at 100% CPCB IV+. So, again, to clarify, yes, certainly because the content is more, the complexity is more, the technology is more, the risk is more. So, there is an opportunity to have better margins. The reality all depends on competition in the market.

**Jason Soans:** And sir, you had also alluded to reconditioning being a massive growth opportunity ahead as it is in the developed economies. So, I just wanted to understand, I mean, reconditioning will be a good option to play, but it could hurt your volumes going ahead or probably cannibalize your volume. So, just wanted your perspective on how would you balance both of these going ahead?

**Ashwath Ram:** I think these are different market segments. So, a person who wants a new product has a different profile and a different cost profile and a person who wants a reconditioned product has a different cost profile and a different set of expectations. So, in applications such as industrial and mining, et cetera, reconditioning is the most normal way of doing things because these folks utilize their equipment 24/7. So, if you have working equipment, then you get significant value back by reconditioning, and those customers don't want to buy new anyway. But there are other market segments where utilization is low, and there are some advantages to having the latest and greatest technology and certainly in those segments, they don't want reconditioned products.

So, we are talking about 2 entirely different market segments. And sometimes, we can use reconditioned products to compete against some competition who has different and lower margin expectation. So, it's pretty complicated, but I think there's an opportunity. Globally, we have seen in multiple markets around the world that the 2 markets coexist. And of course, reconditioning is incredibly good for the environment. So, if you are looking at it from the ESG angle, nothing is better than reconditioning as far as greenhouse gases are concerned. So, that's the way we are looking at the reconditioning market from an India perspective.

**Jason Soans:** And sir, just in terms of your genset OEMs. So, the Jackson power, Sudhir gen sets or Powerica being there, I just want to know this on a basic level, is there any value addition from their end? Or they are just pure-play regional distributors for Cummins India?

**Ashwath Ram:** They do some last-mile value addition. But the technology is entirely Cummins' and these guys add some value, and they also reach out. They are the contact with the customer. So, from that sense, the value is in working with the customer and making sure that they are serviced to the Cummins standards.



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**Jason Soans:** And sir, just lastly, I wanted to ask you, there is a lot of traction in the LHP or the lower value segments as well all across, as you said, data centers, infra or realty, et cetera, doing very well. So, just wanted to understand in their back pocket, it being a price-sensitive market, are we looking at deepening market presence there? Or there's a lower focus due to the price sensitivity angle? What's our strategy in this segment?

**Ashwath Ram:** Certainly, even there, there are multiple levels or there are different types of customers. There are customers that want reliability, durability and quality, they typically go for Cummins. And so, within that segment as well, there are pockets and entire segments, which buy a lot Cummins product. There are other segments, especially segments like telecom, et cetera, which are absolutely just cost-based segments, and we have a very, very low share over there. And we are looking at alternate ways of trying to compete in some of those segments. We are looking at seeing can we obsolete the technology of internal combustion engines in some of those segments and move to some battery based or other technologies. But we continue to play in all the segments. Certainly, like you said, our aspiration on profitability is higher than of those competitors, and we will not for the sake of market share just enter into it and use it as a loss leader.

**Moderator:** The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

**Atul Tiwari:** Congratulations on very strong set of numbers. Sir, my first question is, could you comment on your current market share in domestic Power Gen and Industrial segment? Any rough number?

**Ashwath Ram:** We don't comment on market share as far as these segments are concerned. All I can tell you is we continue to hold and in some cases, get better.

**Atul Tiwari:** Okay. And sir, my second question is on some of these new high horsepower gensets developed by the parent, which will come to India. So, how is it decided? I mean, which particular platform or engine will be manufactured by Cummins India and which will go to the other unlisted parent company? So, I mean, what is the algorithm for deciding it, et cetera?

**Ashwath Ram:** Combination of past duties, closeness to the market, the differences in the types of products. So, it's a combination of that. As you know, Cummins has only 3 major manufacturing hubs around the world. We have the big North America manufacturing hub, which it consists of U.S. and Canada. And Mexico, then you have the big India hub, and then you have the China hub.

So, typically, a lot of China hub is for internal consumption, but some of the Chinese OEMs would buy the product internally and also sell it around the world. India is used as a hub to service most of the global market, especially from a low-cost perspective. And North America and Mexico are used to service the North America and some of the very, very specialized markets, which are served with the products from there. So, the logic is pretty straightforward.



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It's just complicated when you have the actual implementation just because of this overlap of OEMs and customers around the world.

**Atul Tiwari:** But sir, when the manufacturing is done in India, how is it decided whether Cummins India will manufacture it or Cummins Technologies India will manufacture it?

**Ashwath Ram:** I think pretty much all of the products which has been made historically by Cummins India Limited continues to be made by Cummins India Limited in the markets that it serves.

So, if it is in the power gen market or the industrial market or the different mining markets, all of those products continue to remain made by Cummins India Limited other than some specific cases where global investments are made in India for global consumption. So, there have been a few engine platforms, which have been licensed by Cummins India just to buy back to the North America or some other markets. So, in those cases, those products which are 100% exclusively for internal consumption and not related to the market in India are being made by CTIL. Otherwise, the logic has been very, very consistent and straightforward.

**Moderator:** The next question is from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

**Mahesh Bendre:** I have just 1 question. Sir, what is the waiting period for gensets now? If someone places order with you, how much time you take it to deliver now?

**Ashwath Ram:** This will be a business tool type of answer and the answer is, it depends.

**Mahesh Bendre:** Sir, even for industry is fine, sir.

**Ashwath Ram:** No, it depends again based on what the product is. If it is a low horsepower product, we will give it to you in less than 2 weeks. If it is something with the data center, 95-liter product, the lead time is anywhere from 6 months to 1 year. If it is something in between, it can be anywhere from 30 days to 3 or 4 months. So, it's difficult for me to just tell you what's the lead time. On an average, we like to have lead times of less than 1 month to supply both products.

**Mahesh Bendre:** And sir, has this changed compared to last year?

**Ashwath Ram:** Yes. Because capacity has increased. So, I am saying that average lead time is 30 days. The average lead time used to be 60 days.

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

**Jonas Bhutta:** Yes. Congratulations given on a great set of results. Two questions. So, Ashwath, just trying to better understand the implications of CPCB-IV+ on our both gross margins and EBITDA margins. And given that now this accounts for almost 33% of our Power Gen sales versus maybe,



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what, 25% for 9 months. Is it fair to sort of at least assume that the delta change that we've seen in gross margins Q4 over Q3, which is sequential and it is roughly about 100 basis points, a large part of that is attributable to the increased contribution of CPCB-IV+, that's first on the gross margins?

**Ashwath Ram:** No. I wouldn't say that. I would say it's a little bit, but not a very, very significant portion there. Because see, it's very difficult to say what will be the true impact on improving the margin of CPCB-IV+, till everyone is 100% CPCB-IV+. So, right now, yes, certainly, the starting out margins of CPCB-IV+ are better than CPCB-II. But will that continue to hold, then everyone is also selling CPCB-IV+, the answer is probably not.

**Jonas Bhutta:** And by when do you think that we'll probably end up getting a greater picture?

**Ashwath Ram:** By October. By September, October timeframe, we should have a lot of clarity on what the end pricing with competition will be for the market.

**Jonas Bhutta:** And from an implication on the below gross margin or other expenses side, what we've seen over years is our royalty plus support fees have now sort of trended downward from a peak of 3% to roughly 1.7% as of FY '23. I am not sure what it is in FY '24, but it seems that Q4 had some bit of one-offs, and I think that number would have, in fact, gone down further. With CPCB-IV+ coming in FY '25 for at least 9 months, where should we assume this particular line item to trend towards over the next 2 to 3 years?

**Ashwath Ram:** I think we should be able to hold it at the level we are currently. So, this quarter was an anomaly because of that onetime reversal. But overall, we should be able to hold it at the same percentage level despite the introduction of many, many new products is the way we are looking at it.

**Jonas Bhutta:** And my second question was on exports. So, with CPCB-IV+, we were intending to get the certifications to supply to North America, et cetera. And this was an opportunity, which was agnostic of how that end market is performing, given that this is a completely new opportunity kind of wallet share gain. Where are we in that journey? And do you believe that, that shows up in at least FY '25 export order board? Or do you think that's an opportunity beyond F '25?

**Ashwath Ram:** I think we have made a lot of progress. At least 3 or 4 products have already been launched into the global market. They have just been marketed. Pilot samples have now been provided, et cetera. Maybe from the second half of the year, we should start seeing some pickup in those markets. Full year impact will probably be the next year, but we should start seeing some pull coming in for those products. Products have been received very well. So, I think that's something we are actually looking forward to.



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**Jonas Bhutta:** So, from a sales mix perspective, we've troughed at roughly 19% of sales being exports from a sort of peak of roughly 30%, 35%. Do you believe with all these opportunities F '25 exports could be at least 20%, 25% of sales? Or it would still remain in that sub 20%?

**Ashwath Ram:** I think this year, we will see some more deterioration in demand from a global perspective because we don't think the markets have bottomed out yet. With all of this geopolitical crisis happening in the Middle East, it has had quite a bit of impact on sales and Europe also seems to be at an all-time low that we are seeing. And Africa also is struggling a lot especially with currency problems. So, we think there will be at least another quarter of demand being anemic before things are completely bottomed out and then start to pick up again. So, it's very unlikely that the percentage of exports as compared to domestic is going to change very significantly for this year.

And we are optimistic that this will start to pick up and as the new products start coming in and also as we start doing more and more components and other parts for export, our ambition is to get back to 30%, 35% of our sales being exports. So, we are not just giving up on it. We are addressing it, pursuing it, but I don't see it happening this year.

**Moderator:** The next question is from the line of Amit Mahawar from UBS. Please go ahead.

**Amit Mahawar:** Congratulations on great show yet again. Sir, I had 2 quick questions. First, you commented on market share, and I respect giving data beyond a point, it is difficult. But assuming a steady-state 100% CPCB-IV Power Gen revenue for the next few years, do you think the stable market positioning for Cummins will be better than it was in last decade of Power Gen market share. And I am talking more about the non-LHP portfolio because LHP is not happening for India.

**Ashwath Ram:** That's what we are working on, and that's what we hope with the kind of products we have introduced into the market that we are able to improve our position. That's the challenge in front of management to be able to do that, and that's what we are working on.

**Amit Mahawar:** The question was more because India has been a price sensitive market forever. But in the last 12 months, it has been a sellers' market. But as your commentary also mentioned, incrementally, it will keep becoming a challenge because you would have at least half a dozen players in India. So, that's why I was asking.

**Ashwath Ram:** Our strategy for that is to introduce better products, more products and sub-segmented in a way by which we provide more value in each of the segments that we play in. So, our role play historically has always been on being able to provide better value than others, and it's well known that we are not the lowest cost player in the market.



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So, we sell based on having the better products in the market. And we will continue to work on the product. We'll continue to work on these customers to provide them better value for what they get from us, and we will continue to strive to maintain that balance between profitability and growth.

**Amit Mahawar:**

Second quick one follow-up to what Jonas was asking. If you look at the global manufacturing centers for Cummins in China, India. Globally, the electrification dynamics are restricting Chinese companies to supply to the Western world, especially in the sensitive areas in the grids part in the data center that might happen. So, do you think that will potentially benefit Cummins India?

**Ashwath Ram:**

The answer also is yes, but it's also tricky. If you look at the global market share of Chinese companies, even if the United States does not buy any product or even Europe puts all kinds of bans on them, irrespective of that, they continue to increase their global presence from an overall manufacturing market share percentage. So, even if their own domestic players, they don't sell to many of these markets, they just keep growing with their own products. Their presence in the global scheme is larger than what it is today. So, yes, it benefits India. If United States and Europe don't buy as much from China, which they have started to do but that does not mean it will mean the uninterrupted growth which China had between 1995 and 2015, we will have the same kind of growth. That hypothesis is not getting ruled out as of now.

**Moderator:**

The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

**Aditya Mongia:**

Congratulations on a very strong set of results even this time around. My first question was more on this 30% growth that you're talking about in Power Gen volumes. You also suggested that last 3 quarters have seen some amount of prebuying. Is it fair to assume that in the 30% number, there is some prebuying quotient as well? This is the full year number I am talking about. And then that starts becoming an impediment incrementally. If you could kind of quantify would be useful.

**Ashwath Ram:**

Yes. So, when there is a very strong prebuy, we usually use a lot of inventory, which are held by our OEMs and EBITDA dealers, et cetera. But as of now, I am seeing average or below average inventory being held, which led me to believe that, yes, the pre-buy cycle and you can't have permanent prebuy. At some time, there are cycles that we run out of holding power and wanting to just keep holding and buying products. And it is our hypothesis that a big chunk of that is done with. There is some, but it's not significant the way it was last year when there was significant 1 quarter worth of prebuy sitting in the market kind of inventory. We are not seeing any inventory in the market with that kind of impact. So, we think there will always be some turbulence when you transition from 1 emission cycle to another, but it's nothing which we think is significant any.





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**Aditya Mongia:** And then just to clarify. The growth this time is 30%, which is above normal, can the growth be kind of below average next year because of that, because a lot of products will be sold....

**Ashwath Ram:** See, the Power Gen market is very difficult to classify that it's a very, very cyclical market. So, you get multiple years when you can get 20% plus growth, and then you get years where you even decline by double-digit plus level. So, we still think that this financial year will continue to be a growth here on top of our stronger growth here. Of course, will it grow at 30% that we got last year, I don't think so. But we will continue to see at least 2x of GDP type of growth.

**Aditya Mongia:** Sir, the second question that I had was more on exports. As you've talked about Europe as an opportunity for CPCB-IV compliant products, and you've also talked about cash being utilized in a manner that you become more global. Are there plans beyond CPCB-IV as well that your thinking more on investment perspective? And the detail question is versus whatever TAM you're addressing today, what kind of increase in TAM basically happens because of these endeavors?

**Ashwath Ram:** So, I'll answer that question with multiple responses. One is that currently CPCB-IV+ is only for 900-kilowatt and below. And so you have this entire portfolio beyond 900-kilowatt going all the way to 4,000 kilowatt, which does not fall under those regime. So, all of those have the opportunity of coming under emissions. And the moment emissions come, the technology gets incredibly more complicated.

Second is that countries in Europe have said that 2050 is the year by which they will try to get out of internal combustion products and get into clean energy. But as we are seeing, a lot of that is getting pushed out, and there are some alternate solutions like hydrogen and internal combustion engines which then fuzzy the lines. So, if you can get a zero emission product with an internal combustion engine and why do I need to spend money on those cells or other forms of energy generation. So, the answer is that emissions will continue to get tighter. Since CPCB-IV+ is the tightest emission right now, we don't know what the next one is. But the industrial markets have 2 levels of emissions, which have already been announced in Europe. We have to undergo those in India as well.

The automotive market has already gone to Europe as in now or will be going to Europe soon. India will be at par with Europe on Euro 7. So, the emission is going to keep getting tighter and tighter. And India has committed only 2070, by which we will be out of carbon generating products. So, I think there's a lot more leg room here, at least 20 years more of leg room here to keep producing these products than in other parts of the world.

**Aditya Mongia:** Just a last question from my side. At least in the last call, you were talking about the high horsepower market and kind of overseas players with low margin expectations increasing competitive intensity. Could you suggest to us how much of your HSP portfolio is seeing these



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kinds of competitive pressures? And obviously, linked to that thing, you have to localize more, do you see a margin release and market share release happening in the near to medium term?

**Ashwath Ram:**

So, this is not a new phenomenon. We have seen it over the last 10, 15 years that this is happening. As a matter of fact, as there is consolidation happening around this, the probability that there will be fewer players who are actually into market playing in this space. And certainly, as we localize more, we have been in India for 62-plus years. And as we localize more, we are able to improve margins and compete with many global players. So, we will continue to do that. But it's not that straightforward as just to keep players attempting to come in and if we just localize, we are able to compete. It doesn't just work like that.

**Moderator:**

Ladies and gentlemen, this will be the last question for today, which is from the line of Bhavesh Shah from Foresight Business Ventures LLP. Please go ahead.

**Bhavesh Shah:**

Congratulations on being the leader of this brilliant company. Sir, after hearing all these brilliant people, my question will not be on the numbers, but on the futuristic of our company. It can grow from here to 10x. My question is, are you still manufacturing diesel generator because now diesel is no more a fuel being developed or promoted by government. So, are you considering biofuel, biogas, LNG or methanol generator? And any plans to convert the existing generator to other fuels, including hydrogen?

**Ashwath Ram:**

Yes. So, let me answer that. One is just from a historical fact, most of Cummins products have always been on multi fuel, which means we have been able to run biodiesel, synthetic diesel, jatropha, pretty much anything that can be burnt can theoretically burn in the diesel engine gaskets. We have now introduced what we call fuel agnostic platform, which means the latest technology, which is going to carry forward the internal combustion engines for the next 25 to 50 years.

We have been introducing it over the last couple of years, and we will continue to introduce it over the next 5 to 10 years. And this is something we are calling HELM technology, which is High Efficiency, Lower Emissions, Multi-fuel technology. And with this technology, we will be able to use even things like propane, use biogas. We will use literally every sort of fuel that can be put into internal combustion engine, including hydrogen, we will be able to run our engine with that.

**Bhavesh Shah:**

Second question is, sir, our parent company is one of the very few manufacturers in the world who are having electrolyzer and fuel cell technology. The first hydrogen train in Germany was with the use of fuel cell and Alstom coaches. So, are we also inclined towards manufacturing electrolyzer in a big way, and fuel cells also for railway engines, mining trucks, marine shipping lines? Because that is going to be a big market where our company can grow not 10x, but 100x. And being a shareholder, I feel that the future is in Cummins and in the hands of Mr. Ram.



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**Ashwath Ram:** The answer is yes; we are bidding for all of those kinds of businesses. Right now, the hype to execution ratio is very **warp (Inaudible) 62:52** to the size of hype. The actual products or projects that are executed are very few. And if you look at the big projects executed in India, even on electrolyzers, you will find that the largest one, which is already commissioned is the one by GAIL, which Cummins has executed and commissioned. So, we are very serious about that market. We continue to look at the right timing at which one needs to make the investments and set up scale of manufacturing.

**Bhavesh Shah:** Sir, recently a news came that HPCL started the electrolyzer with someone. NTPC Renew Power, all those people are going into the hydrogen market. So, when the news came that Tata Motors and Cummins, we have tied up for the manufacture of internal combustion engine, I was little disturbed that why such a big company like Cummins India doesn't take the charge of developing this thing and create a name for itself. As a shareholder, I would always believe that we have the first right to develop such a thing and develop the market for it, not only Tata, but other manufacturers also.

**Ashwath Ram:** A very fair point. Typically, the way we look at the market is based on the end application. The application that you mentioned with Tata Motor was for an automotive application. So, what it does is it takes an existing internal combustion platform and converts it into a hydrogen internal combustion engine. So, all the capabilities to build that kind of product are with that entity. Certainly, in the market segment of power generation or defense or mining or rail, where these applications will be required, then CIL will be the conduit in which these products built for those markets.

**Bhavesh Shah:** So, now days even JLR, Mercedes Benz, or BMW, all are concentrating in developing fuel cell electric vehicle. So, I mean, since railway is also very big in India and developing, say, roughly 15,000 kilometers on a year-to-year basis, cannot we come out with a fuel cell for the railway engine and come out with a hydrogen engine itself. You can have a special purpose vehicle. You can invite the shareholders to put up the money in that because we feel that, that is going to grow much, much, much more.

**Ashwath Ram:** Fair comments. And certainly, we are working on that.

**Moderator:** As that was the last question for today, I would now like to hand the conference again to Mr. Ashwath Ram for closing comments. Over to you, Mr. Ram.

**Ashwath Ram:** I want to thank all of you for your extremely active participation and engagement during the call today. The Indian economy demonstrated strong growth in FY '23-'24. Significant investments in infrastructure and robust performance by the manufacturing and service sector supported the growth momentum. At the same time, internationally, geopolitical risks and conflicts continue to pose uncertainty with global trade and supply chain disruptions.



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Concerning the power generation market, CPCB-II products can be sold until June 30, 2024. Consequently, the market will see a demand shift to CPCB-IV+ emission norms -compliant products effective July 1, 2024. The company has a very strong portfolio of CPCB-IV+ compliant products to meet the customer demand across the entire product range. Exports might see an impact in the near term due to global economic uncertainties.

The company closely monitors geopolitical events unfolding in various parts of the world and their impact on global demand and the supply chain. Your company has a trusted brand in terms of product range, access to cutting edge technology, value stakeholder relationships, world-class manufacturing capabilities, best-in-class talent and a customer-centric service organization with an extensive distribution and service network throughout the country and neighboring regions. With this, we remain confident that we will continue to perform at the levels we have performed in the past. With this, I close this call. Thank you.

**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.