



# Cummins India Limited 49<sup>th</sup> Annual General Meeting

August 12, 2010



# Cummins Inc.

Engine Business



Distribution Business



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Power Generation Business



**Power  
Generation**



**Generator  
Technologies**

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Components Group



**Emission  
Solutions**



**Filtration**



**Turbo  
Technologies**



**Fuel  
Systems**

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HQ in Columbus,  
Indiana since 1919

34,900 employees

R&D: \$329 million

**Cummins  
Business  
Services**



Operations in 190 Countries

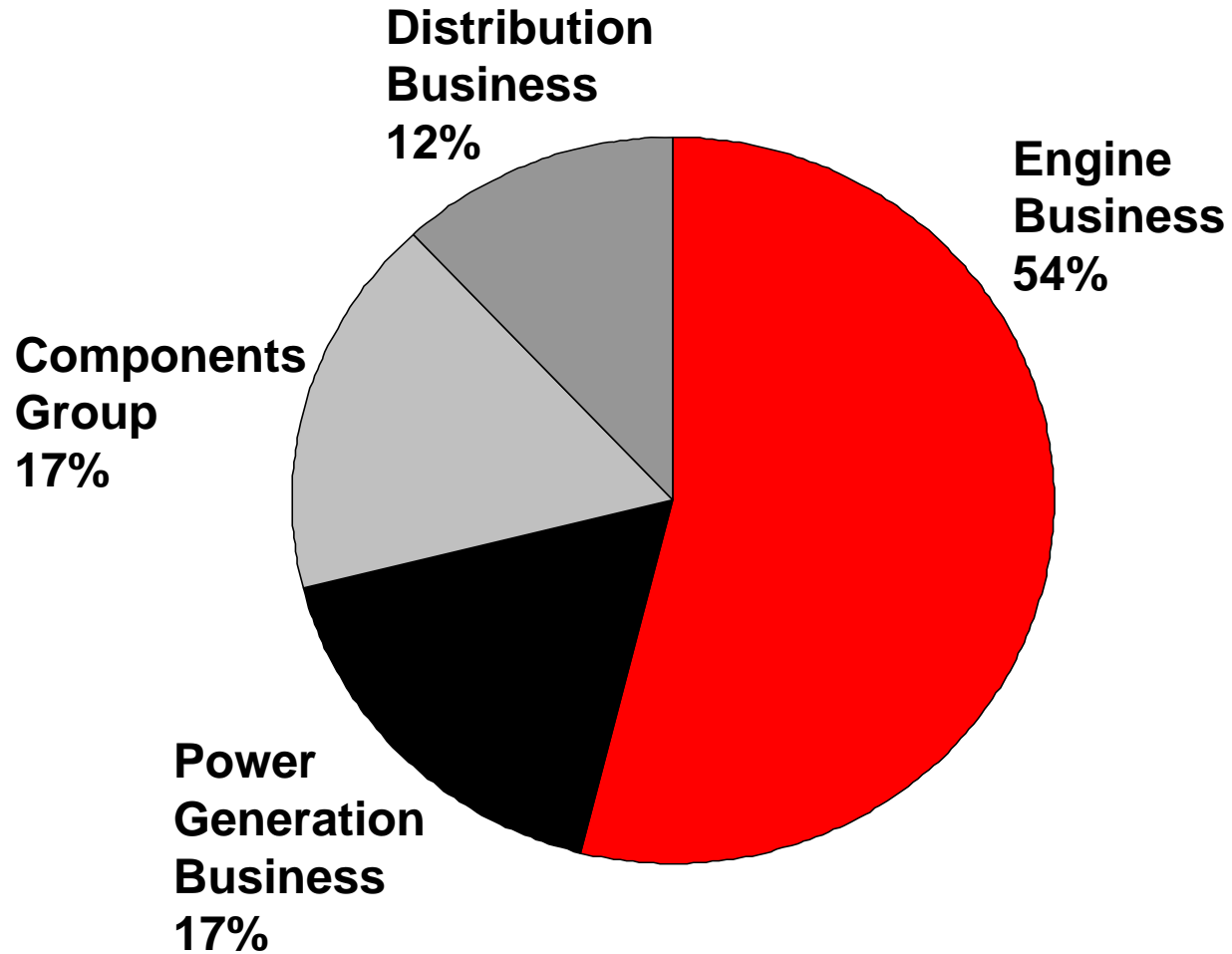
50 manufacturing locations

500 distributor locations  
5,200 dealer locations

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



# Cummins Inc. : 2009 Revenue - \$10.8 Billion



# Cummins Business Model

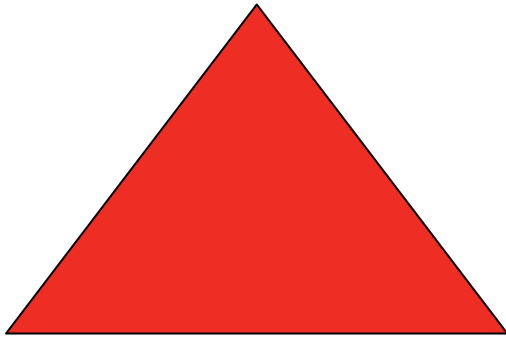
- Guiding Principles - Vision, Mission, Core Values
- Corporate & BU Objectives, Strategies, Initiatives, Projects -- (Goal Trees)
- Cummins Operating System (COS):
  - Ten Common Practices
  - Functional Excellence Framework (FE Statements, Measures, Processes, Tools, People Development)
  - Common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



# Why We Are Here – Guiding Principles

## Vision:

“Making people’s lives better by unleashing the power of Cummins”



## Personality:

- Decisive
- Driven To Win
- Agile
- Passionate
- Caring

## Core Values:

- Integrity
- Innovation
- Delivering Superior Results
- Corporate Responsibility
- Diversity
- Global Involvement

## Mission:

- Motivating people to act like owners working together
- Exceeding customer expectations by always being first to market with the best products
- Partnering with our customers to make sure they succeed
- Demanding that everything we do leads to a cleaner, healthier, safer environment
- Creating wealth for all stakeholders



# COS 10 Practices



Put the customer first, and provide real value



Synchronize flows (material, physical and information)



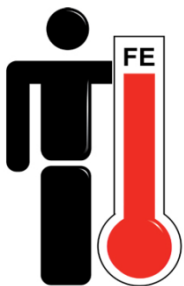
Design quality in every step of the process



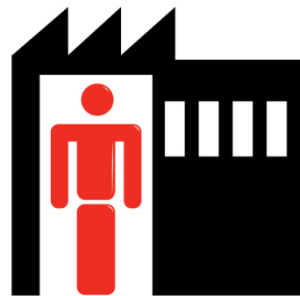
Involve people and promote teamwork



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

# Ten India Functional Excellence Areas and Leaders

1. Quality – K N Harish
2. Manufacturing – Nitin Mantri
3. Technical – Craig Barnes
4. Supply Chain - Sandeep Chaudhry
5. Purchasing - B K Bose
6. Finance - Rajiv Batra
7. Information Technology – Sudha Dhar
8. Human Resources – Nagarajan Balanaga
9. Marketing and Sales - Arun Ramachandran
10. Service & Support – Amit Kumar

Global Product Safety Council – Craig Barnes



# Cummins in India

- In India since 1962
- 9 companies (4 JVs)
- Over 11,000 employees
- \$1.3B unconsolidated sales

## Engine Value Packages (60-2700 HP)

Auto, Construction, Mining, Compressors, Pumps, Marine, Rail, Oil & Gas, Defence

## Power Generation

Gensets (15-2000 kVA), Energy Management, Captive Power Plants Alternators

## Components & Consumables

Filtration, Exhaust Systems, Turbochargers, Lubricants

## Services

Engines, Gensets, IT/ITES, R&D, Sourcing

Valvoline  
Cummins  
**New Delhi**

Cummins Turbo  
Technologies  
**Dewas**

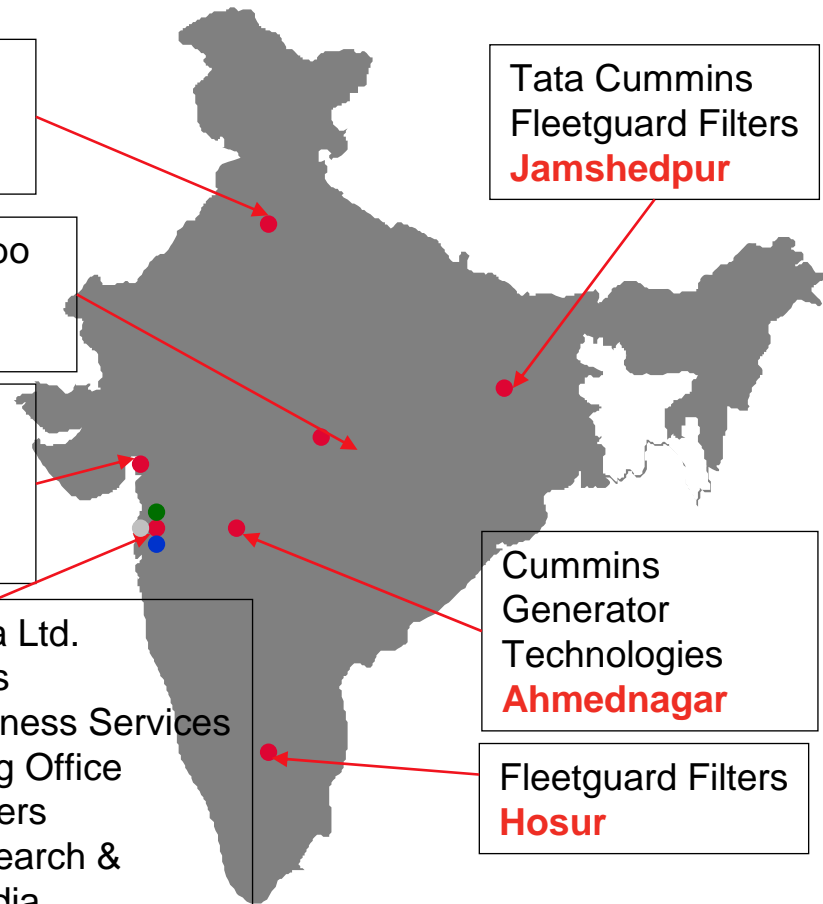
Generators  
Cummins  
Exhaust  
**Daman**

Cummins India Ltd.  
KPIT Cummins  
Cummins Business Services  
Intl. Purchasing Office  
Fleetguard Filters  
Cummins Research &  
Technology India  
Cummins Generator  
Technologies  
**Pune**

Tata Cummins  
Fleetguard Filters  
**Jamshedpur**

Cummins  
Generator  
Technologies  
**Ahmednagar**

Fleetguard Filters  
**Hosur**





# India Organization Snapshot

## Cummins in India

### Entities :

1. Cummins India Ltd.
2. Cummins Research & Technology India Ltd.
3. Cummins Generator Technologies India Ltd.
4. Cummins Technologies India Ltd.
5. Cummins Exhaust India Ltd.
6. Tata Cummins Ltd.
7. KPIT Cummins Infosystems Ltd.
8. Fleetguard Filters Pvt. Ltd.
9. Valvoline Cummins Ltd.

### Business Units:

- Engine Business
  - Automotive
  - Industrial
  - ReCon
- Power Generation Business
  - Generators
  - Alternators
- Component Businesses
  - Filtration
  - Exhaust & Emission Solutions
  - Turbo
- Distribution Business (1 PDC/ 5 Zonal Offices / 21 Area Offices / 212 Dealer sites)
  - Lubricants

**Shared Services: CBS/Tech Centre/IPO/Internal Audit**

# Strategic Leadership Team



Anant Talaulicar  
President – Components Group and  
Managing Director – India ABO



Raj Menon  
Chief Operating  
Officer



Rajiv Batra  
Finance &  
Strategy



Dinesh  
Castellino  
Legal,  
Facilities & HSE



Nagarajan  
Balanaga  
Human  
Resources



K.C. Ravi  
Government  
Relations



Qureish  
Shipchandler  
Internal  
Audit



Sudha Dhar  
Chief  
Information  
Officer

# Operating Leadership Team



Raj Menon  
Chief Operating Officer – India ABO



Mahesh Narang  
Industrial Engine Business



Arun Ramachandran  
Automotive Business



Beau Lintereur  
Power Generation Business



Sandeep Sinha  
ReCon India



Amit Kumar  
Distribution Business



Sandeep Chaudhry  
Tata Cummins Operations



KN Harish  
Quality Champion



Pradeep Bhargava  
Cummins Generator Technologies



Nitin Mantri  
Cummins Turbo Technologies



Craig Barnes  
CRTI & Eng



Bijoy Bose  
IPO



Manoj Solanki  
CEIL & CES



Senthil Kumaran  
CBS



Naveen Gupta  
Valvoline Cummins Ltd.



Sadashiv Pandit  
Fleetguard Filters



Ravi Pandit  
KPIT Cummins



# Cummins Group in India – Business Objectives

- Grow from \$640M in 2004 to \$2B in 2011 (\$3B by 2014)
- Exceed 25% ROANA
- Exceed 10% PBIT and 20% annual PBIT growth
- Achieve and sustain the respect of all stakeholders (“Dependable Institution”) i.e. Zero Defect



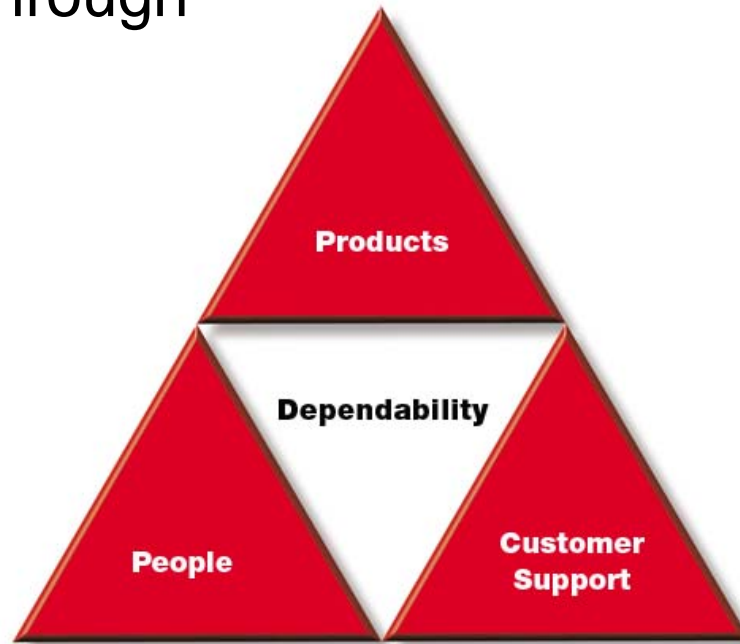
# Greatness – Zero Defect Companies



# Cummins – Brand Promise

Convey and reinforce the Cummins Brand Promise of **Dependability** through

- People
- Products
- Services



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

# Dependability to Shareholders

- Cummins India Limited - Financial Performance 2009-10

Rs. Cr	CIL		
	2009-10	2008-09	B/(W)
<b>Income</b>			
Net Sales	2,845	3,304	-14%
Operating Income	54	77	-30%
<b>Total Income</b>	<b>2,899</b>	<b>3,382</b>	<b>-14%</b>
GM	769	775	-1%
GM%	27.0%	23.5%	3.6%
SAR*	227	256	-11%
Other Income	67	73	-8%
<b>PBT (after exceptional items)</b>	<b>611</b>	<b>599</b>	<b>2%</b>
PBT %	21%	18%	3%
PAT	444	434	2%

\*Selling, Admin & Research Expenses



# Downturn Management Actions Taken To Remain Dependable and Emerge Stronger

## Rings of defense

- Increased Six Sigma focus on productivity & cost
- Accelerated Cost Efficiency II – 20% TCO reduction in direct materials over three years
- TRIMS - 30% reduction in indirect material spend over three years
- Discretionary spending cuts
- Working capital reduction
- Increasing our domestic market share and maximized the limited exports opportunities



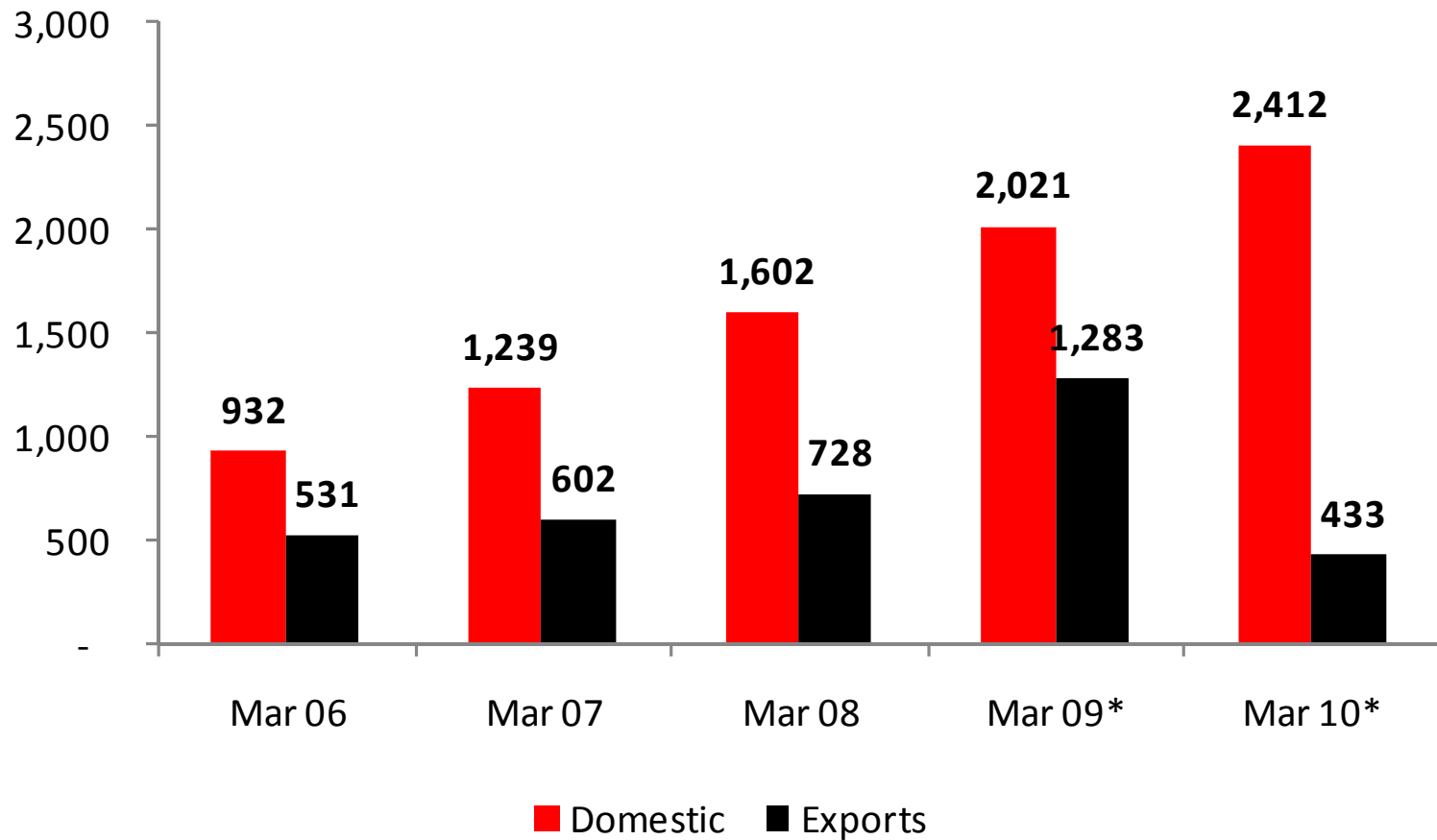
# Dependability towards Shareholders

- Focus on Six Sigma

- Now in its 10<sup>th</sup> year
- 331 Six Sigma projects executed : A significant increase of 33 percent over the previous year, bringing a total annualized savings of Rs. 94 crores to Cummins India Limited.



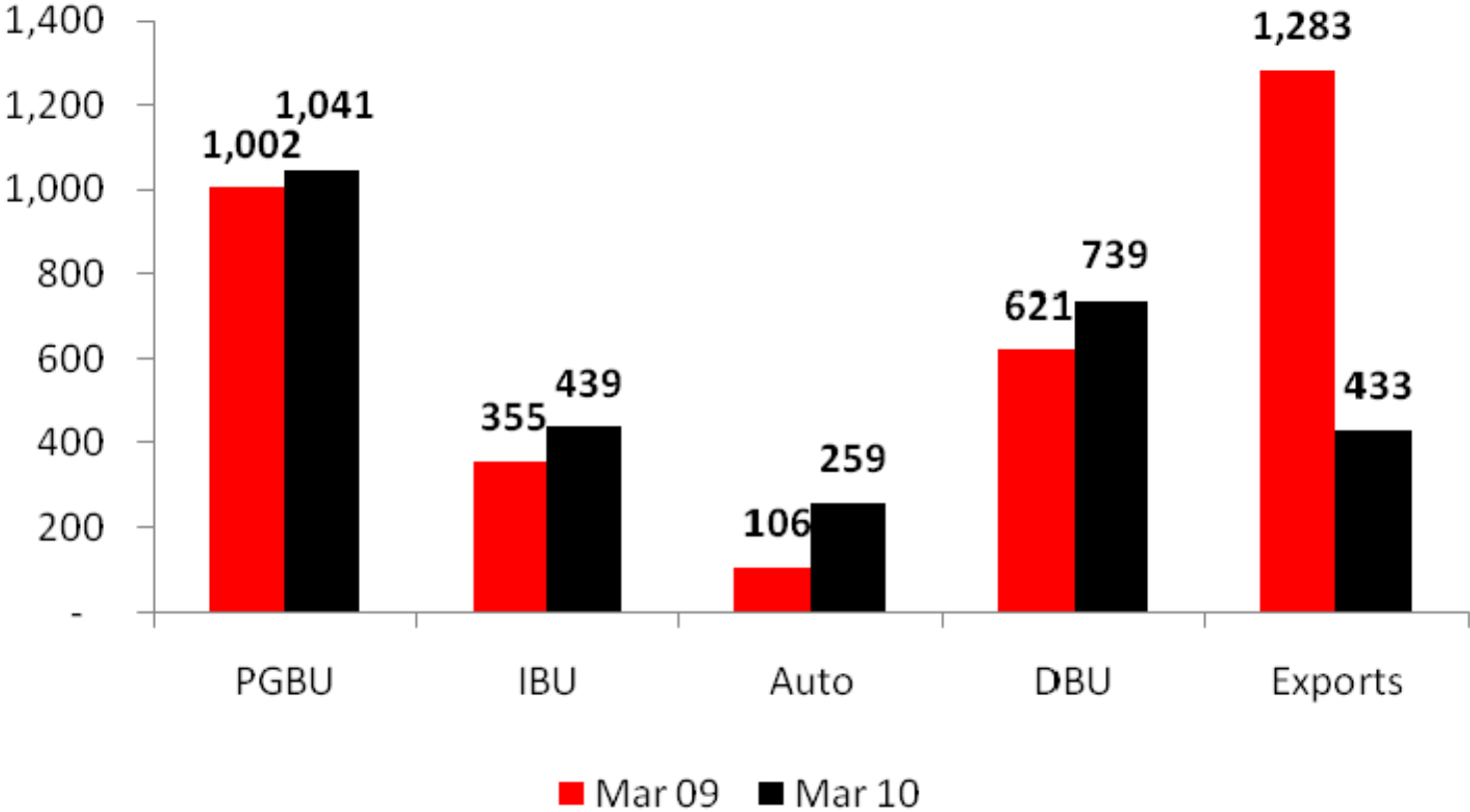
# Sales: Domestic & Exports



\*Including DBU



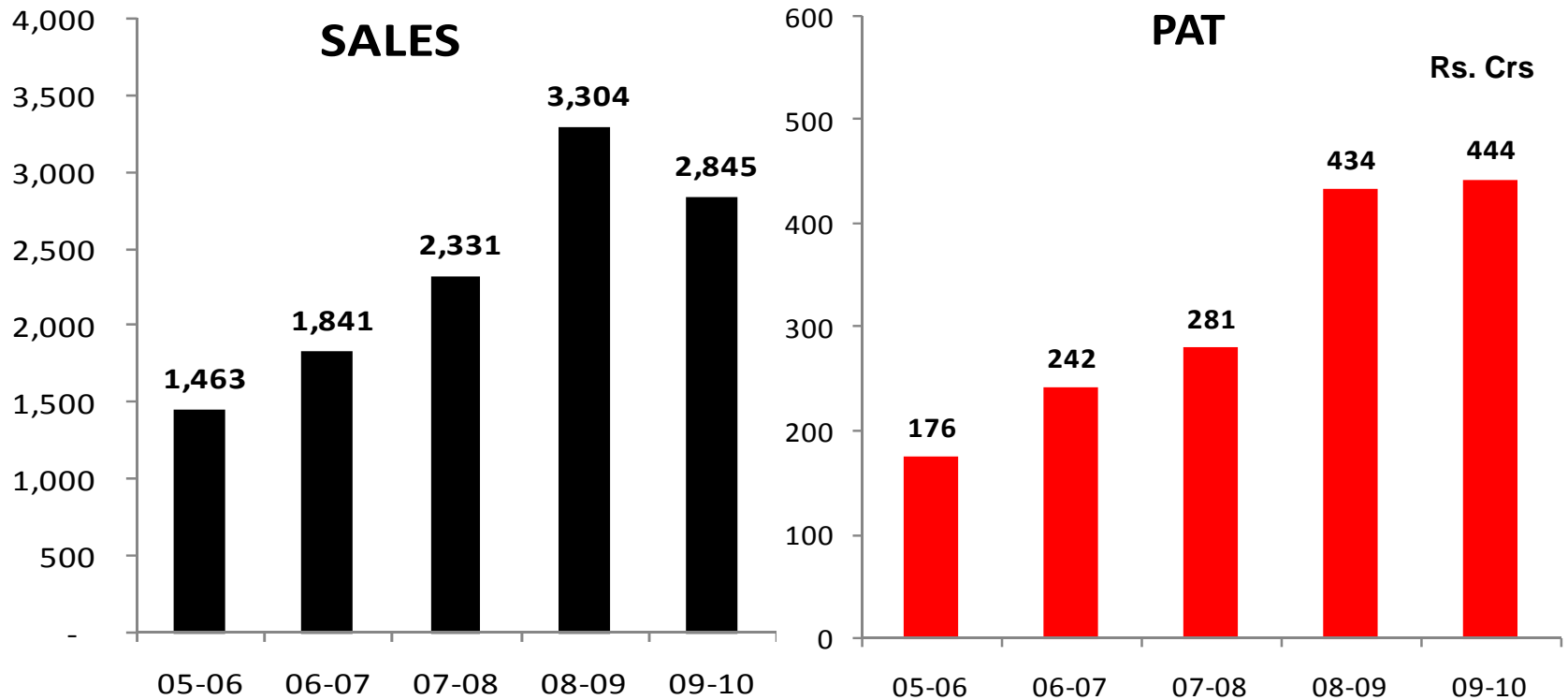
# Sales : By Business Units



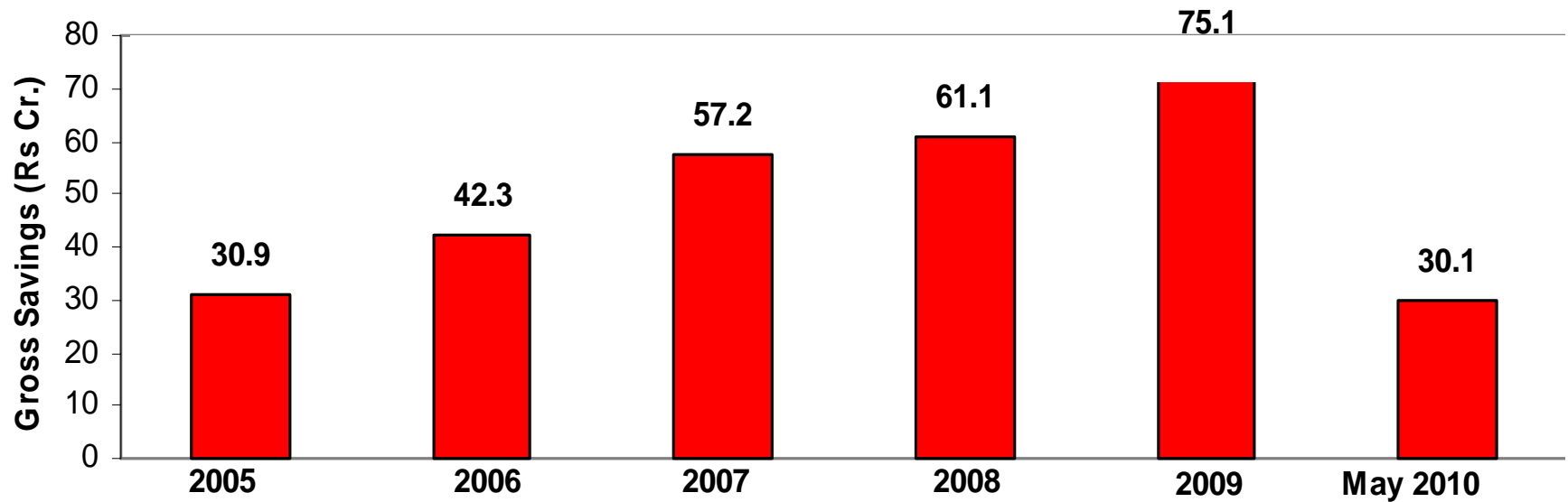
# Consistently Profitable Growth

18% CAGR

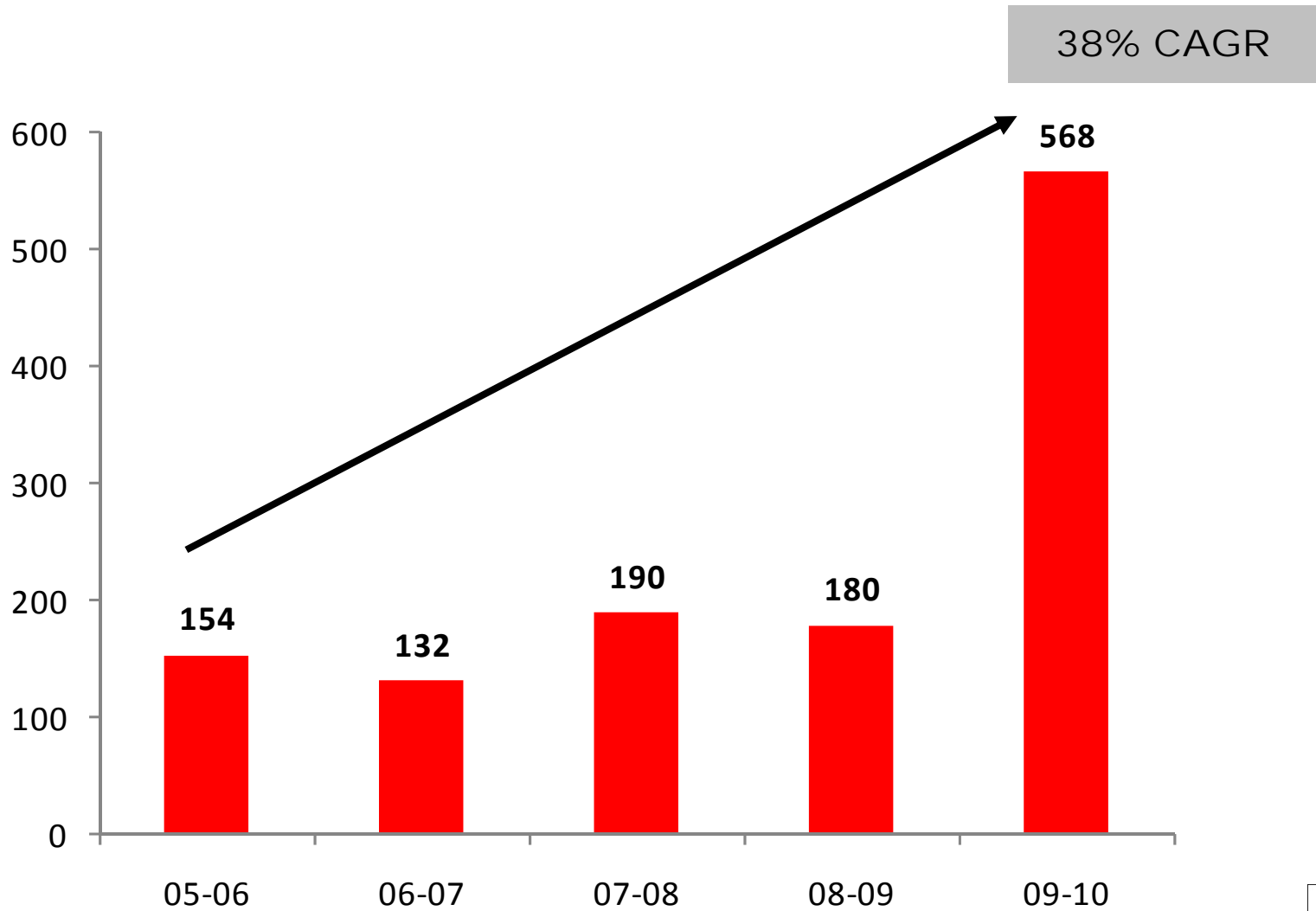
26% CAGR



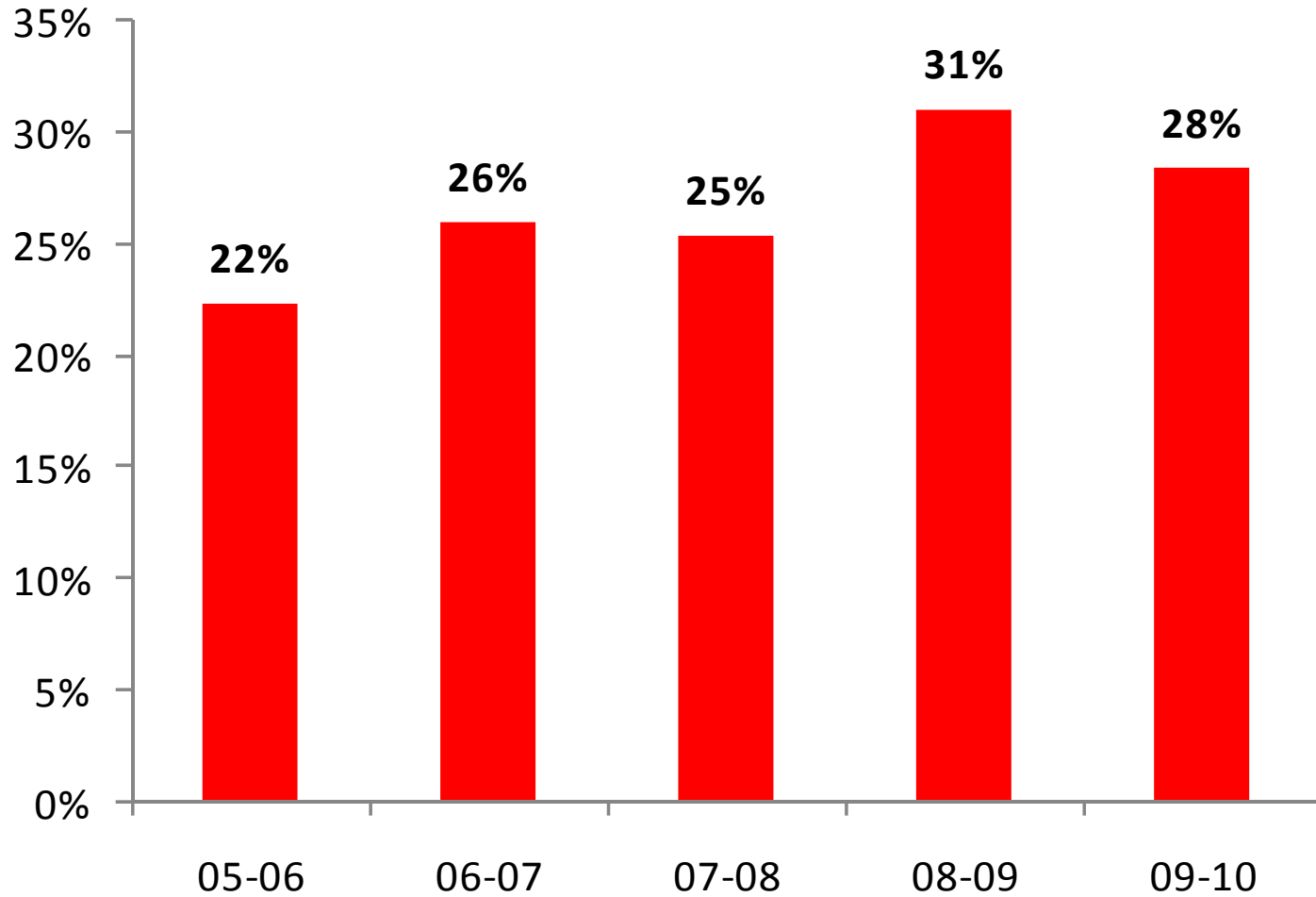
# Gross Material Cost Reduction



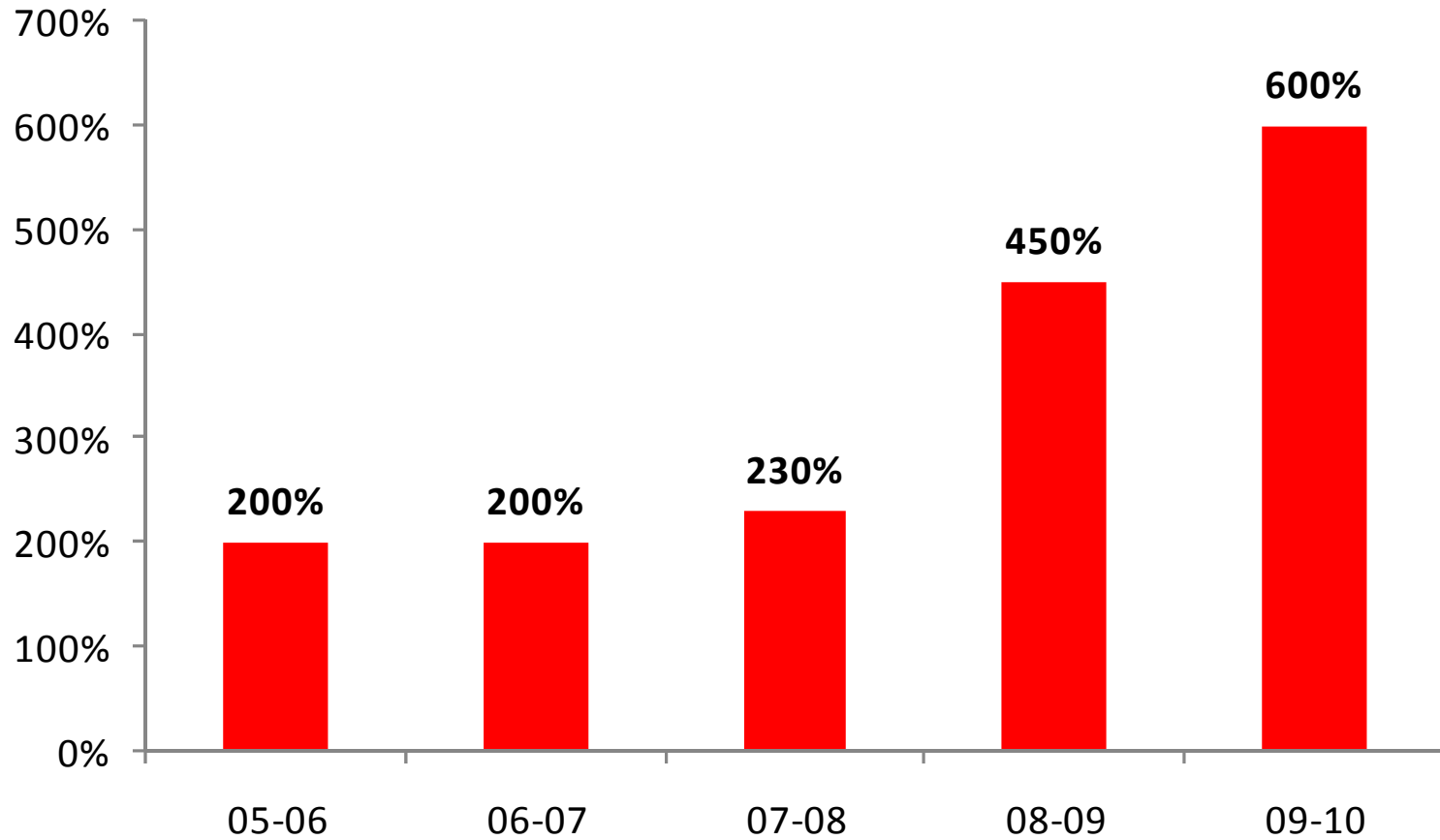
# Generating Strong Cash Flow



# Strong ROE Performance

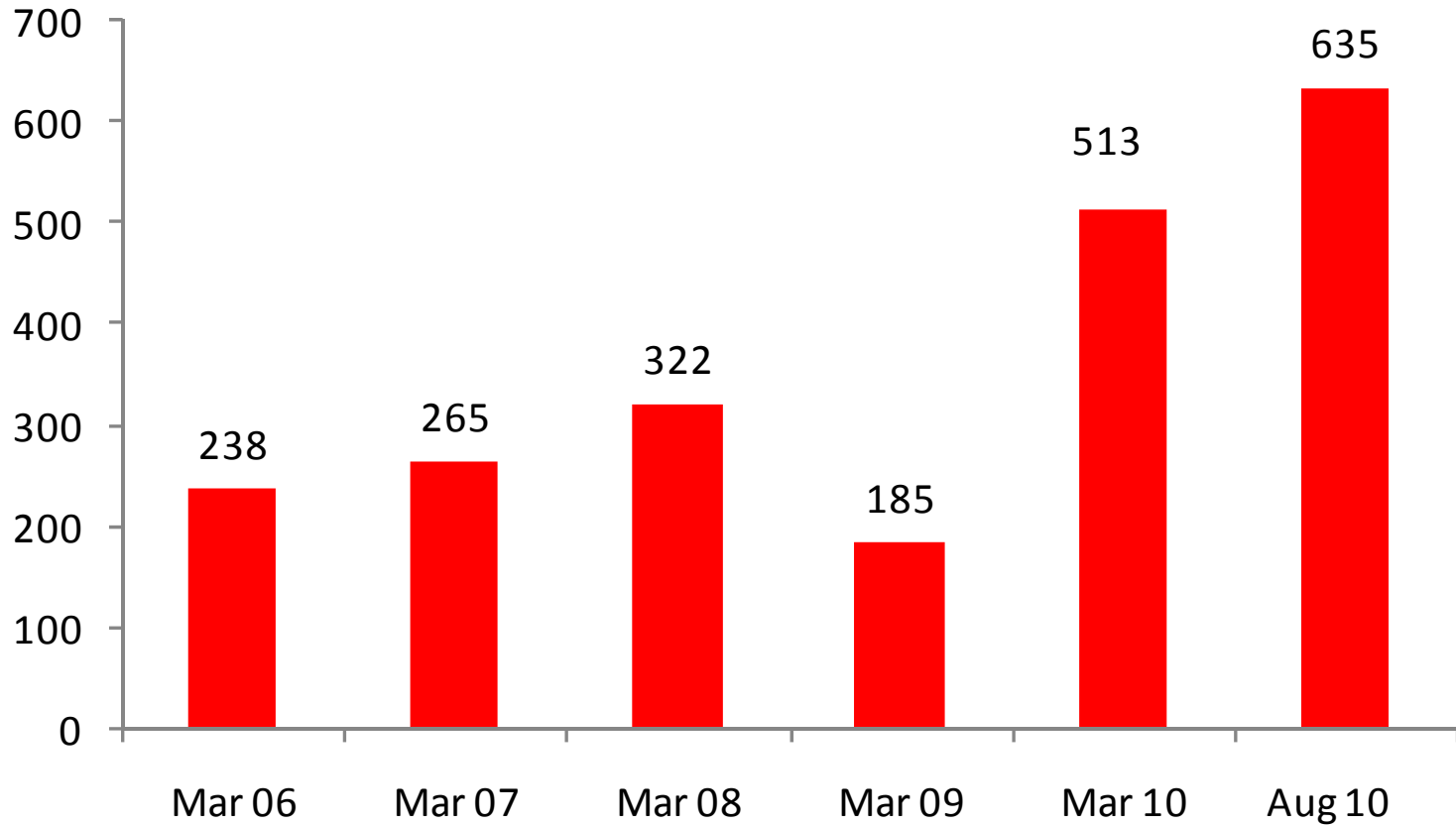


# Dividend trend





# Share Price Appreciation



# Dependability towards Customers

- Our Industrial Engine Business:
  - Seeded a prototype unit for a Self Propelled Accident Relief Train (SPART).
  - Launched seeding units in 21 ton excavator segment through Hyundai.
  - Improved its presence in the mining segment with the introduction of a 15 litre electronic engine.
  - Completed technical feasibility of a 6 cylinder mechanically controlled engine for construction applications. The product complies with the stringent BSIII stage 3a CEV emission regulations in a very cost effective, service friendly manner.

# Dependability towards Customers

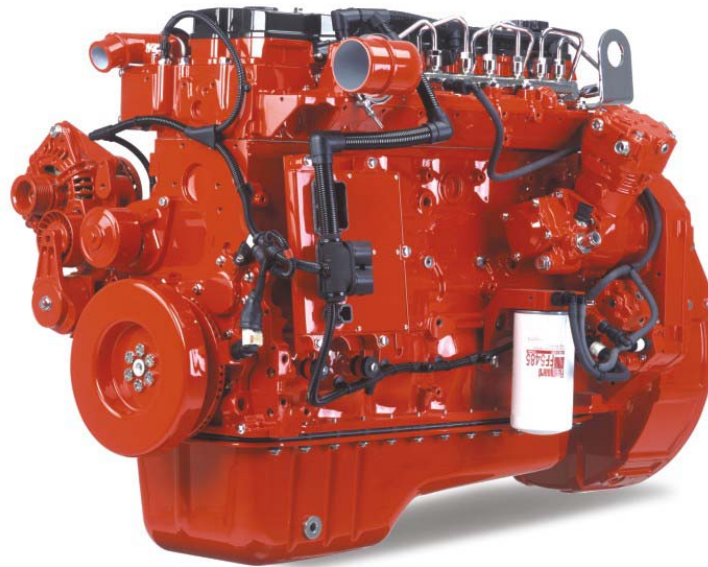
## ■ Our Power Generation Business :

- Launched the X 1.3, X 1.7 and X 2.5 generator platforms. With the X 1.3 series our Company has ventured into the manufacturing of small generator sets in India with ratings of 7.5 kVA and 10 kVA, marking our entry into the consumer and retail segments.
- Expanded our exports portfolio further with the S3.8 and B5.9 Coolpacs. Cumulatively 3,215 units of these new products have been sold, generating revenues of over Rs. 78.5 crores for our Company.
- Launched a 15 kVA generator set, specifically for the telecom segment.



# Dependability towards Customers

- Our Automotive Business :
  - Continued to serve customers with the Cummins manufactured 6.7 liter full authority, electronically controlled ISB engine with a high pressure common rail fuel system



# Dependability towards Suppliers

- Six Sigma :
  - Trained 43 supplier employees and closed 69 Supplier Focused Six Sigma (SFSS) projects during the financial year.
- ACE II :
  - Achieved 72 percent of the targeted cost reductions for the year and delivered accrued savings of Rs. 47.25 crores in the 2009-10 financial year
- Launched TRIMS :
  - To reduce the Total Cost of Ownership (TCO) for indirect materials and services by 30 percent over a three-year period

# Dependability towards Employees

- Conducted interactive sessions on Leadership Excellence for over 130 senior leaders
- Offered job rotations to 250 deserving employees across businesses and functions of Cummins Companies in India
- Continued our tie up with the SP Jain institute in India and the Kelley School of Business at the Indiana University
- Towards our target of achieving 30 percent women representation
  - One-third of the new recruits at the Megasite are women
  - Of the 65 engineers hired under the Young Managers Development Program (YMDP), 40 percent are women

# Dependability towards Employees

- Signed three comprehensive long-term settlements
- Conducted training sessions on Cummins Code of Business Conduct and Treatment of Each Other Policy for over 6,700 employees from all categories across our Group Companies
- Introduced policies on Contractor Safety, Forklift Safety, Road and Driving Safety, Near Hits & First Aid Reporting and No-Smoking

# Dependability towards Community

- Collaborated with CERF at IIT Bombay and READ Foundation, an NGO for developing a sustainable and replicable electrification model for remote villages in India. The pilot project was validated in March this year in a small tribal village called Kolha in Orissa
- Opened the second unit of Cummins College of Engineering for Women, in Nagpur
- Offered Cummins Scholarship Program to 47 socially and economically disadvantaged students to pursue their aspirations in the fields of Engineering and Management.
- Extended support to the Lila Poonawalla Foundation, towards sponsoring 8 to 10 female students pursuing masters in technical or professional fields.
- 6,060 employees across the Cummins Group, dedicated close to 14,180 hours towards community service as part of our Every Employee Every Community (EEEC) program





# Cummins India Limited

- 48 years of successful operation
- Over 2,500 employees
- FY 2009 -10 net sales – INR 28,449 million (including CSS & CASL)



# Financial Performance Q1 10-11 vs Q1 09-10

Rs. Cr	CIL		
	Q1 10-11	Q1 09-10	B/(W)
<b>Income</b>			
Net Sales	910	626	45%
Operating Income	18	14	30%
<b>Total Income</b>	<b>928</b>	<b>640</b>	<b>45%</b>
GM	252	161	57%
<i>GM%</i>	<i>27.7%</i>	<i>25.7%</i>	<i>2.0%</i>
SAR*	65	53	21%
Other Income	10	17	-42%
<b>PBT (after exceptional items)</b>	<b>197</b>	<b>125</b>	<b>58%</b>
<i>PBT %</i>	<i>21.7%</i>	<i>19.9%</i>	<i>1.8%</i>
PAT	140	90	56%

\*SAR - Selling, Admin & Research Expenses



# Financial Performance Q1 10-11 vs Q4 09-10

Rs. Cr	CIL		
	Q1 10-11	Q4 09-10	B/(W)
<b>Income</b>			
Net Sales	910	772	18%
Operating Income	18	16	13%
<b>Total Income</b>	<b>928</b>	<b>788</b>	<b>18%</b>
GM	252	207	22%
<i>GM%</i>	<i>27.7%</i>	<i>26.8%</i>	<i>0.9%</i>
SAR*	65	57	14%
Other Income	10	14	-30%
<b>PBT (after exceptional items)</b>	<b>197</b>	<b>165</b>	<b>20%</b>
<i>PBT %</i>	<i>21.7%</i>	<i>21.3%</i>	<i>0.4%</i>
PAT	140	118	19%

\*SAR - Selling, Admin & Research Expenses

# Company Positioned Strongly

- Values based performance ethic
- Strong balance sheet
- Zero debt
- Respectable cash reserves
- Strong customer and supplier partnerships
- Access to global 'cutting edge' technology with significant localization capabilities
- Customer support capabilities
- Sustaining business strategy
- Experienced management team
- Diverse, talented workforce



# Cummins Megasite at Phaltan



# Outlook and Conclusion

- Positive domestically and improving exports outlook
- Well positioned to weather any storm and have emerged stronger
- We remain steadfast on :
  - Guiding Principles (Vision, Mission, Values, Personality)
  - Objectives, Four-fold strategy
  - Cummins Business Model / Cummins Operating System
  - Inclusiveness based performance ethic
  - Brand Promise of Dependability
- Grateful for your unstinting faith

