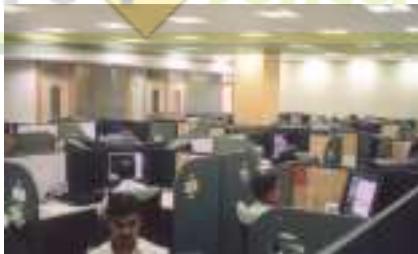




Cummins India Limited

Annual Report 2004

Partnerships for powerful performance





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Respected Shareholder,

Year 2003-2004 was a positive year for the economic and social landscape of the country. Cummins India continued its journey of progress with a sense of purpose and direction. Our road to sustainable and profitable growth for our stakeholders is guided by our vision of **"Making people's lives better by unleashing the Power of Cummins"**. For all of us at Cummins this vision statement is our anchor.

The vision statement is elucidated further by our mission. These two keep us rooted to our core values which we follow like a "mantra" in our day-to-day dealing with all stakeholders. Our mission statements are as follows:

**Motivating people
to act like owners
working together**

Motivating people to act like owners working together : At CIL we continue to be organized into two interdependent customer focused business units, the Engine Business Unit (EBU) and the Power Generation Business Unit (PGBU). Our facilities at Pune and Daman concentrate on design and manufacture of diesel and natural gas engines and generators for all applications. We market our products for power generation application via our exclusive tie-ups with three Generator OEMs Powerica Ltd., Jakson Ltd. and Sudhir Gensets Ltd.

We also offer comprehensive solutions such as Power Consulting, this enables customer's to lower their energy costs, rental options for gensets, and also design, construction and operation of diesel and natural gas based captive power plants.

Within each of these customer focused business units, we have many "performance cells" and cross-functional teams that work together seamlessly to achieve common objectives. Their performance is measured on clearly identified qualitative and quantitative targets which they own. With this approach we have fostered an entrepreneurial culture and close alignment with customer needs within a large company.



Exceeding customer expectations by always being first to market with the best offerings

Exceeding customer expectations by always being first to market with the best offerings : We continued to pioneer many new and innovative products and services in the last year. We launched the following products in the year:

- 8.3 litre C series engine (upto 300 HP) and generator sets which span 140-200 KVA range. This product has the best part load fuel efficiency performance, is compact and compliant with emission standards.

- The 14 litre N-14 series engine (upto 525 HP) and generator sets which span 225-380 KVA range.

- X series generator sets in the 15-25 KVA range at the lower end of our product offering where demand continued to be strong; this has achieved strong acceptance in domestic and global markets.

We have also started marketing our international range of lean-burn gas generator sets. They provide better power density, fuel efficiency and life cycle costs.

We introduced customized Engine Value Packages for several of our key accounts Indian Navy, Indian Railways and other major customers. This high degree of customization for their exacting needs earned laurels for your company. Another new introduction was the K38 Engine Value Package for the first indigenous Surface Miner and 100 T dump truck. We also came up with the compact 4B & 6B engine series for the compressor and construction



1750 kW QSV 91-G lean-burn natural gas based generator set at Raghav Industries Limited, Ankleshwar

equipment market. We have initiated robust Customer Support Plans for our major customers.

For the after sales support market, Cummins Diesel Sales and Service (CDS&S) launched the first of its kind 'Service Guarantee' program. This guarantees the performance standard of service, defined as : response time to customer site, accomplishing the service right the first time, and ensuring parts availability. This offering requires a very dense and evolved distribution and dealer network and commitment to the highest standards of service and support.

Launch of the X series, C series and N-14 engine



Clockwise from top :

- Jean Blackwell, CFO and Chief of Staff, Cummins Inc. and Anant J. Talaulicar, Chairman and Joint Managing Director, Cummins India Limited inaugurating "XCelleNce" the launch of the X series, C series and N-14 engine
- 8.3 litre C series engine
- 14 litre N-14 engine
- C series genset
- X series genset
- N-14 genset



35T Dump Truck powered by Cummins N-14-C



100T Dump Truck powered by Cummins KTA-38-C



LHB Power Car for Indian Railways - 2 x 500 KVA
Gensets powered by Cummins KTA-19-G4



Indian Navy Tug "INS Bhim" powered by Cummins
38 litre IMO compliant Marine Engine



India's 1st indigenous Surface Miner
powered by Cummins KTA-38-C



300 cfm portable compressors powered by Cummins 4B



Partnering with our customers to make sure they succeed : Our

initiative of "Listening" to the customer, the "Voice of the Customer" continued with zeal and a strong follow-up within the organisation. This programme was initiated in 2001 to help our employees appreciate customer concerns and get a first hand feedback from the actual users of our products. We bring in customers from diverse fields every fortnight to interact with a cross functional team of our managers and share their experience with Cummins products and services. The focus is on closing any gaps in our performance versus customer expectations.

These interactions have enabled us to take immediate and tangible actions to address many customer issues. We have formed cross-functional Customer Account Teams for each OEM. Each Account Team has members from various functions, and there are constant interactions between the team and customer representatives.

This has also helped us reduce our time to design and implement improvement programs, leverage team capabilities & build partnerships.

Partnering with our customers to make sure they succeed



We listen to our customers : Voice of the customer meeting in progress



First customer of the indigenously built X series genset being felicitated by the project leader, at the launch function



One of India's largest stadiums powered by Cummins Gensets



2.6 MWe power solution offered to Tetra Pack India Limited. Uses waste heat more effectively to reduce operating cost



Daman manufacturing facility



Engine assembly line at Daman



We did it, a century of C series engines :
The proud team



Our modern set-up at Cummins Products Division



**Demanding that
everything we do leads
to a cleaner, healthier,
safer environment**

Demanding that everything we do leads to a cleaner, healthier, safer environment : At Cummins India, we continue to focus on

providing customers with products that offer highest emission compliance standards along with best in the class economics. Both the C and N-14 products are state-of-the-art in this area. Cummins and its Generator OEMs have been

pioneers in designing and offering gensets with acoustic enclosures that exceed the toughest noise pollution norms. During the year, we made our entire range of genset products emissions compliant. We recently launched a programme with Cummins Westport Inc. to manufacture a new range of natural gas automotive engines called the B Gas International, which will be Euro III compliant. We are committed to ensuring that all our engines are compliant as per required norms. We have increased our investments in Research & Development significantly compared to the previous year.



Cummins India Limited signed an agreement with Cummins Westport Inc. to manufacture Euro III compliant natural gas engines at its Daman facility

Creating wealth for all stakeholders

Creating wealth for all stakeholders : The Company's sales were Rs. 9324 mn and profit after tax was Rs. 1092 mn which represented a growth of 12 % and 16 % respectively over the prior year respectively. As a result, all stakeholders including shareholders, employees, suppliers, customers, channel partners and the communities in which we operate have benefitted. During the year we were relentless in our pursuit of reducing costs and improving processes and quality. Our TurboKaizen initiatives have yielded exciting improvement in our work processes and in our efforts to reduce costs. We have numerous projects underway as a part of our Six-Sigma initiative to improve quality and reduce waste. To some extent they insulated us against rising input costs during the year.

Your company continued its commitment to the community in which it operates by supporting various charitable activities through our Cummins India Foundation. Our employees donated generously to calls for help and support from various social service institutions.



International recognition : Team from Cummins India Limited won the Cummins Inc. Chairman's award for the Six Sigma Black Belt project in 'Improving Capacity of STC Injectors'



Cummins employees contribute to 'Sankalpa', a residential school for mentally challenged children from the lower economic group