

# Cummins India Limited

## 56<sup>th</sup> Annual General Meeting

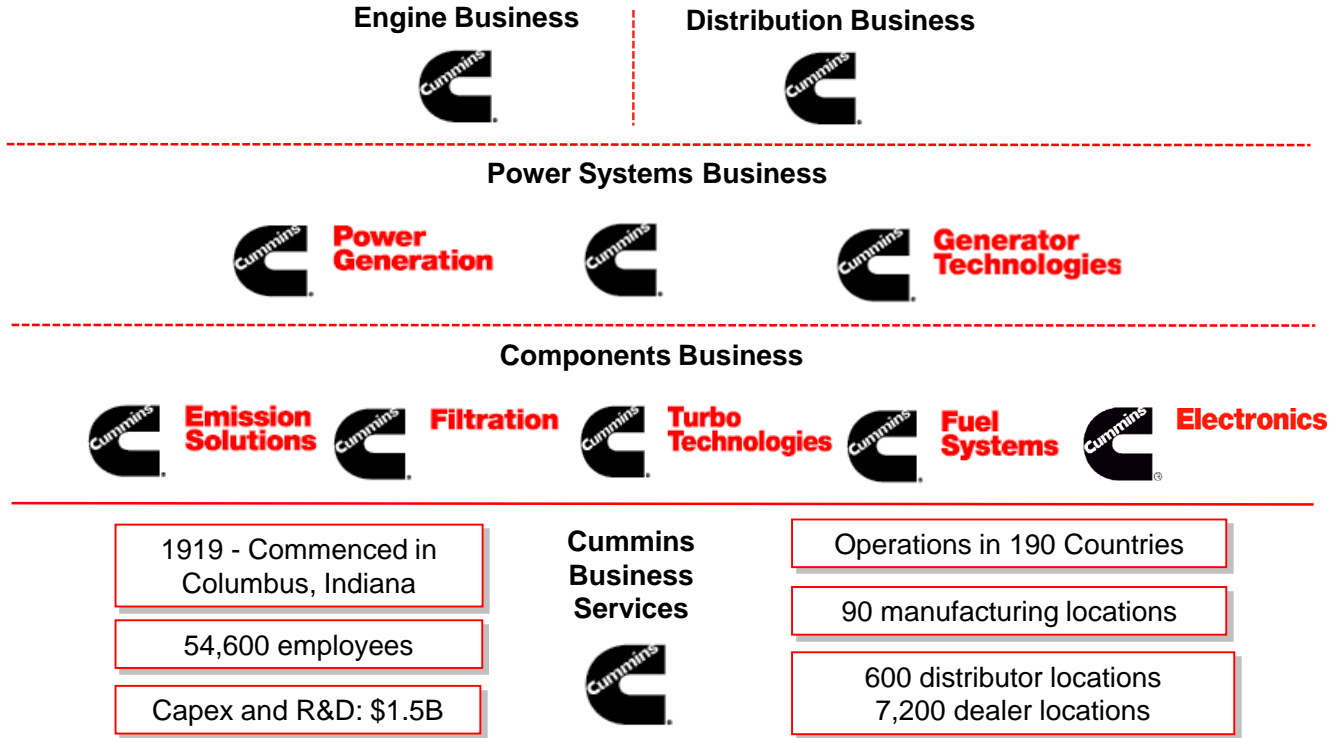
**Anant J. Talaulicar**

August 3, 2017

Cummins Confidential



# Cummins Inc.



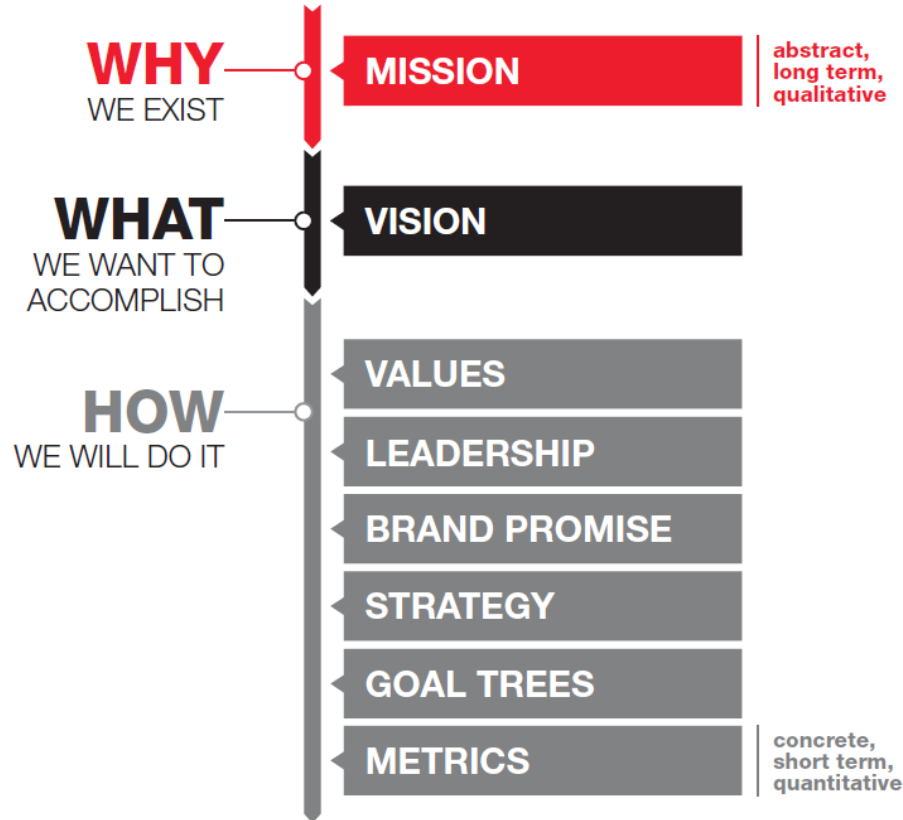
Making people's lives better by unleashing the Power of Cummins


# Cummins Business Model



- Stakeholder Model
  
- Guiding Principles - Vision, Mission, Values, Personality
  
- Cummins Operating System (COS):
  - Ten Common Practices
  - Functional Excellence Framework (FE Leaders, FE Statements, Measures, Processes, Tools, People Development)
  - Common Business Processes (Strategy, Performance Management/People Development, New Product Development)
  
- Corporate Objectives & Strategy, BU/ABO/Function Objectives & Strategies, Initiatives, Projects -- (Goal Trees)

# Updated Guiding Principles





**“Why We Exist” – Our Mission**

**Making people’s lives better by powering a more prosperous world**

**“What We Want To Accomplish” – Our Vision**

**Innovating for our customers to power their success**

# **“How We Will Do It” - Our Values**

## **Integrity**

*Doing what you say you will do  
and doing what is right*

## **Diversity & Inclusion**

*Valuing and including our  
differences in decision making  
is our competitive advantage*

## **Caring**

*Demonstrating awareness and  
consideration for the wellbeing  
of others*

## **Excellence**

*Always delivering superior results*

## **Teamwork**

*Collaborating across teams,  
functions, businesses and  
borders to deliver the best work*

# “How We Will Do It”

## Our Leadership Culture

*Inspiring and encouraging all employees to achieve their full potential*

## Our Strategy

*Delivering value to all stakeholders*

*Lead in critical technologies*

*Leverage Cummins' global footprint*

*Engage with market-leading customers and partners*

*Build market, business and enterprise growth platforms*

*Focus on the most demanding marketplace applications*

*Generate and maintain economies of scale*

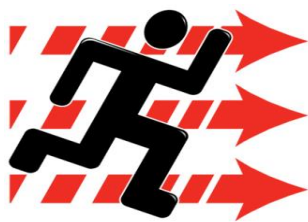
## Our Brand Promise

*Powering our customers through innovation and dependability*

# COS 10 Practices



Put the customer first, and provide real value



Synchronize flows (material, physical and information)



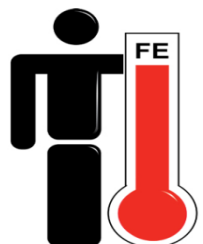
Design quality in every step of the process



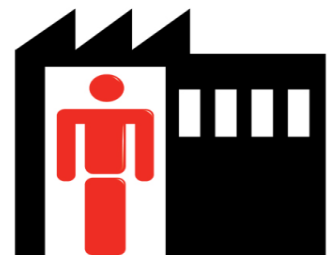
Involve people and promote teamwork



Ensure equipment and tools are available and capable



Create functional excellence



Establish the right environment



Treat preferred suppliers as partners



Follow common problem solving techniques



Use Six Sigma as the primary process improvement method





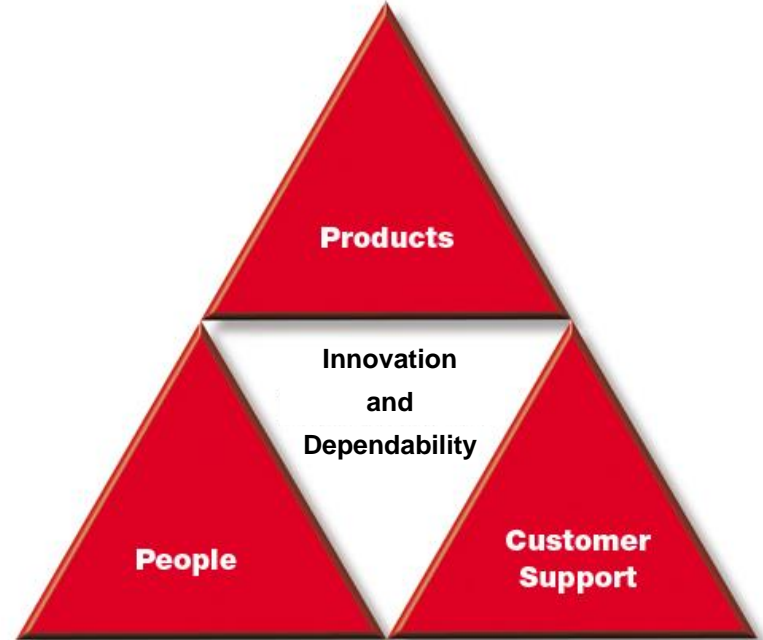
# Cummins – Brand Promise

Convey and reinforce the Cummins Brand Promise of

Powering our customers through  
**Innovation** and **Dependability** in

- People
- Products
- Services

**We do what we say we will do**



# Greatness – Zero Defect Company

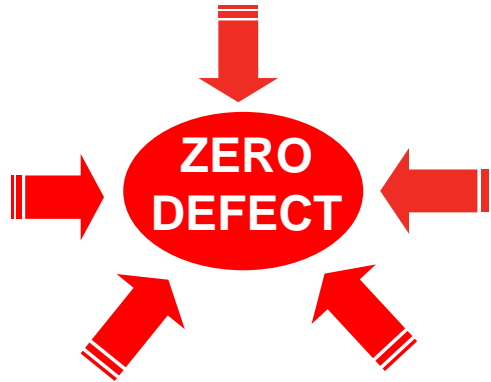


## Cummins Values:

Integrity, Caring, Diversity & Inclusion, Excellence, Teamwork

## Leadership :

Inspire and encourage all employees to achieve full potential



## Brand Promise:

Innovation and Dependability

## Quality Goal:

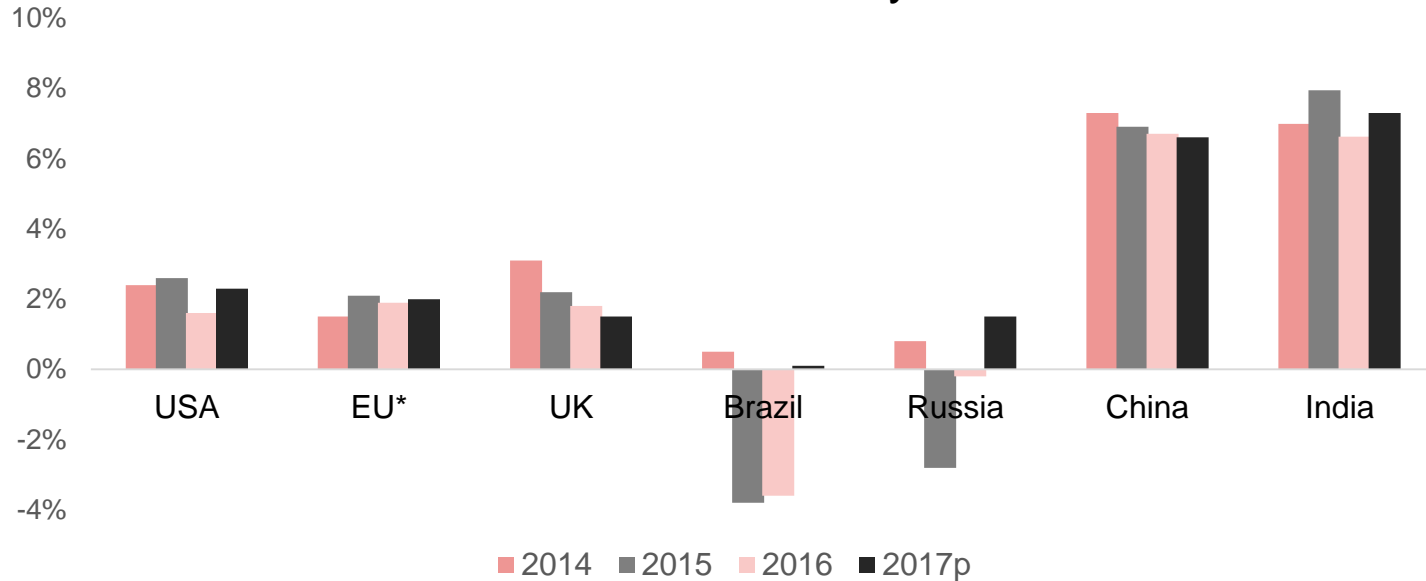
Continuous improvement towards defect free processes that satisfy customer needs and achieve business results

## Process:

Six Sigma

# Slow Global Economic Growth – India Standing Out

## GDP Growth Rates – Key Economies



Source: IHS projections, Jun 2017; RBI  
 India: on Fiscal year basis  
 \*European Union excluding UK

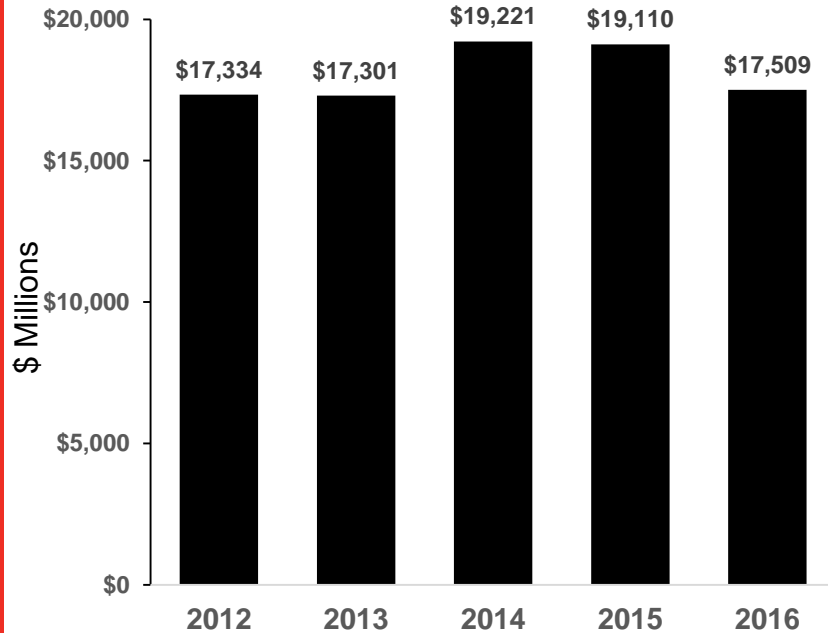


# Cummins Inc.

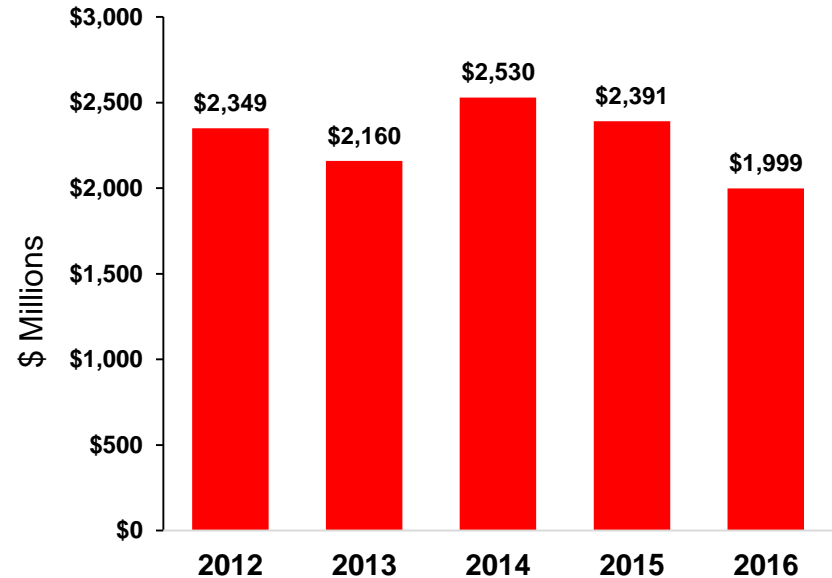
# Cummins Inc. Sales and EBIT 2016



## Sales



## EBIT<sup>1</sup>



2017 Guidance	
Sales Up 9 to 11%	EBIT 11.75 to 12.5%

1. 2012 EBIT excludes \$6 million pre-tax additional gain from the divestiture of two businesses in 2011 and \$52 million in restructuring charges. 2014 EBIT excludes \$32 million in operating actions within PSBU. 2015 EBIT excludes \$211 million of impairment of light-duty diesel assets and \$90 million of restructuring actions and other charges



# Cummins India



# Cummins in India



- In India since 1962
- 7 companies (including 3 JVs)
- Over 10,000 employees
- \$1.6B combined sales

## Engine Business (32-500 HP)

On-Highway, Construction, Compressors, Defense

## Power Systems (600-3500HP)

Mining, Pumps, Marine, Rail, Oil & Gas, Power Generation (7.5-3750 kVA), Energy Management, Captive Power Plants, Alternators

## Components & Consumables

Filtration, Turbochargers, Emission Solutions, Electronics, Fuel Systems, Lubricants

## Services

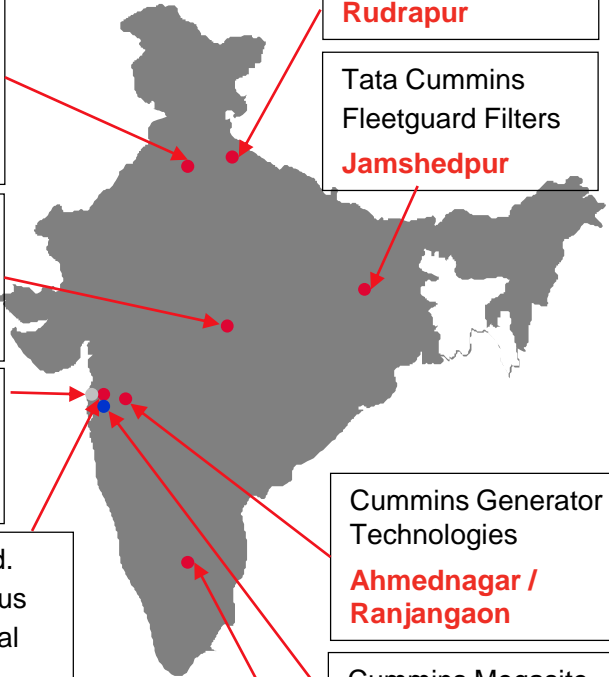
Engines, Gensets, R&D, Sourcing, Finance, HR, GAC

Valvoline Cummins  
Cummins Sales & Service  
**NCR**

Cummins Turbo Technologies  
**Dewas / Pithampur**

Valvoline Cummins  
**Mumbai/ Ambarnath**

Cummins India Ltd.  
India Office Campus  
Cummins Technical Center India  
Fleetguard Filters  
Cummins Generator Technologies  
**Pune**



Cummins Turbo Technologies  
Fleetguard Filters  
**Rudrapur**

Tata Cummins  
Fleetguard Filters  
**Jamshedpur**

Cummins Generator Technologies  
**Ahmednagar / Ranjangaon**

Cummins Megasisite  
**Phaltan**

Fleetguard Filters  
**Hosur**



# Strategic Leadership Team



**Anant Talaulicar**

Chairman and Managing Director – India ABO



**Sandeep Sinha**  
Chief Operating Officer



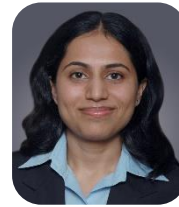
**Rajiv Batra**  
Finance & Facilities



**Sophia Manivel**  
Chief Information Officer



**Ashish Aggarwal**  
Government Relations



**Shveta Arya**  
Strategy & Chief of Staff



**Mark Firth**  
Technical Organization



**Amit Kumar**  
Corporate Responsibility & Global Analytics Center Sponsor



**Qureish Shipchandler**  
Internal Audit



**Vikas Thapa**  
Human Resources



**Venkat Ramana**  
Legal & Secretarial





# Operating Leadership Team



**Sandeep Sinha**  
Chief Operating Officer – India ABO



**Ashwath Ram**  
Engine Business



**Mandar Deo**  
HHP Business and Power Systems Operations



**Babu Nagarajan**  
Power Generation Marketing & Sales



**Anjali Pandey**  
Components Business



**Bhavana Bindra**  
Distribution Business



**Niranjn Kirloskar**  
Fleetguard Filters



**Sandeep Kalia**  
Valvoline Cummins



**Shailesh Zinge**  
Marketing and Sales, Product Planning



**Aditi Sharma**  
Quality



**Manoj Solanki**  
Central Supply Chain Operations



**Sowmya Chaturvedi**  
Health, Safety and Environment

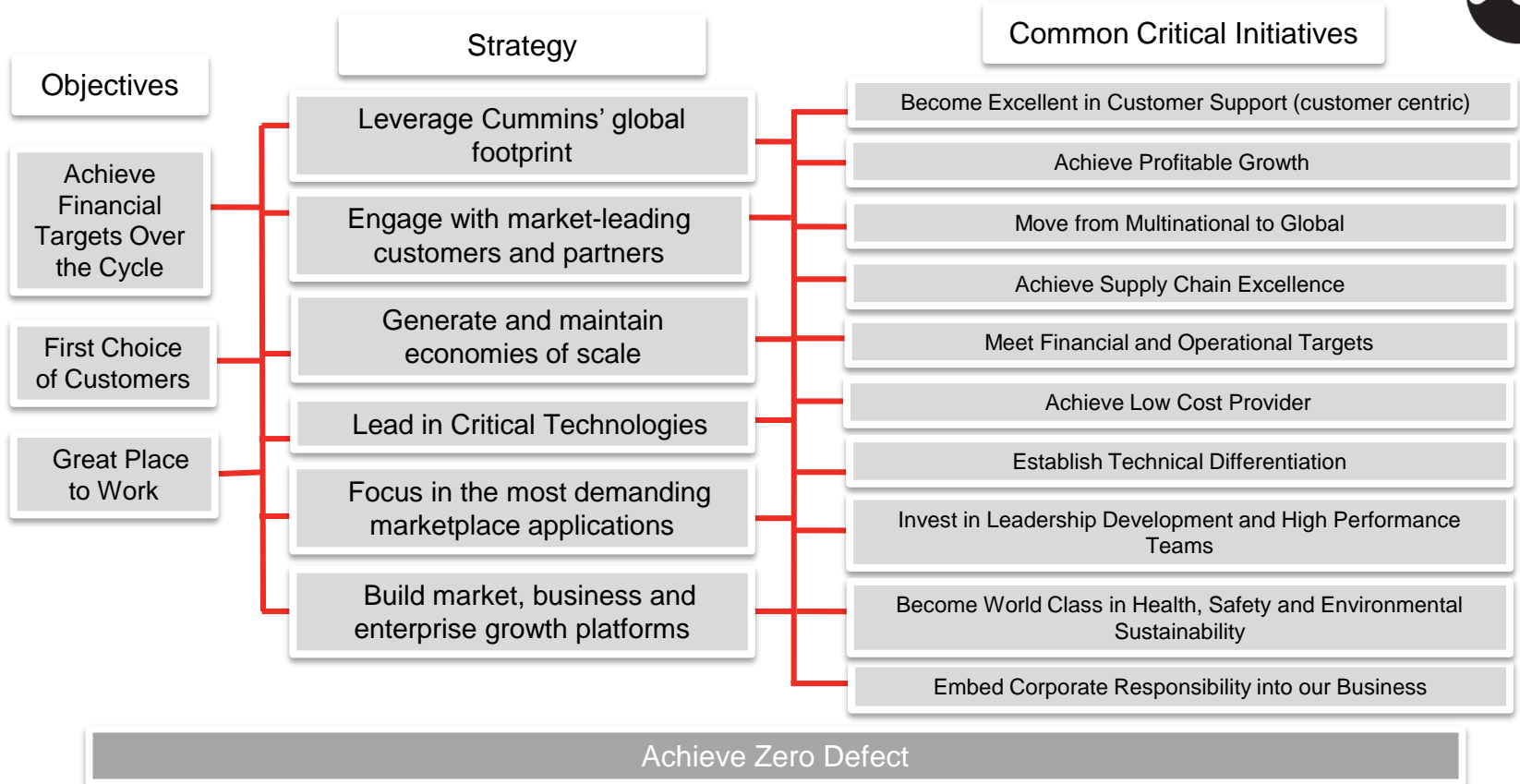


**Surabhi Sharma**  
Projects Leader and Chief of Staff



**Binu John**  
Cummins Business Services

# Cummins in India - Goal Tree 2017



Achieve Zero Defect

Five Philosophies  
for our Facilities

Cummins Confidential





# Cummins India Limited Financial Performance 2016-17

# Cummins India Limited - Financial Performance 2016-17



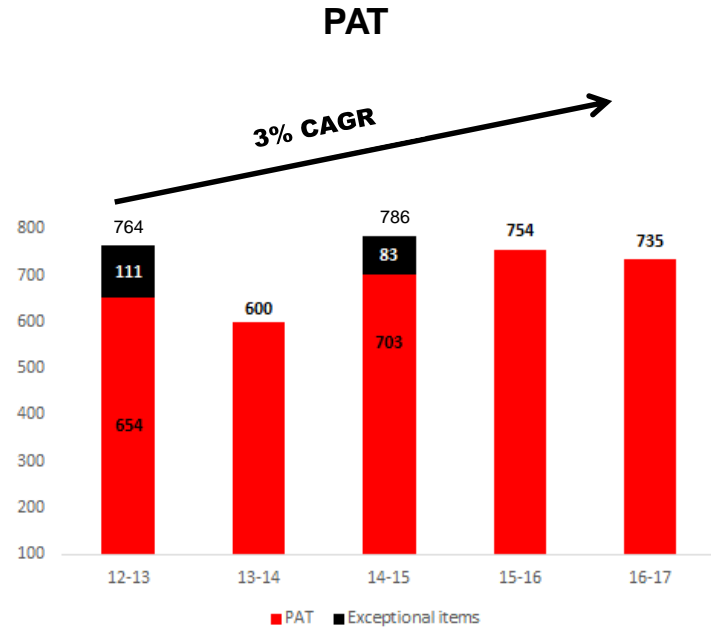
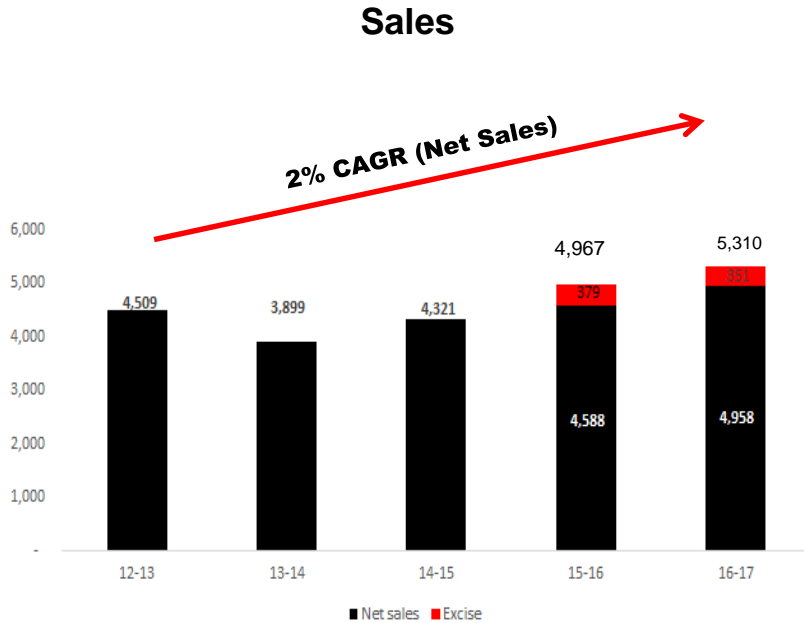
₹ Cr.

₹ Cr	2016-17	2015-16	% L/Y
<b>Sales</b>	<b>5,310</b>	<b>4,967</b>	<b>7%</b>
Operating Income	119	121	-2%
%	2.2%	2.4%	-0.2%
Raw Material Cost	3,626	3,341	9%
%	68.3%	67.3%	-1.0%
Employee Cost	433	416	4%
%	8.2%	8.4%	0.2%
Depreciation	85	81	5%
%	1.6%	1.6%	0.0%
Other Expenses	568	556	2%
%	10.7%	11.2%	0.5%
<b>Operating Profit</b>	<b>717</b>	<b>694</b>	<b>3%</b>
%	13.5%	14.0%	-0.5%
Other Income	208	226	-8%
%	3.9%	4.5%	-0.6%
<b>PBIT</b>	<b>925</b>	<b>920</b>	<b>1%</b>
%	17.4%	18.5%	-1.1%
Interest	17	10	75%
<b>PBT</b>	<b>908</b>	<b>910</b>	<b>0%</b>
%	17.1%	18.3%	-1.2%
<b>PAT</b>	<b>735</b>	<b>754</b>	<b>-3%</b>

# Sales and Profit After Tax (PAT) Trend



₹ Cr.



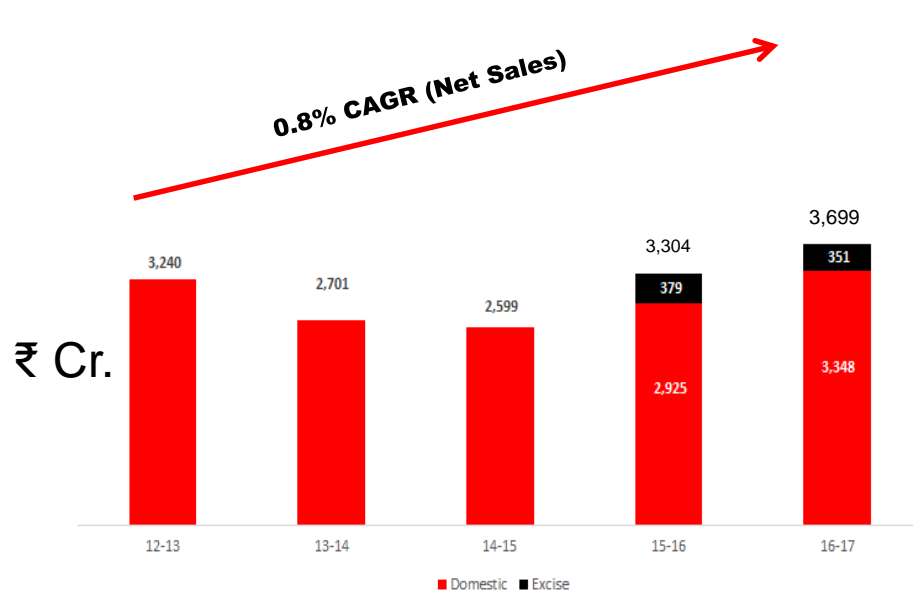
**Net Sales CAGR (From FY 2013-14): 8%**

**PAT CAGR (From FY 2013-14) : 7%**

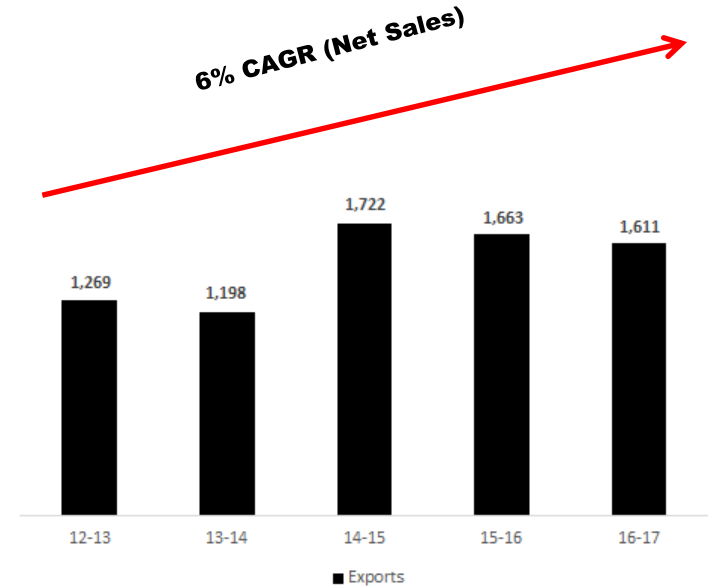
- PAT CAGR is calculated excluding exceptional items (2012-13: Sale of HDFC and KPIT Shares; 2014-15: KPIT sale share)



# Domestic & Exports Revenue Trends



Domestic CAGR: From FY 2013-14 : 7%

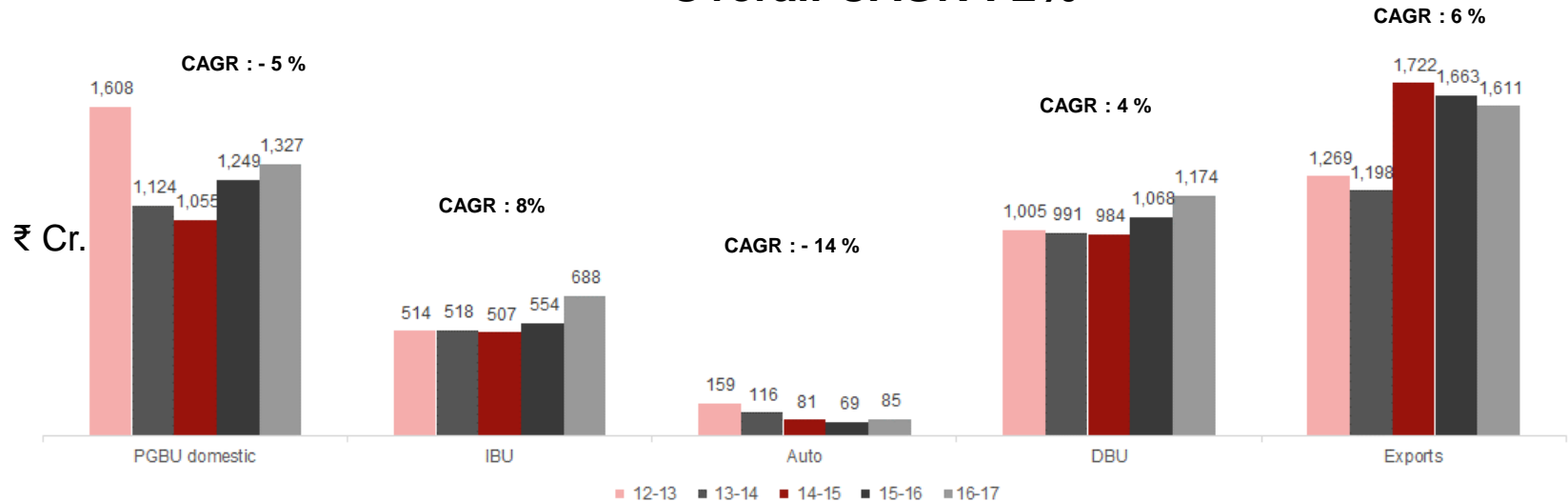


Exports CAGR: From FY 2013-14 : 10%



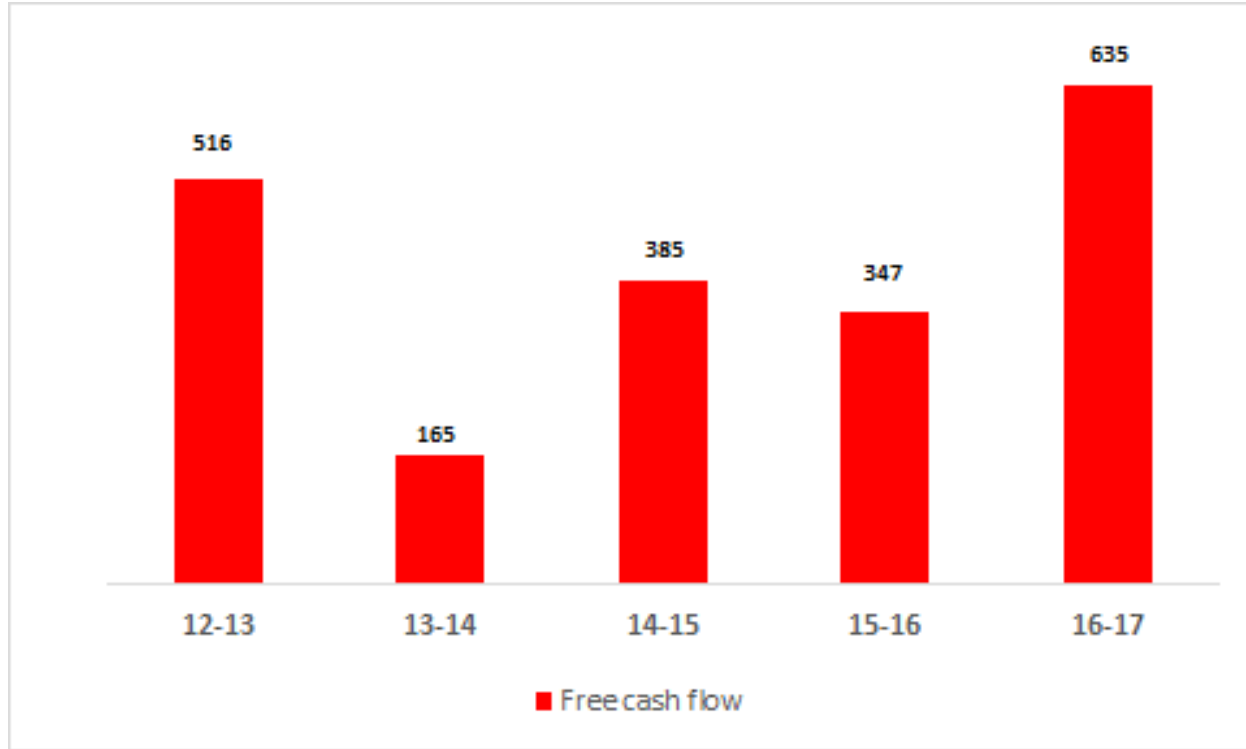
# Sales by Business Units

Overall CAGR : 2%



# Free Cash Flow Trends

₹ Cr.



Note: FY 13-14 includes investment in IOC : ₹ 270

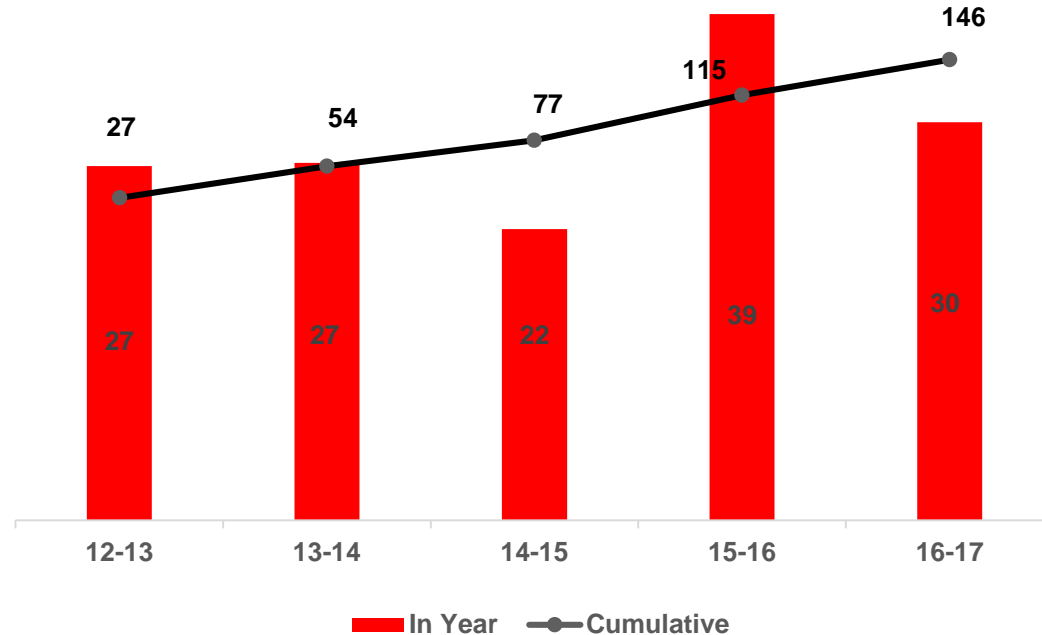
Free cash-flow: Net earnings (Add depreciation) + Change in working capital + Cash flow from investing activities.





# ACE Saving : Last 5 years

₹ Cr.



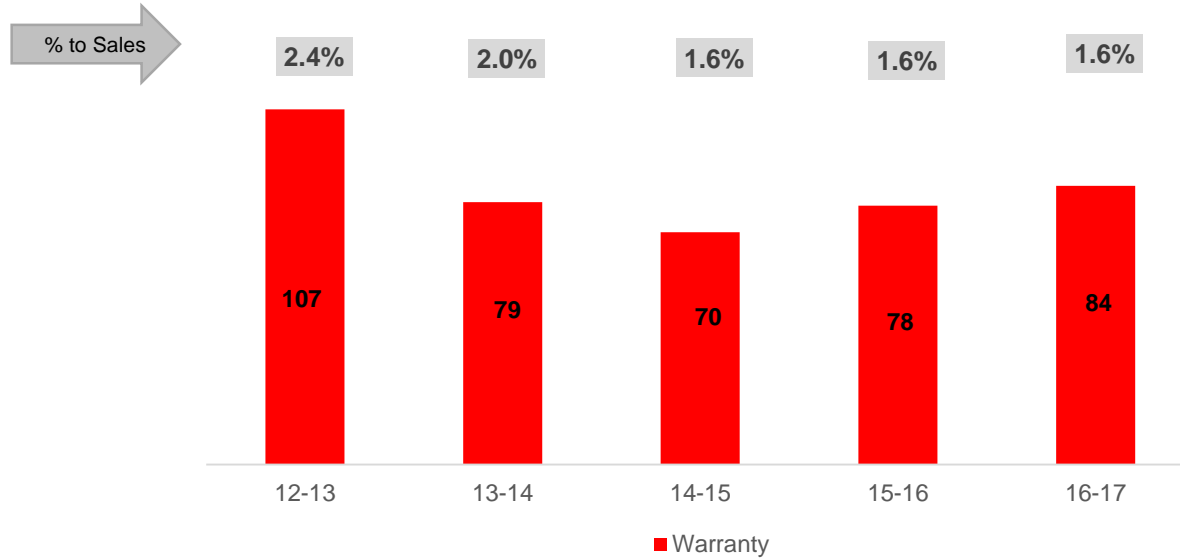
# House of Quality





# Warranty expenses : Last 5 years

₹ Cr.

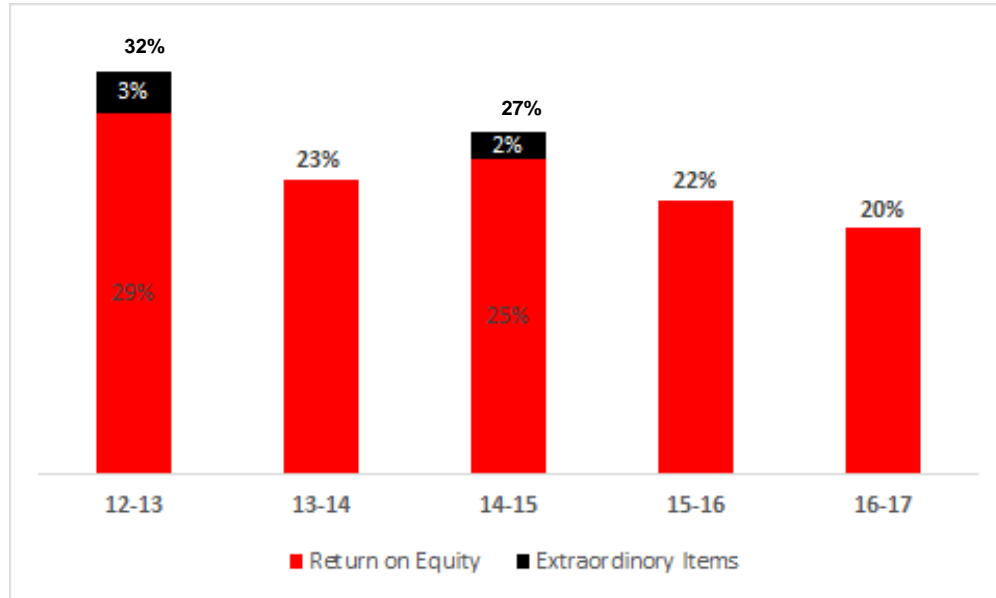




# CIL Capex

Particulars (₹ Cr)	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20
IOC	87	270	209	284	4	1	2	17
CTCI	12	83	74	73	180	170	5	5
Others	128	91	66	92	60	169	161	112
<b>Total : CIL Capex</b>	<b>228</b>	<b>444</b>	<b>348</b>	<b>449</b>	<b>245</b>	<b>339</b>	<b>168</b>	<b>134</b>

# Strong ROE Performance



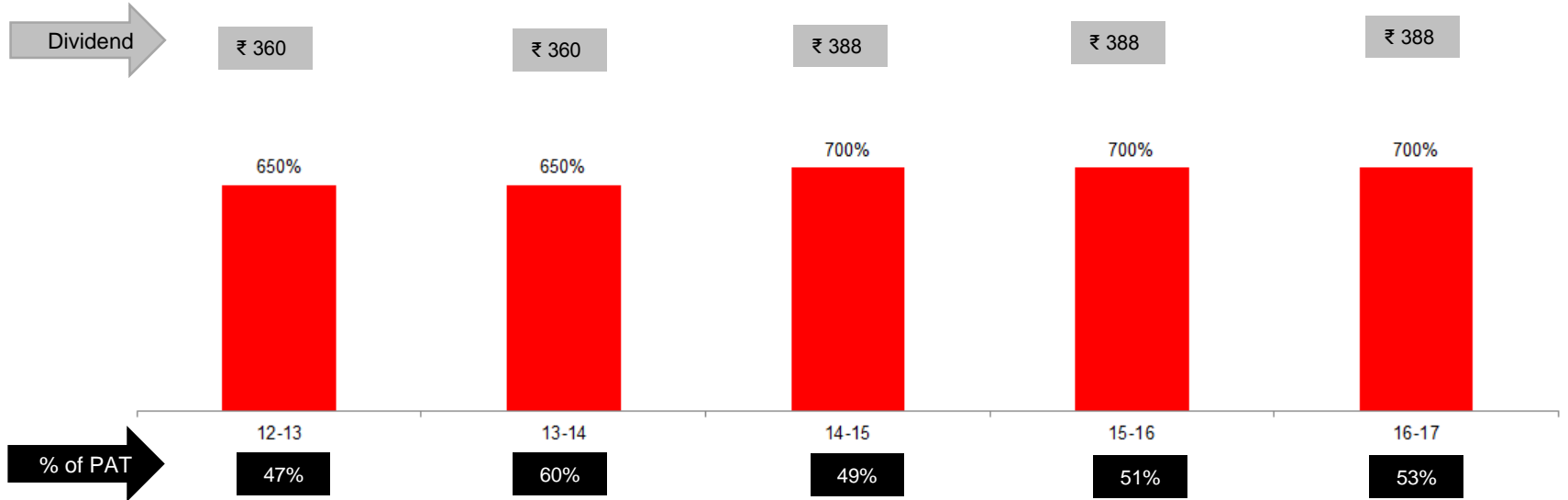
\* 2012-13 ROE higher by 3% due to sale of HDFC shares (₹ 62 Cr) and KPIT shares (₹ 49 Cr)

\* 2014-15 ROE higher by 2% due to sale of KPIT share (₹ 83 Cr)



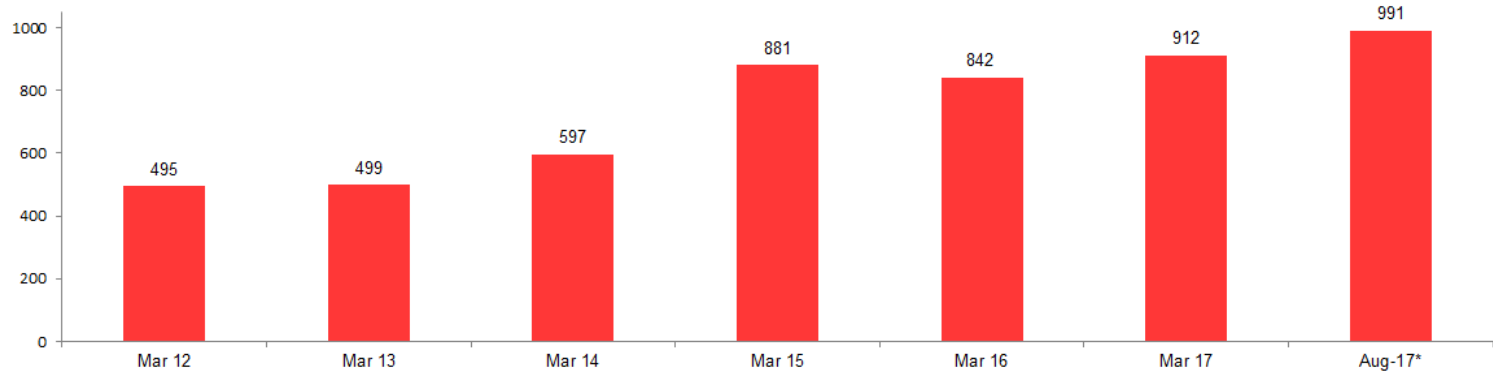
₹ Cr.

# Dividend trend

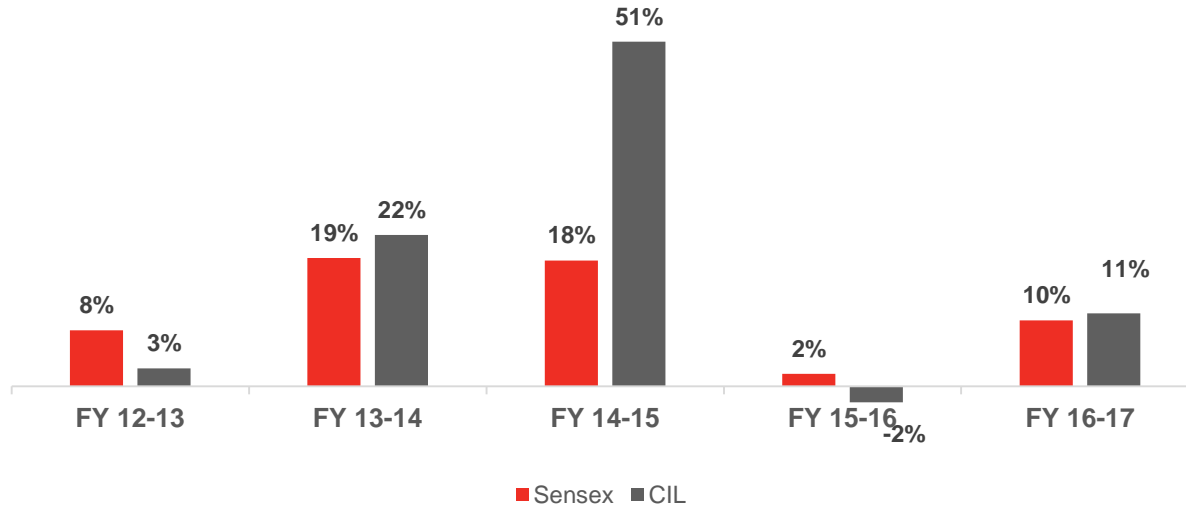




# Cummins India Limited - Share Price Appreciation



# Shareholder Returns



**Annualised Return:**

5 Years: 16%

Since Inception: 22%

Source : BSE India website





# Strong 2016-17

Gross Sales	:	₹ 5,310 crores
PBT	:	₹ 908 crores
PBT%	:	17.1%
Free Cash Flow	:	₹ 635 crores
Dividend	:	₹ 388 crores (53% of PAT)
Debt		Zero
Five Year Shareholder Return		16%
Market Position		Leading

# Financial Performance: Q1 17-18



₹ Cr	Q1 17-18	Q1 16-17	% L/Y	Q4 16-17	% L/Q
<b>Sales</b>	<b>1,388</b>	<b>1,317</b>	<b>5%</b>	<b>1,239</b>	<b>12%</b>
Operating Income	32	31	4%	29	10%
%	2.3%	2.3%	0.0%	2.3%	0.0%
Raw Material Cost	951	892	7%	854	11%
%	68.5%	67.7%	-0.8%	68.9%	0.4%
Employee Cost	123	104	18%	107	15%
%	8.8%	7.9%	-0.9%	8.6%	-0.2%
Depreciation	21	21	1%	21	0%
%	1.5%	1.6%	0.1%	1.7%	0.2%
Other Expenses	151	146	3%	137	10%
%	10.9%	11.1%	0.2%	11.0%	0.2%
<b>Operating Profit</b>	<b>174</b>	<b>186</b>	<b>-6%</b>	<b>149</b>	<b>17%</b>
%	12.6%	14.1%	-1.5%	12.0%	0.5%
Other Income	58	42	40%	51	14%
%	4.2%	3.2%	1.0%	4.1%	0.1%
<b>PBIT</b>	<b>233</b>	<b>227</b>	<b>2%</b>	<b>200</b>	<b>16%</b>
%	16.8%	17.3%	-0.5%	16.2%	0.6%
Interest	4	2	96%	5	-13%
<b>PBT (before extra ordinary item)</b>	<b>229</b>	<b>225</b>	<b>2%</b>	<b>195</b>	<b>17%</b>
%	16.5%	17.1%	-0.6%	15.8%	0.7%
Gain on sale of property	56	-	-		
<b>PBT</b>	<b>285</b>	<b>225</b>	<b>26%</b>	<b>195</b>	<b>46%</b>
%	20.5%	17.1%	3.4%	15.8%	4.7%
<b>PAT</b>	<b>222</b>	<b>181</b>	<b>23%</b>	<b>158</b>	<b>40%</b>
%	16.0%	13.8%	2.3%	12.8%	3.2%



## BUSINESS UNIT WISE CIL SALES

₹ Cr	Q1 17-18	Q1 16-17	% LY	Q4 16-17	% L/Q
<b>Domestic</b>					
PGBU	368	325	13%	331	11%
IBU	201	167	21%	201	0%
Auto	1	27	-97%	32	-98%
DBU	339	287	18%	282	20%
Others	86	99	-14%	92	-7%
<b>Total Domestic *</b>	<b>994</b>	<b>905</b>	<b>10%</b>	<b>938</b>	<b>6%</b>
<b>Exports</b>	<b>394</b>	<b>413</b>	<b>-5%</b>	<b>301</b>	<b>31%</b>
<b>Total</b>	<b>1,388</b>	<b>1,317</b>	<b>5%</b>	<b>1,239</b>	<b>12%</b>

\* Total sales are net of intercompany eliminations.

# Building Key Long Term Capabilities



Strong Partnerships with all Stakeholders

Technology Leadership

Manufacturing Scale

Customer Centricity & Support

Right Environment

# World-Class Infrastructure



**Cummins Megasite**  
Manufacturing Campus



**Cummins Technical Center India**  
Global R&D Center

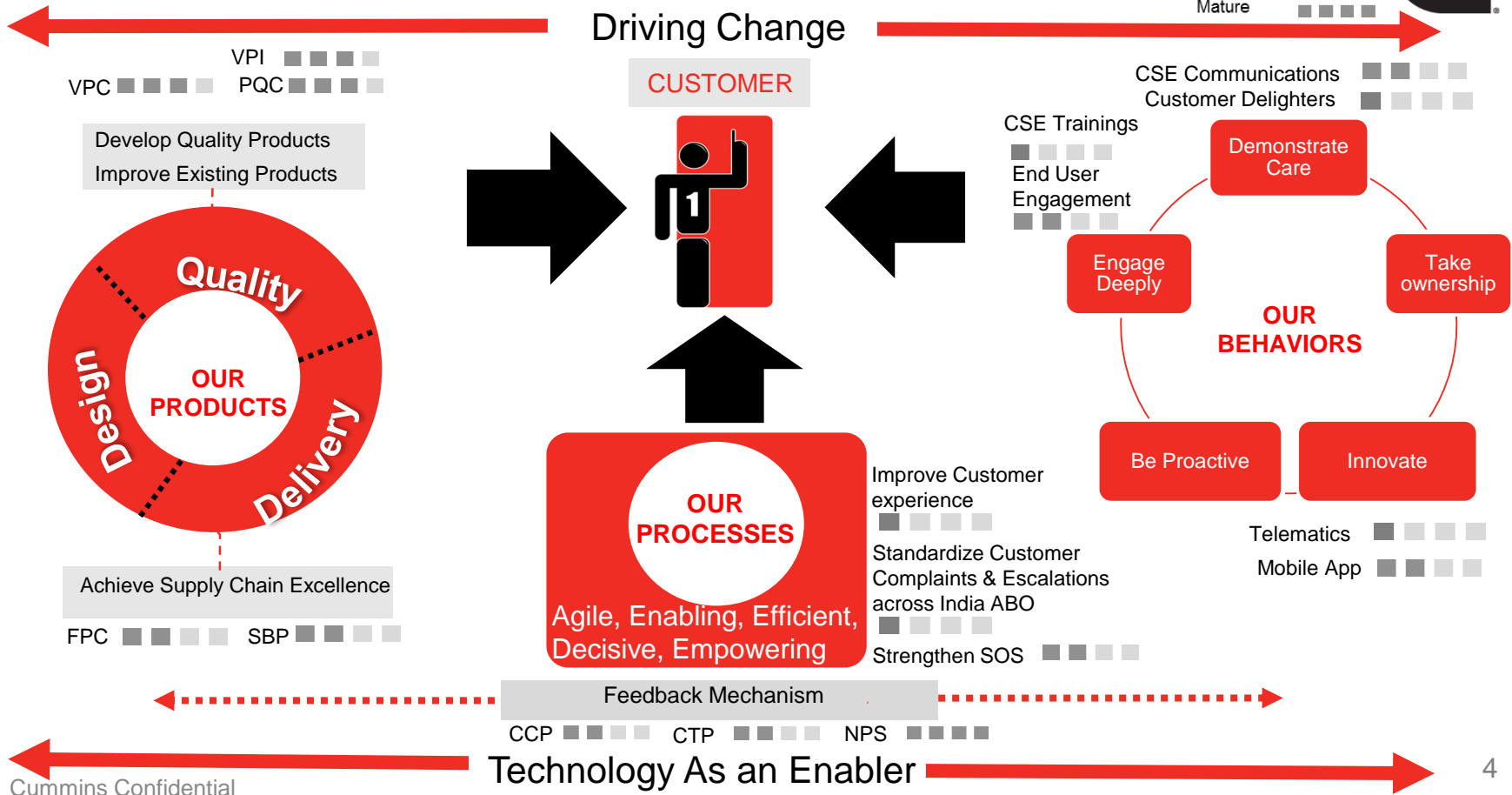


**Cummins India Office Campus**  
Corporate Office

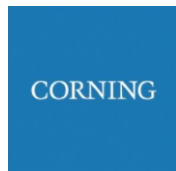
Process Stages



# Customer Centricity Approach



# Customer Connect Program



Improved leadership connect with the customer/ end-user through

# Customer Talk Program



- Customer Talk Programs organized at various locations like KEP, PHP, TCL1, Boiser, Bhiwandi, Nagpur, Haridwar, Singrauli, Vizag, Karur, Mysore, Ranchi, Kolkata and Aligarh.
- Witnessed participation from all the above mentioned OEM/ End-users and also the fleet owners from Jaipur, Himachal Pradesh & Allahabad





# Cummins Great Place to Work



A workplace based on the principles of 'Ethics/ Treatment / Common Processes / Policies / Health and Wellness'

# Employee Engagement Model





# Fostering the 'Right Environment'

“Cummins is committed to fostering a physically and psychologically safe, integrity based, respectful, inclusive, high performance culture that breaks down hierarchies and organizational boundaries, and engaging the full talents of our diverse employees to delight all our stakeholders (employees, customers, partners, shareholders, suppliers, communities) consistently.”

**- Cummins India Leadership team**



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CUMMINS  
KEY  
LEADERSHIP  
BEHAVIORS  
2017

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- ▶ **Right Environment**  
Enables People to Achieve Their Full Potential
- ▶ **Coaching and Talent Management** for success
- ▶ **Fosters Open Communications**
- ▶ **Authentic and Build Trust**
- ▶ **Engages in Constructive Conflict**
- ▶ **Ensure Alignment**
- ▶ **Accountability** Demonstrates Individual and Collective
- ▶ **Strategic Thinking**



# Right Environment

## ■ Physical Safety

- All plants comply with Occupational Health and Safety Assessment Series (OHSAS) 18001
- Introduced 'Live It Lead It' program
- Training offered on two-wheeler defensive driving

## ■ Health & Wellness

- Health and Wellness Program : Dedicated health care centers across our locations, Healthy Living Module, Health program extended to employees' families, 'Birth and Beyond' and anemia eradication for women, ideal weight drive and employee assistance program (EAP) for all, National Pension Scheme (NPS),



# Right Environment

## ■ Reinforcing Right Behaviors

- Cummins Environment and You Training Program and Right Environment Every Time Module
- Cummins Code of Business Conduct, Treatment of Others and Sexual Harassment Policies
- Ethics Committee
- Internal Complaints Committee

## ■ Diversity & Inclusion

- Women constitute 30% of professional employees
- Broadening our scope of diversity to include LGBT and other minority groups

# Corporate Responsibility



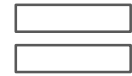
Focused Engagement:



**Higher  
Education**



**Energy and  
Environment**

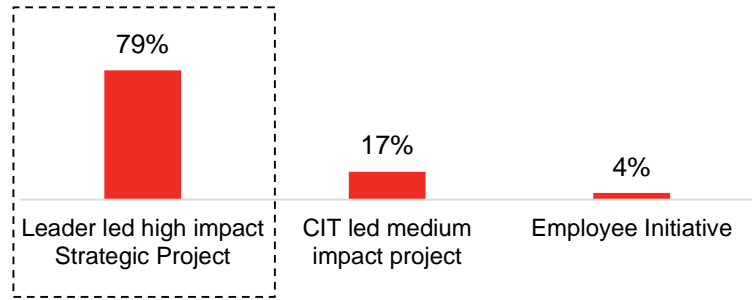


**Social Justice  
and  
Infrastructure**



# India ABO leadership Impact

## Impact of EEEEC



**This 79% (against benchmark of 80%) of EEEEC hours were utilized for three critical projects led by India ABO Management**

Leader led Projects (Nos.)



## Key leader led projects

Higher Education	Energy & Environment	Local Infrastructure & Social Justice
<ul style="list-style-type: none"> <li>Cummins Scholarship Program</li> <li>Cummins College of Engineering for Women</li> <li>Technical Education for Communities</li> </ul>	<ul style="list-style-type: none"> <li>Khadakwasla De-silting</li> <li>Afforestation</li> <li>Zero Garbage</li> <li>Nirmalya</li> <li>Clean Cook-stoves</li> </ul>	<ul style="list-style-type: none"> <li>Model Villages at all Cummins locations</li> <li>NGO development</li> <li>Women Empowerment</li> <li>Assistive Tech</li> </ul>

- Launched Strategic Projects with dedicated resources**
  - Monsoon Independent Maharashtra
  - Clean Delhi Air with Niti Aayog & CII
  - Phaltan model town



**4<sup>th</sup>** consecutive year, **100%** employees completed EEEC hours



**79%** of EEEC hrs. utilized in Leader lead high impact CR projects



**20,000+** trees planted,  
**50,000+** maintained.



Tree Plantation drive at communities around all Cummins locations in India



**12** Model villages at all Cummins location

**6 Million Lives touched!!**



**CCEW** achieved autonomy



**3000+** Million gallons water harvested

**18** out of **19** plants are water neutral.



**940+** students benefitted from scholarship program

**2** TEC sites in India



Equivalent of **2200 +** MT of carbon footprint avoided

**2.37 million** students reached through Coach them young project





# Macro trends and capabilities that will drive our profitable growth

## Key Macro Trends

- Clean/Sustainable Environment
- Digital Economy
- Infrastructure Development
- Market Oriented Reforms (Eg: GST)
- Focus On Local Manufacturing

## Key Capabilities

- Technology Leadership
- Strong Partnerships
- Local Manufacturing Scale
- Strong Customer Support Network
- Diverse Talent & Leadership



# Outlook and conclusion

- Well positioned to leverage emerging domestic and global opportunities
  
- We remain steadfast on :
  - Mission, Vision, Values
  - Cummins Operating System
  - Objectives, Strategies, Initiatives
  - Care and Inclusiveness Based Performance Ethic
  - Brand Promise of Innovation and Dependability
  
- Grateful for your continued support