Ref: STEX/SECT/2018

December 3, 2018

The Relationship Manager, DCS-CRD BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001 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: Intimation of transcript of analyst conference call held on November 1, 2018

Dear Sir/ Madam,

With reference to our stock exchange intimation dated October 26, 2018 towards analyst quarterly results conference call, we are enclosing for your records a copy of the transcript of the said conference call conducted by the Company on November 1, 2018.

We request you to please take this intimation on your record.

Thanking you,

Yours faithfully,
For Cummins India Limited

VENKATA KUNTHURU RAMANA
Digitally signed by VENKATA KUNTHURU RAMANA
Date: 2018.12.03 15:27:30 +05'30'

K. Venkata Ramana
Group Vice President – Legal & Company Secretary
Membership Number: FCS4138

(This letter is digitally signed)

Encl.: As above.

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Cummins India Ltd.

Analyst Call

November 1st, 2018

SPEAKERS: **Management, Cummins India Ltd.**

Sandeep Sinha: Good morning ladies and gentlemen, this is Sandeep Sinha, Managing Director, Cummins India Ltd. accompanied by Rajiv Batra, my CFO. Thank you very much for participating in this call. I would like to convey the results for the quarter ended in the half-year ended September 28th through this call. For the quarter ended September 18 with respect to September 2017 quarter, in the same quarter a year ago our total net sales at 1452 crores increased by 30%, domestic sales were at 103 crores which grew by 34% and exports at 448 crores grew by 21%. Our profits before tax at 298 crores grew by 53% from 195 crores recorded in the same quarter last year. With respect to the sequential quarter, our sales at 1452 crores grew by 12% compared to 1296 crores recorded in the preceding quarter. Domestic sales at a 103 crores grew by 17% while exports grew by 2%. Profit before tax at 298 crores grew by 18% compared to 254 crores recorded in the preceding quarter. I'm glad to also announce that in this quarter, in terms of overall sales as 1452 crores, domestic sales at 103 crores, industrial sales at 239 crores and construction at 103, rail at 94 crores were all highest recorded sales in the segments and in the businesses. PBT 298 crores were also the highest ever recorded in CIL history. For the half year ended September 18 with respect to September 2017, our total sales for the first half year ended at 2748 crores and this grew by 13% compared to 2428 crores recorded in the preceding period.

Domestic sales at 1859 crores grew by 12% while exports grew by 16%. Profits before taxes at 552 crores grew by 30% compared to 424 crores recorded in the preceding period. This excludes the sale of Viman Nagar in the last year. We are optimistic about the medium to long term state of the domestic economy with the government's efforts in creating infrastructure which is helping us drive our sales. In exports business, the growth is led by both our high horsepower and low horsepower business. High horsepower has grown by 12% over last year and 19% sequentially while exports grew by 35% over last year and decline by 9% sequentially. We have managed to keep our cost in control in spite of high inflationary pressure which has helped us improve our profitability as you can see in our results. In terms of the sales outlook for the full year 2018-19, I would like to up the target to 10% to 12%, earlier target which was at 8% to 10%, is now at 10% to 12 % growth for domestic and an earlier target which was flat for export is, I'm going to revise that to between 3% to 5%. With this, I will open our session for questions. Thank you very much.

Moderator: Thank you very much. So, participants, should you wish to ask any question, please press 01 on your telephone keypad. I repeat, participants, if you wish to ask any question, please press 01 on your telephone keypad. We have the first question from Ms. Renu Baid from IIFL. Your line is unmuted. Please go ahead.

Renu Baid: You have revised the guidance from flat to 3 to 5. So, is this a volume or a constant currency guidance and even after looking at the first half growth of 16% fairly soft export guidance does that concern you on the second half numbers for this year or you think the numbers are not sustainable? Any inputs on that?

Sandeep Sinha: Thank you, Renu. Let me answer your question in two parts. I think the first one the export. I still feel given for I think I would have been more optimistic had we not been seeing all the issues around trade and what you and I are reading every day in the newspaper, of course, for us the two markets that have been doing well right now are Middle East and some parts of Africa whether that sustains over a period of time, I think I'm cautiously optimistic and that's why I have up the guidance. Hopefully, when we meet the next quarter, maybe we can see if this demand continues, to be where it is. I think we will be able to up the guidance then.

Renu Baid: And for the number guidance 3 to…

Sandeep Sinha: On your second question, yeah, sorry.

Renu Baid: 3 to 5% is constant currency or it would be in absolute value terms?

Sandeep Sinha: It would be in absolute value terms.

Renu Baid: Okay. Okay. Sure. And so on the domestic side, the way growth has come across, how do you read through the drivers for this core infrastructure related data centres and if you can also share how has been the growth pattern in these segments been along with the break-up for industrial?

Sandeep Sinha: Right, right. So, I think I've mentioned in my opening remark that we have had record sales in construction, which is primarily driven by the infrastructure development that happens, which has been a record for us. In industrial markets, the big piece over there has been rail and so again because of government's spending, etc. we see significant improvement in demand. I must, however, also compliment the team that along with the demand increase that we are seeing, we have also seen share growth in many of our segments, which is what I think has been even more gratifying in a time when the market itself is growing we're seeing share growth across rail and marine and many construction. So, in almost all the markets we have grown in share too. In power gen I think we have – again, a very big market for us. I think we have seen very, very strong growth across all segments. Here again, the primary drivers for our improved power gen position is in infrastructure. A lot of the manufacturing, we are now starting to see an uptake across the medium and heavy, high horsepower segments and data centre continue to be very strong for us. So, almost in all segments other than residential realty, I would say we have seen a better demand and our market share continues to be either protected or increased.

Renu Baid: Sure, sir. Thank you so much and I'll get back in the queue with more questions.

Sandeep Sinha: Sure, Renu, thank you.

Renu Baid: Thank you.

Moderator: Thank you very much. We have the next question from Mr. Surjit Chand from ASK Investment. Please go ahead.

Surjit Chand: Yes, sir. Of the domestic growth in this quarter which came at around 34%, how much is sustainable given that you had this quarter some supply issues in industrial which lingered on for last two quarters.

Sandeep Sinha: You know, I feel that we should be at a similar level in this quarter so again which will mean that we will continue to grow over last year same quarter by about 10% to 12%. So, I do feel that we will maintain the levels that we have.

Surjit Chand: So what could we sustained growth over a period of let's say three to five years in domestic business?

Sandeep Sinha: I've always maintained that we are looking at anything between 9% to 11% growth in the domestic market over a period of five years. We will have some amount of simplicity, but I think over a period of five years we should be between 9% to 11%.

Surjit Chand: Okay. And what was the export realisation average during the quarter?

Sandeep Sinha: I think you're talking about the currency.

Surjit Chand: Currency yeah.

Sandeep Sinha: So, currency, we have again this quarter, if that's what your question was and this would be around the 68, 69 rupees average realisation which hitherto used to be 63, 64.

Surjit Chand: 63, 64 for the last quarter that is 1Q.

Sandeep Sinha: So, it was 68, 69 for the last quarter.

Surjit Chand: And for Q1 it would have been what?

Sandeep Sinha: 63, 64 what I was telling you wherein the last three months we've seen an uptake on our receivables. And therefore, as you look at our margins for the quarter it will be an uptake from foreign exchange.

Surjit Chand: Sure sir. Thanks.

Moderator: Thank you very much. We have the next question from Mr. Ranjit Shivram from ICICI Securities, please go ahead.

Ranjit Shivram: Yeah. Hi sir, congrats on good set of numbers. If you can help us quantify the deans that we got from the currency and seeing the normalized way what can be the overall growth.

Sandeep Sinha: So, in our margins, for the quarter. Now, this is for the quarter not the half year. The half year is a much lower number but for the quarter as we saw rupee depreciate around about 1.5% is the impact, the positive impact on the material margins and for the half year this would be a much lower number less than 0.5%.

Ranjit Shivram: Okay. So one in a normalized way, our margins can be lower by 150 bibs if the currency impact wasn't there, is that understanding correct?

Sandeep Sinha: Yes, correct. Your understanding is right. This is for the quarter and over this current quarter, most of this would disappear and our profits get realigned to the higher foreign exchange because there is as you're aware at quarterly adjustment process in our high horsepower exports.

Ranjit Shivram: Okay. And sir, in our balance sheet, we saw this other current assets, both and other financial assets both shooting up for what, what was this pertaining to? It's a large number? It's from 4 crore to 103 crore for the other financial assets and even under the other current financial assets also it was from 70 crore to 320 crore, so what is this pertaining to?

Sandeep Sinha: This is actually a realignment of our investment portfolio where as you are aware a surplus cash was in mutual funds. Now we clearly saw the financial markets turmoil coming up at least six months in advance. So, we moved most of our current investment into bank fixed deposits. So, that's where you see this movement.

Ranjit Shivram: Okay. So there is nothing to worry about in terms of working capital?

Sandeep Sinha: No, no, no. But you have a very alert management here that you're dealing with. So, we're patting ourselves on the shoulder a little bit here.

Ranjit Shivram: Okay.

Sandeep Sinha: Thank you Ranjit.

Ranjit Shivram: Yeah, yeah. Sure. Thanks, thanks.

Sandeep Sinha: Okay.

Moderator: Thank you very much. We have the next question from Mr. Sandeep from JM Financial. The line is unmuted.

Sandeep: Good morning sir.

Moderator: Good morning.

Sandeep: First thing is on the domestic power gen market if you could give us some of your thoughts on that as we have seen that one of the large competitors Kirloskar Oil is now entering the rail power car as well as data centres segment. So, with this increased competition, how do you see the landscape changing? What kind of impact it could create to market share, pricing and some other thoughts on the scene?

Sandeep Sinha: Sure. So I think, we continue to be focused on the things that we have set up competition will always be there. I think, it's a good thing to have a competition. So, we continue to go down the course that we have set for ourselves. For example, we continue to introduce higher, what I would say higher value products where we are able to give more energy for the same size of product, so we are able to give more KVA, and that those products are continuing to positively impact both share as well as our cost structure. So that is one, we call it upgrading our products. I think the second is we continue to look and see how to bring more value through our connected solutions, etc. So we have embarked on that journey. You will hear more about it from me in the coming months and years. And then we, of course, look for ways of making sure that we service our customers to the best to create a benchmark there, we continue to invest in our distribution network, to be able to best service our customers over the life cycle of the product. So, all of that put together and continued improvement in reach gives us what I would say advantage and that is what you see in the results and whether it is data centre, whether it is in railways. By the way, just one clarification, when we look at either any of these products that going to railways we put that in our rail segment. We don't put it in power gen because it's a different product. And so when I'm not sure where the competitors and how they do it, but certainly for us, when we share with you our power gen numbers, those power car, etc. is not there. We are in fact bringing much more innovative products to the power car market where we are bringing in underslung engines. In fact, the first two prototypes have already been out, which is very unique because it opens up space for railways to – because the engine actually the genset goes below the compartment which opens up space for people to sit in railways to generate more revenue and it's more silent. So, those are innovative products that we are bringing in and we will continue to do so to be ahead of our competitors.

Sandeep: Got it. And second if you could share all the break ups that you gave usually the quarter between the domestic sales, the exports and industrials and also comment on the pricing, how it has been in the last one or two quarters because on the power gen side, the competition has taken a price increase and how the price gap is narrowed or increase with the competitors?

Sandeep Sinha: Sure, sure.

Sandeep: Yeah. Thank you.

Sandeep Sinha: So, first thank you. First, let me give you the break up for power gen, we were at 410 crores for this quarter. Our industrial business 239 to 240 crores and about 350 crores for our distribution business so that was our break up. And for exports, we were at about 450 crores.

Sandeep: Okay. And for industrial part?

Sandeep Sinha: Within the industrial as I said, overall we were at 240 crores, construction was 100, and rail was 100, the others were the remaining.

Sandeep: And on the pricing aspects of your comments.

Sandeep Sinha: Sure. So, again, I mentioned we continue to look and see how we were doing in the marketplace. We will, as I told you, we are looking at pricing action and so that should be effective within this quarter. So we will certainly be taking actions. We feel we are continuing to gain share and with that action we will continue to reduce the pressure of the commodity increase on our bottom line. So you should see that impact us in the last quarter of this year positively.

Sandeep: Understood, Understood. Thank you so much sir, for taking my questions.

Sandeep Sinha: Thank you.

Moderator: Thank you very much. We have the next question from Mr. Venkatesh from Citibank. Please go ahead. Your line is unmuted.

Venkatesh: Yeah, congratulations on a good quarter sir. The first question is, on the export side, your averaging for two quarters close to almost 440 crores. Now even if we do flattish kind of numbers in third quarter and fourth quarter vis-à-vis last year, 410 crores and 390 crores, still we may end up doing almost 8% growth. So, are you hinting at the fact that that is based on your current backlog that you have in your exports, there's a possibility of a sales decline y-o-y for a couple of quarters in exports?

Sandeep Sinha: I don't understand. So, thank you. First of all, thank you, Venkatesh. I'm not sure if I understand the backlog. What you mean by backlog? Could you just clarify what you meant?

Venkatesh: No. I mean based on whatever orders you might have at hand. Because I guess since most of the products that you send out, you give it to commencing. So you must had an advance inkling of how that, that is what I meant by a backlog or order book.

Sandeep Sinha: Order book. Yeah. Order book yeah. Fair enough. Fair enough. Because backlog means we have not been able to keep up with actually, that's why I was surprised because we have been able to, you know, we continue to supply against the demand. There's no backlog but yes, I understand your question now. So first of all I think there is a little bit of worry, I think as I earlier answered, there is certainly an upside to my guidance that I see and as I said when we meet next quarter, I'll be in a position to give you a much better perspective of how the quarter foregoes because that's where we don't have a lot of visibility. Now what happens is when, especially when certain markets pick up like the Middle East, etc., the first two quarters are extremely high because there is a certain [indiscernible] in the market demand. So, you suddenly see a lot of strong pull and then it stabilizes in those quarters so those are some of the thoughts we have. I do think that there is an upside to the guidance of 3% to 5% that I've given you.

Venkatesh: Okay. Secondly, when I look at your gross margins in the quarter, the gross margins, which is basically taking out the raw material cost was almost like 36.5% which is like a 10 quarter high. So, are these, I mean if exchange rates remain at where we are, you know, USD-INR, are these gross margins sustainable for the next couple of quarters or there could be a problem because commodity prices still remain on the higher side or these are sustainable?

Rajiv Batra: Yeah. So, you would need to extract the 1.5% incremental gain, which will then bring us back to our steady straight margins.

Venkatesh: Okay. So what is sustainable maybe 35% or is it like you know part of that can be recouped through other means?

Rajiv Batra: No, I think foreign exchange was one time. So, we would form back to our 34-35% range, that's where we have been traditionally. Continuously, we will look at our products and take whatever pricing actions with Sandeep just referred to.

Venkatesh: Okay, okay. Thank you very much sir.

Sandeep Sinha: Thank you.

Moderator: Thank you very much. We have the next question from Bhavin from SBI Mutual Fund. Please go ahead.

Bhavin: Thank you. This is Bhavin here. First of all congratulations for great set of numbers.

Sandeep Sinha: Thank you Bhavin.

Bhavin: My question is can you dwell a bit more on the new products because in the analyst meet that you had called, you did speak about the 19 litre engine, you also spoke about the new product in railways. So, what are the new products that we can expect and how would that help you in gaining market share and outperform industry growth, that is one. The second in the analyst meet you also spoke about capacity expansion specifically you did speak about some test centres that you are expanding, any progress on that and how would that help in terms of your output and productivity? And lastly, if you could give us break up within the power gen and within the exports? These are my questions. Thank you.

Sandeep Sinha: Sure. So, quite a few questions Bhavin. I'll try to answer one of these [indiscernible] time. Let's talk about new products. I think that to me is very, very exciting. We had shared with you the introduction of a mechanical platform on a certain rating. That is that product is out and doing really well. We have similar products in the pipeline, so we have a whole team dedicated to this work of bringing in better technology products. So, that's really on the current products, how we are improving the performance. Then we have other areas like other markets that we're approaching and saying where can we bring in disruptive products? The way I explained on the railway, which we had shown you on that day, there was an underslung product which really means that it's tremendous value addition to our customers, which is railways because they are able to now completely disregard the usage of the bogey and from an engine perspective and then use it for passenger, increase in passengers' capacity that is more revenue for them. So, you know, those are and then of course there is the other bit which is about products of the future. So, whether it is us looking at hybrid solutions and electric solutions, etc. which again, I talked to you about, I feel that a lot of good work is continuing to happen. Connected solutions for us which can help bring lower the cost of maintenance for our customer. So, all the things that we had shared, I feel really good as I look midway through the year that good, very, very good progress is being made. So, really happy about the way the new products are going. Then, on your question on capacity expansion, I think capacity to me as we've continued to look at and see that as we look at the future demands and kind of see whether our capacities are aligned and I feel again that there are areas that we have to work on, but what we required right now is with us and so we are able to overcome. There were a couple of notes where we had backlogs, which we have been able to overcome in the last quarter. So, I think that's pretty much in good shape. I think the third question was the break up. Let me give you that. LHP was 40 crores, mid range was 120 crores , 30 crores was in heavy duty and high horsepower to 25 crores.

Bhavin: On the export break up.

Sandeep Sinha: Exports. You can, you know, roughly this would be, you can take high horsepower at about close to 200 crores and 200 crores of LHP and the remaining was spare parts, etc .

Bhavin: You usually break the mid and low HP in exports.

Sandeep Sinha: Okay, give me a second here. Okay. So, LHP was about 70 crores, mid range was 130 crores, heavy duty was 30 and high horsepower was about 200 crores.

Bhavin: Thank you so much.

Sandeep Sinha: Thank you, Bhavin.

Moderator: Thank you very much. You have the next question from Mr. Abhishek Puri from Deutsche Bank. Your line is unmuted, please go on.

Abhishek Puri: Thanks for the opportunity. Congratulations for good set of results sir.

Sandeep Sinha: Thank you, Abhishek.

Abhishek Puri: So, two questions. One, if you can just elaborate on the industrial segment as well so railways has seen a big pickup for you. You already had very high market share. So, is the procurement level higher from these divisions right now or from these spaces right now and secondly, I mean, one other player asked you these question that other competitors, large players are coming in. You already have very high market share. So if the market is growing 10-12% then you will really need to run harder to maintain your market share. So what is the strategy on that side?

Sandeep Sinha: Yeah, so I think – so Abhishek help me understand when you say market share, is it related to power gen or are you asking across all the markets we play? Because when you talk about competition, the competition is coming in, in different places, right. I mean somebody is coming in power gen or some other type of competition we see very specific to a marine market or something like that. So is it in a broader view, you want to understand that?

Abhishek Puri: No, sir for specifically data centres which is your bread and butter, you have almost 100% market share, railways you have regained back to almost 100% market shares you said. Construction is the other one which has a significant markets, more than 100 crore markets for you per quarter now. So maybe these three will be useful.

Sandeep Sinha: So, I had shared with all of you that there were three ways we were going to continue to grow the core of our business. One was obviously through market share which meant better penetration, more customer engagement, more value that you provide to the customer, which is one. The second was through new products and I want to talk to you a little bit on the new products. One is, in new products, right I think I explained there are two, three things happening in new products. One is we are trying to increase the content itself. So, while the number of units might be the same, we're giving much more content to railways. So, as I said in the past for power cars, we will give only engines and then there were integrators that we're putting the whole power car together. Today, we do everything from acoustics to controls to alternators to engine. So it's a complete solution that we are providing. In fact, I had shared with you last time that we have inaugurated a new facility in Pirangut and this facility is fully dedicated to this kind of work what we call the projects business which is really taking not just the engine but the entire power train and integrating it over there. So that the customer sees one face and they find it much easier in terms to deal with in terms of the quality of the entire system because it has Cummins behind it. So that is the content growth and I gave an example of the undercarriage genset that is an example. The other thing that is happening in product is we will see in the coming years, higher emission standards. And I think it's not a question of if it will happen, it's a question of when will it happen and I honestly feel we are the best positioned to cater to that changing market because it will require a lot of our expertise that we have gained from across around the world in making sure that those emission standards are met and are complied with. So, an example is the chances are that we will go into very heavy regulations, which is what has been indicated to us by the government and it should be enforced in the 2021 kind of timeframe. So we are now starting to put it, in fact, you will see in the coming years, our research spend is going to go considerably higher because these are going to be the most advanced gensets anywhere in the world. And so to me it's actually a competitive advantage given we're already making this in other parts of the world and given our expertise and after treatment where we already have our own in-house after treatment business and we have our own in-house fuel systems and turbo charger business. All of these components are really, really critical to help us reach these higher emission standards and I feel Cummins is the best positioned to be able to take advantage of these newer standards. I hope I was able to answer your question.

Abhishek Puri: This was extremely helpful. Just clarification on that one, this will come through the CIL platform. Can you confirm that and secondly, could you just talk about the market also if you expect them, are there any drivers in place that will take up data centres or railways or construction together up meaningfully from here?

Sandeep Sinha: Okay. So, I want to, I think I will redo, almost every quarter this question comes up so I will be reconfirm what I say. All domestic customers that we service in India, a power train solution will always be sold by Cummins India Ltd. When we see the feasibility of manufacturing it within Cummins India, we will do it. We do it in most cases. There are a few where we bring these engines, it could be from a US plant because it is not or within a plant which is meant for exports out of India, etc. but it is always when we feel the manufacturing costs will end up being higher in CIL and that's when we take that decision. Otherwise, almost all your engines mechanical or electronic are manufactured within CIL and whether we buy it we will likely always do, the components are always bought from Cummins but the engines and power train will be always supplied to domestic customers through Cummins India Ltd. Does that help clarify our position?

Abhishek Puri: Absolutely. And if you could talk on the markets only sir my second part of the question.

Sandeep Sinha: Sorry, what was it now I lost track of that?

Abhishek Puri: Sir drivers for the market for market growth beyond 10-12% for all data centres, railways, construction. If, you could see them.

Sandeep Sinha: Yeah. So, I think again remember we talk a lot about data centres. You know, data centre is still a small market. I think it is very important because it's growing, but still a very, very small market in India compared to some of our other segments like manufacturing or commercial realty or infrastructure, etc. Even now, residential reality is still bigger market than data centre is. So I just wanted to first of all clarify that bit. And but yes, it's doing well and we continue to see a very positive future for data centres. Now the big markets that we service in our power gen commercial realty, manufacturing infrastructure, all of them are doing really well right now. Okay. The only one, as I said, I wish would come back sooner than what we anticipate, but I don't think that's going to happen is residential realty. I don't think residential realty is going to come back anytime soon. Maybe low cost housing which has been doing okay. We'll continue to be there but again, those are smaller gensets and we play a role but we don't play the dominant role there.

Abhishek Puri: That's it. Thank you and all the best sir.

Sandeep Sinha: Thank you.

Moderator: Thank you very much. We have next question from Naveena from jefferies. The line is unmuted.

Naveena: Yeah. Hi, sir. I just wanted to understand two things, one is according to you how much would the overall domestic power genset market has risen in the first half of this year, that's first half FY19 and do you think there is a pre-election push which is why infrastructure construction has picked up on the ground because we're seeing industrial companies across the board pickup in execution, so sir your thoughts on both please.

Sandeep Sinha: Sure. I think the overall market will be at about 10% for the genset market. That's my understanding that the market will grow at 10%. I feel we will grow a little faster than the market and that to me is good news for all of us that we will have gained share in the market.

Naveena: And do you think…

Sasndeep Sinha: And your second question was…

Naveena; Sorry, go ahead.

Sandeep Sinha: Sorry, go ahead your second question, can you repeat that please? I'm sorry.

Naveena: Sir, go ahead. I was just asking on the elections, do you think there's a pre-election push across the board and picking up on activity?

Sandeep Sinha: I don't think so, but I'm not – I'm probably not the best to comment on this. I doubt. I think it is purely because of what we are seeing is capital formation happening in capacity enhancements happening in manufacturing. I think that was one area I was worried about, but I see that positively moving. Infrastructure has been picking up for quite some time and now we're seeing it really convert into significant demand increase, that's one that I'm a little worried about honestly because a lot of these infrastructure projects are government funded and when there is a little ambiguity in the course of the government, etc. then we may see some change, but again for this particular financial year, I don't see that as a problem.

Naveena: Thank you.

Sandeep Sinha: Thank you. Thank you, Naveena.

Moderator: Thank you very much. We have the next question from Mr. Kunal Sheth from B&K Securities. Your line is unmuted.

Kunal Sheth: Yeah. Thank you for the opportunity, sir. Sir, I just wanted to know what is our current market share in the domestic power gen market, especially on the higher KVA side of [indiscernible] that mood over the last three-four quarters?

Sandeep Sinha: Yeah. So we don't share particular percentage numbers in market share. What I would say is we have been able to either maintain across all notes, been able to maintain or improve our share position. And then overall mood in the market I think is obviously positive. I think you can see the results. If you look across certainly in the markets like power gen I think we suddenly see that after quite some years we are seeing good steady growth quarter on quarter. So, as I said, the market should grow at least by 10% and we will certainly grow a little higher than that. I also think that the industrial markets are looking pretty good overall. And there's one segment which I think is an outlier, which is the water well market where we feel there should start to be some pickups because a lot more of the incentives are starting to flow in, because of some of the state governments, pre-election giving incentives to farmers. So, we might see some uptake then. But, we should start to see that happening in quarter four and beyond. And then, overall in general, again in the market, which is another, you know, it kind of matches with the construction market is our own automative tipper market, etc. So when we see significant increase in demand in the construction market, we are also seeing that in the automotive market, in the medium and heavy commercial vehicle especially tippers, etc., continue to show strong growth so I would say the mood is positive.

Kunal Sheth: Sure. And just one small clarification, you mentioned that we have not taken any price hike in the power gen segment, right sir?

Sandeep Sinha: Not as of now but as I said, you will see us taking that in this quarter.

Kunal Sheth: That is a current quarter Q3. You will take any sense of what will be that quantum?

Sandeep Sinha: We should see anything around 3 to 5%.

Kunal Sheth: Okay. That was really helpful. Thank you so much, sir.

Moderator: Thank you very much. We have the next question from Mr. Anupam Goswami from Stewart & Mackertich, please go ahead. Your line is unmated.

Anupam Goswami: Good morning and congratulation on good set of numbers. Sir my first question would be how much percentage would you say is coming from railways?

Sandeep Sinha: As I said railways has become almost 100 crore market for the quarter for us.

Anupam Goswami: Okay. And what are you expecting, you said about your new products and the content for the railway, how much would you say this would grow for FY19?

Sandeep Sinha: I think overall for the – I mean this was an exceptionally high quarter, but I think we should look at the rail market as anything between 250 to 300 crores.

Anupam Goswami: Okay. And my second question would be sir, how much, you said about residential is not at all, you have a very negative view on that. How much percentage of revenue in the power gen maybe coming from as a residential and will it be compensated by other segments?

Sandeep Sinha: It is being compensated by other segments. In fact, I would say that it is really bottom out right now. So, the growth in infrastructure and manufacturing and you know, all the other commercial realty is doing well. So all of those are actually contributing positively so that while even though the residential realty is low, it's not doing well, we are still seeing growth in the power gen market.

Anupam Goswami: Okay. And sir last question, sir, what would be your growth driver for the export market? What can be the revenue over the next coming quarters maybe?

Sandeep Sinha: So, you know the exports market right now is going through, you know, I think I've mentioned it early on in our conversation today. Everybody is trying to understand what the implication of all these trade barriers, trade war whatever you call them. Right now, our global power gen market is doing well, is recovering in certain places and the result of which is what you are seeing in us being able to export more products out of India and seeing a growth. So, how long would this last is a question mark? I think that's why I'm not able to give you a very positive response. I think it just doesn't feel that everything is in place while the demand, the order book all look good that is a sense of almost in general gloom that in 2020 the US economy will retract and that is going to cause other economies to kind of retract too. So that I think 2019 will be still a good year in general now. I'm just speaking in general, but I think 2020 from a global trade perspective. We'll see – global economy perspective, I feel that we will see it actually start to plateau in the end of '19 and we start to move down in 2020.

Anupam Goswami: Okay, so thanks.

Sandeep Sinha: Thanks, thank you.

Moderator: Thank you very much. We have the next question from Mr. Inderjeet Bhatia from Macquarie Capital. Please go ahead.

Inderjeet Bhatia: Yeah. Hi. Thanks. Thanks for the opportunity. My first question is regarding the margins. If I look at your break ups there seems to be some revival in LHP side and my understanding is LHP is something that we sell directly. So, would it be fair to assume that as LHP continues to get better, we should be able to retain the entire margin benefit from currency on that side?

Sandeep Sinha: No, I don't. I don't think I would read it like that. I think that is obviously sound, but I don't think it's enough to tide us, I think it's still a small portion.

Inderjeet Bhatia: Okay. You said 3 to 5% price hike that you mentioned in power gen in India would that also kind of help significantly on the margin side?

Sandeep Sinha: It will but I also think we are seeing lot of inflationary pressures, material etc., what we want to do is pretty much at first attempt will be to mitigate that increase and then if anything flows into the margins, it's always well appreciated my CFO sitting next to me smiling with thought that something should spill over into the margin. So we look at that constantly, but I think it was pretty much just about mitigate the increase in our material cost.

Inderjeet Bhatia: Okay. Now, on this reset can you just explain little bit the mechanics if your realisation was something around 68, 69 and rupee currently being at 73, 74 odd, reset happens it will happen at what price at what realization for this current of quarter?

Sandeep Sinha: Sure, I'll have Rajiv take this question.

Rajiv Batra Within the 5% range, movements are not fixed but anything which goes beyond that then everything is brought up. So, we've cleverly crossed those ranges so with the quarter lag you would expect this [indiscernible]. So you will go back, so, whatever we had on the 1st of January of that year. So there would be quarter like this which we just witnessed where we got this tailwind but the next quarter it gets up.

Inderjeet Bhatia: So this 5% bucket is for every quarter or is it for the year?

Rajiv Batra: For the year, for the year or at any point in time the base rate is established at the start of the year and at any point in time there are movements.

Inderjeet Bhatia: So, is that that whatever on either side we retain the benefit or integrate up to 5% and beyond that…

Rajiv Batra: There is sharing. Yes, yes. That is certainly captured with us and then after that there is a formula for sharing.

Inderjeet Bhatia: And just one last if I can push through on this real estate residential part, are you going to bearish also because Cummins typically would participate towards the late end of the residential cycle when the projects would be typically complete, is that a concern? So even if you're seeing improvement in the launches from lot of companies on the real estate side, it still might take 18 months, two years, two and a half years for us to kind of start participating in that opportunity?

Rajiv Batra: Absolutely. You've got that right. So, we certainly come, we don't come very early, I think come from the midway because we have to give the entire solution and so they want to integrate that solution into their facilities, etc. So, I wouldn't say it, we are there on the day of the launch, but it's not that we just send a genset over the inauguration of the occupancy. So, it's somewhere in between and yet, I think with the inventory, etc. that sits we feel that in many markets that that still seems to be a hold up. We'll see. We'll continue to give you updates as to what we see from our lens on the residential realty market.

Inderjeet Batra: Sure. Thank you.

Sandeep Sinha: Thank you.

Moderator: Thank you very much. We have a next question from Mr. Puneet Gulati from HSBC. Please go ahead, your line is unmuted.

Puneet Gulati: Yeah. Thank you so much. Congratulations on big numbers. I still haven't quite understood the forex part here, rupees, when it goes to 73, 74, wouldn't at least that data show up in the third quarter. Why would that be missed again.

Sandeep Sinha: Because you've already crossed the quarter where you are way beyond the 5%. We call in these three months 13% movement. Over the quarters leg it goes away.

Puneet Gulati: So you don't get any benefit at also one and a half percentage will be completely missing from Q3 itself.

Sandeep Sinha: Most part will be missing from Q3 itself like somebody in the call earlier said [indiscernible] directly, so some part of that, could yet retain but by [indiscernible] most of this would go away.

Puneet Gulati: Okay. On the railway side, is there room to add more products to your portfolio or whatever you've talked about this already done?

Sandeep Sinha: Yeah, I think Puneet there is, first of all, thank you for your, initial remarks. I think, there's always room I think we can never say that we're done and such I think we'll continue to look, but I think there are other markets that we are starting to focus on now, like the way we did in railways three, four years ago. We are starting to focus on the marine market. Hopefully we can achieve something similar in those segments that we have done, we're unable to do. Not to sit there and do my thing there is but I think in marine we probably have more room to play right now. So a lot of the teams focus more there.

Puneet Gulati: So who would you have displacing in the marine market?

Sandeep Sinha: So, you know, I don't know who we will be displacing I mean there are players there that certainly when we go in with our products, we'll see who will displace or maybe we create room for ourselves with new products, etc. But I think the important point over there is that we want to bring in innovation in our products, have the value that we offer to our customers and our customers really appreciate not just the product, but also what, how we stand by them through the life cycle. I think that's what we keep investing in and I think we don't speak enough of it, but what we are doing is a lot of innovation on our distribution and service side. So I think all of those ends up counting to being significant value to the customer.

Puneet Gulati: Lastly, you also mentioned you're not creating value through connected solutions. How has the offtake for that part of the portfolio?

Sandeep Sinha: Well, so you know, today, my belief is that the products that, that are there in the market are mostly very basic and pretty much either, they're not really where I see, a connected solution, what are the future? So we are building and investing a lot of that in making it much more a prognostic, where we are able to stop catastrophic failure, where we are able to reduce the total cost of ownership for the customer and for that you need not just the hardware but you need a lot on the software side which is really valuable algorithms and your agents have to be very smart. You can't do much in electronics in mechanical engineering, which is what the Indian power gen industrial market today and that's going to change because as you get stricter emissions standards and the time that we are hearing will come, will mean a 100% electronic engines and indoors we have this product's ready to be able to launch. So, it's a wait and watch right now, but on the development side, we are not waiting and what in fact we are doing global development of connected solutions right here in India.

Puneet Gulati: Okay. Okay. That's great. Lastly, in terms of sir, do you know sourcing by the parent, are you seeing any change from that housing increased sourcing by the parent or reduced any change in the positioning there?

Sandeep Sinha: Yes, remember that in Cummins we are a company that always looks for long-term, so we don't do, we don’t see any kneejerk reaction. I mean just because there is some disagreement or something that you'll saw. So I think we continue to look for long-term benefits and again, it's just not on one aspect. You know, when the parents buys a product from us, it's just not on cost, it has a lot to do with quality, it's a lot to do with innovation, etc. So I think it should multitude the things. In my view this portfolio will continue to be a lot more and will get more and more stronger as you see order over the years, we have continue to increase our export business and I think we be opportunity still live and we continue to build that capability in India to make sure that all the products of the future we have readymade and I think as India respond to the same emissions level as an around the world, I think that gives us a better chance of capturing more from the future, for the future.

Puneet Gulati: Okay. So no positive or above coming from possibly reduced sourcing from China and all.

Sandeep Sinha: [indiscernible] I'll let you know, I think there certainly we always keep looking at all the opportunities and if those come we will certainly do that. But again, please don't think that in China, Cummins is going to take and shutdown,, start shutting down plants etc. We don't think we worked like that. If it is going to be for the long term, you look where our horizons at of 10 to 15 years and remember our plants are very complex supply chain. These are investment plant, so to move a plant and just because of a sudden take policies with which you know, which is dead but did not makes sense.

Puneet Gulati: Okay, great. That's all from my side. Thank you so much.

Sandeep Sinha: We pretty much have time for one last questions.

Moderator: Thank you very much. The next question from Mr. Ashish Jain from Morgan. Please go ahead.

Ashish Jain: Hi, sir, good morning. Sir why is it --

Sandeep Sinha: Hi.

Ashish Jain: **--** difficult to quantify the [indiscernible] of the revenue that we could not walked in one queue and you know, we may have walked in two queue?

Sandeep Sinha: Yeah, anything between 50 to 80 crores.

Ashish Jain: And, so, secondly on margins you know just to clarify even the 5% thing that you know, that the 5% currency move that we would have retained in first half of, even that goes [indiscernible] at the beginning of the year we were set at 60 and now we sat 70. That's a complete impact on margins that we will see and we may have kept a part of that 60 to 70 move completely in the first half and that also goes away as well.

Sandeep Sinha: For the most part it goes away. The 5% clearly is retained but of the 10 rupees which you mention.

Ashsih Jain: Yeah.

Sandeep Jain: Only three stays, only three stays with us and seven was away.

Ashish Jain: [indiscernible] pricing, you know, you said were using prices for margin and all, is that something which is show in our 3Q margins as well or that is more of 4Q impact that you should built in?

Sandeep Sinha: You know, what I have mentioned earlier in one of the sponsors was that, you know, we are seeing significant pressure on the commodity site, in terms of inclusion, our material cost. In my view, a lot of this price increase will go into mitigating that increase and whatever we will see there is any spill over as a positive into the margin, it will be in Q4, not in Q3.

Ashish Jain: Pardon sir. Thank you so much and that's all.

Sandeep Sinha: Great, great. I'm going to close but I want to thank all of you for your continued support and interest in Cummins India Ltd. I want to close by saying that I strongly believe we are very well positioned for the future, in terms of the capacities that we have invested in the past a few years. Also on the kind of technologies that we probably have access to, especially as the future looks, to have a great future for a very advanced engines and products which is really the core of Cummins and again the engineering talent that we have built in India over the past few years with our tech centre coming, etc. I think that is all going to help us grow a very strongly in the market. So with that, I want to, wish all of you are very happy Diwali and I look forward to meeting and talking with you after we finished the next quarter.

Unidentified Male Speaker: Thank you.

Unidentified Male Speaker: Thank you.

Moderator: Thank you very much, Mr. Sinha. On behalf of Cummins India, I would like to thank all the investors who joined us today. Hope you all have spent an useful that does conclude the session. Wish you all a great day ahead. Thank you everyone for joining us.

Unidentified Male Speaker: Thank you.

Unidentified Female Speaker: Thank you.