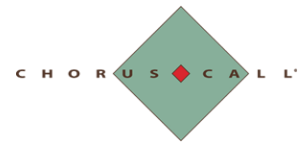




“Cummins India Limited
Q4 FY25-26 Earnings Conference Call”
May 29, 2026



**MANAGEMENT: Ms. SHVETA ARYA – MANAGING DIRECTOR –
CUMMINS INDIA LIMITED
Ms. SOMA GHOSH – CHIEF FINANCIAL OFFICER –
CUMMINS INDIA LIMITED**



Moderator:

Ladies and gentlemen, good morning and welcome to Cummins India Limited Q4 and FY25-26 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Shveta Arya, Managing Director, Cummins India Limited. Thank you, and over to you, Ms. Arya.

Shveta Arya:

Thank you. Good morning, ladies and gentlemen. I am Shveta Arya, Managing Director of Cummins India Limited. I hope all is well with you. Soma Ghosh, CFO of Cummins India Limited, joins me on the call. Thank you all for joining us today. Now I would like to share the financial results of quarter 4 FY26 and year-end March 31, 2026 through this call.

For the year ended March 31, 2026, with respect to last year, our sales at INR11,950 crores are higher by 18% compared to INR10,166 crores recorded in the last year. Domestic sales at INR9,961 crores are higher by 19%, exports at INR1,989 crores are higher by 12%. Profit before tax before exceptional items at INR3,104 crores is higher by 24% compared to the last year.

Profit before tax after exceptional items at INR3,054 crores is higher by 22% compared to the last year. Let me give you the segment price breakup for the year ended March 31, 2026 for the domestic business. Power Generation domestic sales at INR4,758 crores are higher by 24% compared to last year.

Distribution business sales at INR3,278 crores are higher by 22% compared to last year. Industrial domestic business sales at INR1,650 crores are marginally lower by 1% compared to last year. For exports, high horsepower exports at INR984 crores are higher by 20% compared to last year. Low horsepower exports at INR807 crores are higher by 3% compared to last year.

Now for the quarter ended March 31, 2026 with respect to the same quarter last year. Our sales at INR2,963 crores are higher by 23% compared to INR2,414 crores in the same quarter last year. Domestic sales at INR2,513 crores are higher by 30%. Exports at INR450 crores are slightly lower by 6%. Profit before tax before exceptional items at INR820 crores is higher by 20%. Profit before tax after exceptional items at INR852 crores is higher by 25%.

For the quarter ended March 31, 2026 with respect to the last quarter. Our sales at INR2,963 crores are broadly stable, though marginally lower by 1% compared to INR3,006 crores recorded in the last quarter. Domestic sales at INR2,513 crores are lower by 1%. Exports at INR450 crores are lower by 5%.

Profit before tax before exceptional items at INR820 crores is higher by 14%. Profit before tax after exceptional items at INR852 crores is higher by 44%. The sales breakup segment-wise for the quarter ended March 31, 2026. Power Generation domestic sales are at INR1,294 crores, which is a 48% increase over last year and 21% increase over last quarter.

Distribution business sales at INR766 crores, 21% increase over last year and 18% decrease over last quarter. Industrial domestic businesses at INR381 crores, 1% increase over last year and 18% decrease over last quarter.



Exports. High horsepower exports at INR217 crores, 1% decrease over last year and 7% decrease over last quarter. Low horsepower exports at INR127 crores, 18% decrease over last year and 5% decrease in the last quarter.

The company expects moderate growth across segments in the financial year 2026/27. With stable domestic demand, we remain cautious and continue to closely monitor the potential impact of ongoing geopolitical developments on the broader economy. I'll now open the session for questions. Thank you.

Moderator: Thank you very much. First question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Hi, Shveta, congratulations on a great quarter and the year. So my first question is on if I see the business over the last few quarters, so we are seeing incremental growth coming from data centers, both from Colo and Hyperscalers. And also after the transition of CPCB IV+, we have seen after treatment products gaining momentum.

So, my question is, as we move to services on the distribution side of CPCB IV+ engines and also on the data center has the potential of scaling up, our related party transactions are significantly lower because we are sourcing this from CTIPL or to imports. So in light of this, how do you think about localization? How do you think about margins? Because higher growth comes from these segments, it could be potentially margin dilutive to the overall company. So that's my first question.

Shveta Arya: Thanks, Parikshit, for the question. As you rightly pointed out, the data center growth as well as growth in the CPCB IV+ segments in power generation, while we do have products that we buy from related parties, localization content for us, for both the products that go in the data centers and the ones that go in CPCB IV+, the localization content is already very high. We are only importing some of those parts which largely don't have very significant supply chain in India. The most significant components are all localized in India.

So that is not a challenge for us. And the content that we put beyond what we buy from related parties as a percentage is also very high. So we do not see these impacting our margins as much. They have not. In fact, in the last few quarters, you have already seen how the growth has been and how our margins have been. So these transactions have not impacted our margins dramatically.

Parikshit Kandpal: In particular, I was talking about QSK60, which is done by CTIPL and then QSK95 which we import. So as of now, if you can give some color on the percentage of revenue, how both of these could have contributed. And since we are expecting these to come in data centers over the next 3, 4 years, and the data center contributes 25% to the PowerGen overall revenues, and if it grows faster than the non-data center business, so don't you think over the next 3 to 4 years, this could actually start diluting it? Maybe right now not meaningful contribution to revenues, but then if it increases, then it will start hurting us?

Shveta Arya: The way we look at it, you're right, yes, the 95-liter is imported. So the India market is still largely on the 60 liter. And as the market moves, we always evaluate what is that we can do



more in India. So going forward, the way we look at it and our outlook is that we continuously evaluate what more can we do in India. We like to keep our margins intact for growth.

Moderator: Thank you. Parikshit, I request you to come back for a follow up question. The next question is from the line of Atul Tiwari from JP Morgan.

Atul Tiwari: My first question is on the data center revenue contribution. So what was the proportion in FY '26 full year and 4Q?

Shveta Arya: The data center business contribution, so for the full year, the data center business would have contributed between 30% to 35% of our overall power generation domestic revenue, and for the quarter, approximately 35%.

Atul Tiwari: Okay. And then in your opening remarks, you said that this year, you expect moderate growth across product segments. So what would be moderated? Is it low double-digit, mid-teens, high single digit? And how should we think about that objective, moderate?

Shveta Arya: Two ways to think about this, Atul. So from a demand perspective for our segments, power generation, industrial, distribution, across our segments for now, we are seeing robust demand from the domestic market. Exports, I have always been mentioning that it is difficult to completely put our fingers down on the export demand given the geopolitical situation.

From a domestic demand perspective, for now, we still see robust demand. We are watching what's happening largely to the economy and everybody else in the country. Commodity prices are increasing, inflation is likely to hit. So we are watching all of that. And that is why that brings us a little bit of caution despite the fact that our demand, inquiries and order book are robust today.

The second way to think about this is that we have been taking quite a few supply constraints and not just us, the industry has been facing quite a few supply constraints. We are all facing labor shortage issues at our supplier and commodity pricing has hit our suppliers, fuel cost increments have hit on suppliers. And of course, the ongoing war which delays movement has also impacted. So that is another way to think about it, so there is a little of caution while the demand seems robust.

Atul Tiwari: Okay, ma'am. Thanks a lot. Very clear.

Moderator: Thank you. Next question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Yes, good morning and thanks for the opportunity. My first question, can you help us with the inquiry pipeline of data center compared to the last year? And are we seeing Hyperscaler inquiry building up?

Shveta Arya: Inquiry pipeline right now after October last year has picked up in industry. Both Hyperscalers, more than that, Colo players. So the inquiry velocity definitely increased quite a lot since October last year, and we continue to see that, Mohit.



Mohit Kumar:

Understood. My second question ma'am, industrial was weak for the quarter in the fiscal. Are we seeing signs of revival in the demand across your various segments? Can you please comment on that?

Shveta Arya:

Yes, I will do that. From an industrial segment perspective, last quarter, you might probably see the railway coming in as much for us. But this quarter, railway has performed very well and we continue to see robust demand on the railway side. That is the segment where we have a good order book and it continues to be so.

Mining, for the last 2 years, we were not seeing good tenders coming in. The order velocity and the tender velocity was lower. But in the last 6 months, mining has picked up, and so our order book has started building up.

Compressor segment will now undergo its low cycle, as it always does after a few years. So that may not see the kind of robust demand that we have seen in the last year or so. Construction, largely stable road construction. We all know the amount of road construction that was happening 2 years ago is moderate. So, we will also see moderate orders in that segment. I hope that gives you a little bit of color on the overall segments in the Industrial business.

Moderator:

Thank you. Mohit, I'll request you to come back for a follow up. Next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal:

Yes, thanks for the opportunity. First question on the exports outlook. We have seen an uptick in terms of our annual revenues this year. Anything specific to look out here? Is there a change in trend? Or probably that range round sort of low range still continues going ahead? Your comments, please.

Shveta Arya:

Exports, we have been seeing markets like Europe and Asia Pac continuing to grow modestly for us. There is nothing specific that has changed. Middle East and other markets actually have not grown as much. So for the last 2 quarters, it has been Europe and Asia Pac, and those are the places where we continue seeing moderate demand. So nothing has changed in that outlook.

Ankur Periwal:

Sure. And secondly, on the Industrial side, you did mention towards some of the segments seeing some uptick there, especially railways. How will you look at the growth outlook here considering will it be only railways who will be driving growth for us? Or how do you see the overall growth outlook on that side? And if you can share the annual numbers in terms of the specific segments as well? Thanks.

Shveta Arya:

I will do that. Railways, yes, for now, we continue railway good demand for the industrial business as well as DBU. So railways as a segment, we see growing. Mining, as I mentioned, new tenders coming in and building order book. So those are the two where we see order book building up.

Construction, I mentioned is moderate because, largely, we are related to the road construction. And the assets that are used in road construction that is happening in pockets, but not at the speed and velocity which it has happened a few years ago. And compressor goes into its down cycle,



which is very regular after every few years. So that is how we see it, Ankur, both railways and mining growing for us in this year.

Moderator: Thank you. Next question is from Renu Baid from IIFL. Please go ahead.

Renu Baid: Yes. Hi, morning and thank you team for the opportunity. So, Shveta, my first question is while data center clearly has emerged as the fastest growth driver for us for the domestic PowerGen business. What in your view would change from a portfolio perspective as we move towards the increasing installed base from 1.5 gigawatts to 6 to 10 gigawatt?

And as more larger scale data centers are coming up, 80 to 100-megawatt range, close to 200-megawatt range, how does the spec and the multiplier effect intensity of backup are going? Also with this, as we see the larger size engines being deployed here, which are largely imported today, how does the competitive landscape for you look like versus the current 60 liter where we are deeply localized versus players?

So do you see market shares tapering for Cummins in the data center market over the next 4 years or even 2 years to look at in the near-term as we see larger size of data centers getting planned and deployed in the country? That's the first question.

Shveta Arya: Yes. Thanks, Renu. From a data center shift perspective, the sizing that you're talking about of the gensets and the engines thereby, largely, you're right, it is the localized QSK60 which goes in this market. In the near-term, which is 2 years, it will continue to be Q60. That is the clear line of sight that we have.

Yes, this could shift towards higher sized engines as well, to a 78 and 95 liters. 78 liter looks more likely. And if that happens, it would always evaluate what is it that we can do in India as the volumes start coming in for the 78 liters. From a competitive landscape perspective, no one is making 95 liters in India. Everybody is importing them.

So in that space, I don't see the competitive landscape changing from where those large engines are built because, largely, 95 liters are sold in the U.S. market. And for us as well, they get built there. And obviously, all our competition also decides where those sell today and place their manufacturing and supply chains accordingly.

Renu Baid: Right. This question was specifically on the backdrop that over the last couple of quarters, especially in the last 3 months, we have seen large orders being finalized on the data centers and one by our competition, whether it's the likes of Perkins, Baudouin, be it Adani etc.

So just trying to understand that incrementally, if competition is based at equal footing on imported engines, the relative cost benefit which Cummins was having on a 60 liter fully localized base will definitely narrow off versus peers. So how do you think our margin of profitability profile and our go-to-market strategy on pricing may change as we move towards a larger size of data centers which are in plans?

Shveta Arya: Renu, the way we look at it, it is not just about the cost and the pricing of these engines and sensors. It is the whole value proposition that we provide to the customers. So, from our



perspective, even before the tenders come in, we engage with our customers to really understand what are the kind of sites they are planning, how are they really thinking of setting up their site? How can we help them from that stage onwards to think of our impact of power.

And then after installation -- during installation, we help them, after installation through our Distribution business. And please also remember that we are doing this around the world. So, there is a lot of learning that we bring in to our customers. In our view, it is not just a cost and pricing gain. It is the whole value proposition on the solution end to end that we provide to our data center customers. And we continue to see our customers valuing that.

Moderator: Thank you. Next question is from the line of Aditya Mongia from Kotak Institutional Equities. Please go ahead.

Aditya Mongia: The first question, maybe the clarification that I had to seek over here is that you say 30%, 35% Powergen in data center, you still separate distribution piece outside? And so how large is it?

Shveta Arya: Is there a separate distribution -- did you mean is there a separate aftermarket business for it?

Aditya Mongia: That is true, yes.

Shveta Arya: Yes, yes. For data center players, as I just mentioned in the answer before this, we look at data center customers very specifically because they want 99.99% uptime. So, from an aftermarket perspective also, it is a very separate focus to make sure that our service teams and our parts are available to them in the way they need. So, it is a very separate focus in our Distribution business on data centers.

Aditya Mongia: So, is there separate quantum beyond the 30%, 35% exposure in Powergen? Let's say, in Distribution, could you quantify the numbers for that, the absolute contribution...

Shveta Arya: There is distribution revenue over and above the 30%, 35% I spoke about. We'll not be able to quantify that fully today.

Moderator: Thank you. Next question is from the line of Rahul Gajare from Macquarie Capital. Please go ahead.

Rahul Gajare: The first question I've got is on Cummins parent investing close to \$450 million to raise 20 gigs of capacity by 2030. So, I would imagine ideally this should compress the import timelines. So, as we speak today, how much is the timeline for import of this QSK78 or 95? And along with this, you could also comment on how much time does it take for locally manufactured QSK60? That's the first question.

Shveta Arya: Your first hypothesis that this will crunch in both timelines for us is correct because we are adding capacity as our parent has mentioned, and this largely goes towards engines that go into data center market. It is likely to crunch in post timelines. I will not be able to give you the exact numbers on what our lead times are and what they're likely to go to.

Rahul Gajare: No, you can talk about it at this point in time, how it has changed maybe in the last 1 year, if it has changed at all.



Shveta Arya: It has definitely increased. The lead times has increased because we need to appreciate that the data center demand through the world at this point in time is very high. So, the lead times have in the last few years increased.

Moderator: Thank you. Next question is from the line of Teena Virmani from Motilal Oswal. Please go ahead.

Teena Virmani: Shveta, congrats for a great set of numbers. I have two questions, one on exports and Powergen. So, on exports, can you please quantify or give a broad range as to possibly the element of currency depreciation in the overall export growth number or export number. And are all gains by Cummins India, even if you are doing exports to the parent entity?

Shveta Arya: Teena, currency depreciation, I will not be able to give you a number of exports, largely happens in Europe, Africa, Middle East, Asia Pacific, Latin America, everywhere. So, I won't be able to give you a currency depreciation number. Are all gains kept by us and not share, see, over a longer period of time, depreciation is a known fact available to everybody. And to our customers, after the period of time, we do pass on the benefit, including to our parent.

Teena Virmani: Okay. So, it would vary from geography to geography. I mean, it would all depend particularly on the negotiations that you are having with the clients.

Shveta Arya: Absolutely. And geography to geography, what is happening in that geography, how much distributable inventory we have over there, how are we moving back depends on all those factors.

Teena Virmani: Understood. And my second question is related to your Powergen facility. So, what would be the capacity utilization levels right now at your facilities? And any kind of capex are you planning to do on the Powergen side to stated to demand that is coming from both your non-HHP and HHP side?

Shveta Arya: So, we don't separate out our facilities for Powergen and Industrial separately. We have combined facilities. And our overall capacity utilization is hovering around 70% today. We have consistently been putting in capex over the last 10 years and, more specifically, even in the last 5 years.

And we continue to do that towards modernizing our lines, towards building more on each one and doubling what we are doing. The output of each line has been increasing over the past few years, and we are continuously doing that. That is how we have been able to cater to the demand.

Moderator: Thank you. Next question is from the line of Jason Soans from IDBI Capital.

Jason Soans: My first question just pertains to just wanted to know that -- I mean, we are seeing fast-growing market of data centers, not only locally but also in the U.S. and other geographies especially the U.S. So, I just wanted to know if there's any possibility of leveraging the Indian entity in any meaningful way to cater to that fast-growing data market as well, in the U.S. particularly?

Shveta Arya: We, for the data center market, these are very heavy engines. And largely, our strategy is to make them as close to the customer responsible. Do we utilize our India base? Absolutely, we



do. Where we can source components from India, we do that. So, the engines are largely manufactured and the gensets are manufactured where the customer is. We do absolutely utilize the supply base out of India already.

Jason Soans:

Okay. Sure. And last time around also, you have been mentioning that competition especially in the HHP space, whether it be the data center or the mega infra space, which is the main stay, it's quite heating up. So just want to know, just could you add some color to it, what's happening there and also whatever steps we are taking to basically counter the competition?

Shveta Arya:

Competition has been there. And as we see that there is growth momentum in the data center and high horsepower range, so there is competition. The intensity has remained the same. Our endeavor is to work with the customers prior to the order coming in, so not just treat a genset sale as onetime asset full but overall provide a solution to the customer during installation commissioning, post installation commissioning, fulfilling their service needs, helping them with predictive maintenance, helping them with diagnostics and just helping them utilize their space and their assets better.

And that we can do because, one, we have our own teams sitting here, both in manufacturing, in engineering and in service. And also, we have many of these resources sitting around the world who share all this knowledge with us and help us compete better in the market and provide better value to the customer. That is how we work to improve our value proposition to the customers.

Moderator:

Thank you. Next question is from the Priyankar Biswas from JM Financial. Please go ahead.

Priyankar Biswas:

Congratulations, ma'am, for a great set of results. My first question is, you had mentioned in the press release that there was significant commodity inflation. And we also see that there has been a significant rise, almost we are doubling DEF prices, the Diesel Exhaust Prices. So, in that context, can you say what are the pricing actions has been taken? And is there any impact on the distribution side of things? Because if I understand that, the DEF is used as a key component like in the after-treatment systems. So, if you can say something about that.

Shveta Arya:

I'll split this answer into two. Let me first talk about commodity inflation overall. Yes, we have been seeing commodities increase. As far as possible, we try and pass them on. There is always a challenge because we would have generated orders this prior to the period of commodity increase. So, with a little bit of lag and a little bit of challenge, we pass it on to the market. And we continue to see that challenge across various commodities. Specifically, from a diesel exhaust perspective, DEF is a very small proportion of our distribution business. So, it is not that impactful.

Priyankar Biswas:

And then if I may ask what we have seen is some of your local competitors specifically, it seems that they are engaging into significant hiring of personnel, especially relatively senior from the likes of Cummins itself over the last 1 to 2 years. So, is there any impact that is there on our business? And if I can just squeeze one more in, like the customers you keep out the breakup by subsegments of Powergen industries, if you can do that as well.

Shveta Arya:

Okay. I'll answer your first question, and then I will give you the subsegments data. Local competition hiring from Cummins, Cummins has been a ground where almost all competition



hires from Cummins. So, this is not new to us. The company has been around in India for 60-plus years, backed by a great brand, technology and innovation, and we continue to have excellent manpower with us already. So no, that is not in that.

And subsegments breakup from a Power Generation perspective, I can give you the quarter numbers. Low horsepower, INR55 crores, medium range, INR177 crores heavy duty, INR108 crores and then the remaining is high horsepower. And then from an Industrial business perspective, construction at INR164 crores rail at INR111 crores compressor, INR59 crores and then the remaining is mining and defense.

Moderator: Thank you. Next question is from the line of Mohit Pandey from Citi Research.

Mohit Pandey: Ma'am, first question is what's the Hyperscaler revenue this quarter. HSP number looks like INR954 crores based on what you just disclosed.

Shveta Arya: Thanks for the question, Mohit, yes there was. So, we had about INR250 crores of value.

Mohit Pandey: Understood, ma'am. And second is if you can please comment on the demand trends barring data centers and Powergen. Your initial commentary did suggest you see robust demand. So that would be very helpful. And secondly, on distribution, as CPCB IV+ products start coming out of warranty from June onwards, how should we think about it on the impact on distribution? These are my two questions.

Shveta Arya: Sure, I'll answer your second question first. CPCB IV+ as it comes out of warranty, absolutely, our endeavor is to encircle our customers so that, this is integrated technology products, are more sophisticated technology, than prior in Tec-product engines after treatment systems. So, we do want to provide the services to our customers for the entire CPCB IV+ range as it comes out of warranty.

We have service packages available for extended warranty as well for our customers, which gives them a lot of peace of mind. And we do anticipate our distribution business to be able to cater to these customers, as they get out of warranty. In fact, we are already working on that through our extended warranty schemes.

And then from a Power Generation demand perspective beyond data centers. We have been seeing demand from manufacturing, specifically a lot of solar cell manufacturing plants being set up, pharma. So these are some spaces we have been seeing demand. And then on quick commerce, their dark stores are being set by quick commerce players. We've been seeing demand there. Luxury residential realty, commercial realty continue to show us good inquiries and good orders. So that is largely where we see power generation demand. Industrial, I already shared mining and rail is where we are seeing the building order books.

Moderator: Thank you. Next question is from the of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Yes. Thank you so much for the opportunity. Shveta, my first question is, are there any product gaps that you see today that you want to bring to the market?



- Shveta Arya:** Puneet. We don't see product gaps. What we always endeavour to do is pack more power into each of our products. And we continuously work on that. So we didn't have product gaps, we have lots of opportunities to pack in more power into existing products so that they become more value for money for our customers.
- Puneet Gulati:** Understood. And secondly, you talked about extended warranty scheme. How do you book your revenues for that product? Is it at the time it you sell or through the life?
- Shveta Arya:** I don't think I'll be able to share all the details for this. This is booked just as per the service of vendors.
- Moderator:** Thank you. Next question is from the line of Amit Anwani from PL Capital. Please go ahead.
- Amit Anwani:** Hi thanks for the opportunity. Just wanted to ask your thoughts on the BESS. So we talked about it, I think, 1, 1.5 years back. Any thoughts on BESS since there's a lot of planning in India also over the next 5 years in terms of BESS targets. I just wanted your thoughts for the Indian entity on BESS?
- Shveta Arya:** Thanks for the question. We have generated a lot of interest and a lot of inquiries. We have to see some good sales coming in. For now, there's a lot of interest and a lot of inquiries for battery energy storage systems coming out.
- Amit Anwani:** Right. And second, I wanted to ask you told me about the Colocation inquiries, especially from October that has picked up. I just wanted to understand in terms of our portfolio currently, So is there any product gap in terms of servicing probably the large-scale data centres if the opportunity comes for next 2, 3 years?
- And second, in terms of capacity, are we kind of thinking of major expansion? You said 70% utilization. But seeing the kind of demand which we are sensing for the next couple of years, at what point we will be thinking of capacity expansion in a big way? And I would probably frontloading, any thoughts on, any major capex you might be thinking? These two questions. Thanks.
- Shveta Arya:** Thanks. From Colo players, we do not have a product gap. They continue to buy our QSK60. And for the next 3 years, we see the demand for that note from Colo players. So, no product gap. From a capacity perspective, I did mention that we have been investing, in fact, in the last 5 years. In Cummins India Limited, we have invested more than INR1,000 crores. What we have been using it for is continuously modernization of our plants and expanding our line capability, more output from the same line. And that has been happening over the last 5 years.
- We also have very, very integrated supply chains around the world. So as capacity is, similar kind of output generation from different plants around the world happens, we can tap into that as well. For now, no major capital expenditure plan. The continuous capital that we have been investing in the last 5 years, we will continue to invest that to get more output from each of our installed bases today.



- Amit Anwani:** Right. Lastly, if you can share the non-data centre growth in domestic power gen. How has been the growth this financial year?
- Shveta Arya:** Non-data centre growth in power generation has also been very good. It is higher double digits as well.
- Moderator:** Thank you. Next question is from the line of Uttham Kumar from Aventus Spark. Please go ahead.
- Uttham Kumar:** Yes. Thank you for the opportunity. My first question is on the power gen segment. I just want to understand that post the transition to CPCB IV+ kind of technology, initially, we have highlighted that the price hikes were as much as about 30% to 35%. Is the pricing still sustaining? Or have you seen kind of pressures because of competitors also trying to maintain at the lower end? That's the first question.
- Shveta Arya:** Pricing is largely sustaining across the range. Of course, in lower ranges, which we call very low cost power products, there always in this market, there has been a lot of price-related competition which continues. Largely pricing has sustained at the levels we have.
- Uttham Kumar:** Got it. The second question is on distribution business. So we are seeing for the full year, around 22% growth. Could you highlight what would have been the price-led growth for this particular category?
- Shveta Arya:** Price-led growth in the distribution business is very less. In the distribution business, the growth that we have been building is through the actions we have been taking. So Distribution business is providing more and more solutions to end customers, be it power generation or in railways.
- They have been working towards providing service packages for predictive maintenance. We have been working on expanding sales beyond parts related to the engine, so a lot of dual fuel kits, retrofit emission control devices and many other such opportunities. So really from a pricing perspective, that is not the major contributor to the 22%.
- Moderator:** Thank you. Next question is from the line of Mayank from HSBC. Please go ahead.
- Mayank:** Yes. Hi Shveta and team. Good morning to you. One first question on the data centre project cycle. I just want to understand the ordering and execution that happens there. So let's say, if a data centre build-out takes 3 years to build, at what point will the customer order gensets on to you? At what point will you deliver it to the customer and how the revenue recognition takes place during that time? That's my first question.
- Shveta Arya:** Yes. Mayank, 6 to 12 months before the site is ready, we would get those orders. It could be much earlier than that also, depends on how people plan their site, largely on an average 6 months to 12 months before their sites are ready.
- Mayank:** Okay. And revenue recognition is most, the majority of it is on the revenue input?
- Shveta Arya:** As we install the gensets on the site, we recognize the revenue.



Moderator: Thank you Mayank. Kindly come back for a follow up question. Next question is from the line of Kishore Kumar from Unifi Capital. Please go ahead.

Kishore Kumar: Thanks for the opportunity. So my question is a follow-up to the question of Amits on BESS. How do you see this segment scaling up over a period of 3 to 5 years? And what would be the overall contribution of this to the business? And second is, do we have localized supply chain for this? Or it's more of an import dependent here?

Shveta Arya: We do see we are, we have a positive outlook on the BESS business in India. We see it scaling up. We see it becoming part of the overall backup power solution for our customers. As of today, because we do not have very good sales pipeline yet and we are still seeing customers evaluate how they want to add a BESS in their overall power solutions, we are not able to share with you what we see as the contribution.

As the market moves, as we see more installations, as we get feedback from customers, then we will be able to share contribution. Over the longer-term period, we do remain very positive on the outlook of battery energy storage systems. From the supply being localized. No. For this product, we do not have a local supply chain yet. We are working towards that, but we do not have a local product yet.

Kishore Kumar: Got it. Who are the customer cohorts that currently we are targeting?

Shveta Arya: That is something I will not be able to share with you.

Kishore Kumar: Okay. Thank you, ma'am. Thank you.

Moderator: Thank you. Next question is from the line of Vijay Bhasin from InCred Research. Please go ahead.

Vijay Bhasin: Hi Shveta. Is it possible to have a split of revenue growth over the last 2 years into pricing versus volume given the CPCB IV+ core price hikes has been completely absorbed by the market?

Shveta Arya: Vijay, that would be very tough to do. If I were to give you some indication, that would be a lot of volume-led growth. Price and content addition, yes, in the CPCB IV+ range. But please remember that beyond the CPCB IV+ range we have the high horsepower range and we have the industrial business and the distribution business. So overall, it actually volume led growth.

Vijay Bhasin: Fair. Second, you mentioned to an earlier participant that India data centre demand is more of Colocation than Hyperscalers. What we understand is that the Hyperscalers now picking up pace, what we have seen in the US and Europe markets. And given there's low competition in the HHP space, above 800 kW levels, is it fair to assume that the margins would potentially be better hereon from, let's say, a medium-term outlook, if not immediately short term?

Shveta Arya: Thanks for the question, Vijay. Vijay, a lot of inquiries and orders from the Colo players, and yet I would mention that both the Hyperscalers and Colo players are developing in India. Just back in the prior year, we did not see this kind of order velocity from Colo players, which we are seeing now. But both Hyperscalers and Colo players are growing in India at this point in



time, and we are getting to see enquiries and orders from both. So as for the margin question, that is very difficult to answer. Of course, every business tries to maximize the margins. Then you provide higher value to your customers. And it is rightful to say in the high horsepower range, beyond the technology, the service and the solutions we provide, we try to provide higher value to our customers for sure. So that is our endeavour.

Moderator: Thank you. Next question is from the line of Ashish from MLP. Please go ahead.

Ashish: Hi Shveta, congratulations hello? Hello?

Moderator: Go ahead sir you are audible.

Ashish: Hi Shveta, congratulations for the good set of numbers. I just wanted to understand what would be the lead time for HHP ordering because with the higher commodity price, would we assume that the orders which were taken previously will have some margin pressure, but then going forward, as we take new orders that should abate?

Shveta Arya: So the lead time for high horsepower orders, I did answer the data centre lead time earlier, but overall high horsepower portfolio lead time will be between 3 to 6 months.

Ashish: Okay. And so should we expect some near-term commodity impact and then it gets passed on to the customer? Or do we have any price escalation on the orders that we have already taken?

Shveta Arya: This is quite challenging for us to manage. We, of course, try to pass on the commodity increases to our customers. There usually is some lag in the way we are able to deal with it.

Moderator: Thank you. Next question is from Prolin Nandu from Edelweiss. Please go ahead.

Prolin Nandu: Hi Shveta, thank you for taking my question. Just one question, right? On the moderation of demand that you envisaged because of how the macro is panning out, but just your thought, right in terms of the criticality of the pipeline that we have, how much of short-term commodity prices could impact decisions from some of these very long-term projects, right? So versus, let's say, 5 years back, the quality of pipeline that we had and right now, how inelastic, so to say, is the demand versus what it was 5 years back?

Shveta Arya: The way to think about this would be that from projects which come in the high horsepower range, from a power gen perspective, the demand should largely be inelastic because these are more project-based, which was planned earlier, and only commodity price increases, will not make changes to how the projects are planned and how they will get executed.

But on the lower ranges, below high horsepower, which is CPCB IV+ range, yes, because the lead times are shorter for these orders and the inquiries also keeps coming in regularly. There could be impact. There could be impact which the commodities go higher and if inflation hits even higher, then that is the space where we can start seeing demand to be more elastic or the velocity reducing.

Prolin Nandu: That's it from my side. Thank you so much.



- Moderator:** Thank you. Next question is from Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Hi Shveta, good set of numbers. So, congratulations. Could you help us with?
- Moderator:** Bhavin, sorry to interrupt. Can I request you to speak a little louder, please?
- Bhavin Vithlani:** Okay. Am I audible now?
- Moderator:** Yes, thank you.
- Bhavin Vithlani:** So, Shveta, good set of results, congratulations. I have one question there is a set of couple of nodes which are imported which are for the data centres. Could you help us with the lead time on this? Beyond that, if you could also talk about the supply chain-related aspects? Because in the COVID times, there were issues related to electronics which impacted. These are the two questions that I have.
- Shveta Arya:** Thanks, Bhavin. The imported nodes for data centres, I won't be able to share with you the exact lead times. But on the supply chain impacts on those nodes, unlike COVID times, at this point in time, the supply chain impact on the imported nodes is largely because demand on these nodes is coming from all across the world.
- And that causes a situation where the demand is moving far higher than the pace of addition of capacity. But it's not supply chain issues like electronics or other. It's a regular part of the way we manage our supply chain. Of course, when you see high demand on some nodes throughout the world, you deal with supply issues in various different parts. But we have been working through those in the last 2 years or so.
- Bhavin Vithlani:** Sure. On the electronics front?
- Shveta Arya:** We don't see a challenge.
- Bhavin Vithlani:** Great. Thank you so much.
- Moderator:** Thank you. Next follow-up question is from the line of Aditya Mongia from Kotak. Please go ahead.
- Aditya Mongia:** Thank you for the opportunity. Shveta a few questions. The first one, the context of the first question is that you said 30%, 35% power gen share of data centres this is actually even higher than what the global parent has at about 25%. I would want to assume that the global parent does a lot more in power gen versus what India does. And I recall you talking about transmission earlier as well. Could you kind of relate to us where the differences and what power gen globally, the parent is doing, and what we are doing and where there are pockets of opportunities from India perspective?
- Shveta Arya:** Yes, Aditya, thanks. Aditya, 30% to 35% is data centre share for India power gen. For the parent, that 25% number is not just the share of power gen. We'll have to relook at those numbers. This is a share of the broader business. So it is not comparative. Their share of data centre only for power gen will be higher because the US market and the China market have been growing in the



data centre space much faster than us. And that is why their share, if you were to take a similar comparison, only data centre revenue compared to just overall power gen revenue will be much higher than ours, owing to the fact that their data centre market has been growing much faster than ours. Ours has started picking up pace since last October.

So power gen globally versus India, I think the key difference is that in the India power gen market, since we have shifted to CPCB IV+, we are at the highest emission norms that we see anywhere else in the world. We have been seeing growth both across CPCB IV+ ranges and the high horsepower ranges.

For our parent, the high horsepower growth has been far faster than any other segments growth. For us, it has been more broad-based growth given that growth in manufacturing, growth in pharma, growth in commercial and residential realty and other segments have also been very good.

So that, I would say, is the primary difference between the growth in power gen for us and the growth in power gen for parent. Now the pockets of opportunity. pockets of opportunity for us will be if India data centre market starts growing at the pace at which US and China. That would present to us a very, very good opportunity, which is not happening yet today.

Aditya Mongia:

I'll probably put my second question related to this one. So the parent is also talking about the new products that they are launching, wherein the genset just doesn't work as a backup application, but also the prime mover application, let's say, in peak shaving times and so on and so forth. There are a few more that the parent has added to it and again, I'm trying to kind of suggest or seek from you that beyond BESS, are there other allied, let's say power solutions or aspects that we can focus upon that may have a life to them over the next 2, 3 years?

Shveta Arya:

You are right. So the parent has spoken about a gas product very specifically for the US market to operate when there is peak shaving in the power. In India, we do not see those kind of opportunities. And beyond the BESS, there are some opportunities that we are evaluating. As and when we have some maturity on those, we will share with you. As of today, there's nothing that I can share yet.

Moderator:

Thank you. Next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal:

Hi Shveta. So my question is on distribution business. So in the last few calls, you've been saying a lot of effort has been put, to build up this business. And so just wanted to understand now CPCB IV+ is now already implemented, so do you think that, I assume that a large part of our installed base would have already been covered. So do you think that there is still scope for this business to grow in excess of 20%, which it has been delivering for the last couple of years?

Shveta Arya:

We do think there is scope for distribution business is to grow, owing to the fact that the asset base is continuously increasing in India. And of course, I did mention CPCB IV+ and also in high horsepower range, it really happens to the customer that the asset is maintained and serviced and is ready for use as and when they need it. So yes, there are those opportunities.



In railways and in mining as well, as the asset base increases, there are opportunities. There are some pockets in the construction segment, there are pockets in defence. So yes, all of these present us opportunities, which come with the growth of the asset base, with distribution business going out and creating solutions for the customer and also helping them with predictive maintenance and such services. Also, we are adding to our distribution portfolio, to distribute parts and services beyond engines as well. That is added growth opportunities, we definitely see distribution business continuing to be on this growth trajectory.

Parikshit Kandpal:

Second question on the residential real estate, Shveta. So I mean we are, I cover that sector for long years now. So what I have seen is the trend change that before 2020, it was more like mid-income, mid-luxury housing. But the transition over the last 4 years, 5 years has been super luxury and beyond and the volumes have also significantly increased over the last 4 or 5 years.

So on the ground, I mean, when we see that next 3 to 4 years, there are huge deliveries of these apartments being planned in the last stages of delivery, so do you see any sense on the ground, whether the per capita consumption of the backup power, given these are luxury projects, have you seen that more units are getting deployed on the ground? So could there be a scale change altogether in the growth, which real estate portfolio can deliver on the power gen side, on the non-data centre power gen side?

Shveta Arya

Parikshit. Simple answer, no. The segment has been growing for us both. You are right, it is luxury residential realty which has been growing. We don't see a dramatic scale change. And they still remain backup power. So we do not see even the utilization going up. So we do not see dramatic scale change there.

Moderator:

Thank you very much. Ladies and gentlemen, in the interest of time, that was the last question. I would now like to hand the conference over to Ms. Shveta Arya for closing comments.

Shveta Arya:

Thank you so much for all your questions, and thank you for your participation and engagement. India's economic outlook remains steady supported by government initiatives, focus on manufacturing and capital investment. The company remains focused on timely execution of orders, maintaining supply chain resilience and leveraging its technological strengths. With this, I would like to close this call. Thank you so much for all of you for joining us today.

Moderator:

Thank you very much. On behalf of Cummins India Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.