Ref: STEX/SECT/2021

February 01, 2021

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 January 29, 2021

Dear Sir/ Madam,

With reference to our stock exchange intimation dated January 15, 2021 towards analyst conference call, we are enclosing for your records a copy of the transcript of the said conference call conducted by the Company on January 29, 2021.

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

Thanking you,

Yours faithfully,
For Cummins India Limited

VINAYA ABHIJIT JOSHI

Digitally signed by VINAYA ABHIJIT JOSHI
Date: 2021.02.01 11:31:42 +05'30'

Vinaya A. Joshi
Company Secretary & Compliance Officer

(This letter is digitally signed)

Encl.: As above.

Cummins India Limited
Registered Office
Cummins India Office Campus
Tower A, 5th Floor, Survey No. 21, Balewadi
Pune 411 045 Maharashtra, India
Phone +91 20 67067000 Fax +91 20 67067015
cumminsindia.com
cil.investors@cummins.com

CIN : L29112PN1962PLC012276

Cummins India Ltd.

Cummins India Limited Analyst Call for Q3 2020-21

January 29th, 2021

SPEAKERS:	Management, Cummins India Ltd.
Moderator:	Ladies and gentlemen, thank you for standing by and welcome to Cummins India Limited Analyst Call for Quarter Three 2020 to 2021. Today on this call, we have with us our leadership team Mr. Ashwath Ram, Managing Director, Cummins India; Mr. Ajay Patil, Chief Finance Officer, Cummins, India and Mr. Anubhav Kapoor, Legal and Secretarial Head, Cummins India. I would like to hand over the call to Mr. Ashwath Ram. Mr. Ram, welcome to the program. You're now ready to begin.
Ashwath Ram:	Good morning ladies and gentlemen. This is Ashwath Ram, Managing Director, Cummins India Limited. We wish all of you a very happy new year. I hope you

and your family are doing well and are healthy. Also joining me on today's call is Mr. Ajay Patil, our CFO. Thank you for joining us on this call.

I would like to share the financial results of quarter and nine months ended December 31, 2020 through this call. I'm now going to talk about [Audio Cut]. For the quarter ended December 31, 2020 with respect to the quarter ended December 31, 2019, our sales at INR 1400 crores, declined by 2% compared to INR 1428 crore recorded in the same quarter last year. Domestic sales at INR 1026 crore, declined by 3%. Exports at INR 374 crore, increased by 1%. Profit before tax and exceptional items at INR 304 crore, is 20% higher as compared to INR 254 crore recorded in the same quarter last year.

For the quarter ended December 31, 2020 with respect to sequential quarter, our sales stood at INR 1400 crore, increased by 23% compared to INR 1141 crore recorded in the preceding quarter. Domestic sales at INR 1026 crore, increased by 38%. Exports at INR 374 crore, declined by 6%. Profit before tax and exceptional items at INR 304 crore, increased by 61% compared to INR 189 crore recorded in the preceding quarter. Segment wise breakup for the quarter ended December 31, 2020. To give you a sense of the sales breakup segment wise, in our domestic business, the industrial domestic business sales were at INR 256 crore, a 4% drop over last year. The power generation domestic sales were INR 422 crores, 11% increase over last year. The distribution business sales were INR 365 crores which is a 12% drop over last year. As far as the exports is concerned, high horsepower export sales were INR 201 crore, a 4% drop over last year and the low horsepower export sales were INR 146 crore, a 1% increase over last year.

For the nine months ending or ended December 31, 2020 with respect to nine months ended December 31, 2019 our sales at INR 3025 crores, declined by 25% compared to INR 4029 crores recorded in the same period last year. Domestic sales at INR 2127 crores, declined by 29%. Exports at INR 898 crores, declined by 13%. Profit before tax and exceptional items at INR 563 crores is 14% lower as compared to INR 658 crores recorded during the same period last year.

When we look at the segment wise breakup for nine months ended December 31, 2020, [Audio Cut], the industrial domestic business sales were at INR 506 crores or a 31% drop over last year. The power generation domestic sales were INR 775 crores, or a 34% drop over last year. The distribution business sales were INR 865 crores, or a 21% drop over last year. Exports – high horsepower export sales were INR 470 crores, or a 20% drop over last year and the low horsepower exports sales were INR 356 crores, or a 7% drop over last year. You have to keep in mind that the nine months ended December 31, 2020 have 100 days of impairment due to lockdowns in this session. As far as the Cummins India financial guidance is concerned, the company expects gradual recovery of demand in upcoming months. However, market conditions continue to remain uncertain and visibility of end market recovery is still somewhat limited. That's the company is not providing a full year guidance for FY2021. With this, I would like to open the session for questions. Thank you.

Moderator: Thank you so much, Mr. Ram. Ladies and gentlemen, now if you wish to ask any questions related to the subject of the web call, requesting to please press '0' and '1' on your telephone keypad. Repeating and requesting again, ladies and gentlemen, if you wish to ask any questions to the respected speakers, please press '0' and '1' on your telephone keypad.

With that said, sir, there are a couple of questions in the queue. The first question is coming up from Sandeep Tulsiyan from JM Financials. Line has been unmuted, please go ahead.

Sandeep Tulsiyan: Yeah. A very good morning. First question is pertaining to the powergen segment. We've reported a strong recovery and we've grown by about 11% in the third quarter. If you could throw some more color on this exactly what is it driven by? Is it more driven by market share gains, because you're hearing about reduced competitive intensity in the market? Or if you could highlight some of the key and market segments, which have shown a strong pickup in the quarter, which was higher than our expectations? That's my first question.

Ashwath Ram: Right. So power generation has recovered quite nicely as a matter of fact, little bit faster than what we were expecting and this is fueled by stronger recovery in the areas of data centers, in the areas concerning industrial business infrastructure, and also rental. The areas which are recovering a lot slower is more related to the medium horsepower kind of business and related to hospitality. Some portions of the retail segment and commercial realty are recovering a little bit slower. We also faced - in this quarter, we faced some supply chain concerns because of the overall flow of parts from import. And otherwise, we actually had an opportunity to do even better than what we did.

Sandeep Tulsiyan: Understood. Second question was, sir, on this Hydrogen Day, that presentation our parent company presented and also the large installation they've completed yesterday in Canada of 20 megawatts, just want to understand what is the thought process of introducing or any timelines of introducing this technology in India, and probably in which entity would it decide? Will it decide in the listed entity or will it be part of CTIL? This could help us understand the trajectory on that. Thank you.

Ashwath Ram: Yeah. At present, the listed entity is bidding on many tenders and it actually depends on the end applications [Audio Cut] end applications are in areas like rails and in infrastructure, they will remain in the listed entity. And we are making good progress. We are participating in most of the major tender bids in the country. And we have great confidence that this will prove to be - in the future, this will prove to be a strong business for us. I do see the intubation taking a little bit of time. So it's not a short term, you know, short-term market for us, but certainly in the long term, this should prove to be a great product line for the listed entity.

Sandeep Tulsiyan: Understood. So the manufacturing part will decide at least in the listed entity, that's what you're saying, right?

Ars: Yeah. At this time, depends on the scale of demand in the country that's the thinking as of today.

Sandeep Tulsiyan: Got it. Thank you. Thank you so much for taking my questions, sir.

Moderator: Thank you so much. The next question is coming up from Mr. Ankur Sharma, HDFC Life Insurance. Line has been unmuted. Please go ahead.

Ankur Sharma: Yeah, hi, sir. Good morning and thanks for your time. Couple of questions. One, you know, these bounds that we've seen, you know, sequentially, you know, across segments, we're just trying to understand is this more of, you know, pent up orders, which were there pre-COVID and, you know, those getting supplied, now, you know, with supply chains kind of back and you know, utilizations improving in your [indiscernible]? Or is it that you're seeing a broad based revival also, you know, in some of your key markets, you know, which therefore means that we should continue to see better deals in the next couple of quarters?

Ashwath Ram: Right. And I would say that, if you had asked this -- and I think few folks had also same question last quarter. Last quarter, I would have said that, we think it's more of just pent up demand and things will take some time to recover and at that time, I had indicated that it will take 12 to 18 months for this market to recover completely. When we look at it now, we feel that more segments are coming back up at a faster rate than what we had anticipated. So it looks like the economy is slowly beginning to bounce back. But we have still not been hit by a second wave or third wave of COVID while some of our other end markets around the world have been hit by multiple waves, and that has caused quite a bit of disruption. So it's difficult to predict whether, you know, every few months, we should start seeing the demand come back to pre-COVID levels. But now all signs are positive. So that something to be optimistic about.

Ankur Sharma: Okay. Perfect. And if I have to just dig a little deeper on the powergen side, you did talk of recovery in data centers, I think also in infra but how about the real estate piece? You know, the big one, you know, because we've seen real estate completions have picked up in the quarter gone by as projects are handed over, which I would assume would also mean some pickup in demand for DG sets. Is that also something we've seen both on residential and commercial?

Ashwath Ram: Yeah, so what's happening is those commercial projects which are already gotten kicked off before lockdown, I think people are just completing those and finishing those up. So we are seeing that portion of the demand come back in, but we are not seeing new start to commercial activity. We are not seeing it that aggressively. Now on the other hand, residential realty, we are seeing a lot of green shoots to say that because more people are working from home and more people, you know, are stuck with the whole family for a 24 by 7 people are wanting more space, etc. So we are seeing that residential realty kind of demand is slowly starting to get stronger. And yes, that is helping drive back gensets. We should probably see the stronger impact when the summer months kick in and the need for air conditioning and those kinds of things also become stronger, we should probably see a much stronger revival of these segments by then.

Ankur Sharma: Fair. Sir, on the margin side, I'm just switching gears, you know, given the kind of commodity pressures we've seen, right, across steel and a lot of other raw material, how are we managing it? Are we looking at some kind of price hikes, which we already taken or that we intend to take to kind of, you know, sustain margins.

Ashwath Ram: Yeah. So till the last quarter, we had no impact due to commodities. We are slowly starting to see commodity impact hit up and it will hit us much more strongly in the next quarter, as we feel the full brunt of all the impact on copper, steel, all of which we are major consumers of and certainly, we would be – we are indicating that we would be increasing prices in the next year to compensate for some of these commodity costs that we are facing. But it will depend on the segment and on the product. And so it won't be some kind of peanut butter kind of approach. It will be more tactical, in the sense of depending on the impact of the product we will take increase to compensate for that.

Ankur Sharma: Fair. And just one last question, if I may. So, sir, when I look at CTIL Cummins Technologies, you know, and that's been a concern for investors last couple of years, you know, because of various reasons, right? I mean, which are well known. So anything from the management side in terms of either merging that business into the listed Cummins India entity, or is that still something - which has some time ago not been thought of [Voice Overlap].

Ashwath Ram: We are constantly – so, we are constantly looking at all of those options. None are on the table right now. But none are off the table also right now. So we are certainly always looking at what makes the best sense from all our stakeholders, whether it be the company owners, the shareholders, the employees and our community, what makes the best sense, we're looking at it from all those perspectives. So yeah, so all I can say at this time is nothing is planned in the short term, but certainly we're looking at all of these ideas for the long term.

Ankur Sharma: Fair. Great. Thank you so much, sir. Very helpful.

Moderator: Thank you so much. The next question is coming up from Mr. Ranjit Sivaram, ICICI Securities. Line has been unmuted. Please go ahead.

Ranjit Sivaram: Yeah. Hi, sir. Good morning. Congrats on good set of numbers given the scenario. Sir, if you can just [indiscernible] other expenditure and other income, other expenditure has been lower and other income bas been a bit higher [indiscernible]. Is there any restriction and is that something which we feel [indiscernible]?

Ashwath Ram: Yeah. No, certainly other income this quarter was much stronger because we had very good performance from one of our subsidiaries, Valvoline Cummins, and we were able to get strong dividend from there. And that is one of the strong factors and we also have some exchange gains as compared to the previous quarter. So that's what is driving strong other income. As far as other expenses are concerned, last quarter, as you may recall, we had an impairment charge we took for writing off some old test cells, which were proven to be a safety hazard. And that has, you know, that is a positive this quarter that we are seeing because of that.

Ranjit Sivaram: How much was that if you can give some [indiscernible] clarity on that?

Ashwath Ram: I could not hear your question very clearly.

Ranjit Sivaram: How much was that amount in the other expenditure, which yet to be – if you can give some quantitative color on that.

Ashwath Ram: Yeah, yeah. So INR 23 crores is the exact amount.

Ranjit Sivaram: Okay. Because of which the other expenditure was lower?

Ashwath Ram: Yes, that's correct.

Ranjit Sivaram: And in terms of dividend, how much was that?

Ashwath Ram: The dividend received?

Ranjit Sivaram: Yeah.

Ashwath Ram: Yeah, that amount was INR 38 crores.

Ranjit Sivaram: Okay, okay. And compared to last year will be much lower than that.

Ashwath Ram: You mean when we look at it from nine-month period, yes, it is more as compared to the - compared to the -- you know, it's pretty much in line if not slightly lower as compared to the previous year. But when you look at it quarter-to-quarter comparison, it is higher.

Ranjit Sivaram: Okay. And, sir, can you give the breakup of your powergen in terms of HHP, MHP, heavy duty MHP which you [indiscernible] share.

Ashwath Ram: Sure. Yeah. So, in this quarter, the high horsepower sales were 189 sorry, the high horsepower sales were INR 234 crores, the MHP sales were INR 94 crores and the LHP sales were INR 93 crores.

Ranjit Sivaram: Heavy duty?

Ashwath Ram: Heavy duty INR 59 crores.

Ranjit Sivaram: Okay. And, sir, just similarly to the industrial you give compressor, construction.

Ashwath Ram: Sure. So, compressor sales were INR 25 crores, construction was INR 102 crore, mining was INR 47 crores, rail was INR 48 crores and others which was, you know, many miscellaneous things put together were about INR 35 crores.

Ranjit Sivaram: And, sir, lastly, any outlook regarding the industrial market, how do you see because we see a lot more optimism in the infrastructure? So, do you see this construction segment coming back to the older days? I mean the overall outlook in the retail segment.

Ashwath Ram: Yes, we believe the construction segment will continue to be strong, at least for the next year or so and we do think demand there will keep increasing.

Ranjit Sivaram: Okay. Okay, sir, I will join for further questions. Thank you so much.

Ashwath Ram: Thank you.

Moderator: Thank you so much. The next question is coming up from a Apoorva Bahadur, individual investor. Line has been unmuted. Please go ahead.

Apoorva Bahadur: Hi, sir. Thanks. This is Apoorva from Jefferies. Sir, wanted to understand basically, there were some chatter around CPCB upgrade being delayed. What's your view on that?

Ashwath Ram: Yeah, I think there's going to be about a six-month delay. It was originally to be launched in the July-August timeframe in 2021, it's most likely going to be pushed out to early 2022. And that's mainly because some parts of the industry had been asking for a little bit of relief because of the significant impact of COVID. So that's the general direction in which now the new target dates are looking like.

Apoorva Bahadur: Okay. Sir, there was also – there's a likeliness of a one-time margin reset given that the cost will most probably be 20 odd percent higher with the upgraded CPCB. So [indiscernible] on this?

Ashwath Ram: Again could you repeat your question?

Apoorva Bahadur: Sir, post the CPCB upgrade, the costs are expected to be higher, if I'm not wrong. So will that lead to a one-time margin reset in the industry and if yes, then how much?

Ashwath Ram: Certainly cost will be higher and so selling prices will also be higher. So yes, as you rightly said the entire structure of the product is going to be reset. Exactly how much, we cannot say at this time, but when you compare it with other industries, It's pretty significant.

Apoorva Bahadur: Okay, and sir, we'll get some clarity on that, say by end of this year or sometime sooner?

Ashwath Ram: Yeah, as we get closer, as we get closer to launch, you'll have, you'll have a lot more clarity on that.

Apoorva Bahadur: Okay. Got it. Thank you so much.

Moderator: Thank you so much. Before proceeding further, sir, requesting to please give me a confirmation about going forward with the question and answer session.

Ashwath Ram: Yes please. Go ahead.

Moderator: Sure, sir. Thank you so much. The next question is coming up from Parikshit Kandpal, HDFC Securities. Line has been unmuted. Please go ahead.

Parikshit Kandpal: Hi, Ram sir, congratulations on good set of numbers. So my question was pertaining to the launches, new product launches for the next year. So if you can quantify how many new launches you're looking at. And also if you can give some sense on both domestic and the export markets.

Ashwath Ram: Right. So we continue to constantly keep upgrading products and launch them and what we are focused on right now is more customized product for multiple market segments. So for example, for data centers, the requirement of power in a data center is completely different from that of power in the rental market segment or in a retail market segment. So a lot of products are being fine-tuned to be more market centers, market segment specific rather than generic product which we used to have, which was serving all markets. And that's what is being done both in the domestic product as well as for global products as well. The other thing which Cummins is doing and we have been quite successful is increasing the power density of our product. So quite a few products have already been launched and you'll see official launches of some of those coming up, where we increase the output capacity out of the same engine that gives better fuel economy as well as better power density. So those are the kinds of changes that we are doing. As far as the global export markets are concerned, they had begun reviving but with the second and third wave hitting in Europe mainly and in Latin America, we are seeing a little bit of sluggishness in those markets. The Asian markets continue to keep recovering in a pretty robust manner. And Middle East and Africa is somewhat in the middle. So, you know, it's kind of lukewarm at this stage, but we are confident that, you know, things will start picking up.

Parikshit Kandpal: Okay. The second question was, in the export market, sir, how do you allocate business between CTIL and CIL? So, how do you do that?

Ashwath Ram: So, for example, [Audio Cut] 100% of the power generation products all are sold by CIL. So, there isn't, you know, there have been differences in only those products in which the parent has made new investments are separated into a CTIPL everything else is maintained at CIL.

Parikshit Kandpal: Okay. Just last question, sir, if I may on the hydrogen part, so, you did mention that we are going to do this to the listed entity. So, at your level, so how do you and when a new technology is coming in, so, what role you have to play there at Cummins that it should come back to the listed entity. So, how does it typically happen when a new technology is coming into India and your role there to get it into the listed entity?

Ashwath Ram: It depends on what products or what market segments are being played at. So in the case of hydrogen technologies, for example, in segments such as rail or construction or marine or all of the businesses where CIL is already in play, all those end market segments continue to - will continue to remain at in CIL. So if that is where the biggest play of hydrogen is, then automatically that business gets routed through the listed entity and once one makes the investment in the listed entity then, you know, all the products arising out of the investment continue in the listed entity. So that's the way we are thinking about it.

Parikshit Kandpal: Okay, sir. That's all from my side. Thank you and all the best.

Moderator: Thank you so much. The next question is coming up from Renu Vaid, IIFL. Line has been unmuted. Please go ahead.

Renu Vaid: Morning, sir, and congratulations for the strong performance. Sir, my first question is regarding the [indiscernible] BS-VI norms or BS-IV norms where they are due for implementation next year. So any update in terms of the pre-buy impact that we saw this quarter and the likely implications for next two quarters on the business?

Ashwath Ram: Yeah, pre-buy demand is strong. We saw some of it and we are going to see more of it in the coming quarter. And then we are already ready with products to do the transition come April. So this is a good story for us [indiscernible] enable topline and bottom line growth?

Renu Vaid: And what could be the average increase in price realization that we’re expecting for this segment?

Ashwath Ram: No, I cannot comment on that at this moment. But I can tell you that when you compare it with similar transitions in other markets, it’s quite substantial.

Renu Vaid: Sure. Sir, secondly on the export side, we did mention that, you know, with some of our product ranges improving both on the emission as well as global compliance, we're working on new applications in global markets. So any update in terms of upgrade of the India portfolio for various regions or global applications? Any developments on that side?

Ashwath Ram: No, nothing significant report between last quarter and this quarter. But work does continue and the products are making progress. So in the CPCB 4 plus is the most advanced range. So there will be no leading markets which have tighter emissions than CPCB 4 plus in terms of those products. So good progress has already been made in the development of those products. But they are not yet in, you know, relief and get new business from other market stage as of today. But we will update everyone and keep you posted the moment we have something to report.

Renu Vaid: Right. And, sir, the last two questions, a) on the data center side. Until now the size of data centers has been pretty much average. But if you see larger data centers of IT sizes of almost 10 to 15 megawatts coming into the market in the next three to four years. Would our DG set sizes be compatible with those kinds of power backup requirements? Do you think we will have to upgrade our portfolio? Also on the sidelines, would one see increased competition from players like Wartsila, Rolls-Royce, the IT sizes of these data centers are close to the range of 10 megawatts?

Ashwath Ram: Yeah, so Cummins already is the largest player in the world as far as data centers is concerned and we already have product, which we are supplying to most of the data centers around the world. So if you look at the big players in the world, whether they be Microsoft or Google or Amazon, pretty much most of those data centers are powered by Cummins and even in India, their applications are powered by Cummins gensets. So, we already have a portfolio. The reason folks like Wartsila and other products are not really competition in this area is because they don't have the high speed diesel which is required for these kinds of applications to maintain the quality of power as well as the efficiency in terms of fuel economy. So we to play a major part in this market segment and we see good opportunities moving forward into the future. We have the right technology already ready in India to grow with that segment.

Renu Vaid: Right. Thanks for the clarification. And lastly, sir, if you can just share some inputs in terms of the sub segment wise outlook for various industrial segments, compressors, construction, you didn't mentioned something or railway and marine because railway has been a bit muted. So can we expect some growth coming in the next one or two quarters or it could take longer? So some inputs [Voice Overlap] appreciated on that side.

Ashwath Ram: Yes, if you look at [Audio Cut] even now is not even up to 50% of the pre-COVID levels and it was the last to get started. So, all the rail services for passengers were completely shut. So, we are seeing it gradually start to come up and so it will take -- I would, I think it will take at least a couple of quarters to get back to its formal level. So, that's the segment which is lagging as compared to compressors, which is cyclical and is dependent on rail and spending by governments on farming etc. So there are some ups and downs. For example, the AP government canceled some tenders, so, but it's a cyclical business and we think that will keep growing as agriculture becomes more powerful. Construction, as I was telling gentleman earlier, we are extremely bullish and optimistic that that will keep growing in a strong manner. Mining has come back very strongly because of the demand for coal and also the demand for iron ore and many other metals with those commodities going up, the demand is going up. So mining has come back pretty strongly and is likely to sustain. And we have introduced some new products in the marine segment by which we hope to capture some market share from some global players and with that we think marine will also grow quite well.

Renu Vaid: Sure. Thank you so much, sir, and all the best. Thank you.

Ashwath Ram: Thank you.

Moderator: Thank you so much. The next question is coming up from Nitin Arora, Axis Mutual Funds. Line has been unmuted. Please go ahead.

Nitin Arora: Hi, sir. Thanks for taking my question. Just had few questions. So one is, you know, power generation, as you rightly said, but if you look at your base, which was down 12%, 11-12%, and the growth is about 10-11% in this quarter, when we look at the engine sales of let's say Ashok Leyland or Kirloskar's, they have grown way higher than the double digit. Is it -- you know, just wanted to understand, is it some market share loss because of some supply chain issue you witnessed in this quarter? Because the way other engine sales have happened even let's say for your CTIL, not sell too much in domestic, it's quite high than compared to us, what we shown in the powergen segment, so just need your take on that.

Ashwath Ram: Yeah, I think you're comparing pineapples to oranges, because they're completely different market segments. So, if you look at the bounce back in the automotive segment, those bounce backs are, you know, double and triple digits kind of bounce backs because we started off from a very, very low base, whereas we - so, when you compare that and when you mentioned another company, they also have a play in the agriculture space and so those segments have a different [Audio Cut] of growth as compared to the just the power generation kind of segment. So, we don't see any market share loss. As a matter of fact, we are seeing - we are optimistic that we are going to see some market share gain in the coming quarters. But when you compare companies like Ashok Leyland, they have grown primarily because the medium and heavy commercial vehicle demand has almost doubled as compared to the previous quarter.

Nitin Arora: Sir, I was comparing because Leyland also sells a lot of contribution to the real estate. So I was comparing their, not their auto segment, I was not comparing with apples with oranges. Even for Kirloskar, I was looking from their segment from the engine sales to the end power generation. Leyland only doesn't sell only to the auto. But I got your answer. That's very helpful. Now coming to the, sir, gross margin side, you know, we saw decline on a quarter-on-quarter basis. I'm assuming the cost could have hit you in this quarter. Is it largely done or you think from Jan onwards also, if you can guide us for the next quarter how much increase in the cost element is there? Is it to the tune of 200-300 basis points and that much price hike you should eventually take to offset it? That's my second question.

Ashwath Ram: Yeah, this quarter, the biggest reason is because of mix and the main contributors to that were we had lower exports and we had some one time very large orders that were executed in this quarter at a different margin level. So I don't see - I don't see that long term, you know, the mix should turn out in a more balanced manner. But as far as cost is concerned, I can - I can tell you that certainly some portion of costs will start to come back, as we corrected, we had taken some very stringent wage cuts, etc. Some of those did get restored back in October, and we are also expecting the new merit cycle, which we had held for last year, we expect some of those costs related to people also to come back starting from January. So, certainly, we do expect a little bit of cost to come back. We've already taken a lot of offsetting actions and we are trying to, you know, minimize the impact of some of those costs coming back with the better productivity and more sales.

Nitin Arora: All right. And, sir, just lastly, on the other cost side, wasn't showing some reversal in the warranty provisions or in the royalty. Why am I asking this, because parent, you know, Cummins Inc. you know, what we thought in some of the commentary said that, you know, he will born some of the cost for his global subsidiaries because of COVID. So, I just thought I'll ask you has been there some reversal in the other cost band, which will eventually come?

Ashwath Ram: No, I think all of those were taken in the last quarter. The other expenses are a little better this quarter primarily because of we didn't have the large impairment charges we took last quarter on the test cells.

Nitin Arora: Got you, sir. Thank you very much.

Moderator: Thank you so much. The next question is coming up from Sujay [ph] Jain from ASK Investments. Line has been unmuted. Please go ahead.

Sujit Jain: Yeah, Sujit Jain from ASK. I have two quick questions on the market share if you can define the data center size of the market and what are the growth rates and what is the market share there? You have typically said is that Cummins India listed entity wherever there is scale the production actually come through Cummins India Limited, the listed entity. Then hydrogen you clarified today some of the segments like rail etc. definitely yes. Others may not, but if scale is the parameter other should, so where is the disconnect? And one last question is on employed cost is this quarter what we’ve achieved after VRS and the other program of workforce reduction, is this a sustainable cost?

Ashwath Ram: Okay, so, [Audio Cut] on the hydrogen, what I said is based on where the demand is coming from, which are these segments I spoke about, it is likely that the investment will be made by the entity where the demand is coming from. And once you make an investment in this kind of technology, it is difficult to, you know, move the investment around into other entities. So, if the investment is made in the listed entity, it will continue to remain in the listed entity. So there is no question of then moving it around into different entities. So that's as far as hydrogen is concerned. As far as sustaining costs is concerned, certainly we are trying to hold the line and not increase cost as you know, we did the workforce reduction, we did the VRPs, we did [Audio Cut]. And so we saw the positive impact of that in the last few quarters and we'll continue to see a little bit of that even in subsequent quarters. But there is continuous focus on costs, both our CFO Ajay and I am completely focused to make sure that we don't lose the advantages we got with all the work we've put in to reduce costs, the moment things start to pick up. So we hope to, you know, continue to keep pressure on our company and on the system to maintain costs or maintain relative costs as compared to when sales start to kick in.

Sujit Jain: And on data centers, the size of the market growth [indiscernible] and our market share.

Ashwath Ram: I don't have the data with me as of now but what we will do is we will try to send you an, we will try to get your details and send you an email with some of this information.

Sujit Jain: Sure and the VRS and the for workforce reduction, the people who opted for that and people who actually were moved out because of that, what [indiscernible] and what functions they were from.

Ashwath Ram: It was all across. So it was from pretty much at all levels in the organization and all functions, all business units. So there was no - there was no targeted approach there. It was across the board.

Sujit Jain: Question came because, you know, if the business comes back sharply eventually with the recovery, do we have enough sales force marketing guys, have we, you know, cut costs where when business comes back, we'll have [indiscernible] them back.

Ashwath Ram: We are not - we are not feeling that at the moment. But certainly we are constantly on the lookout for good and better talent and trying to make sure we have the right kind of resources to get the growth we need. But yeah, that's a fair point. We constantly watch out to make sure that, you know, when we are cutting, we never cut so deep that it impairs our growth opportunities.

Sujit Jain: The MEIS withdrawal, we had made a provision 13 crore last quarter and we were saying similar provision is expected in Q3. What are the numbers for MEIS Q3 if there is provision which is made for that?

Ashwath Ram: There is no provision in this quarter.

Sujit Jain: Okay, and one last question. I missed the date that you think would be there for CPCB 4?

Ashwath Ram: Yeah, we think it will be in early 22. As of now, all indications are that and all discussions with the government are also that.

Sujit Jain: That is calendar 22.

Ashwath Ram: Calendar 22, most likely the April timeframe.

Sujit Jain: And the new emission products such as the filtration products will be sourced from CTIL is the understanding that you were given.

Ashwath Ram: Whatever products are –

Sujit Jain: Is that the correct understanding?

Ashwath Ram: Understanding is, yes, it's mainly correct. Whichever entities are making those products which are under CTIPL where Cummins holds the technology certainly products are bought from those companies.

Sujit Jain: Sure. Thank you so much.

Moderator: Thank you so much. The next question is coming up from Bhavesh [Audio Cut] from SBI Mutual Fund. Line has been unmuted. Please go ahead.

Bhavesh: Yeah. Thank you for the opportunity and like to congratulate the management for great performance on the margins despite difficult environment. So, my question is your comment regarding supply chain bottlenecks. And globally, we understand this has become a major issue about electronics within the engines. Would appreciate if you could throw more light how is Cummins India dealing with it and what level it is impacted?

Ashwath Ram: Right. So, this has [Audio Cut] what are called the electronics or semiconductors used in components such as ECMs and sensors and those kinds of applications. And what has happened is that globally the entire semiconductor market or the entire automotive market under forecasted the bounce back in demand. And there are only two or three major manufacturers of these semiconductors around the world. And so, those folks diverted most of their capacity towards telephones and other consumer goods, which also used the exact same kind of microprocessors. And so, this industry, automotive industry around the world is struggling quite a bit on availability of ECMs and other electronic parts. As far as Cummins India is concerned, luckily for us, we are still in CPCB 2 and we don't use as many electronic products as some segments such as the automotive segment and so we are impacted to a smaller extent. So, smaller portfolio of our product is impacted by these supply chain issues. And the company is working on mitigating these issues through its various suppliers.

Bhavesh: Thank you for taking. The second question that I had was, if you could speak about competitive intensity within the power generation segment, what we understand from our checks is some of the competitors, who had the primary applications as automotive, and given the considerable requirement of investments in CPCB are pulling back. So over a two-three year perspective, if you could give color on how are you seeing the competitive intensity, and this is especially from your comments that you expect a very strong improvement in your market share going ahead.

Ashwath Ram: So, we continue to - continue to stand by that belief as we've seen it in multiple markets around the world be it North America, be it China, be it Europe that when emissions get tighter, you need much more sophisticated engine technology as well as aftertreatment technology. And Cummins is the major technology providers in the world for these kinds of systems. And that then opens the door for us to many, many OEMs and relationships, which currently are met by their own internal consumption. So we continue to remain optimistic and bullish about our opportunities and our ability to grow the share of our - share of our - our share in the overall market.

Bhavesh: Sure. Just the last question is on the exports, if you could highlight about the caucus, and this is referring from your presentation, the AGM where you highlighted that we have as Cummins we have gone through cycles and whenever the cycle turns, we surpass it by a reasonable margin. How are you seeing the progress on that front? Are you believing that now that the recovery that we have seen not just in India and global, would you believe that you have now [indiscernible] close to surpassing the 1600 crore mark very quickly than what you had anticipated?

Ashwath Ram: We are certainly bullish and optimistic that this will happen. But like I said, many, many variables are playing out at the moment, especially in the powergen side of things. Like I mentioned with phase two and phase three hitting UK and many of the European countries hard, and also Latin America, they were beginning to recover at a very fast pace, but now they have slowed down again. So we remain - we remain optimistic that, you know, when vaccines are more prevalent and things are moving a little more smoothly, that the bounce back will, you know, take us to much greater levels. We are seeing it in certain market segments like in the automotive side where the bounce back is really, really severe and significant. But in the power generation side, we remain optimistic that the similar kind of scenario should happen.

Bhavesh: Thank you for taking my questions and best wishes from our side.

Ashwath Ram: Thank you.

Moderator: Thank you so much. Sir, we have the last few minutes left out to the call. Should we go ahead with the questions and answer?

Ashwath Ram: Yes, please.

Moderator: Sure, sir. The next question is coming up from Mr. Jonas, Select Capital. Line has been unmuted. Please go ahead.

Jonas: Thank you, sir, and congratulations on a great set of numbers. A couple of questions, sir. Firstly, just trying to understand now that, you know, there is increasing visibility that the CPCB 4 norms could be postponed by about six months. Is it fair to assume that the export portfolio for the CPCB 4 moms will only be launched post the domestic market going live? Or there is potential that you can get certification ahead of time and actually the exports for CPCB 4 products can start well ahead of the domestic launch? That's the first question.

Ashwath Ram: Yeah, so, yeah, we are not waiting for the new dates to continue developing the products. As a matter of fact, there has been significant progress in the development of these products. And, yes, our internal goals are to try to get product ready, get them certified and then look for opportunities outside India, even if India is going to take some time to take a few months later to launch the product. So, certainly, those options are open and available to us and we are going to push aggressively to see if we can do that.

Jonas: That's helpful. Sir, my second question and deriving it from one of the earlier comments where increasingly new product launches or, you know, fine tuning of products is happening on an application based need. So, just was curious to know, again, in exports, you know, industrial segment is not such a big contributor to our exports, given that the -- it's again, very application LED and customized products. So, is it fair to assume that with this, you're also looking to increase those, you know, those end mark - you know, supply to those and market or is that a change in strategy? Are we supposed to take home one off, you know, [indiscernible]?

Ashwath Ram: Certainly, we are looking into that. Certainly, we are looking at all options to [Audio Cut] export, use India as a greater base. As I mentioned before, Cummins has three main manufacturing hubs in the world, North America, China and India and certainly India is the most cost effective hub as far as manufacturing is concerned. So, we are continuously, you know, rebalancing, looking at where the demand is, what the demand is, what is the product portfolio in being produced in each of those three major manufacturing hubs and trying to increase what we can produce here. So, it represents a good opportunity, and we are looking into that, as well.

Moderator: Sir, apologies to inform that the person's line has got disconnected. And there are no further questions at this point of time. Running the program back to you for your closing comments, sir.

Ashwath Ram: Thank you. Again, I want to thank all of you for taking the time to spend with us and listen to us, talk about how this quarter went and what our outlook is for our business. I continue to remain extremely optimistic and bullish about our long-term prospects as a company. There are always uncertainties and headwinds in the - in the very short term which this company has proven time and time again that it is well [Audio Cut] to come through, and we have come out of every cycle stronger, and with the introduction of many, many new technologies, we are positive that we will keep growing in a very strong manner. So thank you, all of you, and hope you all are staying safe and taking care of yourself and your families. I look forward to talk to all of you soon. Thank you.

Moderator: Thank you respected speakers. Thank you participants for joining the call. Wish you all have a great day ahead and requesting to please stay safe. Thank you once again.