

***analyst  
&  
investors  
meet  
2002***

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

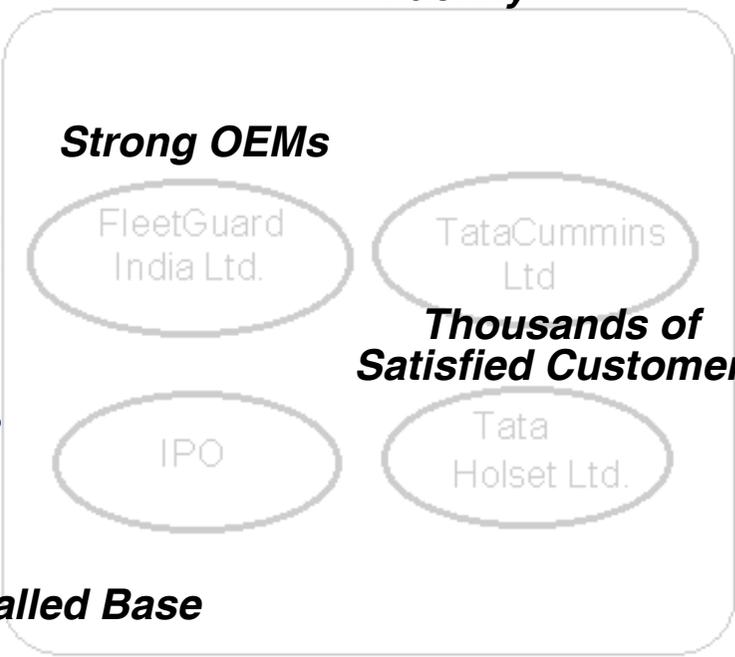
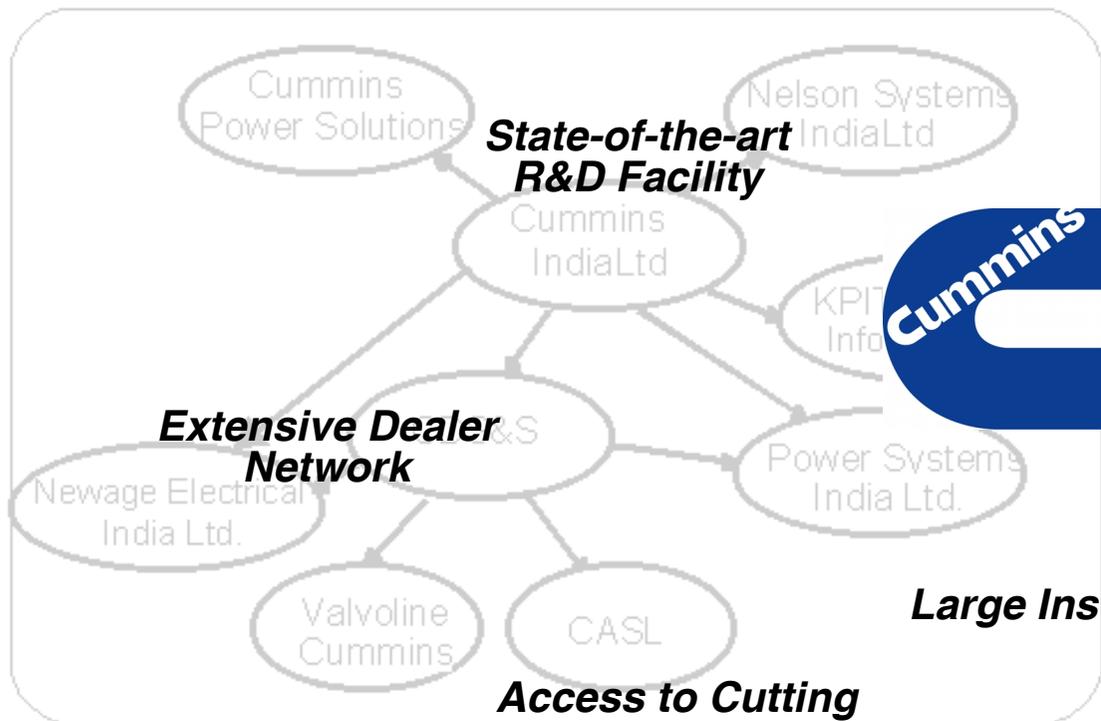




**Dominant Market Share... Market Leader**

**Strong Balance Sheet**

**Modern Manufacturing Facility**



**Complete Power Solutions**

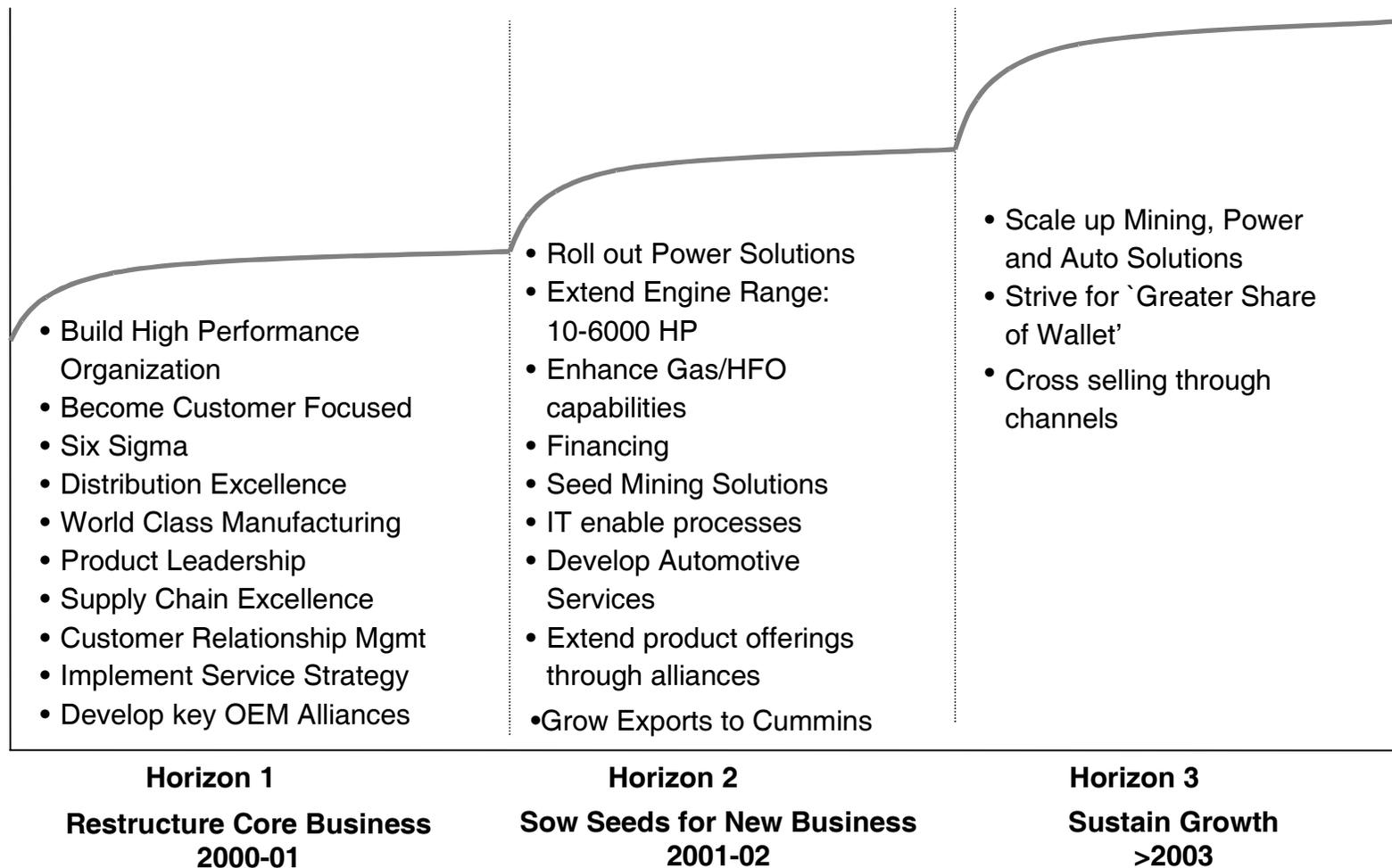
**Access to Cutting Edge R&D and Technology**

**Highly Skilled People**

**Global Company**

- **GDP growth ~ 5%, but *some sectors bullish***
  - ◆ **Telecom...** sectoral growth of 16.5% over last six years, but penetration still low (<28 mn lines for >1 bn people)... significant growth for yet another year
  - ◆ **Financial services, retailing, real estate... *increased demand*** for quality power backup
  - ◆ **Tourism / Hotels affected negatively** post 9/11... genset business affected... however, ***increased opportunity for energy optimization***
  - ◆ **14% increase in Defense** spending... increased demand for engines
  - ◆ **Road infrastructure and construction initiatives on the rise...** increased gensets, compressors, earth-moving equipment, commercial vehicles
- **Very gradual power sector reforms...** peak deficit ~ 14%... continued demand for gensets
- Major challenges
  - ◆ ***increasing diesel prices***
  - ◆ ***slow manufacturing growth*** - industry growth dropped over last two years from 5.1% to 2.7%
  - ◆ ***increased competition*** from global players
  - ◆ ***slow / delayed capital investments***
- **Global recovery unlikely in 2003**
- Generally stable though ***slowly weakening Rupee will support exports***

***We continue to focus on restructuring our current business, while initiating a range of growth initiatives, aimed at a turnover of USD 1 billion***



But, it all boils down to the same ageless truisms... our focus will continue to be...

- ◆ *Create wealth for shareholders*
- ◆ *Partner with customers to extend market leadership*
- ◆ *First to market with innovative new products and services*
- ◆ *Grow exports of engines, components and services*
- ◆ *Create an organization that can execute*

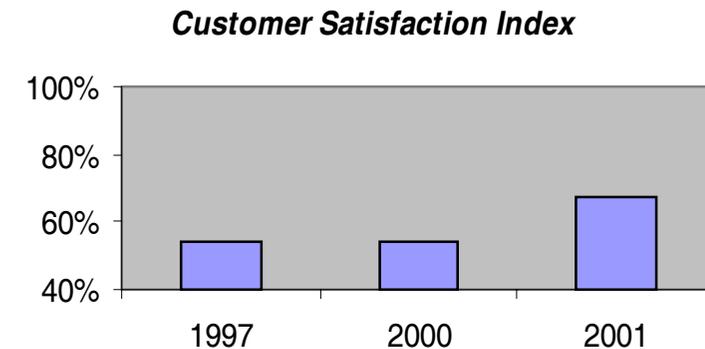
## Contained costs, improved productivity and, boosted cash flow

- ◆ *suppliers reduced from > 800 to 300*
- ◆ *material costs reduced by > Rs 150 million*
- ◆ *closed foundry (Plant 2)*
- ◆ *older, less profitable engines being made obsolete*
- ◆ *implemented first-ever VRS in Cummins India; employee costs still high*
- ◆ *overall cost reduction through Six Sigma & Kaizen > Rs 89 million in savings*
- ◆ *implementing Supply Chain Management and ERP systems to enhance productivity*

*... going forwards, we will accelerate cost reduction efforts... to take out Rs 1000 million in costs by 2004*

## Partnered with customers to extend market leadership

- ◆ *successful overhaul of PowerGeneration distribution system... closer to customers*
- ◆ *engine alliances with Industrial OEMs - Elgi, Ingersoll Rand, Tata Hitachi...*
- ◆ *major account programs with key customers in fast growing sectors... Bharti, Reliance, DLF, IOCL, MTNL, Gujarat Fluoro Chemicals...*
- ◆ *major player in 30 - 125 kVA... over 35% marketshare*
- ◆ *Six Sigma used to enhance customer satisfaction by over 13% - warranty settlement time reduced by over 89%*
- ◆ *enhanced capability of CDSS dealers... providing support for complete generator sets, not just the engine... extending to construction equipment and mining trucks*
- ◆ *major orders from Coal India / BEML*
- ◆ *increasing market share in water well, road construction and compressor markets*
- ◆ *major orders from Indian Navy, Indian Army*
- ◆ *capturing > 90% of non-captive power requirements from Indian Railways*





Infosys

Tata Telecom

Domino's Pizza

Honda

Mitsubishi Electric

Nestle

Dell

Cisco Systems

Hindustan Lever

HDFC Bank

AT&T

Pizza Hut

L&T John Deere

Reliance

McDonald's

Café Coffee Day

Bharat Petroleum

ICICI Bank



## Introduced innovative new products and services...

- ◆ **completely new product line**... down to 15kVA and upwards to 3MW... 2003 emissions and noise compliant
- ◆ **fuel efficient**; alternate fuels - gas, SKO, LDO...
- ◆ **alliance with Yanmar** for six base load ratings on HFO - **extends our range upto 3MW**
- ◆ **QSK 38 Lean Burn Engine** under development... **sole source in Cummins world**
- ◆ the 'S' series... a major hit, **over 35% market share**... designated 'Cummins Center of Excellence'
- ◆ **6BT** replaced the N495; **6C** and **N14** being made available
- ◆ PowerCommand Control and Electronic Control Panel... **electronic controls**
- ◆ **market leader in rentals** with a fleet of ~70 MVA... CPSL emerging as a market leader in energy auditing, powerhouse consulting... CPSL **sales growth ~ 30% p.a.** through rentals, BOOT / BOLT...
- ◆ new services through CDSS... **171% growth in AMCs, 156% growth in Ops-and-Maintenance contracts, 228% growth in Single-Point Service Contracts** over last year... **tapping the vast installed base**...
- ◆ **CASL**... **first nationwide, on-highway full service provider** for truck fleets - 5 fully operational Suraksha Stops, over 50 spares retailers, over 35 suppliers represented... **61% growth in sales**
- ◆ **Joint Ventures**... **Valvoline Cummins**... **Newage Electrical India Ltd**... **KPIT Cummins Infosystems**



## Cummins Auto Services...

- ◆ *India's first on-highway full service network for commercial vehicles*
- ◆ *focus on preventive rather than breakdown maintenance... offers uptime guarantees to customers through customized maintenance sessions*
- ◆ *Suraksha Stops, Genuine Spare Parts and AMC businesses engaged in 'bumper-to-bumper' support*
  - ◆ Suraksha Stops on NH8... Gurgaon, Jaipur, Vadodra, and Thane... beginning to cover NH4 with Chennai... every 350 kms to have a Suraksha Stop, service tie-ups at every 100 kms
  - ◆ 50 spare parts retailers (GDPs); ~5,600 SKUs; 35 suppliers represented
  - ◆ major tie-ups with Lucas, Exide, Apollo, IBP...
- ◆ *expect revenues of about Rs 3000 million by 2005-06*

... potential for much more going forward

## Cummins Auto Services...

- ◆ *550 AMC customer across the 5 Suraksha Stops*
- ◆ *10,500 vehicles served already*
- ◆ *alliance with IBP*
  - ◆ 'asset-light' model going forwards
  - ◆ IBP fuel, lubes and greases available at all Suraksha Stops
  - ◆ 49 Suraksha Stops planned over next 3 years... going the franchisee way
  - ◆ focus on covering the 'Golden Quadrilateral' first
- ◆ *expect to demonstrate 'Proof of Concept' by mid-2003*
- ◆ *expect to be profitable by 2004*

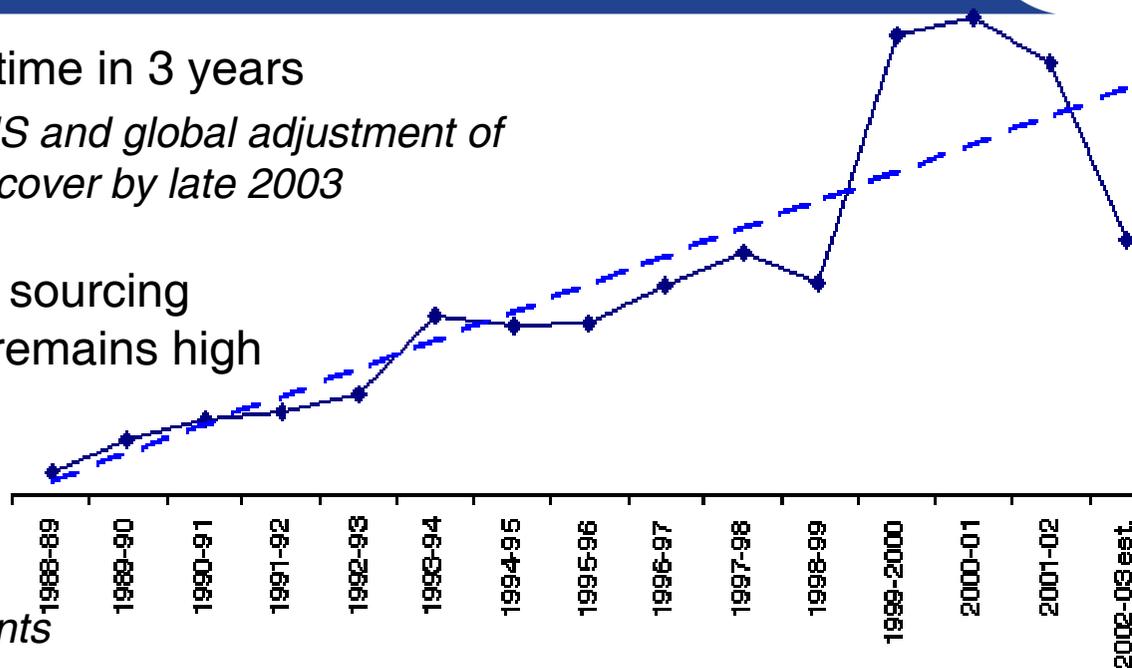
- Exports to Cummins decline for the first time in 3 years
  - ◆ *fall in demand for generator sets in the US and global adjustment of inventory in the supply chain...likely to recover by late 2003*

- Cummins Inc. commitment to increasing sourcing from low cost countries especially India remains high
  - ◆ *working towards capital efficient cost leadership*

- Export basket being diversified
  - ◆ *manufactured and 'bought-out' components*
  - ◆ *direct exports to Korea, China, SE Asia, Australia*

- Global Center of Excellence for small gensets (15-125 KVA)
  - ◆ *'S' and 'B' exports to Europe, USA, SE and East Asia, Australia*

- Export of services
  - ◆ *KPIT-Cummins Infosystems Limited*
  - ◆ *contract R&D work (currently USD 200,000)*
  - ◆ *Cummins Business Services (regional transaction processing backoffice)*



- Improvement in cash flows
  - ◆ *inventory reductions ~ 16% over last year*
  - ◆ *total cash reserves > Rs 2500 million*
  - ◆ *free cash flow improved to ~ Rs 400 million*
  
- Major CAPEX behind us
  - ◆ *Rs 400 - 500 million p.a. next few years*
  
- Continue to examine available options for use of excess cash
  - ◆ *share buyback*
  - ◆ *acquisitions... e.g. Newage Electrical India Limited*
  - ◆ *dividend payouts*

+

- performance driven
- entrepreneurial
- empowerment and involvement
- training and development
- Six Sigma, TurboKaizen
- diversity
- externally focused

-

- clash of ideas and values
- insecurity - VRS
- old v/s new
- still too slow
- productivity

*... an organization in transition*

- Sound solutions and services based strategy
- Dynamic leadership team
- Strong OEM - enduser marketing
- More customer centered
- 3 out of 4 new businesses profitable and growing
- Lowest cost manufacturing base by 2004
- Newly overhauled operations... product line, supply chain, dealer network

*Poised to benefit from any lift in the economy!*



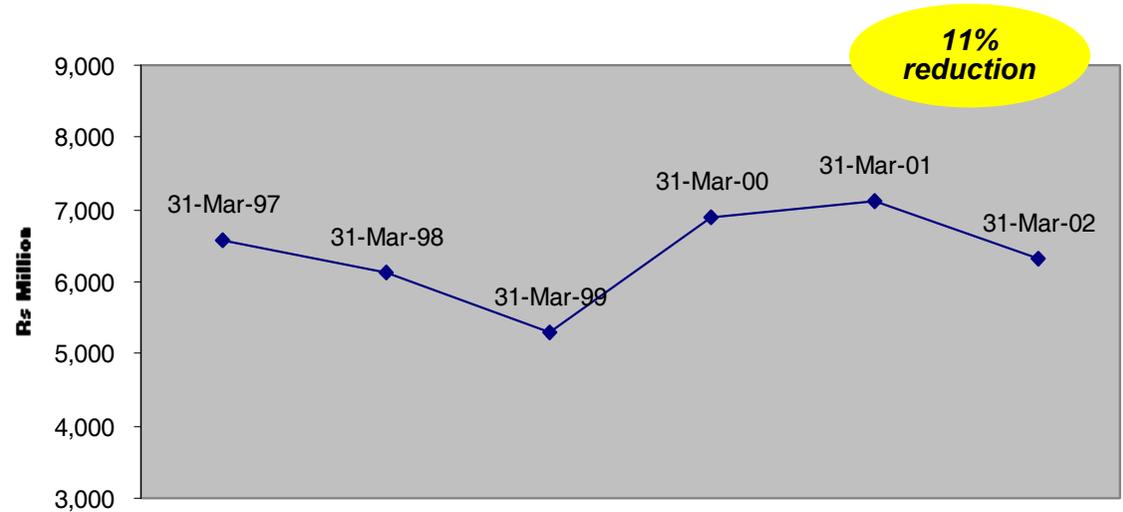
*Operations...*

- Material costs to sales ~ 60%
  - ◆ indigenization efforts in full swing
  - ◆ efforts under way to reduce material costs by 5-10%
  - ◆ inventory reductions ~ 16%

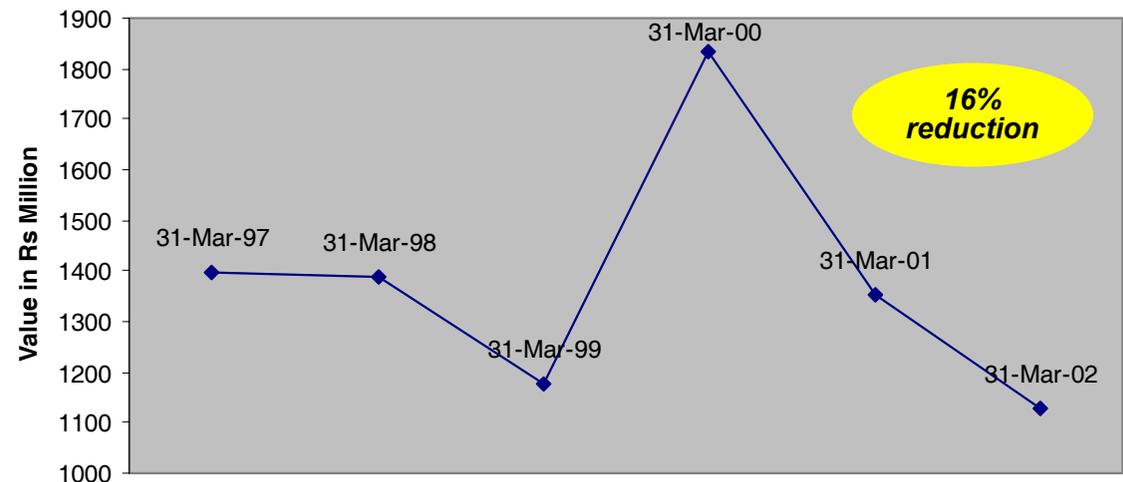
- Permanent cost reductions in materials and manufacturing targeted at Rs 1000 million over two years

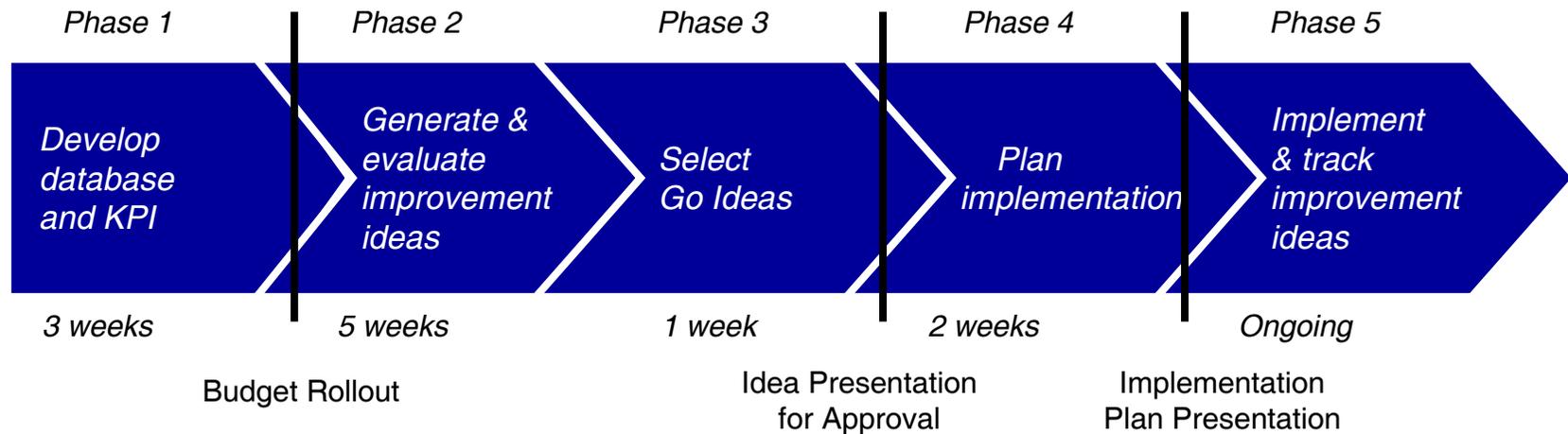
- ◆ Six Sigma, Kaizen and expense management yielded ~ Rs 89 million in savings
- ◆ materials costs reduced by ~ Rs 150 million

### Cost of Sales



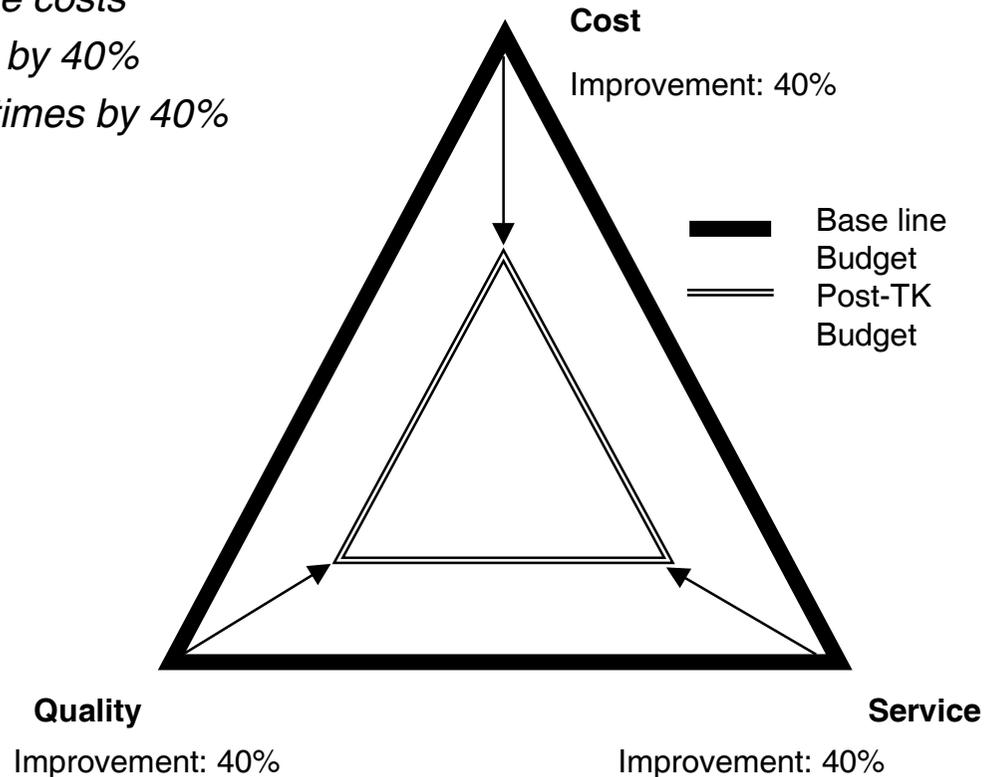
### Inventory Levels





A highly structured process for a quantum improvement in Cost, Quality and Services at a rapid speed

- ◆ very aggressive improvement targets... 40% in our case
- ◆ focused exclusively on performance
- ◆ involves active participation of associates... ideas to reduce costs, improve quality and reduce delays
  - ◆ *save 40% of compressible costs*
  - ◆ *reduce scrap and rework by 40%*
  - ◆ *reduce delays and downtimes by 40%*



*Financials...*

## CIL Sales & Profits have declined

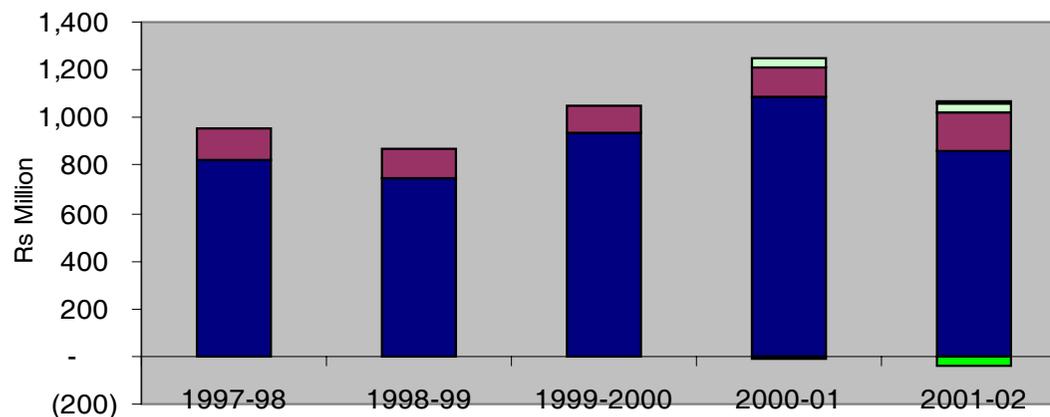
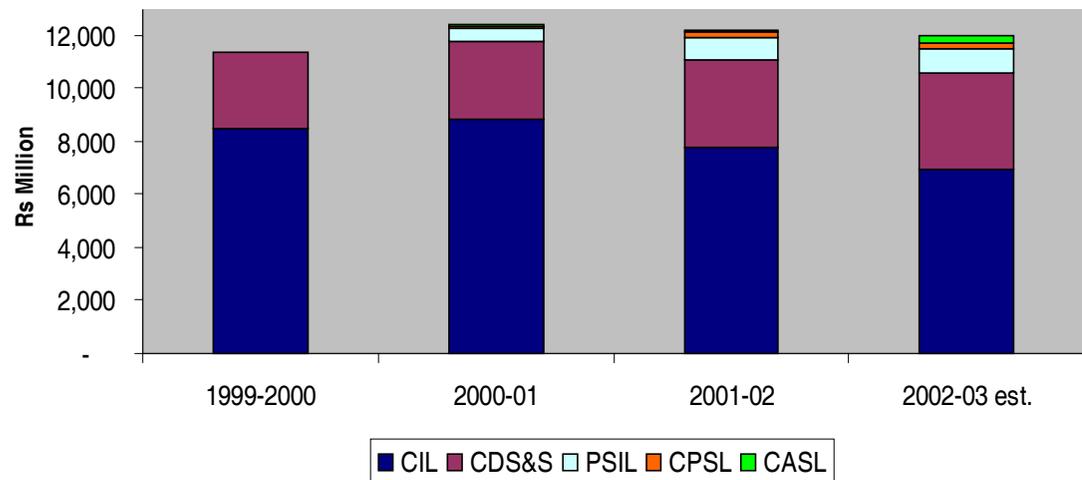
- ◆ *Weak domestic economy*
- ◆ *global slowdown especially post 9/11... impacted exports*
- ◆ *factors beyond our sphere of influence / control*

- **Have generally managed factors within our control**

- ◆ *New businesses have helped reduce the decline... our strategy is working*
- ◆ *Maintained margins ~ 37%*
  - ✦ *Price realization +2%*
- ◆ *PBT margin has remained ~ 15%*
- ◆ *Excellent treasury returns*
- ◆ *Strong cash flow ~ Rs 104 million last quarter*

- **Could have done better on Cost Reduction**

**Sales for the Year**



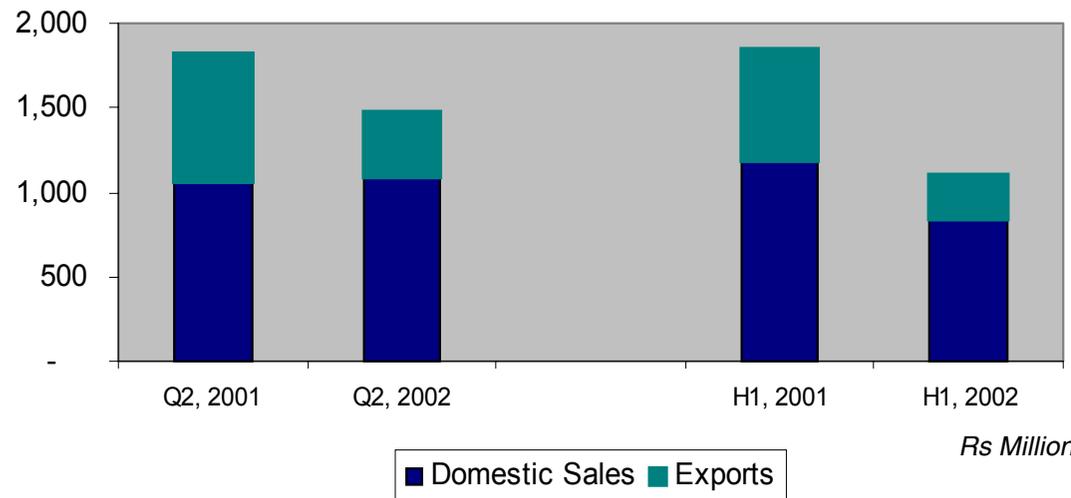
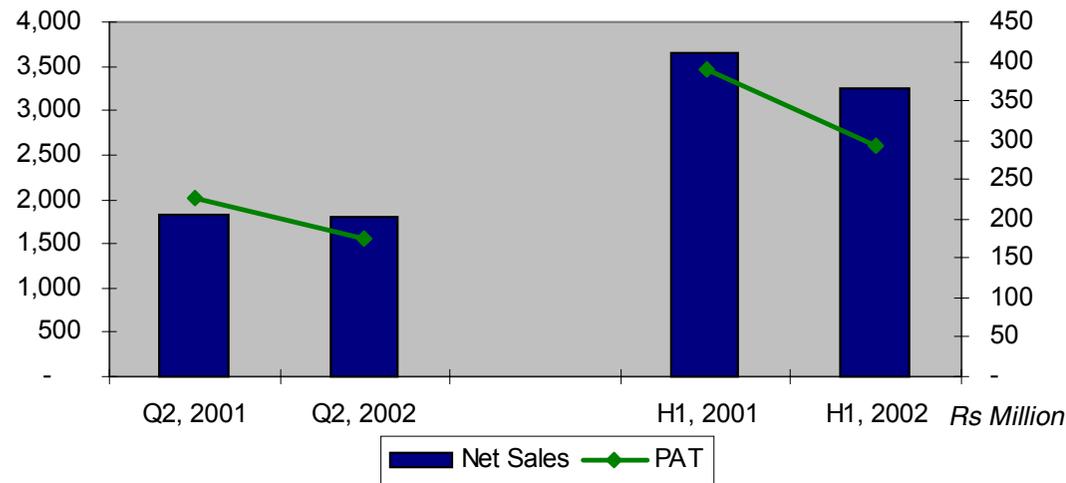
**Profit for the Year**

## Cummins India Limited - unaudited financial results as on Sep 30, 2002

<i>Rs Million</i>	Q2, 2001	Q2, 2002	Change		H1, 2001	H1, 2002	Change
Net Sales	1,813.47	1,793.67	-1%		3,655.02	3,261.00	-11%
Other Income	73.18	76.37	4%		133.39	137.59	3%
<b>Total Income</b>	<b>1,886.65</b>	<b>1,870.03</b>	<b>-1%</b>		<b>3,788.41</b>	<b>3,398.58</b>	<b>-10%</b>
<b>Expenditure</b>	<b>1,531.01</b>	<b>1,531.97</b>	<b>0%</b>		<b>3,126.03</b>	<b>2,825.37</b>	<b>-10%</b>
<b>Operating Profit</b>	<b>355.64</b>	<b>338.07</b>	<b>-5%</b>		<b>662.38</b>	<b>573.22</b>	<b>-13%</b>
Interest	3.85	3.21	-17%		7.13	5.42	-24%
Gross Profit	351.79	334.86	-5%		655.25	567.80	-13%
Depreciation	53.69	71.64	33%		127.11	132.39	4%
<b>PBT</b>	<b>298.10</b>	<b>263.22</b>	<b>-12%</b>		<b>528.14</b>	<b>435.41</b>	<b>-18%</b>
Tax	70.65	87.07	23%		137.15	143.59	5%
<b>PAT</b>	<b>227.45</b>	<b>176.15</b>	<b>-23%</b>		<b>390.99</b>	<b>291.82</b>	<b>-25%</b>
<b>Forex Earnings</b>	<b>778.18</b>	<b>415.96</b>	<b>-47%</b>		<b>1,441.99</b>	<b>725.07</b>	<b>-50%</b>

*CPSL & PSIL figures not included*

- Q2 results solid, not spectacular... 1% decrease in net sales as compared to Q2 last year
- Cost reduction efforts gaining traction - have not allowed costs to increase over last year; half-yearly results have seen a decline in costs of 10% over last year
- Operating profit fallen by 5% over Q2 last year
- PAT down by 23% to Rs 176 million

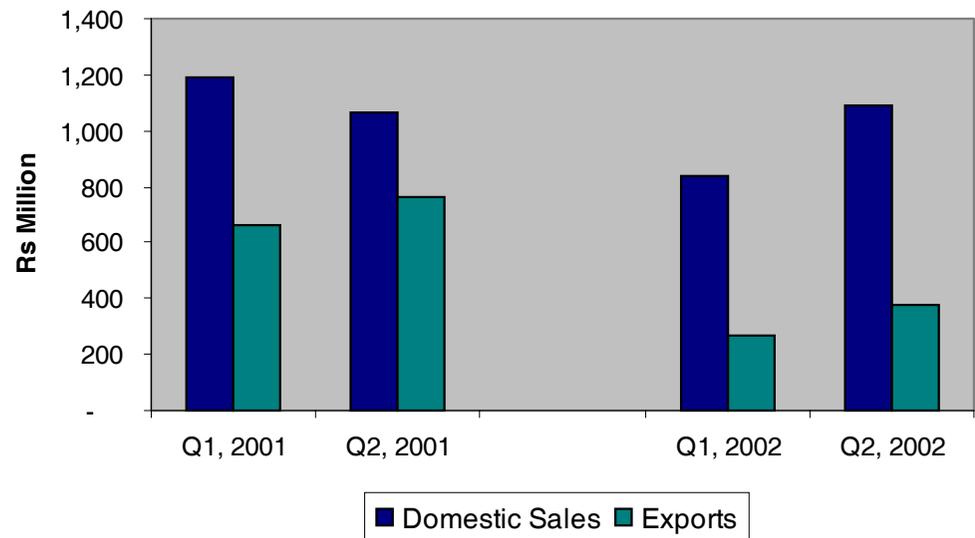
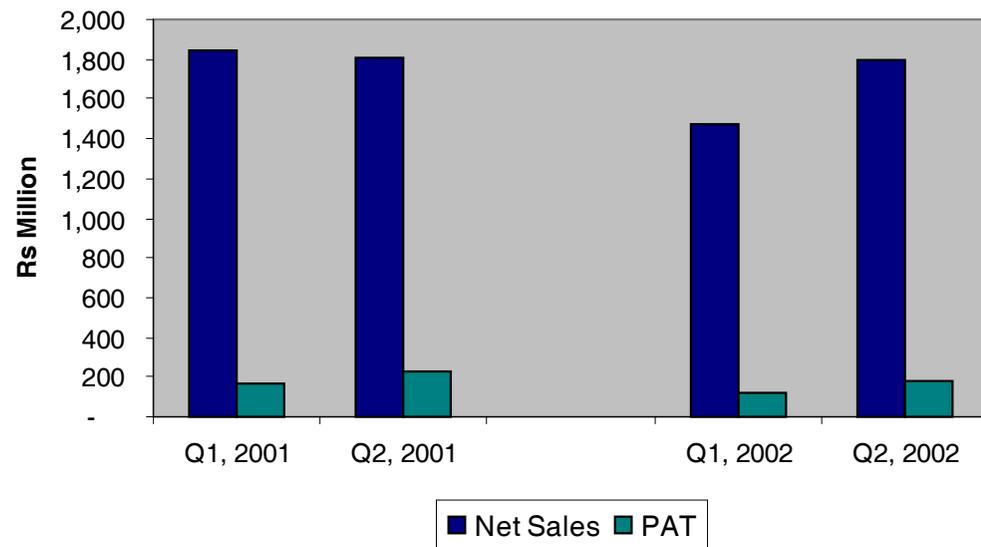


# Quarterly Performance Review (2002)



- Q2 sales increased 22% over Q1, 2002 to Rs 1,793 million
- Domestic sales increased 30% over last quarter
- Gross margins improved... operating profit up 44% in Q2 as compared to Q1, 2002
- PAT in Q2 increased by 52% over Q1 to Rs 176 million
- Continued good performance in treasury operations

*Encouraging signs... our efforts to concentrate on the domestic business in a focused manner are paying off... we anticipate that this trend will continue for the remainder of the year.*



## **PowerGen**

- *capacity addition of ~ 3,500 MW last year*
- *strong growth in demand from Telecom and Construction sectors expected to continue*
- *customers increasingly seeking 'Total Solutions'... global products from Cummins*
- *customers seeking lowest life-cycle costs and alternate fuels capability*
- *2003 emissions compliant products with electronics being introduced*

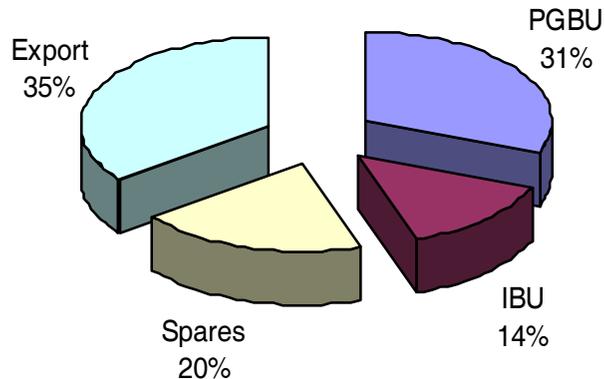
## **Industrial**

- *road and social infrastructure development increasing demand for on-highway construction equipment*
- *increased expenditure on Defense and Railway sectors to have positive impact*
- *customers increasingly focusing on asset utilization and uptime... CDSS capabilities being enhanced*

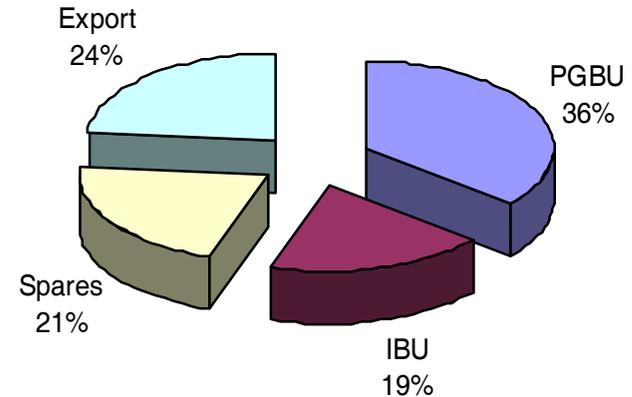
## **Automotive**

- *freight patterns moving towards multi-axle, high horsepower vehicles, into our C-Series range*
- *fleet operators focusing on cost and uptime - demand expected to improve over next 12 months*

Cummins India Performance (2001-02)



Cummins India Performance (2002-03 est.)



- No significant improvements in the economy barring some sectors
- Exports will remain depressed... weak demand and surplus inventory
- Performance for the balance of the year will depend on:
  - ◆ *continued strong execution in the marketplace*
  - ◆ *accelerating cost reduction*
  - ◆ *further improvements in working capital*
  - ◆ *expanding the scope of our export offerings*
  - ◆ *smooth introduction of new products - the 'C' and the 'N14'*
  - ◆ *continued growth in our new business ventures*



Cummins India  
Cummins Auto Services  
Power Systems India  
Fleetguard Filters  
Valvoline Cummins  
Tata Cummins  
Tata Holset



Cummins Diesel Sales  
& Service  
Cummins Power  
Solutions  
KPIT Cummins  
Infosystems  
Newage Electrical India  
Nelson Engine Systems

**Questions Please...**