

Cummins India Limited

Annual Report 2020-21

POWERING A BETTER TOMORROW



FOR
A WORLD
THAT'S
ALWAYS ON™



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About the cover

The Earth's rotation never stops under any circumstances as it is very important to the life of the Earth and its survival. It is this concept that is the inspiration of our cover of the CIL Annual Report 2020-21.

Cummins never stops powering an unstoppable world. FOR A WORLD THAT'S ALWAYS ON is our 'why.' The reason we do all we do. It echoes the truth all our stakeholders understand – that the pursuit of success never rests, that to stand still is to fall behind. It is customer-centric, future-facing and indicates that we are endlessly responsive to our stakeholders' needs and that we will keep them ahead of change.



Steven M. Chapman

Chairman,
Cummins India Limited (CIL)

Dear Shareholders,

I hope this note finds you and your families healthy and safe, especially in these current times of unprecedented health challenges.

Following my appointment as Chairman of Cummins India Limited, it is my pleasure to introduce myself to you. Prior to my current role, I have been with Cummins for over 35 years, serving in various capacities, the most recent one being Group Vice President of China and Russia. I had the opportunity to work with India for about a third of my Cummins career, and I consider it my privilege to be part of an organization whose very purpose of existence is to make people's lives better.

In 2019, our 100th year of sustainability, Cummins globally delivered record performance, and we followed this by 2020 marking the 100th anniversary of Cummins Power Generation business. This sustainability has been built on a bedrock of our core values that have helped us deliver on our brand promise of innovation and dependability in everything we do. Among the many strengths that have helped us meet our goals is the balance we strike between the needs and interests of all our stakeholders, including customers, employees, shareholders, communities, partners and suppliers. It is this approach that has not only differentiated us throughout our history, but continues to be central to our strategy for success.

Even before the onset of the COVID-19 pandemic, the global economy had begun confronting turbulence due to disruptions in trade flow and diminishing growth. This situation has been further aggravated by the pandemic, resulting in an unprecedented decline in demand and facility shutdowns for ourselves, our customers and suppliers. As we continue operating amid a pandemic, demand is slowly recovering in many of our key geographies worldwide. In these challenging times, our customers and business partners relied on us to help them power their customers' success. It is especially during such times that we feel so proud of living our mission.

Our approach to corporate responsibility is firmly grounded in a stakeholder model articulated by former Cummins Global Chairman J. Irwin Miller, who believed



that businesses have a responsibility to help create healthy communities. The tools and actions that define our work to remain a responsible company may have changed over the years, but the underlying principles have not. While we augmented our community relief efforts to support the COVID-19 impacted and front-line warriors, we made sure we did not lose sight of our ongoing programs. Our flagship project to accelerate gender equality, the Cummins Powers Women program, has funded training resulting in the launch of over 60 advocacy projects globally. These projects have changed laws and policies that benefit 17 million women and girls across globe and 1.9 million in India.

The past year has been wrought with challenges, but Cummins' century-old history shows that we have been through several downturns in the past and have a great track record of navigating them and emerging even stronger. As we navigate through the current challenges, I am confident that with your trust and support, the dedication and hard work of our people and the collective experience of our leaders, we are ready to embark on a new journey of sustainability.

In closing, I urge you and your families to continue to follow COVID-19 appropriate protocols. Together, let's win this war against the virus.

Thank You,

Steven M. Chapman

Chairman, Cummins India Limited

OUR **STORY**

- **Our Mission**

Making people's lives better by powering a more prosperous world

- **Our Vision**

Innovating for our customers to power their success

- **Our Values**

Integrity, Diversity & Inclusion, Excellence, Caring and Teamwork

TOP 3 **PRIORITIES**

1

Health and safety of our employees is paramount at all times.

2

We continue to serve our customers who are providing critical elements to the economy.

3

Our Company continues into the future, it's really important that we continue.

Ashwath Ram

Managing Director,
Cummins India Limited (CIL)

Dear Shareholders,

2020 is a year that we will never forget. We experienced a pandemic, a healthcare crisis, and the economic fallout of COVID-19. Even today, through the second wave of the pandemic, many companies continue to experience economic and operational uncertainty.

At Cummins, nothing has been more important to us than keeping our employees safe and continuing to deliver value to our stakeholders.

We have always believed that our ability to innovate is one of our greatest strengths, and that we are only as strong as the communities we serve. From introducing new products and services to power our customers' success, to providing aftermarket support through the lockdown, and serving communities through our relief effort, we have tried our best to follow through on our commitment of making people's lives better.

Cummins has been around for over a hundred years globally, and close to sixty years in India. We have survived many crises and taken away valuable lessons from them each time. So, amid the economic headwinds, decline in demand, and supply chain disruptions, we remained disciplined and focused on fulfilling customer commitments, and controlling our costs. We had to take some exceedingly tough decisions and temporarily reduced employee headcount and salaries.

Even as I write this, uncertainties continue to prevail as India is still reeling under the effect of the pandemic.



This may take longer than we anticipated, but I believe that as more vaccinations are being made available to larger sections of our population, India will be successful in fighting the pandemic. Cummins Group in India conducted vaccination drives at our plants and regional offices. Efforts are on to extend this to other locations in India. I am pleased to share that we received an overwhelming response to the drive.

As Cummins shareholders, you can feel confident in the knowledge that Cummins has amazing products, technology and people, and nothing can keep us from growing. Thank you for your continued support and trust in us.

As part of the Cummins India 2020 overview, I would like to share news and updates on our awards, innovation and business growth, quality, and corporate responsibility with you.

COVID-19 vaccination drive conducted by Cummins Group Entities in India including CIL



14,000+ vaccines administered till date

300+ on-ground volunteers

25+ sites pan India

To catch a glimpse of the COVID-19 vaccination drive, kindly view the back cover.

The Company's best-in-class products and processes backed by our Mission, Vision, and Values translated into these awards and recognitions for Cummins

- **Outstanding Contribution Award in CSR** by Karve Institute of Social Sciences, Pune and The International Association of LION's Club, Pune during LION's CSR Conclave 2020.

Cummins India Foundation

Accolades in BRICS Solutions Awards (Category: **Living Standards and Demographics**) for 'Masti ki Pathshala' project.

Kothrud Engine Plant

- **ACMA (Automotive Component Manufacturers Association of India) Award** for reduction of water footprint.
- **New Normal Award** for implementation of physical controls to curb COVID-19 for smooth operation startup.

Integral Coach Factory- Chennai Project Site (PSBU – Project Business): Customer award for the "**Best Contribution in HSE Initiatives**" and implementation in 2019-2020.

FINANCIAL PERFORMANCE 2020-21

An interim dividend of ₹ 7 per fully paid-up equity share of ₹ 2 each (350%) was disbursed in Q4 FY2021.

The 2020-21 financial year concluded with the Board recommending a final dividend of ₹ 8 per share of ₹ 2 fully paid-up (400%) aggregating to ₹ 15 per share of ₹ 2 each fully paid-up (750%), subject to your approval at the Annual General Meeting.



Revenue From Sale of Products and Services

2020-21 ₹ 4,256 crores
2019-20 ₹ 5,062 crores
% Var (16%)



Profit Before Tax

2020-21 ₹ 808 crores
2019-20 ₹ 779 crores
% Var 4%



Domestic Sales

2020-21 ₹ 3,103 crores
2019-20 ₹ 3,771 crores
% Var (18%)



Net Cash Generated From Operations

2020-21 ₹ 788 crores
2019-20 ₹ 599 crores



Export Sales

2020-21 ₹ 1,153 crores
2019-20 ₹ 1,291 crores
% Var (11%)

ALWAYS **CUSTOMER-DRIVEN.** ALWAYS **INNOVATING.**

The Company continued to deliver value successfully to its stakeholders. We were able to do this by putting our customers' business first.



Industrial Business

Railways

Supporting Indian Railways (IR) in achieving its growth plans

- Despite supply challenges, the Company ensured seamless supplies of Diesel Electric Tower Cars (DETC) thereby supporting Indian Railways in its 100% electrification of broad-gauge network.
- Aligning with Indian Railways' initiatives to promote international cooperation, we supplied engines for export of rail equipment to Mozambique, Nepal, and Sri Lanka.

Mining

Strengthening our presence across varied mining applications

- We continued to consolidate our position in the 60 ton dump truck segment, made further inroads in 150 ton and 205 ton segment and expanded into new applications like the 100 ton excavator and underground mining dump trucks.

Marine and Defense

Continuing our strong partnership with the Indian Navy

- We continued our long-standing relationship with the Indian Navy through the timely delivery of fully integrated 1MW gensets for the Navy's stealth missile destroyer vessel and survey vessels. These were specially designed to meet exacting naval standards.

Oil and Gas

Catering to an increased demand in the City Gas Distribution

- We added a new Original Equipment Manufacturer (OEM) and delivered record growth in gas compressors to the city gas distribution infrastructure.



Fully integrated marine DG set for Indian Navy

Pumps

Foraying into new segments

- We successfully completed FM/UL certification testing of 5.9 liter and 6.7 liter engine platforms for the global fire pumps segment.



QSB6.7 fire pump drive

Construction segment

Continued focus on improving our share in the Construction segment

- The Company improved its volume share through strong customer partnerships. We were able to take advantage of the strong industry recovery we saw which was fueled by the Government's impetus on economic recovery and infrastructure investment.

- With a commitment to power a cleaner India, Cummins has now moved from mechanical to new-generation electronic 4-cylinder and 6-cylinder engines to address the onset of Bharat Stage IV (BSIV) emission norms from April 2021 for Construction Equipment Vehicle (CEV) applications. These new engines are certified ahead of launch timelines.



The Cummins QSB4.5 engines are CEV BSIV compliant that come with Single Module aftertreatment systems for enhanced performance and productivity.

- We continue to make sustained efforts to improve volumes through engagement with OEMs, by integrating our engines into OEM equipment across applications.

Compressor segment

Maintained volumes in Water Rig segment

- With significant recovery in volumes post lockdown, the Compressor segment witnessed an increase in demand. This demand improvement trend is expected to continue with support from replacement demand.



Supporting Indian Railways in its **100% electrification of broad-gauge network**



Strengthening our position in the dump truck segment with **150T and 205T and 100T excavator** and underground mining dump trucks



Successfully completed FM/UL certification testing of **5.9 liter** and **6.7 liter engine** for fire pumps segment

**DRIVEN
BY
GROWTH**



Power Generation

Effectively tiding over the challenges posed by COVID-19, the Company is on a strong path to recovery. Data Center, Infrastructure, Healthcare, Rental and Retail segments led the rebound in the power generation industry in India.



New and improved Cummins 250 kVA Genset with Synchronization Ready Controller and low total cost of ownership.

We introduced the following products that delivered better value to customers across fast-growing segments:

- In the High Horsepower segment, the Company was awarded the full execution of gensets for a large hyperscale Data Center coming up in India. This is an excellent opportunity which has huge business potential.
- Further strengthening ties with India's Defense sector, we launched a compact 50 kVA genset for a special purpose defense application.
- We also launched a feature rich PSO600 controller for the Low Horsepower range of 82.5-125 kVA gensets that enables intelligent fault detection, and provides better shielding of genset against voltage or current surge, irregular loads and more.
- The Power Generation emission norms (for the <1010 kVA range) is under revision. Your Company – through its well-established technology leadership, is well equipped to meet the new emission norms.



Genset installation for a global Data Center company in Hyderabad.

Exports

Meeting the needs of specific power generation segments

- The Company launched fit-for-market products like the B3.3 and QSB7 gensets in the unregulated regions.
- Though global markets were impacted by the COVID-19 pandemic, power generation segments such as Data Centers, Healthcare, Telecom and Rental offered growth opportunities and we catered to these segments by maximizing delivery/ramping up capacity. We also clinched major deals for the supply of low kVA Gensets for the 5G telecom network upgrade in the Asia Pacific region.



Distribution Business

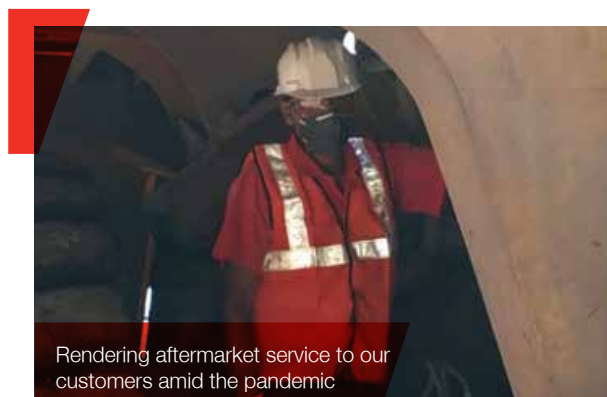
Living up to our brand promise of dependability

- In a year marked with economic shock and COVID-19 linked disruption to businesses, our aftermarket and dealership teams provided unconditional support to our customers.
- From enabling the continuity of healthcare services at hospitals, to supporting Indian Railways for freight of goods, and ensuring uptime for essential service providers like electricity boards and mines, the team worked relentlessly to provide best-in-class customer support.
- Over 98% of the 4.5 lakh service calls registered during the lockdown period were resolved and the team received appreciation letters from 350+ customers.
- We also announced the “Dealer Support Package” to inject liquidity into the 4S channel, which helped our dealer partners stay afloat. To ensure that the maximum possible workforce was available to support customers, we devised and implemented a policy that allowed engineers to work from their home locations.

Focusing on growth

- The Company focused on enhancing reach in the on-highway segment via channel footprint expansion; and reached 58 distributors with 92 primary and 5,400+ secondary (Retailers) touch points by the end of 2020, as compared to 32 distributors in 2019.

- To retain our post-warranty Power Generation customers, we launched Cummins Ashwasan - a comprehensive package providing service coverage for five years.
- Our focus on customer engagement also resulted in our achieving a breakthrough in content growth through full equipment maintenance of Tower Wagon for Railways and BSVI engines, and aftertreatment systems for the automotive bus segment.
- To increase penetration in high growth segments, we expanded our portfolio of clutches, filters, BSVI long blocks, coolants for the highway segment and launched special, fit-for-market 12K and 24K overhaul kits for gas compression customers.
- We have also been focusing on building a strong order board with parts order board at 2X times pre-COVID-19 levels.
- Our deep focus on repowering the competition engines by providing cost-effective solutions in segments like Defense, Railways, and Power Generation led to enhanced customer satisfaction and growth in the whole goods portfolio. We also expanded the first-fit Engine Business with new products and special packages developed specifically to cater to the need of Automotive, Industrial, and Agricultural segments.





ALWAYS INNOVATING. ALWAYS CUSTOMER-DRIVEN.

- In our constant pursuit of **continuous improvement**, we are always striving to exercise a more disciplined approach to quality enhancement, cost reduction initiatives and environmental stewardship in our daily operations.
- Various restructuring projects combined with cost reduction programs, which leverage the Six Sigma approach, such as 'Accelerated Cost Efficiency' (ACE) V, Accelerated Move towards Zero Defects (AMaZE), Accelerated Supply Chain Excellence and Transformation (ASCENT) have had a significant positive influence on your Company's profitability.
- Structured Level 9 risk based approach for plant start-up, Quality Management Systems external audit through a virtual platform, product testing and compliance through virtual modes were only a few of the critical initiatives which made us even more robust in our process excellence journey, and strengthened the customer-centric culture within the organization.
- Continued focus on these efforts will help your Company to maintain cost leadership in the domestic market and will remain the preferred source for exports.
- The Company ensures that all its sites comply with Health, Safety, and Environment Management System policies, procedures, and initiatives independent of certification status.
- The Company's plants and sales offices generated 14,036 metric tons of Green House Gases (GHG), consumed 21,877 kilo gallons of water, and generated 3,777 metric tons of waste at a recycling rate of 99.58%.



Enhanced the reach in the **on-highway** segment via channel footprint expansion



Expanded our portfolio of **clutches, filters, BSIV long blocks, coolants** for the highway segment



Launched **Cummins Ashwasan** - a comprehensive package



Expanded the first fit Engines Business with **new products** and **special packages**

ALWAYS DRIVEN