

analyst meet 2001

*Cummins Leadership Team
Mumbai
9th August, 2001*

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Cummins India Ltd.

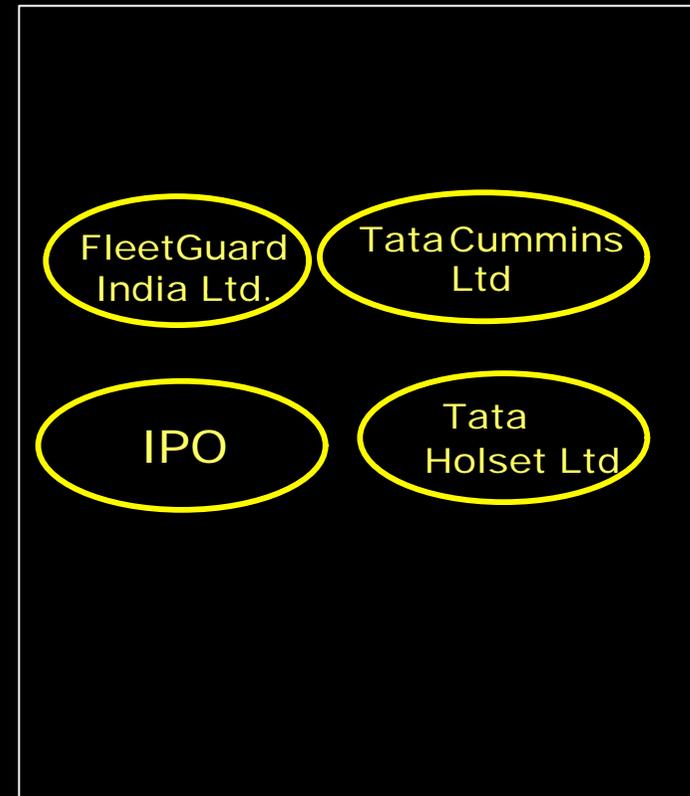
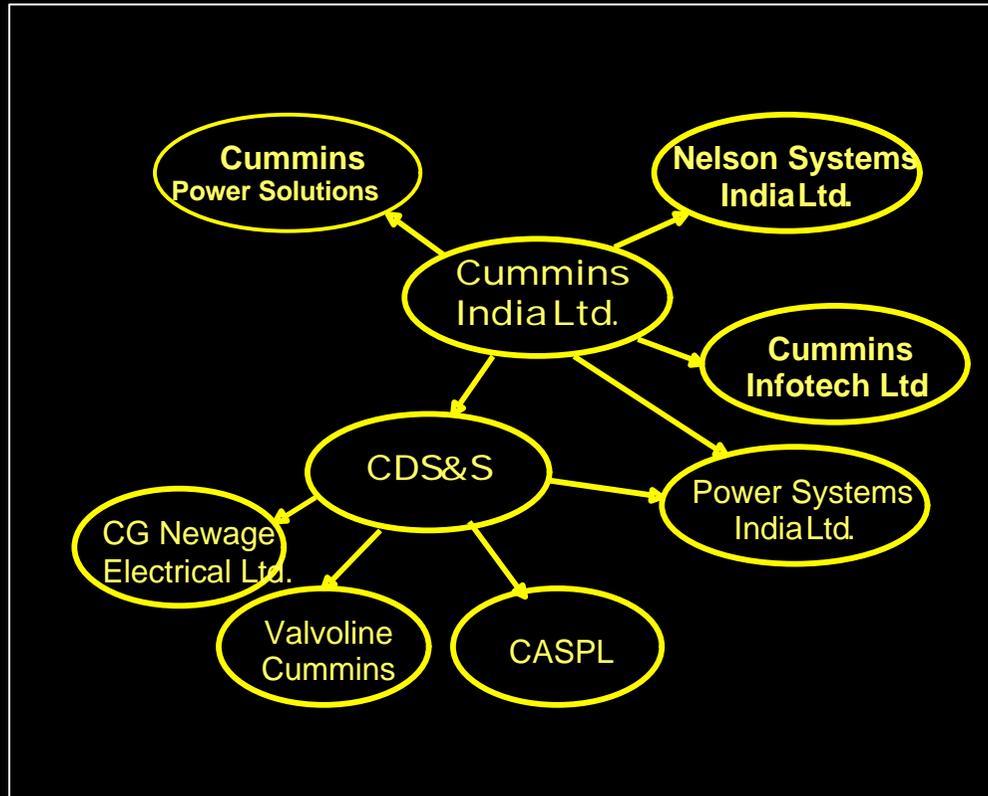
- What we said last year
- Performance in 2000-01
- Outlook for 2001-02
- New Venture Performance
- Overall Group Performance
- Organization
- Cummins Global Perspective
- **Q&A**

flashback 1999



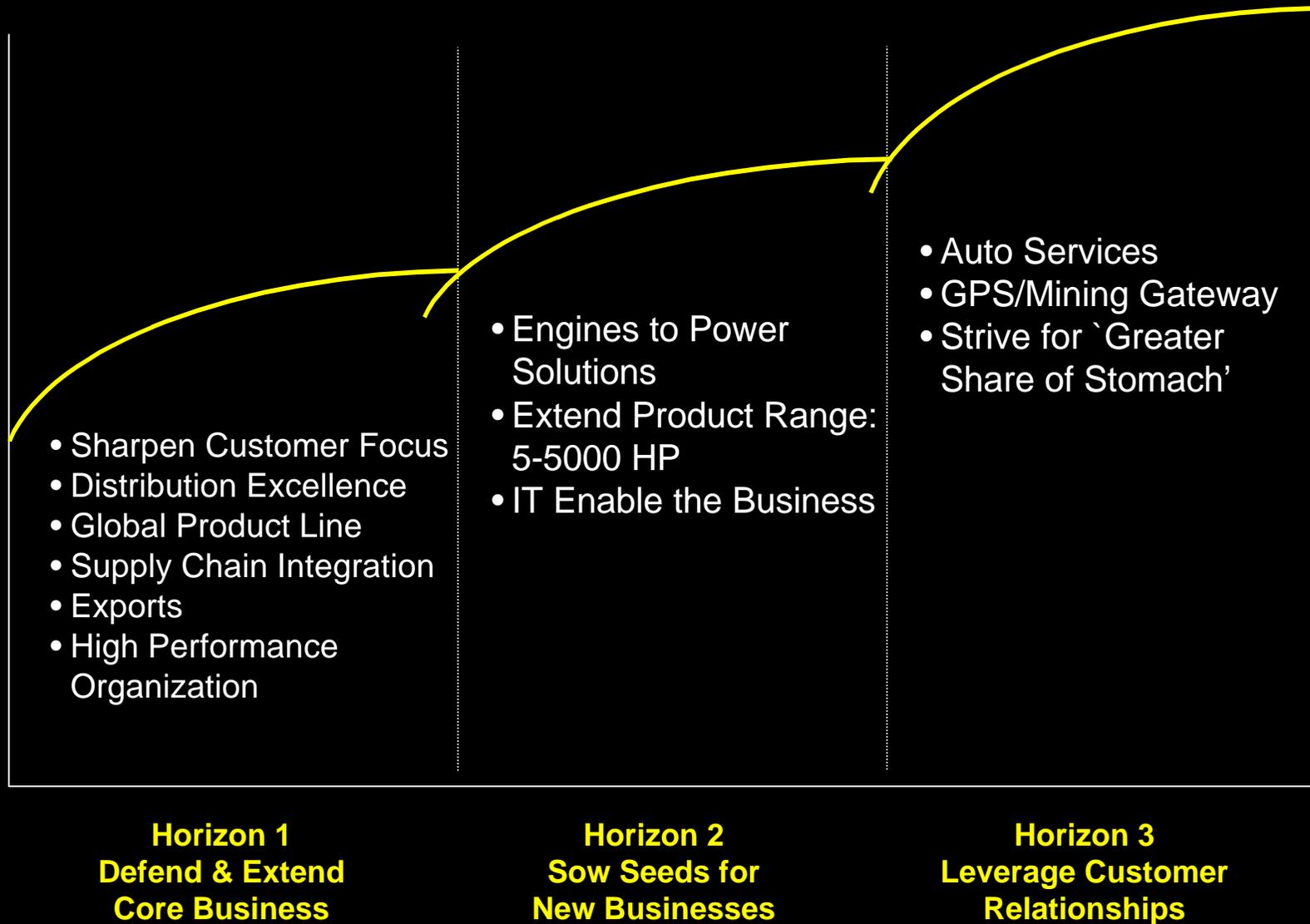
Cummins India Ltd.

Cummins in India



- 12 entities in India - Turnover of Rs. 1690 crores (USD 388 Million)
- Target of USD 1 Billion
- Focus on 4 markets: Power Gen, Industrial, Automotive & Exports

Strategy Roadmap



DOMINANT MARKET POSITION

SOUND STRATEGY

SUPERIOR RESOURCES

NOW ITS ABOUT IMPLEMENTATION

- People
- Organization
- Leadership

performance review



Cummins India Ltd.



Inspite of economic slowdown and falling demand for capital goods ...

Trends

- Slowdown in industrial growth & investments. IIP growth averaged 2.4 % during 2000-01
- Diesel price increase by around 40% during 2000-01
- Electricity Boards have become more restrictive on captive power
- Purchase holiday in Coal sector
- Postponement of World Bank tender

.. several initiatives have enabled us to sustain our domestic performance

Power Generation

- Focus on improvement of product mix towards High Horsepower
- Joint marketing initiatives with OEMs
- Introduction of standardized 'branded DG sets'
- Improved market share in Telecom & IT sectors
- Launch of new offerings in small engines & solutions

Industrial

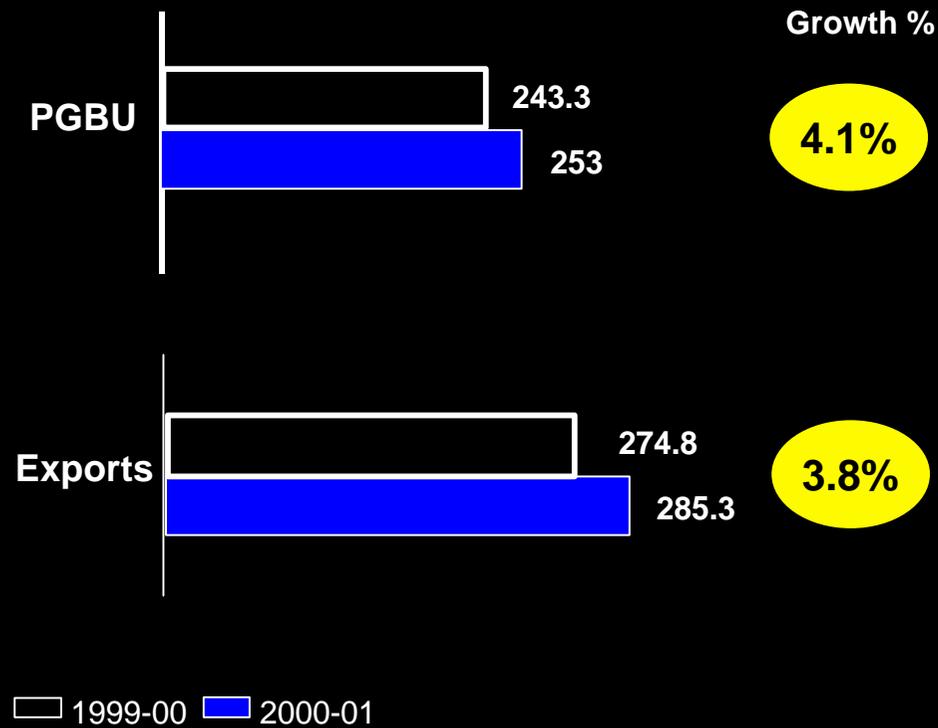
- Focus on construction & compressors
- Launch of new mid-range engine products
- Overall sales growth of 14% in unit terms
- Closer relationships with key OEMs



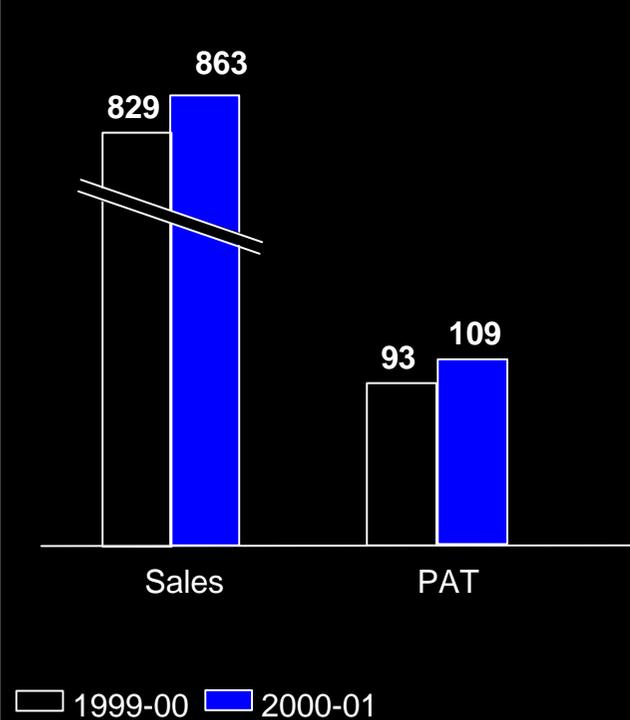
Domestic Performance: 2000-01 (1/5)

(Rs. Crores)

Moderate Growth in Exports & Power Generation ...



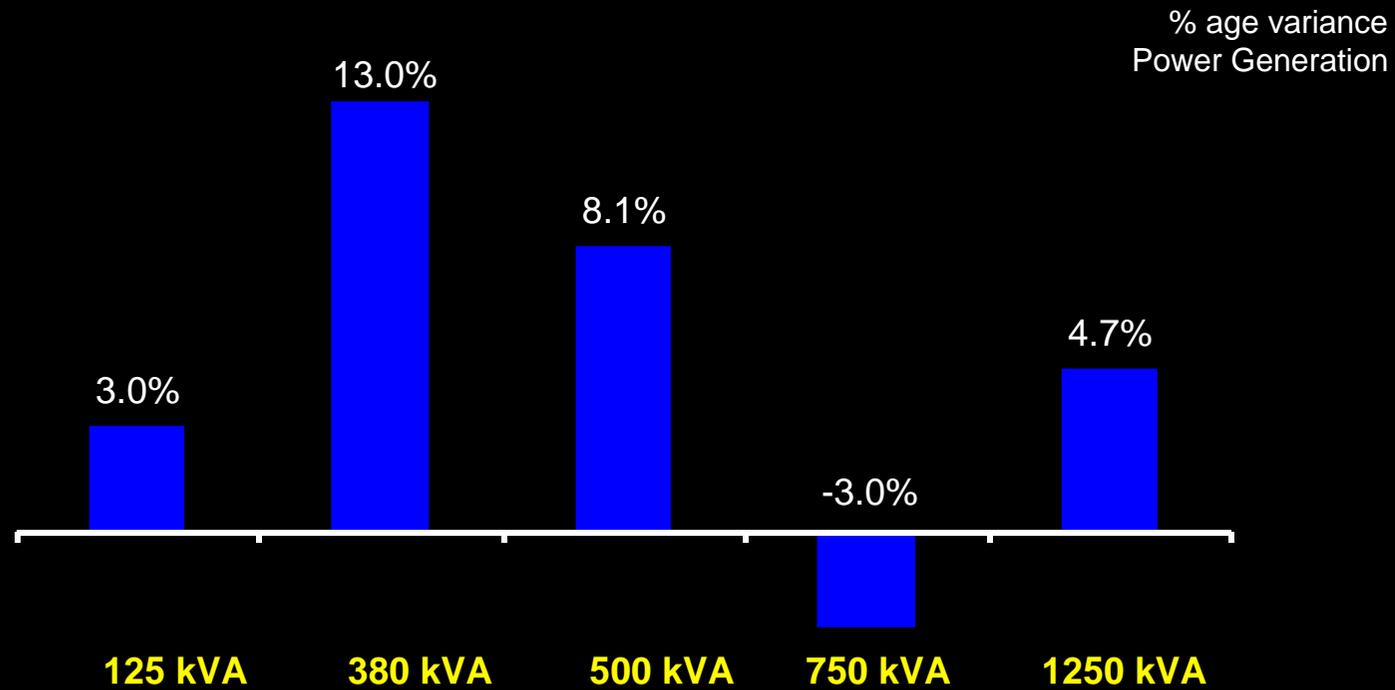
... resulted in a 4.1% growth in Sales and a 16.7% growth in PAT





Domestic Performance: 2000-01 (3/5)

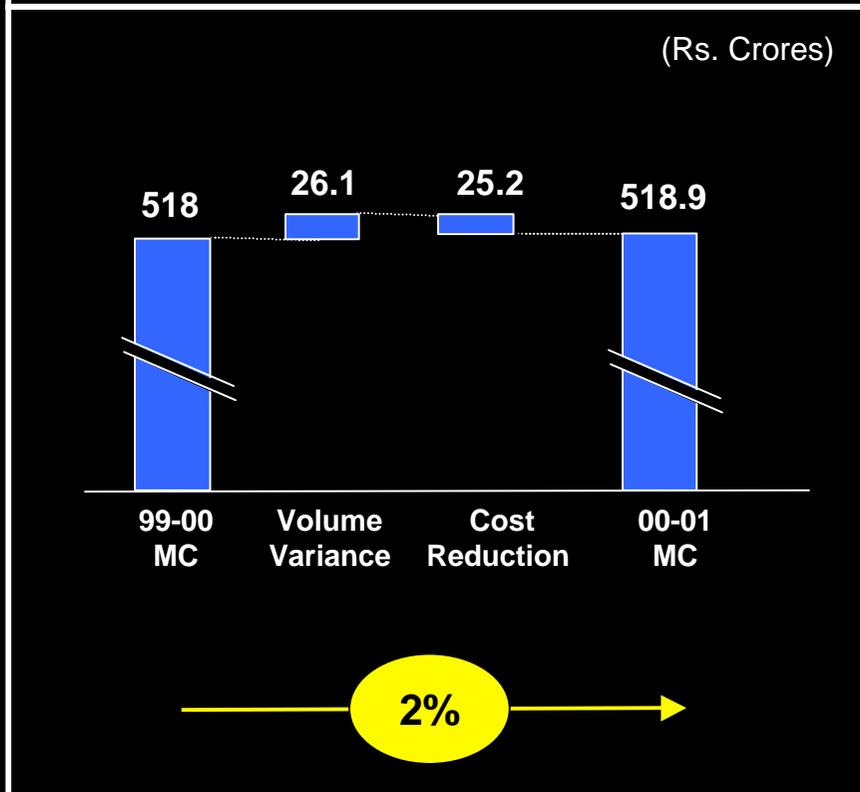
During 2000-01, price realization improved by 2-3% across all categories...



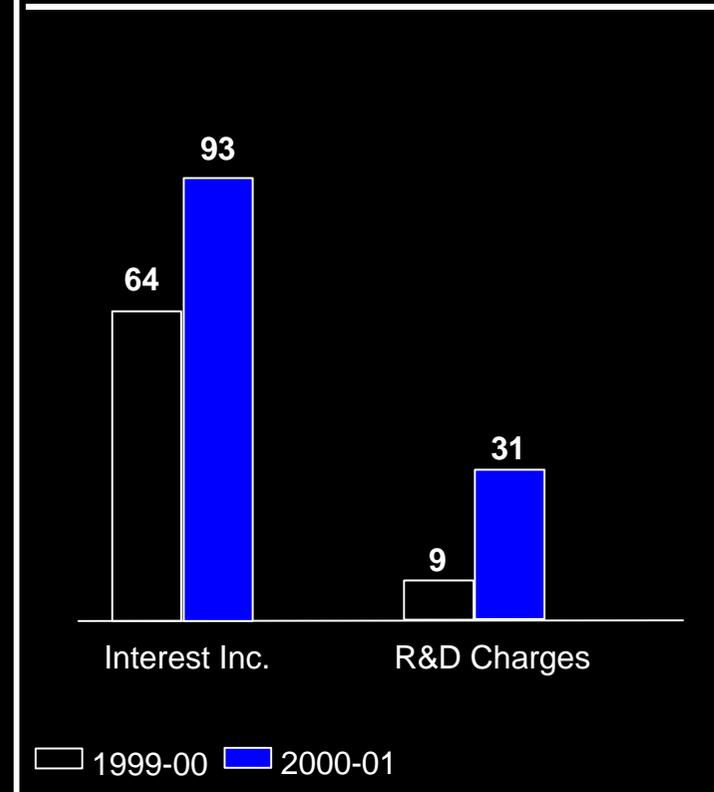
Note:
Segment growth rates are company estimates

Domestic Performance: 2000-01 (4/5)

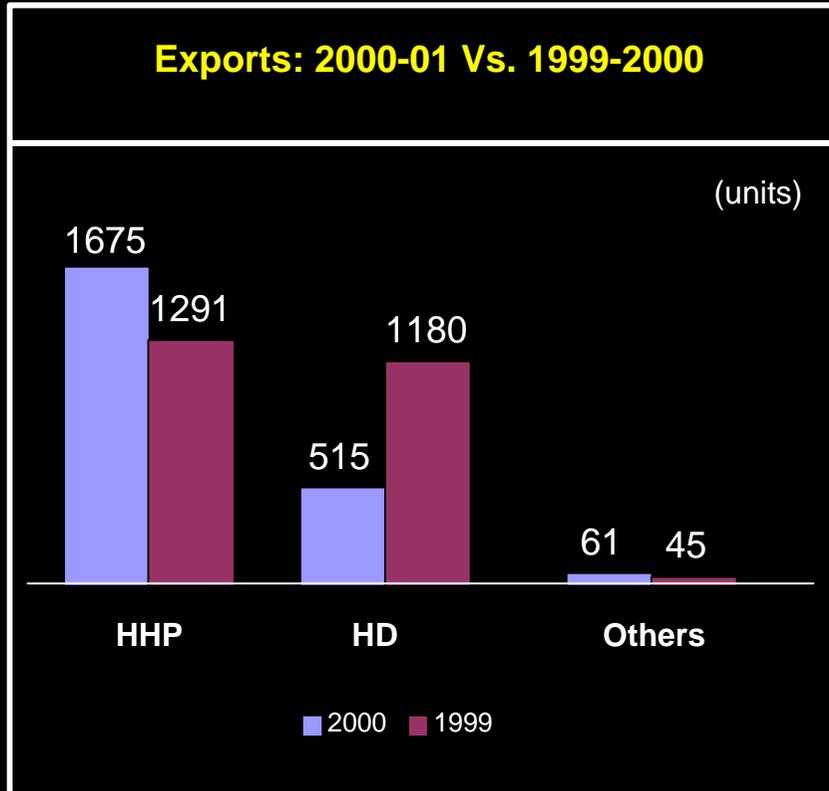
Material Costs fell from 62% to 60% during 2000-01 due to Indegenization ..



.. and was supported by improved Treasury Mgmt and R&D Income



Export Performance: 2000-01

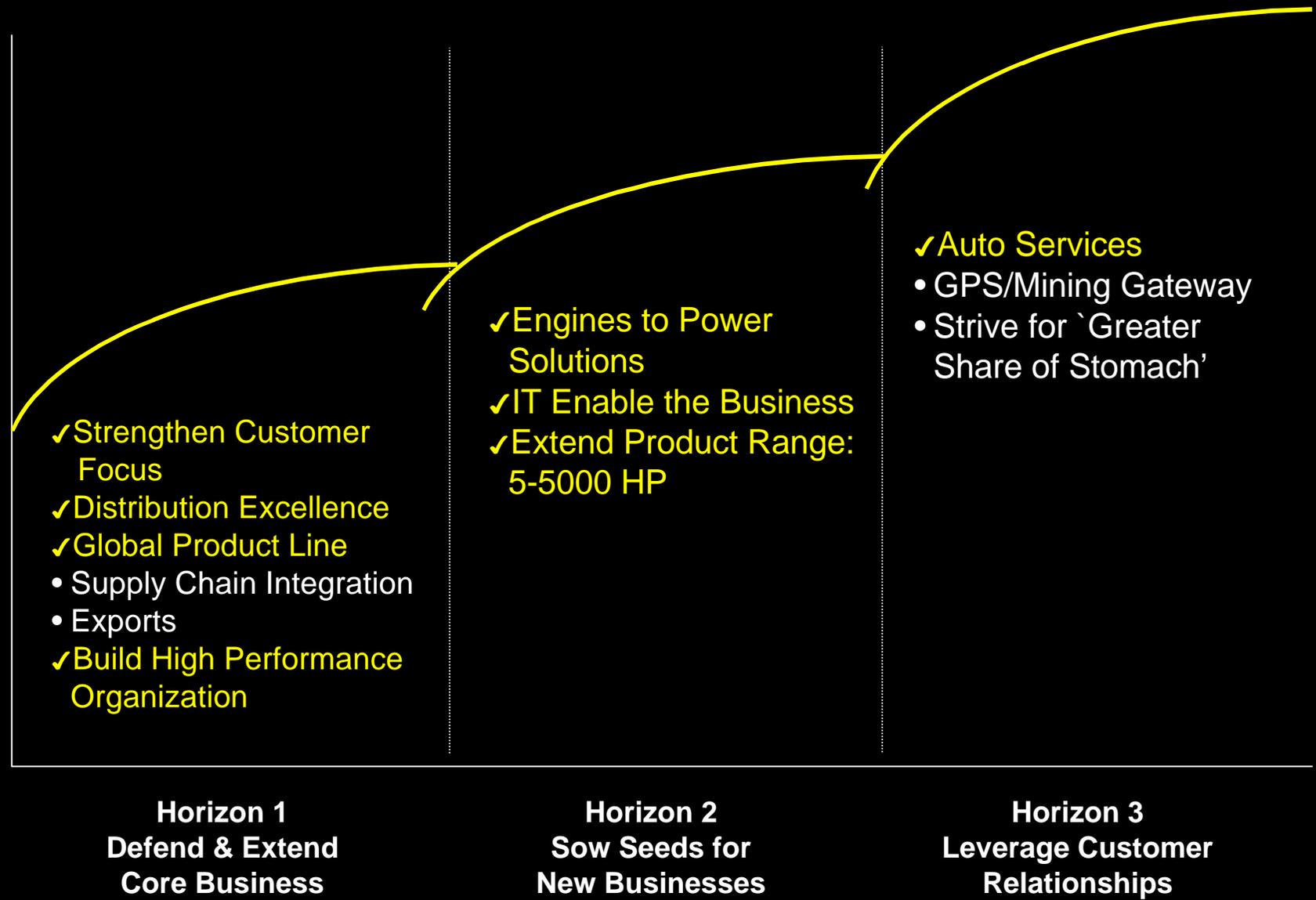


- Overall growth in exports of 4%
- 56% drop in demand for Heavy Duty engines due to South East Asia slowdown
- 30% growth in demand for HHP engines - 60, 50 and 38 liter offset the fall in demand for HDE
- HHP engines grew to 44% of total exports

Note:
HHP - High Horsepower (V28, K38, 50 & 60 Liter Engines)
HD - Heavy Duty Engines (N855, K6)
Others - Mid Range



Strategy Roadmap (1/3)



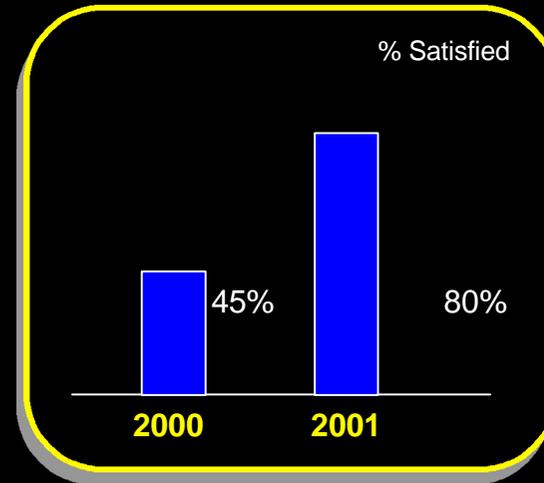


Strategy Roadmap (2/3)

Customer Focus

Initiatives

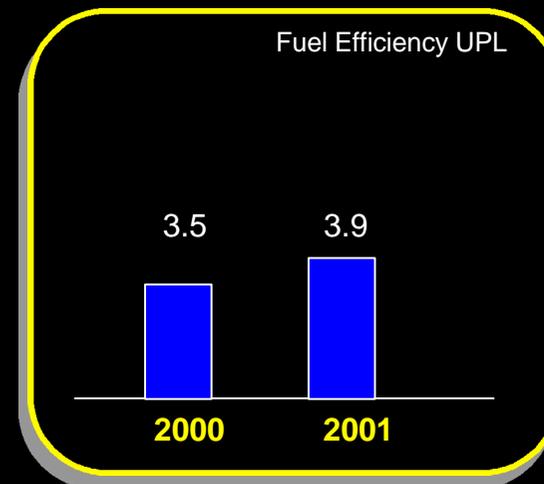
- Customer Relationship Management Program
- User Satisfaction Surveys
- Account Management structure for key customers
- Co-marketing programs with GOEMs



Global Product Line

Initiatives

- 11 New Engine models
- Electronics options for engines
- Full Genset Product Design standardization
- Oil First Fill included in engine



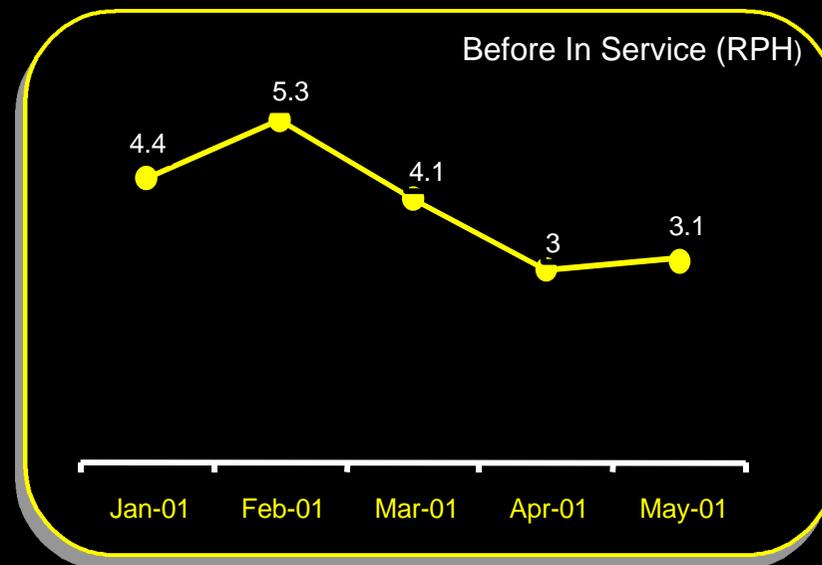
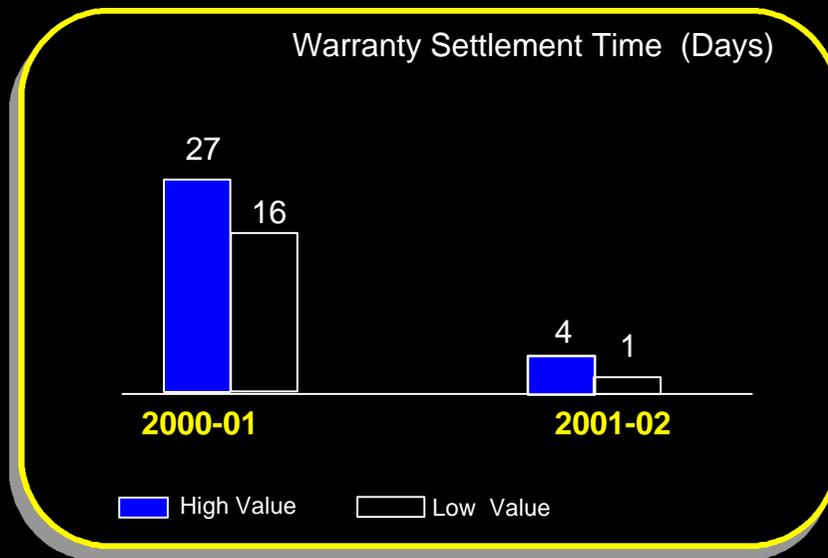
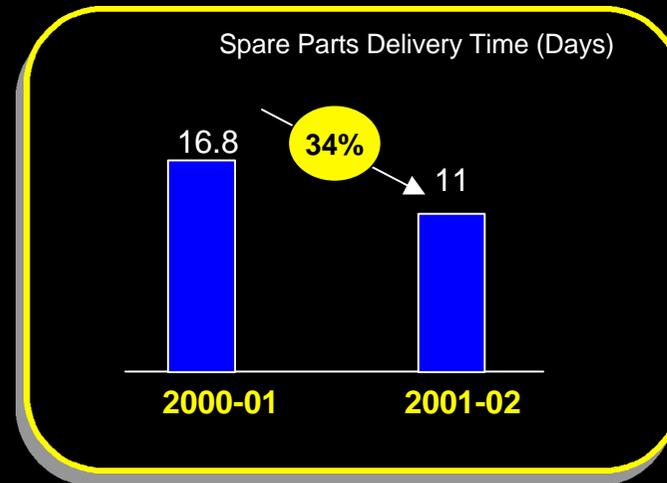
Note: Data is representative, and does not reflect full benefits of initiatives

Strategy Roadmap (3/3)

Distribution Excellence

Initiatives

- Supply Chain Management Program
- Single Face to Customer
- Warranty Settlement Process
- Dealer Development Program
- Mobile Quick Serve
- Installation & Commissioning



Note: Data is representative, and does not reflect full benefits of initiatives

outlook 2001



Cummins India Ltd.



Power Generation: Outlook

Pros:

- + Additional peak capacity requirement of around 65,000 MW by 2003-04
- + Only 11% of approved IPPs have commenced construction.
- + Projected capacity addition of only 25,000 MW from Government & IPP sector
- + Move towards Distributed Generation
- + Emission & Noise norms.
- + Leading customers are receptive to Solutions

Cons:

- × Low economic growth & capital investment for next 2 years
- × Cost of HSD
- × Switch to alternate fuels for captive power
- × Electricity Boards are restricting move towards Captive Power
- × Increased competition from Imports

Moderate Growth in Short Term
Optimistic Medium Term Outlook - Improved Product Range & Solutions



Mining & Industrial : Outlook

Pros:

- +Coal will continue to constitute 65% of India's energy supply
- +Deregulation of the Indian mining sector. Government has already released 17 blocks for privatization
- +Migration in Mining equipment capacities from 30/50 Tons to > 85/120 Tons
- +Launch of government initiatives for Road & Social Infrastructure development.
- +Customers are focusing on asset utilization and product uptime

Cons:

- ✘ Nationalized Mining Sector is making significant losses
- ✘ Speed of Deregulation dependent on Political Will
- ✘ Coal Sector Purchase Holiday

Moderate Growth - focused on Construction Markets



Volatile Global markets ...

Trends

- + Demand for high horsepower remains strong
- + Poor power scenario in Brazil is driving increased demand
- + World-wide cost pressures will increase trend to outsourcing from India
- Drop in demand from internet & telecom segments in North America
- High volatility in sales impacting overall supply chain management
- Cost benchmarks are China & Brazil, vs. US and UK

... will require several initiatives to sustain exports growth

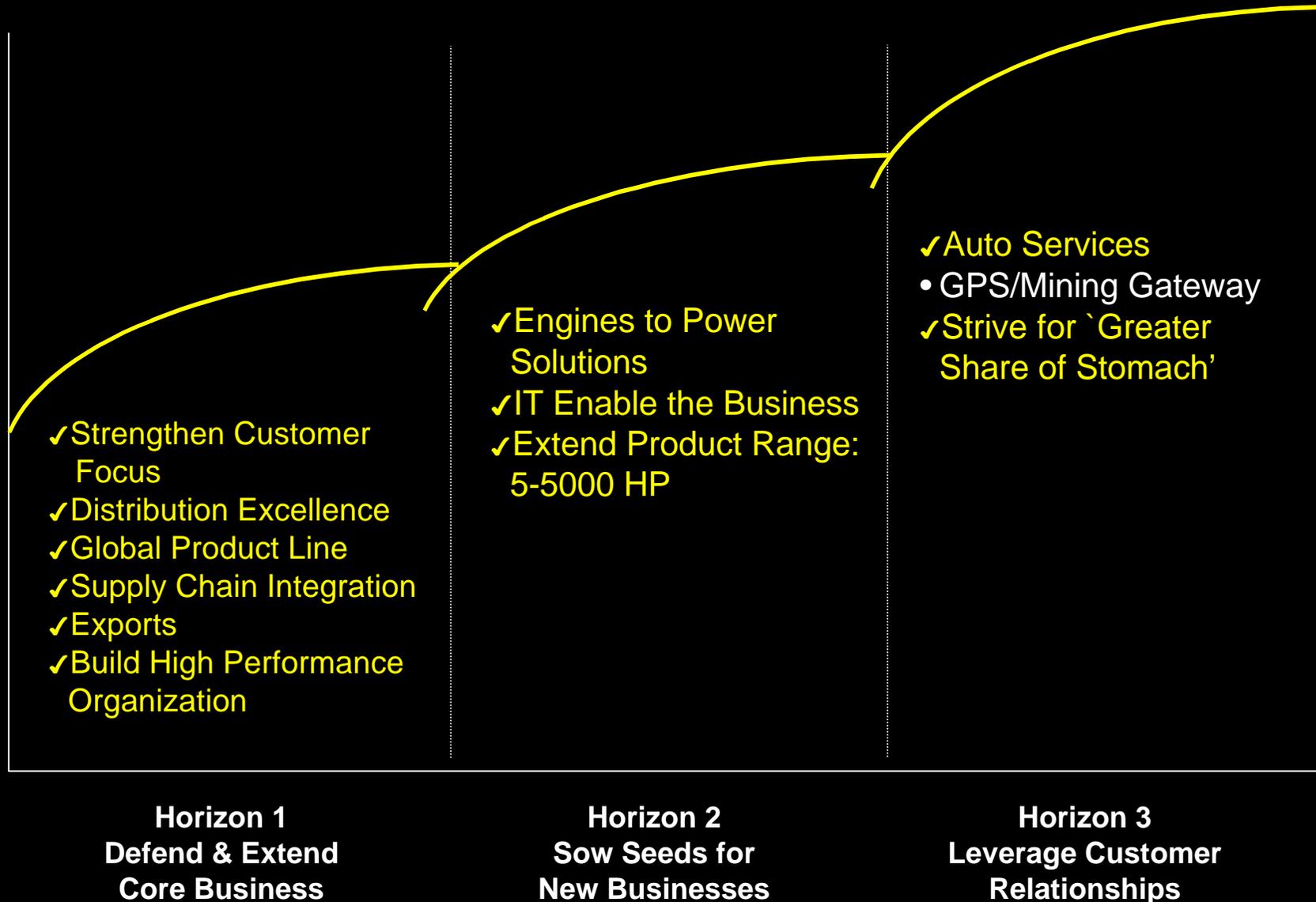
Product Opportunities

- Upgraded V28 for meeting Tier 2 norms
- Exports of N14 from Q1, 2002
- Small DG Sets (15-30 kVA)
- Fuel Pumps
- Gas engines (HHP - K38)

Supply Chain & Marketing

- Integrated forecasting system initiative
- Cost reduction
- End customer marketing

Strategy Roadmap : 2001-02 (1/2)





Initiatives: 2002 (1/2)

Initiatives

Expected Benefits

Sharpen Customer Focus

- Customer Relationship Management (CRM) Program
- Focused segment strategies & value packages
- All-India Engine Census

- Increase in market-share
- Higher sale of Power Solutions
- Replacement
- Increase `share of customer spend'

Distribution Excellence

- Dealer restructuring & warranty administration
- One face to customer on product support
- Installation & Commissioning
- Service Contracts & AMCs

- Lower warranty costs
- First Pass Fill of 95% (7 days)
- Lower parts inventories & Increased turns



Initiatives: 2002 (2/2)

Global Product Line

- Initiatives**
- New products in heavy duty & mid-range segments
 - Platforms - C Series, N14, B
 - 15-25 kVA Product Range
 - Generator Controls electronics for HHP range
-

Expected Benefits

- Product Performance
- Reduction in BIS RPH - 1%
- Electronics economic opportunity
- Export opportunities

.....

Supply Chain Integration

- Focused Purchasing & Sourcing organization
- Supplier consolidation
- Phase 2 & 3 implementation of Supply Chain Management
- **War On Waste** Program

- 4-5% material costs reduction
- Dramatic improvement in incoming quality
- Increase in inventory turns
- Parts shipment accuracy to 99.99%
- Reduction in cycle inventory of engines and parts

new ventures

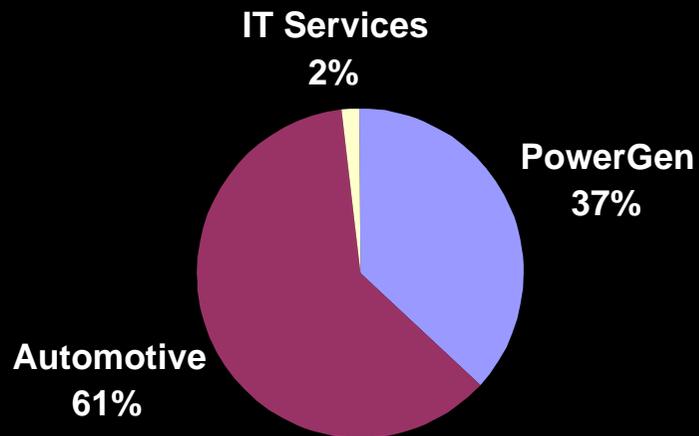
- Power Systems India Ltd.
- Cummins Power Solutions Ltd.
- Cummins Infotech Ltd.
- Cummins Auto Services Ltd.



Cummins India Ltd.

New Business Ventures: 2000-01 Performance

BU Revenue Distribution New Ventures: 2000-01

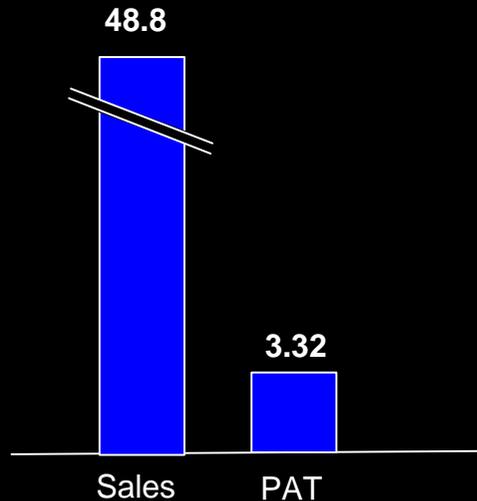


- Overall performance of these was in line with projections
- New Business Ventures contributed a turnover of Rs. 62.3 crores in 2000-01
- Aggregate Profit After Tax of 5 %
- PSIL & CPSL have achieved profitability in year 1 operations, and CASL achieved Cash Break-Even.
- Automotive Business comprised the largest share of sales followed by Power Generation & IT services



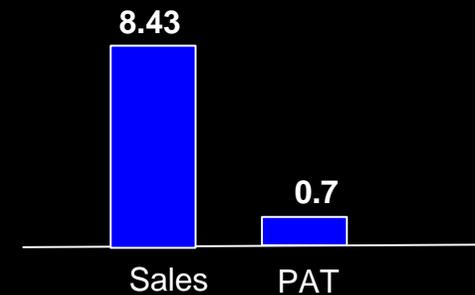
New Business Ventures: 2000-01 Performance

(Rs. Crores)



Power Systems India Ltd.

- Engine packages for Power Generation, Automotive and Off-highway segments
- Marketshare of 50% in CNG market and 11% in Power Generation market
- Product Expansion plans: 15-30 kVA and marine generator/propulsion packages



Cummins Power Solutions Ltd.

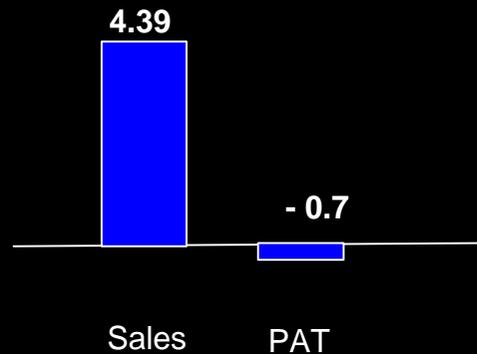
- Engaged in provision of Distributed Generation, Energy Sales, Consulting & Temporary Power
- Scaled up capacity to over 45 MW in distributed generation & temporary power
- Customers include McDonald's, Enron, Bharti Group
- Currently evaluating options for non-HSD product range

(Note: Data for Cummins Power Solutions Ltd. is for 6 months of operations)



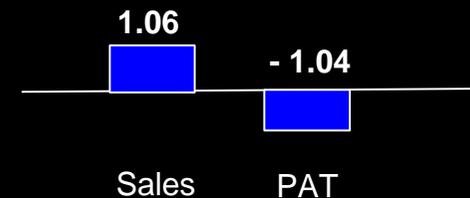
New Business Ventures: 2000-01 Performance

(Rs. Crores)



Cummins Auto Services Ltd.

- Engaged in providing Auto Services, & parts distribution for Trucks
- India's only nation-wide 'platform independent' provider of auto services
- Current distribution network of over 70 parts dealers
- Establishing on-highway service network across NH8, linking Mumbai to Delhi

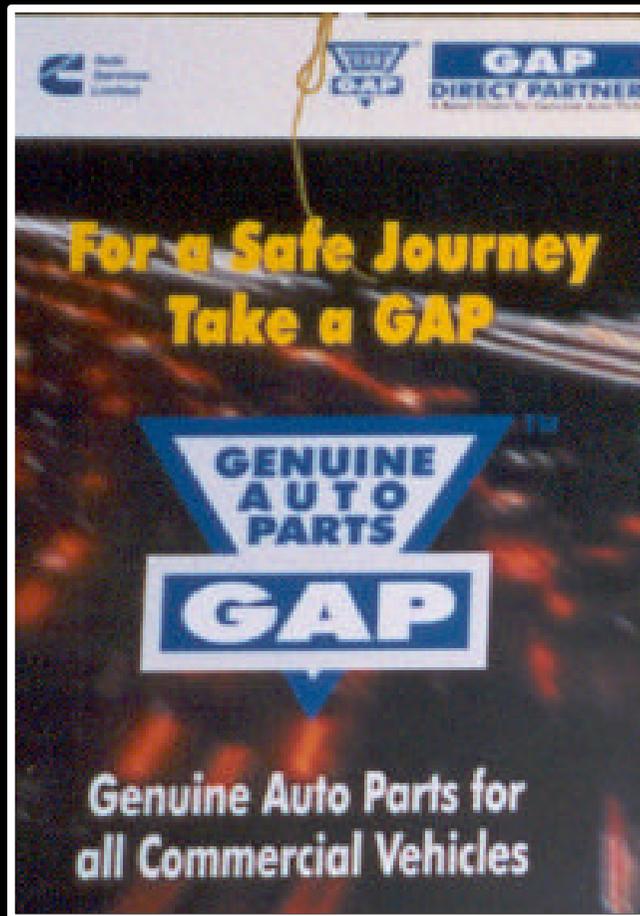


Cummins Infotech Ltd.

- Ecommerce & Oracle offerings for engineering sector
- Over 15 projects completed in Ecommerce & overall management of Oracle Applications implementation at Cummins India Ltd.
- 2000-01 revenues lagged projections due to slowdown in US economy and Truck market which delayed outsourcing of projects

(Note: Data for Cummins Auto Services Ltd. is for operations for part year only)

New Business Ventures: 2000-01 Performance



Cummins Auto Services Ltd. GAP Parts Retail Outlets

New Business Ventures: 2000-01 Performance



1 MW Power Pant - Mistui Electric Auto, Gurgaon



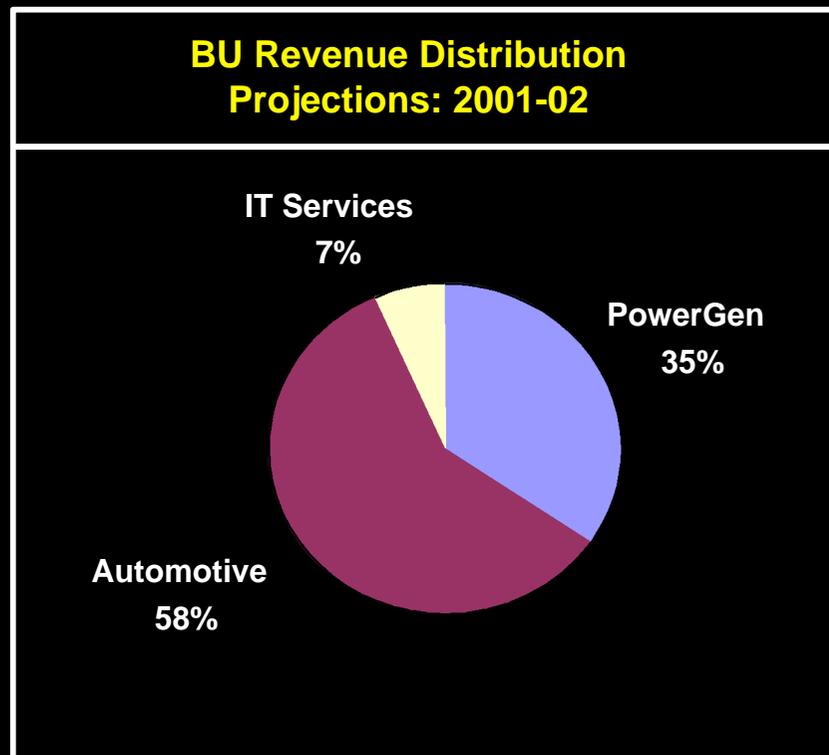
2.75 MW Power Plant - L&T John Deere Ltd.



Distributed Power Solutions for Bharti Telesonic - 6 locations, 1000 kVA



New Business Ventures: 2001-02 Prospects



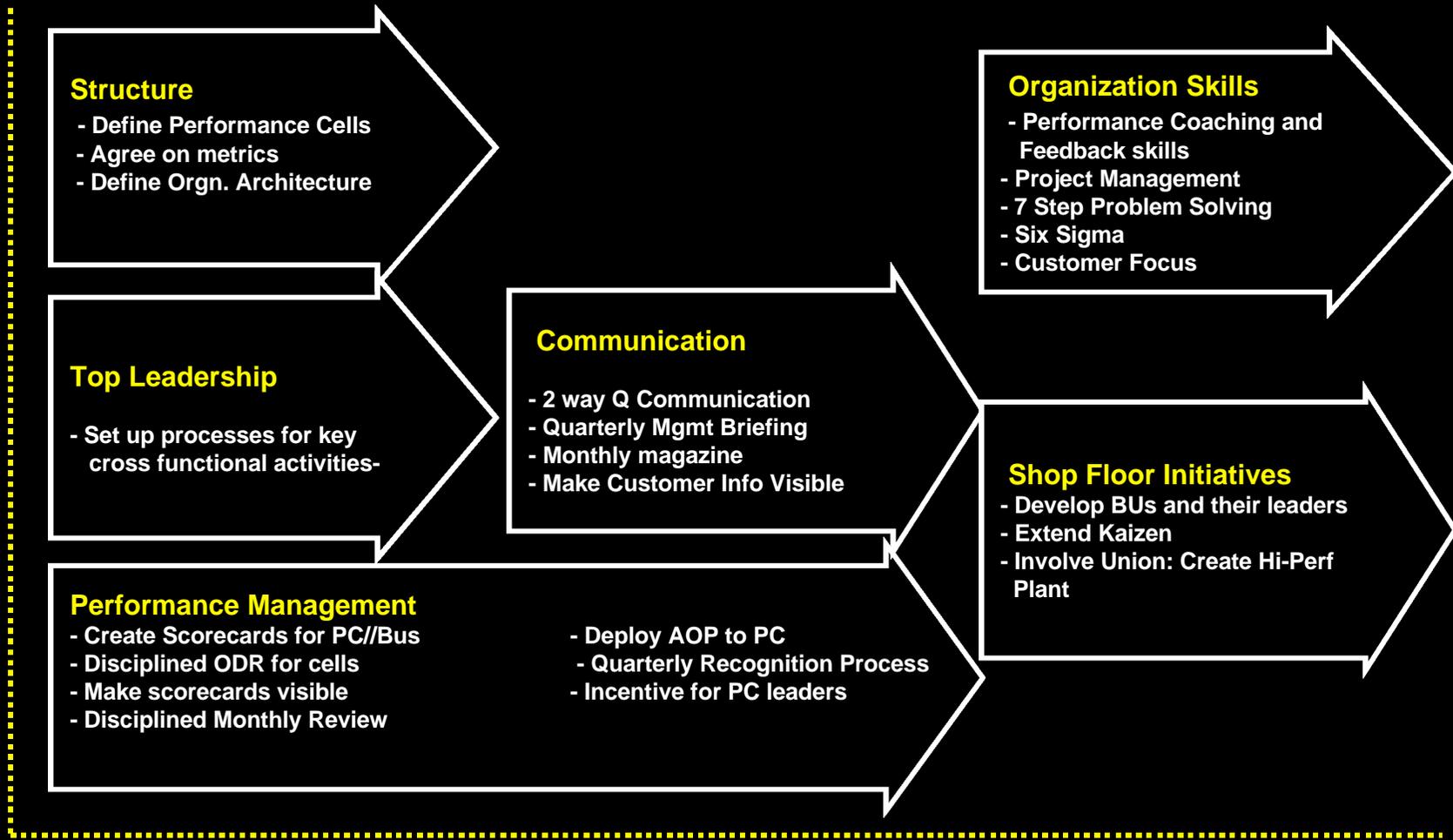
- Continued growth for CNG
- Telecom & Construction sector growth will drive demand for Power Generation
- Expansion of new ventures with individual growth plans for all businesses
- Cummins Infotech - Single worldwide single vendor for Ecommerce services will drive increased revenues
- **Aggregate projected turnover of Rs. 135 crores in 2001-02, a growth of 117% over 2000-01**

organization



Cummins India Ltd.

Organization





Q&A



www.cumminsindia.com