



# Cummins India Limited

## Annual Report 2008

### Our Values

- Integrity
- Innovation
- Delivering Superior Results
- Corporate Responsibility
- Diversity
- Global Involvement



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**I am Cummins. You can depend on me. I am Cummins.  
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## To Our Esteemed Shareholders



**Anant J. Talaunicar**  
Chairman and Managing Director  
Cummins India Limited

In last year's annual report, I shared with you our performance, business objectives and strategy for 2007 and beyond. I am pleased to note that the Company has delivered on its commitments and remains positive about its prospects for the future. This success is clearly attributable to all of our employees, strong customer and supplier relationships, best-in-class technology and after sales support. I am particularly pleased about the way our employees have remained steadfast and true to our Company Vision of "**Making people's lives better by unleashing the Power of Cummins**" and the six Cummins Core Values of **Integrity, Innovation, Delivering Superior Results, Corporate Responsibility, Diversity and Global Involvement**. This passion and perseverance has driven significant improvements in every aspect of the organization.

Our employees' allegiance to our Core Values is evident in the numbers. In spite of significant northward movement in commodity and fuel prices, our sales and profit performance in the 4<sup>th</sup> quarter and full year ending March 2008 witnessed steady growth. Our annual sales grew 27% to Rs. 23308 million and the corresponding profit before tax grew 14% to Rs. 3960 million. Our domestic business grew 30% to Rs. 16069 million,

and exports grew 20% to Rs. 7239 million.

I am also very pleased to convey that our business growth has been very balanced across all areas including – automotive, industrial and power generation, domestically as well as in exports. Thus our exposure to any particular segment is limited and the portfolio is fairly balanced. Specifically, in the domestic market, automotive grew 152%,



Cummins India  
Limited Campus  
at Kothrud, Pune.

industrial grew 27%, power generation grew 24%. Exports grew 20%.

Unfortunately, we were faced with unprecedented cost increases this fiscal year. These were a combination of significant inflation in commodities (e.g. pig iron, which is a basic constituent of the castings we use, increased 35% between April 2007 and March 2008, while steel increased at an average of 35% in the same time frame), the hardening of the rupee vis-à-vis the U.S. dollar by 10%, and an unexpected increase in the Octroi tax starting January 2008. Fortunately, the Octroi increase has been rolled back starting June 2008.

Further, the company incurred significant excess air

freight costs of having to import components in a stretched supply chain to meet the very strong customer demand.

The proactive cost reduction and waste elimination initiatives which we initiated a few years ago have helped greatly in offsetting the recent sharp cost increases. Specifically, I am alluding to a strong focus on driving efficiencies across the Company with the use of Six Sigma methodology, and strong, win-win partnerships with our suppliers on value engineering and productivity enhancement initiatives. Six Sigma has been a major factor in creating a sense of ownership via cross-functional improvement teams working across all functions

Strong focus on Six Sigma continues - The Six Sigma 2007 India ABO Black Belt Symposium.



and areas of the Company. In addition to helping us reduce costs, this approach is our primary method of building leadership skills across the organization and creating a more data and analysis based performance driven culture. We have applied Six Sigma methodology in our Company as the primary approach to making breakthrough, sustainable improvements and serving our customers better. We completed 88 Six Sigma projects, during the year, which resulted in annualized savings of Rs. 624 million. We concluded the fiscal year with 533 Green Belts, 20 Black Belts and 11 Master Black belts in the Cummins Group in the last year. The momentum continues to grow.

I believe that the fundamental reasons for Cummins' sustained success lies in the fact that it is a value-based institution. These values are the compass, the

North Star, used by all our employees to make the right decisions for all our stakeholders. Let me illustrate how this has worked with some examples for the past fiscal year.

### **Integrity - Strive to do what is right and do what we say we will do**

As evident from the definition, we interpret **Integrity** to mean 'doing what we say we will do' and 'keeping our promises and commitments dependably'. During the year, when it became apparent that the demand for our products both in India and abroad would outstrip our capacity, our employees were successful in erecting two major new manufacturing facilities in record time and per the committed time lines:

1. The KV (38 and 50 liter engines) assembly and

The KV Engine Plant. Built within the CIL Kothrud premises, the Company's oldest and the largest manufacturing campus in Pune.



The KV Engine Plant.  
The Company's latest addition  
to its plant fleet. An integrated  
manufacturing facility of the  
Industrial Engine Business Unit,  
specializing in assembling,  
testing and upfit of the KV series  
engines.



test facility within the original Kothrud campus, will now expand our production from 12 engines/day to 24 engines/day.

2. The power generation small generator facility in Pirangut, near Pune, will allow us to expand the output from approximately 12,000 units/year to 50,000 units/year.

In addition to these new facilities, one of our Group Companies, Cummins Generator Technologies India Limited has constructed a lean and green (with the highest environmentally-friendly standards seen across India as well across the global Cummins system) facility to manufacture small alternators.

All of these new facilities were executed on time and within the budgeted amounts.

Going forward, we have now taken a very bold and long term oriented step of acquiring about 150 acres in Phaltan, Maharashtra. All of the future Group Company manufacturing operations will be co-located on this Cummins Campus. We refer to this as our 'Megasite'. The ground breaking ceremony was held in January 2008 in the presence of the Cummins Inc. Chairman and CEO, Tim Solso. Our Group Company, Tata Cummins Limited has taken the lead in setting up a factory here that will produce both the current B series engines as well as the future electronically

New state-of-the-art manufacturing facility of the Power Generation Business Unit at Pirangut. Set up to manufacture small generator sets.



The Pirangut Plant.  
Another step forward for Cummins India in gaining a global competitive edge. A facility specializing in the manufacture of small generator sets from 15 -160 kVA for Original Equipment Manufacturers and distributors, both within and outside India.

Station 1

Station 2

Station 3

Station 4



controlled ISBe engines. Three Cummins legal entities - Cummins India Limited (CIL), Tata Cummins Limited and Cummins Turbo Technologies Limited have been granted 'Mega Project' status by the Maharashtra Government which will allow these companies to operate, in a highly competitive way, while also helping the community develop in this rural area in our Country. All of these steps will allow us to continue to serve our customers as per our promise to them.

### Innovation - Apply the creative ingenuity necessary to make us better, faster, first

Customers have always been central to our **Innovation** efforts. We work closely with our customers for creating products and solutions that will help benefit their business. Our success is attributable to engineering our products with customer feedback which is held paramount at the time of designing the products. The 'go-to-market' strategy is also customer driven versus sales driven.



The Cummins Megasite at Phaltan, Maharashtra. An expression of the Company's plans to expand, and leverage India as a sourcing base. Seen here, lighting the ceremonial lamp at the ground breaking ceremony of the Megasite: Shri. Ramraje Naik-Nimbalkar, Minister of Water Resources (Krishna Valley IC), Tim Solso, Chairman and Chief Executive Officer, Cummins Inc. (USA), and Anant J. Talaulicar, Chairman and Managing Director, Cummins India Limited.

