



Rating

Business	★ ★ ★ ★ ★
Financials	★ ★ ★ ★ ★
Valuation	★ ★ ★ ★ ★
Management	★ ★ ★ ★ ★

Date : 25/07/24

Company : Cummins India Limited.

Sector : Capital Goods

CMP : ₹ 3610

Rating - BUY

Target : ₹4400

Potential Upside: 22.00%

Research Report

Stock Info

Market Cap (₹ in cr)	100069.20
52-Weeks High/Low	4,171.90/1,653.30
Avg Volume	904611
No. of eq shares (cr)	27.72
Face Value	2.00
Bse Code	500480.00
Nse Code	CUMMINSIND
Free Float (cr)	49050.30

Source : NSE/BSE

Particulars	2023	2024
P/E (x)	36.79	48.33
P/B (x)	7.85	12.58
EV/EBITDA (x)	34.56	45.54
P/S (x)	5.81	9.24
EPS	44.31	62.07
ROCE (%)	21.55%	26.59%
ROIC (%)	18.80%	24.99%
Interest Coverage	68.08	58.78
Equity/Assets	0.73	0.74

Source : Company

Particulars	2023	2024
Promoters	51.00%	51.00%
Mutual Funds/AIF	20.17%	18.62%
Insurance co. & others	1.96%	2.52%
Banks	0.01%	0.01%
Other DIIs	1.67%	1.85%
Govt of India	0.00%	0.00%
FII	13.99%	17.36%
Retails and Others	11.20%	8.63%
Total	100.00%	100.00%

Source : NSE/BSE

Particulars	TTM
P/E	58.16
P/B	15.13
EV/EBITDA	55.10
P/S	11.12
EPS	62.07
P/CF	77.85

Source : Company

Cummins India Limited: Cummins is a leading manufacturer of diesel engines for commercial trucks, off-highway machinery, and railroad locomotives, as well as standby and prime power generators. The company also sells powertrain components, including transmissions, turbochargers, aftertreatment systems, and fuel systems. Cummins is uniquely positioned as it competes with its primary customers—heavy-duty truck manufacturers who produce and market their own engines. Despite robust competition across all segments and increasing government regulations on carbon emissions, Cummins has maintained its leadership position in the industry.

Key Highlights:

Cummins India has opened its first IT Global Competency Center (GCC) in Pune. This new facility is set to play a crucial role in the company's multi-year IT transformation strategy. The Pune GCC will enhance operational efficiencies and accelerate the time-to-market for Cummins' products and services.

The center will be staffed with software engineers, product owners, architects, technology leads, and process experts who will drive innovation across the automotive, engineering research and development (ER&D), manufacturing, and energy sectors.

Cummins will deliver L9N Euro 6 compliant engines to power a fleet of CNG buses operated by ATAC in Rome. This latest order marks a significant milestone in Cummins' long-standing partnership with Solaris, which has seen the delivery of over 6,500 engines over the past two decades.

As the long-term supplier of diesel and CNG engines, including hybrid powertrains, Cummins is now providing the L9N engine for Solaris's Urbino 12 and articulated Urbino 18 models.

Utilizing ultra-low emission combustion engine technology, Cummins' L9N engine has a power output of 320hp. It features a straightforward three-way catalyst aftertreatment system that minimizes NOx and particulate matter while delivering diesel-like performance and reliability.

Cummins has announced the commencement of production for its latest hydrogen internal combustion engines (H2-ICE) for Tata Motors at a new, state-of-the-art manufacturing facility in Jamshedpur, India. The first B6.7H hydrogen internal combustion engines rolled off the production line in March 2024 and will now be integrated into Tata Motors' trucks.

Hydrogen internal combustion engines offer a viable solution for reducing emissions from commercial vehicles, providing diesel-like performance and operating range while running on zero-carbon hydrogen fuel. The B6.7H engine shares many components with current diesel and natural gas engines, fits into standard engine spaces, and can be refueled in minutes. The installation of the B6.7H will enable Tata Motors and Cummins to demonstrate a practical, sustainable zero-carbon power option, supporting the decarbonization of India's commercial vehicle industry.

Today, Cummins Power Generation introduced two new generator set models as an extension of their award-winning Centum™ Series, powered by Cummins Inc.'s robust QSK78 engine.

Responding to high market demand, the new models, C2750D6E and C3000D6EB, with power outputs of 2750 kW and 3000 kW respectively, have been engineered specifically for critical applications such as data centers, healthcare facilities, and wastewater treatment plants. These models ensure fast start performance, robust load handling capability, and the ability to operate in high ambient environments. With a smaller footprint, the C2750D6E and C3000D6EB models allow for space optimization and maximum power output, marking a significant advancement in Cummins' approach to power system design.

Key Risk :

1. Capital Intensive Business Model and Demand: Capital investment in the private sector has been lagging despite the country's established attractiveness for investment. This, combined with high inflation and interest rates, could lead to delayed capital investment plans, posing a downside risk for domestic demand.

2. Currency Fluctuation: Higher fluctuations in currency exchange rates could impact the profit margins of the company.



Price Chart

Cummins India Limited

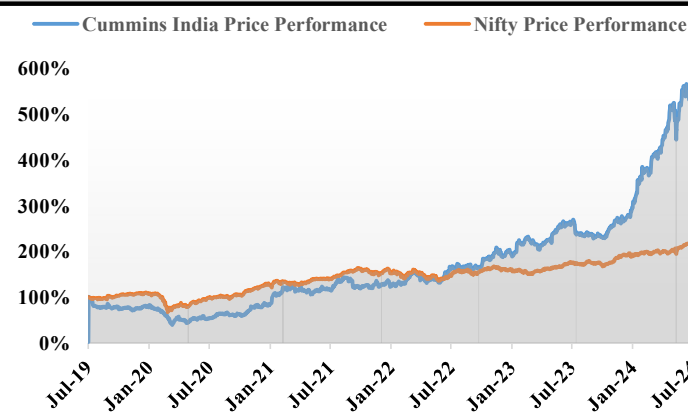


	1M	6M	1Y	5Y
Absolute Return	-12.52%	62.90%	85.92%	378.43%
Nifty -50 Return	3.91%	14%	24.32%	116.74%
Relative Return	-16.43%	48.90%	61.60%	261.69%

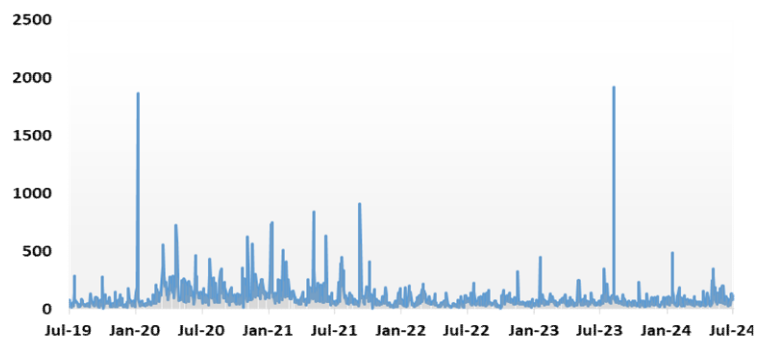
Financial Summary

	FY-22	FY-23	FY-24
RS.cr			
Revenue from operations	6170.92	7772.09	9000.2
YOY growth (%)	41.53%	25.95%	15.80%
OPM(%)	52.57%	40.50%	41.83%
EPS (Rs)	33.68	44.31	62.07
EPS growth (%)	47.01%	31.56%	40.08%
P/E (x)	33.28	36.79	48.33
EV/EBITDA (x)	33.20	34.56	45.54
Debt/Equity (x)	0.26	0.32	0.14
RoE (%)	19.06%	22.53%	27.82%
RoCE (%)	18.28%	21.55%	26.59%

Performance Chart



Volume Trend Of Cummins India Values in '0000'



Valuation

We expect Cummins india to see strong growth going forward due to many factors such as:

Cummins' R&D revenue expenditure is focused on developing and testing emission-compliant products, improving fuel efficiency, and exploring alternate material usage. This includes investments in testing facilities and other related activities.

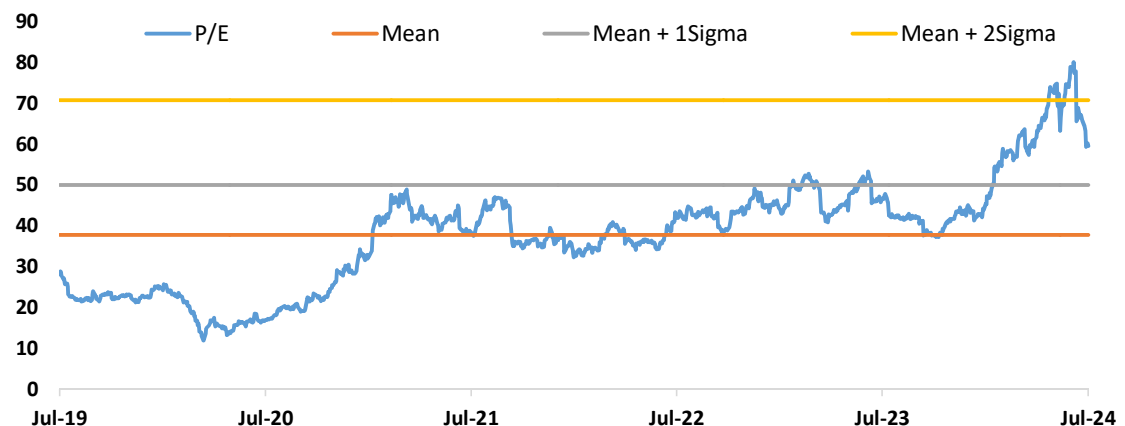
Additionally, Capex spending includes investments made in technical know-how for the latest CPCB IV+ emission standards, projects for energy-efficient processes, and enhancements to the product development facility for both current and new technologies.

The upcoming growth from the domestic market is likely to be driven by Cummins' penetration into data centers, railways, defense, and the construction sector, as well as green energy. These sectors are expected to be significant as they will be in focus over the coming years. From an export perspective, the penetration of CPCB IV+ products in Europe and the US would be a significant positive development. Additionally, the initial downtrend in commodity costs (copper, iron, and steel) is favorable for the company. This is likely to result in a higher EPS CAGR of around 25-30% and a projected revenue CAGR of 15-20% over the next few years. RoE is expected to increase to 25-30% in FY25 from 24% in FY24E.

Historical patterns indicate that Cummins tends to experience a P/E ratio reversal or bounce back when the ratio reaches or falls below the +1 standard deviation. Presently, Cummins' P/E ratio is between +1 S.D and +2 S.D, driven by higher EPS, indicating favorable conditions for a potential positive trend. This assessment aligns with the company's historical tendencies, reinforcing the expectation of a positive market response.

However, it is important to note that P/E valuation has its limitations, including reliance on past earnings and market sentiment. Risks such as regulatory changes and competitive pressures could also impact the valuation.

Exhibit : P/E band chart for Cummins India



CUMMINS INDIA LIMITED



Who We Are
A group of complementary business units that design, manufacture, distribute and service - engines, generator sets and related technologies.



Founded In
1962
India Headquarters
Cummins India Office Campus, Pune

3,073
Permanent Employees and Workers

Cummins India Facilities

5 World-class Factories

1 Parts Distribution Center

480+ 4s Service Touchpoints

120 Retail Touchpoints

21%* Gender Diversity

Net Sales
₹ 8,816 Crores



Serves markets in **India, Nepal and Bhutan** and exports its products to various countries across the globe with USA, Europe, Mexico, Africa, Middle East and China being the top destinations. Caters to end markets such as construction, compressor, mining, marine, railway, oil and gas, pumps, defence and power generation.

5 Principles of Sustainability demonstrated by all factories and offices

Safe

Clean

Diverse

Lean

Green

7

*For permanent employees and workers only.

Annual Report 2023-24

CUMMINS INDIA LIMITED

MULTIPLE TAILWINDS ARE POSITIVELY INFLUENCING CIL GROWTH STORY IN INDIA

Government support to boost manufacturing – **Aatmanirbhar Bharat**

Stringent emission norms (CPCBIV+)

India's focus on decarbonization

Increased focus on infrastructure development led economic growth

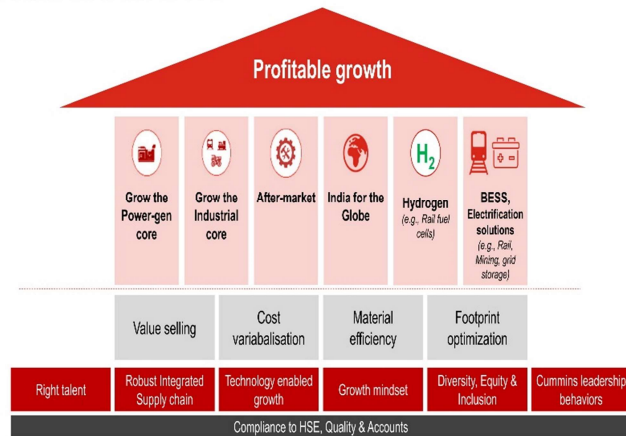
Focus on alternate fuels – Road to green economy

Make in India for the world – EXPORTS Hub

Strong push to embrace digitalization in multiple industries

CUMMINS INDIA LIMITED

GROWTH STRATEGY





Multiple Positive Factors Are Driving Cummins India Limited Growth Trajectory In India.

POWERING CUSTOMER SUCCESS THROUGH INNOVATION AND DEPENDABILITY



At Cummins, we always put our customers first. Their needs and ambitions guide every aspect of our business. FY 2023-24 marked a year of accelerating customer success through the launch of a comprehensive suite of cutting-edge products for domestic and export markets. We continued to enhance our existing product portfolio and service offerings while fostering strong partnerships with all stakeholders, including key Original Equipment Manufacturers (OEMs), end-users across operating segments, suppliers and our communities.

INDUSTRIAL BUSINESS



Railways
Powering Indian Railways through advanced solutions

Delivered CPCBV+ compliant diesel alternator set for powercar, track recording car and a Hotel Load Converter to the Indian Railways' auxiliary power sub-segment. Additionally, secured an order for Diesel Electric Traction Cars (DETCs) propulsion package.



Marine
Expanding horizons in Marine

Your Company has a strong order board of government and commercial contracts in marine segment and onboarded new customers successfully.
- Delivered the largest genset of 1.5 MW to the Indian Navy
- DG sets >1 MW for commercial marine applications supplied to reputed shipbuilders
- 2.3 MW propulsion engines delivered to Larsen & Toubro for the Indian Navy's multipurpose vessels



Defence
Successfully secured orders for wheeled troop carrier vehicles and artillery guns from Defence OEMs.



Mining
With continuous development of fit-for-market products, your Company strengthened its presence in the Heavy Earth Moving Machinery segment by securing proto orders from key OEMs.



Pumps
Your Company successfully expanded its product portfolio with high-speed ratings of FM1 and UL2 listed engines.



Construction
Capitalizing on construction boom with future-ready products

- Achieved record engine sales in the off-highway construction segment, fueled by the government's sustained focus on infrastructure growth
- Your Company is developing a next-generation diesel engine based on a fuel-agnostic platform, promising superior power density and efficiency
- Your Company is working to increase penetration in the excavators segment by introducing non-regulated electronic 4-cylinder and 6-cylinder products, offering a better value proposition
- Successfully completed certification of QSB4.5 and QSB6.7 to comply with CEV4 BS VI*, much ahead of the product launch

POWER GENERATION BUSINESS

With innovation and dependability at the core of its brand promise, your Company offered fit-for-market, emission-compliant and optimized products and strengthened partnerships with customers across all end-user markets.

In FY 2023-24, your Company implemented significant measures to improve the power density of its products, thereby reducing the total cost of ownership, minimizing maintenance expenses and offering the added advantage of a smaller installation footprint.

CPCBV+

- Launched CPCBV+ compliant products across the range up to 800kW with sophisticated technology and indigenous components
- Installed and commissioned 2,000+ units of CPCBV+ gensets across India, including the iconic Ayodhya Ram Mandir



CUMMINS CPCBV+ COMPLIANT GENSETS

Driving India's Progress with Reliable and Sustainable Power Solutions

- Sold 26,000+ generator sets, providing nearly 6,700 MW power to customers in India
- Sold 500+ units of QSK60, highest-ever since its introduction, catering to key segments such as datacenters, manufacturing and commercial realty
- In the High Horsepower segment, your Company secured significant genset orders for upcoming large hyperscale datacenters in India. Notably, your Company installed over 300MW of backup power solutions in datacenters, with 118MW specifically for key hyperscalers.
- To enhance product accessibility for Powergen customers, your Company expanded its dealer network from 86 dealers in FY 2022-23 to 113 dealers in FY 2023-24 through strategic partnerships with Genset Original Equipment Manufacturers (GOEMs)
- Your Company continued to leverage its technological prowess for developing innovative power solutions compliant to CAQM's* enhanced emission norms for gensets over 800KW

Exports

- Introduced 38L electronic engine to cater to North America and Central America markets
- Positive response for low kVA fit-for-market 2.0 products in the unregulated markets of Latin America, Africa, Middle East and Asia Pacific
- Expanded its fit-for-market portfolio with the launch of X2.5 and X3.3 gensets for unregulated markets
- Invested in low kVA emissionized products for specific markets like Chile

The Engines Business Division, which accounts for approximately 75-80% of revenues, is divided into four main segments:

Engine Business Unit: This unit designs and manufactures diesel and natural gas-powered engines, offering both new and remanufactured parts and engines.

Power Systems Business Unit: This segment provides power generation systems for standby and distributed power generation, catering to individual and institutional customers in various sectors such as infrastructure, IT/ITES, data centers, and healthcare.

Components Business Unit: Comprising four businesses—Cummins Filtration, Cummins Turbo Technology, Cummins Emission Solutions, and Fuel Systems—this unit delivers integrated solutions with key technologies.

Distribution Business Unit: In India, Cummins serves customers through a network of three Generator Original Equipment Manufacturers (GOEMs), 21 dealerships, and over 120 dealership and branch offices. The unit supports more than 575,000 engines in the field, serving over 225,000 customers across India, Nepal, and Bhutan.

The Lubes Business Division, contributing approximately 20-25% of revenues, includes a joint venture with Valvoline Cummins Pvt Ltd, in which the company holds a 50% stake. This division sells lubricants under the Valvoline brand.

DISTRIBUTION BUSINESS

Strengthening its position as a trusted partner for customers, the Distribution Business Unit (DBU) continued to deliver exceptional service, support and sales throughout the product lifecycle in the aftermarket.

In FY 2023-24, DBU expanded its product line, entered new markets and forged strong relationships with its partners, thus driving the business to new heights.



Service



- Achieved a record-breaking Net Promoter Score (NPS) of 90%, a testament to exceptional service support and deep-rooted customer loyalty toward the Cummins brand
- Offered 2-hour Service Response Guarantee to key customers in the Powergen segment
- In October 2023, DBU launched a Command Center for Telematics and RPT1 Technical Support, significantly improving service efficiency and responsiveness. The new CPCBV+ compliant gensets are equipped with Telematics devices for real-time monitoring and rapid issue resolution.

During Cyclone Michaung in Chennai, the DBU service team, in collaboration with its dealer, JIN Machineries, swiftly responded to a surge in emergency calls and effectively restored critical generators amid widespread power outages

Launched first Soft Skills Development Program for over 180 dealership service managers/service advisors

Sales

- Your Company successfully supplied two QSK95 Diesel Alternator (DA) sets for the repowering of Wartsila-make DA sets, marking the debut of QSK95 engines in India's marine sector
- Major Contract with Integral Coach Factory (ICF): Your Company signed a significant two-year rate contract with ICF for E-Check and D-Check of their 1400 HP DEMU KTA[®] 50L engines, covering 173 engines for E-Checks and 209 engines for D-Checks. Signed at the highest-ever price escalation, the strategic contract is anticipated to boost revenue growth in the next fiscal year.
- Sold 1,100+ Retrofit Emission Control Kits (RECDs) and about 470 Dual Fuel Kits (DF Kits), owing to CAQM's guidelines to mandate the use of Emission Control Devices (ECDs)
- Recognizing a pharma major's need for uninterrupted power, your Company designed a customized solution to synchronize the generator set directly with the grid, ensuring a seamless power supply and minimizing production disruptions

The Company Offers A Diverse Range Of Products And Serves Multiple Industries

1. Engines: Internal Combustion Engines (ICE):

Horsepower Range: 49 HP to 4500 HP

Fuel Types: Diesel, Natural Gas

Serving Industries:

On-Highway Commercial Vehicles: Trucks, Buses (e.g., for logistics, transportation)

Off-Highway Commercial Equipment: Construction Machinery (excavators, loaders), Agricultural Equipment (tractors, harvesters), Mining Equipment (dump trucks, drills)

Marine Applications: Ships, Boats (commercial fishing, cargo transport)

Railway Locomotives: Freight trains, Passenger trains

Defense Applications: Military Vehicles (tanks, armored vehicles)

2. Power Systems:

Generator Sets: Up to 3000 kW (3750 kVA)

Fuel Types: Diesel, Alternative Fuels

Applications:

Prime Power: Provides primary source of electricity (e.g., remote locations, power plants)

Standby Power: Backup power in case of grid outages (e.g., hospitals, data centers)

Temporary Power: Short-term power needs for events, construction sites

Serving Industries:

Data Centers

Hospitals

Manufacturing Facilities

Construction Sites

Events (concerts, festivals)

Telecommunication Companies (cell towers)

3. Components:

Cummins offers a variety of components crucial for engine function and performance:

Fleetguard Filtration:

Products: Air, Fuel, Hydraulic, Lube Filters

Serving Industries: All industries using Cummins engines (prevents engine wear and tear)

Cummins Turbo Technologies (Holset brand):

Products: Turbochargers

Serving Industries: Improves engine performance and efficiency across all applications

Cummins Emission Solutions:

Products: Catalytic converters, other emission control systems

Serving Industries: Industries with strict environmental regulations (helps engines comply with emission standards)

Fuel Systems:

Products: Injection systems, components for precise fuel delivery

Serving Industries: All industries using Cummins engines (ensures optimal fuel usage)

Control Systems:

Products: Electronic controls managing engine operation and performance

Serving Industries: All industries using Cummins engines (optimizes engine performance and diagnostics)

New Product Development:

1. The company developed several new products during the year as part of its initiatives:
2. A hotel load converter specifically designed for the rail business to enter the rail electrification sector.
3. The entire range of CPCB IV+ products (engine gensets) was certified and launched.
4. A new product range for exports, covering 20-330 kVA, was introduced.
5. Marine engine product families were developed to support the growing commercial marine business.
6. The company is exploring further enhancements in non-diesel product development, including the use of alternative fuels in India.
7. Telematics and analytics capabilities were developed to improve product uptime and fuel efficiency.
8. Additionally, the company is strengthening its channel presence by partnering with Genset Original Equipment Manufacturers, who have added 12 new sales dealers across various geographies.

These solutions cater to industries aiming for:

Reduced reliance on fossil fuels.

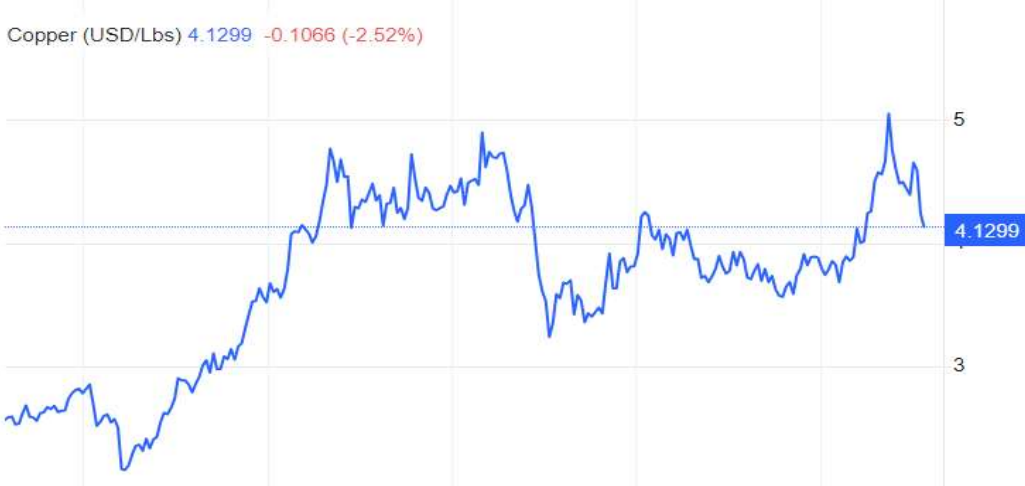
Integration of renewable energy sources.

Sustainable and efficient power generation.

By offering this extensive range of products and services, Cummins India empowers various industries to operate reliably and efficiently, while also addressing the growing need for sustainable power solutions.



Copper Prices - 5 Year Historical Chart

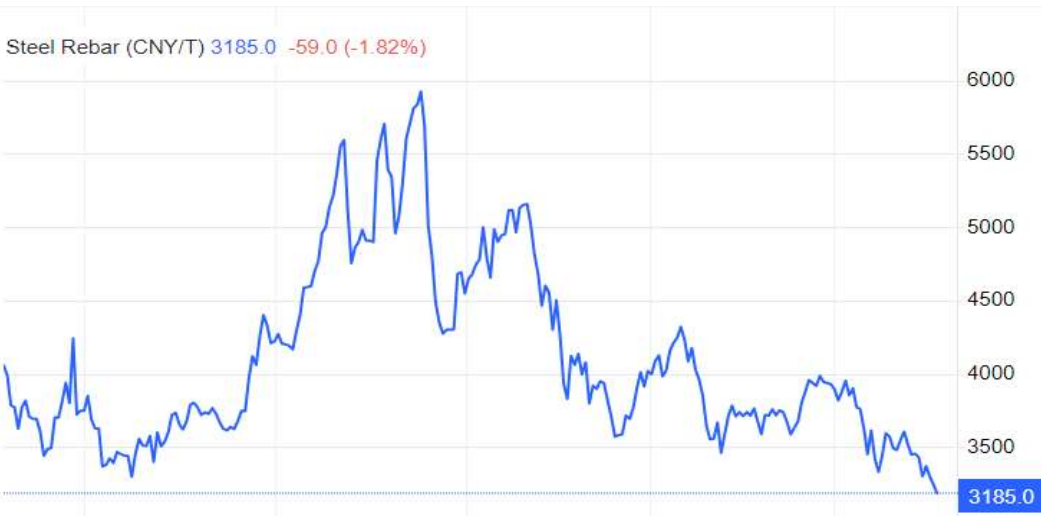


Source Trading Economics

Iron Ore - 5 Year Historical Chart



Source Trading Economics



Source Trading Economics

Cummins India is a manufacturer of engines and generators. Copper is a key material in these products, so a decrease in the price of copper will reduce Cummins India's production costs.

This could lead to higher profits for the company. Lower copper prices could also lead to increased demand for Cummins India's products. If their products become more affordable, businesses and consumers may be more likely to purchase them.

This would also boost Cummins India's earnings. Overall, a decrease in the price of copper is a positive development for Cummins India. It could lead to both lower costs and higher sales, which would drive up the company's earnings.

Lower Material Costs: Iron ore is a key ingredient in steel, which is used in the production of Cummins India's engines and generators. Lower iron ore prices will lead to lower steel prices, which will reduce Cummins India's production costs and potentially increase their profit margins.

Increased Demand: Lower prices for finished goods can lead to higher demand. If Cummins India can pass on some of the cost savings from lower iron ore prices to their customers, it could lead to increased sales and revenue.

Global Economy: The overall health of the global economy can impact demand for Cummins India's products. If the economy is weak, even lower prices may not be enough to boost sales.

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Board Of Directors Of The Company



Jennifer Mary Bush is a Non-Executive and Non-Independent Director of Cummins India Limited and Vice President at Cummins Inc., USA, where she also serves as President of the Cummins Power Systems Business. Since joining Cummins Inc. in 1997, she has held various leadership roles, including Six Sigma Blackbelt, and led the Global Commercial Marine Engine business and key distribution markets in the USA. Jennifer has extensive experience in industrial markets such as commercial marine, oil & gas, and mining. She also serves on the board of a public company and a non-profit organization in the USA.



Ashwath Ram is the Managing Director of Cummins India Limited since August 2019 and also serves as Vice President - Supply Chain at Cummins Inc., as well as the Managing Director of Cummins Group in India and TATA Cummins Pvt. Ltd. He joined Cummins in the USA in 1991 and the India operations in 2008. He has led key strategic transformations for the Engine and Power Systems Business Units in India, focusing on strategy, sales, profitability, operations, and supply chain. Ashwath is an active member of industry associations, including the Confederation of Indian Industry and the Society of Indian Automobile Manufacturers. He also chairs CII's 'Cleaner Air Better Life' national initiative, addressing air quality issues in India's metropolitan cities.



Rajeev Bakshi is a Non-Executive Independent Director of Cummins India Limited, with extensive experience in marketing and supply chain management. An alumnus of the Indian Institute of Management, Bangalore, he holds a bachelor's degree in science and economics from St. Stephen's College, University of Delhi. Rajeev has served on the boards of Marico Limited and ICICI Ventures and currently serves on the board of Dalmia Bharat Sugar & Industries Limited. He has also been a member of the Confederation of Indian Industry National Council and the National Council of the Federation of Indian Chambers of Commerce & Industry.



Nasser Munjee is a Non-Executive Independent Director of Cummins India Limited. He holds a master's degree in economics from the London School of Economics and has over 20 years of experience as Executive Director at HDFC. Nasser serves on the boards of various multinational companies and trusts and was a technical advisor to the World Bank's Public-Private Partnership Infrastructure and Advisory Fund. He has also been President of the Bombay Chamber of Commerce and Industry and served on several government task forces on housing, infrastructure, and urban development.



Rama Bijapurkar is a Non-Executive Independent Director of Cummins India Limited and a leading thought leader on market strategy and India's consumer economy. She runs an independent market strategy consulting practice across business sectors and is a Professor of Management Practice at the Indian Institute of Management, Ahmedabad. Rama is the co-founder of People Research on India's Consumer Economy, a not-for-profit think tank. She has served on the boards of several blue-chip companies in India, the Governing Council of the Banking Codes and Standards Board of India, and is a member of the Eminent Persons Advisory Group of the Competition Commission.



Rekha is a Non-Executive Independent Director of Cummins India Limited with extensive experience in manufacturing, automotive, aerospace, industrial automation, and energy management industries. Her expertise spans P&L management, marketing, program management, quality management, talent management, hardware & software development, and product design & innovation. She is currently the Worldwide Leader for Global Developers and India Leader for Customer Experience & Support at Microsoft India R&D. Rekha has previously worked with Eaton, Schneider-Electric, Honeywell, GE Research and Technology, and Bosch. She has won several industry innovation awards and has authored and presented papers at IEEE conferences in Singapore and India. She has also been invited to deliver talks at NASA, IEEE, PMI, and other industrial forums.



Lira Goswami is a Non-Executive Independent Director of Cummins India Limited with over 30 years of experience in corporate, commercial, and regulatory work, including international business transactions, strategic advisory, and mergers and acquisitions. She is a founding partner of Associated Law Advisers (ALA), where she heads the corporate and regulatory team. Lira has expertise in regulatory compliance across various sectors, including defense, energy, pharma, and food. She regularly speaks on foreign investment, defense procurement, trade, regulatory, and compliance issues and has presented at anti-corruption conferences in India and CS's Defence Procurement seminars in Washington and Paris. Lira has authored articles on topics such as disinvestment, related party transactions, foreign exchange regulations, and the interplay of law and morality.

Industry Analysis And Company Future Outlook

Data Centers on the Rise: Growth, Components, and Market Impact

Data is frequently described as the new gold, underscoring its crucial role in the digital economy. The efficient functioning of this economy heavily relies on data, which is organized, stored, managed, and processed in specialized facilities known as data centers. These centers house networked computers, storage systems, and other IT equipment, enabling businesses, organizations, and online entities to effectively manage and distribute large volumes of data. These facilities are widespread and not confined by geographic boundaries.

India's data center industry is experiencing robust growth, essential for national security, internet infrastructure, and economic efficiency. As of 2024, India's data center capacity is 950 MW, expected to reach 1800 MW by 2026, making it the leading country in data center capacity in the Asia-Pacific region. Projections indicate an increase of 850 MW between 2024 and 2026, drawing significant investments from global operators, real estate developers, and private equity firms.

This growth will require around US\$6 billion (Rs. 50,000 crore) in capital expenditure from 2023 to 2026. Although contributing 20% of global data, India's data center capacity share is just 3%, despite leading the world in mobile data usage.

A report forecasts that India will add 4,900-5,000 megawatts (MW) of capacity with a US\$ 18 billion (Rs. 1.5 trillion) investment over the next six years starting from 2023. This growth is expected to drive industry revenues, which are projected to increase at a compounded annual growth rate (CAGR) of 17-19% during FY23-FY25, according to the Investment Information and Credit Rating Agency of India Limited (ICRA).

Global Data Centers

The data center market is booming, driven by strong demand for cloud services, artificial intelligence (AI), Internet of Things (IoT), and other digital innovations. Hyperscalers and edge computing are leading this growth, with projections indicating a rise from US\$ 328.10 billion in 2023 to US\$ 792.29 billion by 2032, growing at a CAGR of 10.64% during 2024–2032. The surge in demand for cloud services further emphasizes the pivotal role of data centers in supporting global digital infrastructure and advancing technological solutions. As of 2024, there are approximately 8,000 data center locations worldwide, with \$260 billion in capital expenditure recorded in 2023.

In the US market, demand for data centers, measured by power consumption, is expected to reach 35 gigawatts (GW) by 2030, up from 17 GW in 2022. As the US represents about 40% of the global market, this growth highlights the substantial energy requirements of data centers. Hyperscale data centers, in particular, are significant energy consumers, using as much power as 80,000 households. Consequently, there is increased pressure to enhance sustainability, leading regulators to impose stringent standards on new data centers.

Why Cummins India?

Data centers play a crucial role in the global digital economy, which increasingly relies on reliable and sustainable energy sources to meet the rising demand for computing power. Modern data center architectures incorporate on-site battery storage and backup power generation assets to ensure an uninterrupted electrical supply during grid outages. Addressing the challenges of energy availability, sustainability, and affordability is becoming more critical for data center operators due to several market forces and future considerations.

Historically, diesel generators have been the preferred choice for backup power in data centers. However, stringent local air quality regulations, often exceeding national standards like those of the EPA, aim to limit the environmental impact of these facilities. These regulations can restrict the operating hours of on-site power generation to reduce emissions, thus posing a challenge for data center operators.

To comply with these regulations, data center operators and power asset manufacturers are adopting measures to mitigate their environmental impact on local communities. For example, manufacturers such as Cummins India are developing new engine control calibrations to reduce nitrogen oxide (NOx) emissions and offering exhaust aftertreatment systems to further improve air quality.

On the operational side, data centers are designing compliance strategies that involve adjusting their operational and testing hours to meet emission regulations. Additionally, they are exploring the incorporation of new power generation technologies and low-carbon fuel solutions to their energy portfolios. This approach not only helps in compliance but also contributes to the overall sustainability goals of the industry.

Cummins has delivered a comprehensive power system to the LG CNS Cloud Data Center, consisting of 12 units of C2250D6A diesel generator sets. This setup provides a total of 27MW of standby power, ensuring that the data center has a dependable backup power solution. With Cummins' generators, the LG CNS Cloud Data Center can maintain uptime and reliability around the clock, addressing the critical need for continuous power in the face of potential grid outages or disruptions.

Challenge: To install a reliable critical protection power system for Digital Realty that meets the stringent Tier certification requirements set by the Uptime Institute.

Solution and Result: Cummins Power Generation delivered six roof-mounted C2250D5 diesel generator sets powered by QSK60-G4 engines. These were accompanied by custom-built acoustic enclosures and fuel systems, providing a total of 9.6 MW of reliable prime power. Cummins Power Generation successfully provided a complete power system that conformed to the industry's highest standards of design consistency, manufacturing process control, and field reliability, all while meeting the project timelines and budget constraints.

Industry Analysis And Company Future Outlook

Hospital and Pharmaceutical Sector

The Indian healthcare industry continued its robust growth in 2023, reaching a value of US\$ 372 billion. This growth has been driven by contributions from both the private sector and government initiatives.

Key Growth Drivers

- ❑ **Rising Income Levels:** Increased income levels have enhanced the affordability of healthcare services for a larger segment of the population.
- ❑ **Ageing Population:** A growing elderly population necessitates more healthcare services.
- ❑ **Growing Health Awareness:** Increased awareness about health and wellness is driving demand for healthcare services.
- ❑ **Preventive Healthcare:** There is a changing attitude towards preventive healthcare, further boosting service demand.
- ❑ **Medical Tourism:** The low cost of medical services in India has led to a rise in medical tourism, attracting patients globally.
- ❑ **R&D Hub:** India has become a hub for R&D activities due to its relatively low cost of clinical research.

Industry Growth and Projections:

- ❑ **Sector Size:** Healthcare has become one of India's largest sectors in terms of revenue and employment.
- ❑ **CAGR:** The industry experienced a robust Compound Annual Growth Rate (CAGR) of 22.52% between 2016 and 2022.
- ❑ **Future Growth:** Healthcare profit pools are expected to grow at a 4% CAGR, from US\$ 654 billion in 2021 to US\$ 790 billion in 2026.
- ❑ **Market Size Projections:**
 - The industry size was estimated at US\$ 372 billion in 2023.
 - The market, valued at US\$ 110 billion in 2016, is projected to reach US\$ 638 billion by 2025.
- ❑ **E-health Market:** The e-health market size is estimated to reach US\$ 10.6 billion by 2025.

What Cummins Provides

Cummins provides a comprehensive range of technologically advanced power systems designed for a variety of applications, including specialty clinics, new hospital constructions, recreational facilities, restaurants, hotels, resorts, sports clubs, and the expansion of existing facilities. All these solutions are supported by the industry's largest 24/7 service and support network.

Critical Needs in Healthcare and Hospitality Facilities

Facilities such as hospitals and hospitality centers have critical needs for reliable power to support:

1. Life-Support Systems
2. Heart Monitors
3. Hardware Servers
4. Chiller Cooling Systems
5. Operating Room Lights
6. Computer Systems with Critical Patient Data

These facilities have a lot at stake, and ensuring continuous power is essential for their operations.

Cummins offers a full spectrum of power solutions, including:

1. **Generator Sets:** Providing reliable and robust power generation tailored to specific needs.
2. **Paralleling Switchgear:** Advanced systems for synchronizing and distributing power seamlessly.
3. **Compliance:** All systems meet local, regional, and national requirements for power, safety, and environmental considerations.

Hospitality

Cummins provides end-to-end solutions, from designing to installation and service, ensuring a hassle-free experience for customers. This enables clients to demonstrate world-class excellence and quality of service.

Power outages are a significant contingency for casinos, as even a brief blackout can result in substantial losses. To mitigate this risk, top casinos invest in robust backup generators to ensure continuous power during outages, protecting sensitive electronic components from power surges.

Regarding hotels, a diesel generator can indeed power an entire property. The required capacity depends on the hotel's size and needs. A typical hotel generator is around 150 kW, but a larger, fully automated luxury hotel will need a higher capacity to manage unexpected outages reliably. Determining the correct generator size involves calculating the power requirements of all electrical items and maintaining an inventory of appliances and systems that need to be supported.

Industry Analysis And Company Future Outlook

Infrastructure and Construction:

Infrastructure development continues to be a focus area for the government, with multiple projects being executed under initiatives like PM Gati Shakti and the National Infrastructure Pipeline. The development of access-controlled expressways, the Dedicated Freight Corridor (DFC), and Multimodal Logistics Parks (MMLPs) will significantly reduce logistics costs and improve the competitiveness of Indian products in global markets.

The construction sector is poised for rapid growth over the next decade as the pace of infrastructure creation gathers momentum with rising government capital expenditure. The company is a leading engine supplier in the construction equipment segment and has established strong partnerships with OEMs, positioning itself well to take advantage of strong industry tailwinds.

The company continues to be a market leader in the excavator segment and has successfully completed certification of QSB4.5 and QSB6.7 to address CEV BS V requirements well ahead of the product launch.

The company will focus on expanding its product portfolio with unregulated and electronic engines for higher tonnage excavators, offering an excellent value proposition to its partners. It continues to develop advanced engines on a fuel-agnostic platform with best-in-class power density and efficiency for the compressor and construction segment.

Power Generation

The Indian economy has shown resilience and emerged as the fastest-growing major economy, with a GDP growth rate of 7.6% for FY 2023-24. Core industry output reported growth in FY 2023-24, driven by higher output in the coal, cement, steel, and power sectors. The ratio of real Gross Fixed Capital Formation (GFCF) as a percentage of GDP rose to 34.9% in FY 2023-24, driving growth in the capital goods sector.

FY 2023-24 witnessed robust growth in the Power Generation market, driven by strong business activity and economic growth across industries. Key segments driving this growth included data centers, real estate, manufacturing, and infrastructure.

Emission norms have become more stringent for the power backup industry, with the introduction of CPCBIV+ on July 01, 2023, for products up to 800kW. The company has launched best-in-class, sophisticated, and emission-compliant products for customers across this range.

The company launched CPCBIV+ compliant products up to 800kW, incorporating sophisticated technology and indigenous components for the Power Generation market.

In FY 2023-24, the company successfully installed and commissioned over 2000 units of CPCBIV+ gensets across India, with higher traction in Delhi NCR.

Focusing on customer needs, significant steps have been taken to enhance the power density of products, aiming to reduce the total cost of ownership, lower maintenance costs, and provide the advantage of a smaller installation footprint.

In October 2023, the CAQM released a notification introducing improved emission norms for gensets up to 800kW, targeting reductions in PM, CO, and NOx for both existing and new gensets in the NCR region. The company, leveraging its well-established technology leadership, is meticulously developing products that comply with these new emission standards.

The company will focus on enhancing current products, particularly in the high horsepower range, and developing value-added offerings for customers. With a greater emphasis on increasingly stringent environmental norms in the future, the company is well-positioned as a pioneer in producing engines with cleaner technology.

Power backup solutions utilizing alternative energy sources are anticipated to become a significant part of the power generation landscape in the coming years. The company views these technologies as opportunities to serve customers as they become more viable.

With domestic players expanding their product ranges and international players establishing a foothold in the region, competition in the Power Generation segment is intensifying. As a result, pricing pressure is increasing across the industry.

There is also a risk of cost escalation and supply constraints due to supply chain disruptions, raw material shortages, and tariff wars.

Industry Analysis And Company Future Outlook

- ❑ **Railways:** Indian Railways aims to achieve 100% track electrification of its broad-gauge network by 2024, driving demand for Diesel Electric Tower Cars (DETCs) used in the installation and maintenance of overhead electric lines. The expansion of the railway network and dedicated freight corridors is expected to boost the track maintenance sector. The company is supplying hotel load converters to support Indian Railways' move away from diesel, and is preparing to introduce CPCBIV+ compliant products for Powercar applications. Additionally, the company is exploring partnerships for the "Hydrogen for Heritage" initiative, which evaluates hydrogen fuel cell solutions for a green economy.
- ❑ The company has strengthened its market presence and partnership with Indian Railways through the supply of complete DETC propulsion packages, CPCB IV+ compliant diesel alternator sets, and Hotel Load Converters (HLC). It has successfully tested and shipped CPCB IV+ compliant diesel alternator sets for powercars and track recording cars, and HLCs to meet auxiliary power requirements.
- ❑ The company maintains a strong partnership with Indian Railways and has secured orders as an approved source for Diesel Electric Tower Cars (DETCs).
- ❑ The ongoing efforts to achieve 100% electrification of the broad-gauge network, the company is pursuing growth opportunities in electrified propulsion system solutions.
- ❑ Key Risk: The rail electrification work nearing the 100% target, the demand for Diesel Electric Tower Cars (DETCs) is expected to soften in the future.
- ❑ **Mining:** India achieved record coal production of 1 billion tonnes in FY 2023-24, with a 12% annual growth. This increased production drives demand for Heavy Earth Moving Machinery (HEMM), especially high-tonnage dump trucks, where the company is a key technology supplier.
- ❑ The company continues to innovate and develop fit-for-market products to expand its presence in the Heavy Earth Moving Machinery (HEMM) segment.
- ❑ The company achieved its highest ever annual sales, driven by robust execution of government and commercial marine orders.
- ❑ The company continues to invest in new technologies for higher capacity equipment and future emission regulations (CEMM).
- ❑ **Marine:** The Indian Navy's fleet expansion and modernization under the 'Atmanirbhar Bharat' initiative present opportunities from defense PSU shipyards. The commercial marine segment is also expanding due to mandates for indigenous vessels in inland water transport and government-owned ports.
- ❑ The company has successfully delivered a 1.5 MW genset for INS Vikramaditya of the Indian Navy and supplied 1 MW DG sets for commercial marine applications to reputed shipbuilders. It has also delivered 2.3 MW propulsion engines to Larsen & Toubro for use in multipurpose vessels for the Indian Navy. The company has a strong order board for commercial marine, having onboarded new customers, and recorded its highest-ever annual sales due to robust execution of government and commercial marine orders. The company aims to maintain its relationships with the Indian Navy, Coast Guard, and major shipyards to offer integrated propulsion and genset packages for upcoming projects.
- ❑ **Oil & Gas:** The expansion of the city gas distribution network, with an increase in CNG stations from 6,000 to 17,000 by 2030, is expected to drive strong demand for gas compression engines.
- ❑ **Defence:** Government reforms promoting indigenous design and manufacturing, along with a focus on exporting defense equipment, are expected to boost domestic production. The company anticipates growth in engine requirements from OEMs in this sector.
- ❑ The production ramp-up of key applications such as Missile Carrier Vehicles, Armored Personnel Carriers, and Towed Artillery Guns is driving demand for engines above 400HP. The company has successfully delivered a prototype engine for the Light Tank 'DRDO' project of the Indian Army and secured new orders for wheeled troop carrier vehicles and artillery guns from defense OEMs. The company is well-positioned to capitalize on emerging opportunities resulting from the Government of India's focus on boosting domestic defense manufacturing and increasing the share of indigenous content in defense equipment.
- ❑ **Pumps:** The company is looking to export FM/UL certified pump packages to global OEMs.
- ❑ The company has successfully expanded its product portfolio with high-speed FM/UL certified engines for the global pumps segment.



Industry Analysis And Company Future Outlook

The Commission of Air Quality Management (CAQM) has issued guidelines for the use of diesel-based power backup generators in Delhi-NCR, requiring these generators to be retrofitted with Emission Control Devices (ECDs). This regulatory push towards cleaner energy is expected to drive increased demand for Dual Fuel Kits (DF kits) and Retrofitted Emission Control Devices (RECDs). In response, the Company has launched an extended warranty service package, Ashwasan IV+, to support a smooth transition to lower emissions for its customers. The growth outlook for the Powergen business remains positive, fueled by strong demand for uninterrupted power supply from sectors such as datacenters, healthcare, and commercial real estate.

The Indian construction equipment sector is projected to experience robust double-digit revenue growth in FY24, driven by the government's focus on infrastructure development, rapid urbanization, and increased construction activities. This investment in infrastructure and the accelerated pace of project delivery are expected to boost equipment utilization, leading to higher maintenance and aftermarket revenue opportunities.

Indian Railways has increased its budget allocation for improving the safety and reliability of its rail network. This focus is anticipated to result in more track maintenance activities, which will, in turn, drive the usage of overhead cranes and track maintenance equipment, thereby increasing demand for aftermarket services.

The ongoing expansion of coal production capacity to meet rising energy demands is expected to drive growth in the mining sector. This surge will likely enhance equipment utilization and boost demand for High Tonnage Mining Machinery (HEMM). Additionally, there will be a growing emphasis on aftermarket services, spare parts supply, and training for operators and maintenance staff to ensure higher asset uptime and productivity.

The rapid development of the domestic gas pipeline network under the City Gas Distribution (CGD) initiative in various cities is set to lead to increased demand and usage of gas compressor engines and parts.

The Company has seen strong sales of DF kits and RECDs this year, driven by CAQM mandates requiring Emission Control Devices on operational DG sets. In addition to a broad range of CPCB IV+ compliant DG sets, the Company has introduced the in-house developed RECD and conducted pilot installations.

To meet the needs of the high-growth On-highway segment, the Company has launched a new range of brake linings, clutches, Crankcase Ventilation Managers, and Fuel Quality Checking Kits. Additionally, Diesel Exhaust Fluid (DEF) and Intermediate Bulk Containers (IBC), launched last year, are gaining traction among end customers through direct fleet connections, with strong market demand observed.

New service products introduced in 2023 include Rust Guardian, Hand Clean, and Clean Master.

The Company has launched Ashwasan IV+, an extended warranty service package for its new CPCB IV+ compliant gensets. This package provides customers with hassle-free maintenance and underscores the Company's commitment to reliability and dependability.

In partnership with Repos Energy, the Company introduced the DATUM range of products at Excon'23. DATUM is an IoT-enabled fuel storage device integrated with a doorstep delivery ecosystem, addressing the end-to-end fuel management needs of customers.

The Company supplied two HHP marine engines for the repowering of Diesel Alternator sets for a strategic customer. Additionally, a Command Centre for Telematics and Rapid Response Team (RRT) Technical support has been established at the Company's India Office Campus to provide real-time monitoring and quick issue resolution for new CPCB IV+ compliant gensets equipped with telematics devices.

The Company has also introduced OPTIMUS, a cutting-edge sales and service application for its distribution network, replacing the existing Cummins Dealer Operating System (CDOS) with Salesforce CRM. This upgrade aims to maximize business potential for the Company and its channel partners.

The 'MITWA Mechanics Loyalty Program' has been reinforced to cover a broad range of parts, including Components, Engines, Filters, and Allied parts. This program is designed to boost sales, expand product range sales, raise awareness about Genuine parts, and enhance brand loyalty among mechanics.

The Company organized the All India Aftermarket Conference (AIAC), gathering Aftermarket Leadership, Sales teams, and dealers for the first time. The Cummins India Leadership Team recognized the exceptional performance of the business in the previous year and outlined a strategic roadmap with aspirational goals for the upcoming year.

The DBU achieved a Net Promoter Score (NPS) of 90%, reflecting high customer loyalty towards the Company and its service support. The Indian Space Research Organization (ISRO) acknowledged the Company as a valuable partner for its dedicated power backup support during the successful launches of Chandrayaan-3 and Aditya L1 space missions.

The Integral Coach Factory (ICF) has contracted the Company for maintenance and servicing of DEMU engines. In 2023, wheeled applications in the agriculture segment transitioned from TREM III to TREM IV emission norms. The Company supported Agri OEMs by conducting equipment trials and homologations, reinforcing its brand promise of innovation and dependability.

The Company helped power the world's largest hockey stadium in Rourkela with two 750 kVA and two 600 kVA gensets. A contract for part supplies to Coal India through Company depots was renewed, which is expected to drive sales growth in the coming year. The Company's service team was commended for promptly assisting customers during Cyclone Michaung in Chennai last year, restoring submerged DG sets for emergency standby power.

On-highway aftermarket efforts have started generating market interest through initiatives like loyalty programs and fleet engagement programs. The Company expects to strengthen its position in the On-highway segment with fit-for-market products and services, improved last-mile reach, and enhanced brand recall.

In response to growing Environmental, Social, and Governance (ESG) priorities among its customers, the Company plans to expand its emission-controlling product portfolio into new business segments and applications. This strategy is further supported by a heightened focus on reconditioning engines to promote sustainability through product life extension.

The Company is proactively establishing channels in key regions worldwide to leverage potential synergies by aligning products with market demands for future growth.



Management Commentary

For the quarter ended March 31, 2024, compared to the same quarter last year, their sales amounted to Rs. 2,269 crores, an increase of 20% from the Rs. 1,889 crores recorded in the same quarter the previous year. Domestic sales reached Rs. 1,925 crores, marking a 38% increase, while exports at Rs. 344 crores saw a decrease of 30%. Profit before tax was Rs. 701 crores, a significant rise of 70% compared to the same quarter last year. Comparing the quarter ended March 31, 2024, to the previous quarter, their sales of Rs. 2,269 crores represented a 9% decline from Rs. 2,502 crores recorded in the last quarter. Domestic sales were down by 12%, while exports at Rs. 344 crores increased by 6%. Profit before tax at Rs. 701 crores was 16% higher than in the last quarter.

Domestic:

- ❑ Power Generation domestic sales amounted to Rs. 943 crores, 40% higher compared to last year and 12% lower compared to the last quarter.
- ❑ Distribution business sales were Rs. 604 crores, 25% higher compared to last year and 9% lower compared to the last quarter. Industrial domestic business sales reached Rs. 348 crores, 60% higher compared to last year and 16% lower compared to the last quarter.
- ❑ Industrial domestic business sales reached Rs. 348 crores, 60% higher compared to last year and 16% lower compared to the last quarter.

Exports:

- ❑ High horsepower exports were Rs. 171 crores, 17% lower compared to last year and 25% higher compared to the last quarter.
- ❑ LHP exports amounted to Rs. 142 crores, 42% lower compared to last year and 3% lower compared to the last quarter.

For the year ended March 31, 2024, compared to the previous year, their sales at Rs. 8,816 crores were 16% higher than the Rs. 7,612 crores recorded in the previous year. Domestic sales at Rs. 7,143 crores were 28% higher, while exports at Rs. 1,673 crores were 18% lower. Profit before tax at Rs. 2,143 crores was 44% higher compared to the previous year.

Power Generation's domestic sales amounted to Rs. 3,335 crores, representing a 32% decrease compared to the previous year. The Distribution business recorded sales of Rs. 2,349 crores, marking a 25% decline from the prior year. In contrast, the Industrial domestic business saw an increase in sales, reaching Rs. 1,296 crores, which is a 24% rise over the last year. High horsepower exports were reported at Rs. 817 crores, a 9% decrease compared to the previous year, while low horsepower exports amounted to Rs. 699 crores, showing a 27% reduction from the last year. This information pertains to Cummins India's financial guidance.

Regarding the sales outlook for 2024-2025, they continue to expect double-digit growth over the fiscal year 2023-2024.

If India wants to become a \$7 trillion economy, which means doubling from its current position, it has to be driven by investments in core infrastructure and social schemes, both of which require substantial infrastructure. Cummins' products will be integral to these developments. While no new market segments are expected to emerge, the existing strong market segments are anticipated to continue performing well over a long period.

The data center segment has grown to constitute about 10% of their PowerGen revenue. It is also accurate to say that there continues to be significant demand for data centers, both in India and globally. In fact, they remain on allocation for certain types of gensets and engines worldwide, as there is no additional capacity available. Some of their factories globally are booked for over 18 months. Therefore, they anticipate this demand to remain robust and continue strongly.

They are currently operating at greater than 90% utilization, so capacity is not an issue. If demand increases, they will be able to scale up production quickly. Strategic long-term investments, which typically span 18 to 24 months, are being made to meet global demand. Therefore, there is no immediate need for a short-term surge in capital expenditure or any emergency measures.

High levels of localization are classified as greater than 70% to 75%. However, certain components related to electronics and specific parts, which are not made in India, still need to be imported. Additionally, there are newly introduced product lines that were never previously manufactured in India and are currently being imported and sold. Efforts are in advanced stages of planning to localize these products as well.

Data centers, hospitality, and real estate are key sectors to consider. Looking ahead over the next 2 to 3 years, it is essential to evaluate the potential emergence of new demand drivers for the business. Given the significant push towards clean energy expected over the next 6 to 7 years, it is important to identify what new growth drivers might arise in alignment with this trend.

The country's aspirational GDP growth rate is projected to be between 6% and 8% over the next 8 to 10 years. Accordingly, the company's growth could potentially reach 12% to 16%. This represents a broad and ambitious growth rate compared to the company's historical performance.

Regarding the power generation business volume, it has increased by approximately 30% compared to the previous year. The major market segments have remained consistent, with no significant shifts. Data centers continue to experience robust growth, and investments in infrastructure, commercial real estate, residential real estate, and manufacturing sectors are sustaining their momentum in the power generation market.

Construction, which had been lagging despite significant national spending on infrastructure, has shown a strong rebound recently. Additionally, other segments, including compressors and marine, have also experienced a notable recovery. This resurgence across various sectors is contributing to the current growth in the industrial business.

The distribution business is currently experiencing growth of around 25% in this segment. Over the past 3 to 4 years, there has been a substantial focus on strengthening the distribution business to make it a robust, stable, and profitable entity. This effort has led to growth in several areas, including parts, service contracts, and new engines.

Management Commentary

There is expected to be further deterioration in global demand, as markets have not yet bottomed out. The geopolitical crisis in the Middle East, combined with low sales in Europe and currency problems in Africa, has significantly impacted demand. It is likely that another quarter of weak demand will occur before improvement begins. Consequently, the percentage of exports compared to domestic sales is unlikely to change significantly this year.

However, there is optimism that demand will pick up with the introduction of new products and an increase in components and parts exports. The goal is to achieve 30-35% of sales from exports, but this is not expected to happen this year. The company is addressing and pursuing this goal actively.

In the power generation, industrial, and various mining markets, Cummins India Limited continues to manufacture all related products, except for specific cases where global investments are made in India for global consumption. There are a few engine platforms licensed by Cummins India for buyback to North America or other markets. These products, which are exclusively for internal consumption and not related to the Indian market, are made by CTIL. Otherwise, the manufacturing logic has been very consistent and straightforward.

With the increasing scope of distribution and the introduction of more electronic parts due to CPCB IV+, the business is undergoing a significant shift. At 100% CPCB IV+, the added complexity and advanced technology will bring more risks but also better margin opportunities, depending on market competition.

Royalty plus support fees have decreased from a peak of 3% to around 1.7% in FY '23. The exact figure for FY '24 is unclear due to some one-off events in Q4 that likely reduced it further. With CPCB IV+ being implemented in FY '25 for at least 9 months, it's important to consider the trend of this line item over the next 2 to 3 years.

Balancing CAPEX is a consistent practice, with incremental CAPEX used to introduce new products and balance capacities. The company remains at roughly 50% utilization of installed CAPEX and over 90% utilization of manned CAPEX, indicating capacity is not an issue. Increased demand can be quickly scaled up. Strategic long-term investments, typically 18- to 24-month projects, are being made for global demand. There is no immediate CAPEX surge, but there is a steady plan to meet long-term demand and improve global competitiveness.

The company is encountering challenges as prices for major commodities—such as copper, nickel, exotic materials, platinum, silver, gold, and oil—are rising. Even steel prices, which had been declining for six consecutive quarters, have now started to increase. This trend is putting significant pressure on material margins. Nevertheless, the company is working to enhance efficiency with its suppliers to maintain growth. Management remains optimistic, projecting a growth rate of 12% to 16%, which is ambitious compared to the company's historical performance.

Quarterly Update(Standalone)

₹ In Cr.

	Q4 2024	Q3 2024	Q4 2023	QoQ (%)	YoY (%)	
Revenue From Operations	2,316.15	2,534.06	1,926.00	-8.60%	20.26%	
Cost of goods sold	1,482.09	1,595.54	1,295.52			Total sales for the quarter were ₹2,319 crore, representing a 20% increase compared to the same quarter last year but a 9% decrease compared to the previous quarter.
as % of sales	63.99%	62.96%	67.26%			
Gross Profit	834.06	938.52	630.48	-11.13%	32.29%	
SG&A	289.79	400.59	304.43			Operating Profit was ₹554.7, up 67% compared to the same quarter last year and 1.2% higher than the previous quarter.
as % of sales	12.51%	15.81%	15.81%			
Operating Profit	544.27	537.93	326.05	1.18%	66.93%	
Depreciation	42.03	41.9	37.22			
EBIT	502.24	496.03	288.83	1.25%	73.89%	
Other Income	204.47	113.61	130.62			Profit before tax was ₹589 crore, up 57% compared to the same quarter last year and 16.12% higher than the previous quarter.
Interest Expense	6.16	6.29	6.55			
EBT	700.55	603.35	412.90	16.11%	69.67%	
Exceptional Item	0	1.7	0			Profit after tax was ₹538.86 crore, reflecting a 54.55% increase compared to the same quarter last year and a 8.16% increase compared to the previous quarter.
TAX	139.03	146.73	94.40			
PAT	561.52	454.92	318.50	23.43%	76.30%	
EPS	20.26	16.41	11.49			
Margins (%)						
EBIDTA	23.50%	21.23%	16.93%	227.1 bps	657 bps	
EBIT	21.68%	19.57%	15.00%	211 bps	668.8 bps	
EBT	30.25%	23.81%	21.44%	643.7 bps	880.8 bps	
PAT	24.24%	17.95%	16.54%	629.1 bps	770.7 bps	

Quarterly Update(Consolidated)

₹ In Cr.

Q4 2024 Q3 2024 Q4 2023 QoQ (%) YoY (%)

	Q4 2024	Q3 2024	Q4 2023	QoQ (%)	YoY (%)
Revenue From Operations	2,319.02	2,540.69	1,933.85	-8.72%	19.92%
Cost of goods sold	1,482.83	1,589.81	1,291.86		
as % of sales	63.94%	62.57%	66.80%		
Gross Profit	836.19	950.88	641.99	-12.06%	30.25%
SG&A	297.68	409.06	311.88		
as % of sales	12.84%	16.10%	16.13%		
Operating Profit	538.51	541.82	330.11	-0.61%	63.13%
Depreciation	42.38	42.29	37.61		
EBIT	496.13	499.53	292.50	-0.68%	69.62%
Other Income	99.9	99.39	87.45		
Interest Expense	6.3	6.45	6.66		
EBT	589.73	592.47	373.29	-0.46%	57.98%
(Profit)/loss from JV's/Ass/MI	86.53	55.3	71.11		
Exceptional Item	0	-1.7	0		
TAX	137.40	147.85	95.49		
PAT	538.86	498.22	348.91	8.16%	54.44%
EPS	19.44	18	12.59		
Margins (%)					
EBIDTA	23.22%	21.33%	17.07%	189.6 bps	615.1 bps
EBIT	21.39%	19.66%	15.13%	173.3 bps	626.9 bps
EBT	25.43%	23.32%	19.30%	211.1 bps	612.7 bps
PAT	23.24%	19.61%	18.04%	362.7 bps	519.4 bps

Total sales for the quarter were ₹2,319 crore, representing a 20% increase compared to the same quarter last year but a 9% decrease compared to the previous quarter.

Domestic sales were ₹1,925 crore, marking a 38% increase compared to the same quarter last year but a 12% decrease compared to the previous quarter.

Export sales were ₹344 crore, which is a 30% decrease compared to the same quarter last year but a 6% increase compared to the previous quarter.

Profit before tax was ₹589 crore, up 57% compared to the same quarter last year and 0.46% lower than the previous quarter.

Profit after tax was ₹538.86 crore, reflecting a 54.55% increase compared to the same quarter last year and a 8.16% increase compared to the previous quarter.

Segmental Revenue

Sales					
Engines	2271.88	2509.79	1897.45	-9.48%	19.73%
Lubes	617.09	560.28	580.67	10.14%	6.27%
Total	2888.97	3070.07	2478.12	-5.90%	16.58%
Less : Adjustments	617.09	560.28	580.67	10.14%	6.27%
Net Sales	2271.88	2509.79	1897.45	-9.48%	19.73%
Profit Before Tax					
Engines	644.23	620.51	422.56	3.82%	46.85%
Lubes	87	70.46	58.31	23.47%	20.84%
Total	731.23	690.97	480.87	5.83%	43.69%
Less : Adjustments	54.97	44.21	36.47	24.34%	21.22%
Profit Before Tax	676.26	646.76	444.4	4.56%	45.54%
PAT					
Engines	506.83	472.66	327.07	7.23%	44.51%
Lubes	64.06	52.5	43.68	22.02%	20.19%
Total	570.89	525.16	370.75	8.71%	41.65%
Less : Adjustments	32.03	26.25	21.84	22.02%	20.19%
Total Profit After Tax	538.86	498.91	348.91	8.01%	42.99%
Operating Margins (%)					
Engines	28.36%	24.72%	22.27%	363.3 bps	608.7 bps
Lubes	14.10%	12.58%	10.04%	152.3 bps	405.7 bps
PAT Margins (%)					
Engines	22.31%	18.83%	17.24%	347.6 bps	507.1 bps
Lubes	10.38%	9.37%	7.52%	101.1 bps	285.9 bps

The company achieved another year of record revenue and profit, driven by robust domestic market demand, though export market demand remained weak. The launch of the CPCB IV+ product range was well-received by customers. The company maintains a strong balance sheet and liquidity, positioning itself well to support operations and growth plans.

Investment in infrastructure, both public and private, along with broader economic growth, continues to drive profitable growth for the company. Regarding the Powergen market, CPCB II products can be sold until June 30, 2024. From July 1, 2024, demand will shift to CPCB IV+ emission norms-compliant products. The company is well-prepared with a strong portfolio of CPCB IV+ products to meet customer demand across its entire range.

Exports may face short-term challenges due to global economic uncertainties. The company is closely monitoring geopolitical events and their impact on global demand and supply chains. Despite these hurdles, the company is leveraging its diversified product portfolio and is focused on recovering its export markets.

Financial Statement

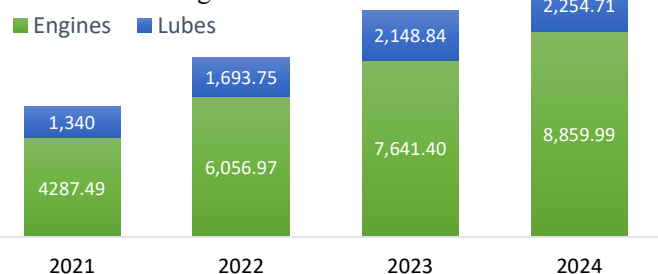
Income Statement (Consolidated)

₹ In Cr.	Year ending 31 march		
Particulars	2022	2023	2024
Revenue from operations	6170.92	7772.09	9000.2
Cost of goods sold	4107.16	5222.52	5770.92
Gross Profit	2063.76	2549.57	3229.28
GP Margin (%)	33.44%	32.80%	35.88%
SG&A	1175.7	1301.83	1459.62
Operating Profit	888.06	1247.74	1769.66
Operating Profit Margin (%)	14.39%	16.05%	19.66%
Depreciation	135.62	142.04	159.18
EBIT	752.44	1105.7	1610.48
Interest	12.16	16.24	27.4
Other Income	243.19	308.15	378.07
JV	91.15	207.98	245.16
Extra ordinary	132.36	-14.3	-1.7
EBT	1206.98	1591.29	2204.61
TAX for The year	273.24	363.14	484.03
PAT	933.74	1228.15	1720.58
PAT Margin (%)	15.13%	15.80%	19.12%

Cash Flow Statement (Consolidated)

₹ In Cr.	Year ending 31 march		
Particulars	2022	2023	2024
Cash Flow From Operations			
OP CF before change in WC	1,032.33	1,427.94	1,970.42
Change in WC	-65.83	-256.15	-183.84
Operating Cash Flow	966.50	1,171.79	1,786.58
TAX	-254.63	-352.13	-501.24
Net Operating Cash flow	711.87	819.66	1,285.34
Cash Flow From Investing Activities			
Net PPE	22.65	-154.74	-279.97
Other CFI	-608.9	223.88	11.74
Total CFI	-586.25	69.14	-268.23
Cash Flow From Financing Activities			
Net lease/debt	369.3	-50.6	-257.05
Finance Cost	-8.03	-13.04	-17.88
Dividend Paid	-443.52	-623.7	-859.32
Change in Equity	0	0	0
Other CFF	-451.55	-636.74	-877.2
Total CFF	-82.25	-687.34	-1134.25

Revenue from Segment



Balance Sheet (Consolidated)

₹ In Cr.	Year ending 31 march		
Particulars	2022	2023	2024
PPE	2227.08	2229.3	2267.41
Intangible Assets	42.39	37.8	131.84
DTA	63.35	96.02	93.97
Other non-current assets	0	0	0
Investments	325.45	421.76	477.23
Other non-current financial assets	40.35	35.29	57.85
Total non-current assets	2698.62	2820.17	3028.3
Cash	1426.75	1386.23	1512.78
Account Receivables	1258.1	1597.12	2085.35
Inventory	737.53	903.66	949.65
Current tax assets (Net)	0	0	0
Other financial assets	255.46	42.85	38.73
Short-term Investments	577.54	1047.92	1178.19
Other current assets	157.99	120.69	177.5
Total Current Assets	4413.37	5098.47	5942.2
Common Shares	55.44	55.44	55.44
Other Equity	5089.53	5702.8	6556.88
Total Equity	5144.97	5758.24	6612.32
Long Term Debt/Lease	17.88	20.07	19.85
Deferred tax liabilities (Net)	93.50	100.83	87.18
Other non-current financial liabilities	24.66	40.80	61.29
Other non-current liabilities	3.22	3.27	11.96
Provisions	83.17	105.08	120.98
Total non current liabilities	222.43	270.05	301.26
Provisions current	146.14	137.32	163.68
Trade Payables	999.68	1153.87	1408.77
Short term debt	399.65	356.02	107.13
Current tax liabilities (Net)	0.00	0.00	0.00
Other current liabilities	113.98	144.52	226.84
Other Financial Liabilities	85.14	98.62	150.51
Total Current Liabilities	1744.59	1890.35	2056.93

Du'pont Analysis

Particulars	2022	2023	2024
PAT/EBT	77.36%	77.18%	78.04%
EBT/EBIT	1.36	1.28	1.25
EBIT/Sales	14.39%	16.05%	19.66%
Assets/Equity	1.38	1.38	1.36
Sales/Assets	0.94	1.03	1.07
ROE	19.75%	22.47%	27.64%

Ratios - Analysis

Particulars	FY-22	FY-23	FY-24
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Profitability Ratios			
Sales Growth(%)	41.53%	25.95%	15.80%
Expenses Growth(%)	48.62%	27.16%	10.50%
GP Growth(%)	29.27%	23.54%	26.66%
EBITDA Growth(%)	52.57%	40.50%	41.83%
EBIT Growth (%)	65.42%	46.95%	45.65%
Net Profit Growth (%)	29.12%	31.53%	40.10%
Gross Margin	-317.2 bps	-63.9 bps	307.6 bps
Operating Margin	104.2 bps	166.3 bps	360.8 bps
Net Margin	-145.4 bps	67.1 bps	331.5 bps
ROCE	18.28%	21.55%	26.59%
ROIC	13.90%	18.80%	24.99%
ROE	19.06%	22.53%	27.82%

Efficiency Ratios			
Inventory Days	58	57	59
DebtorDays	71	66	59
payables Days	77	75	81

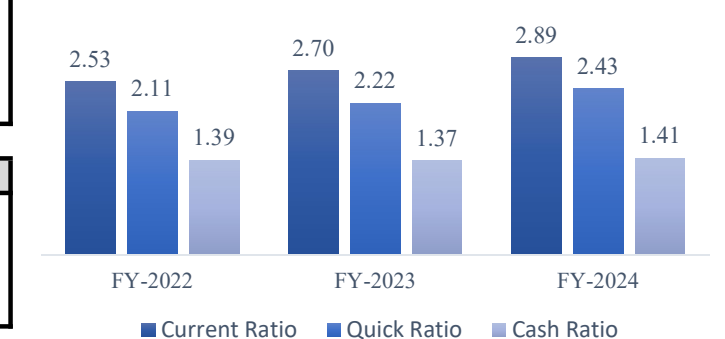
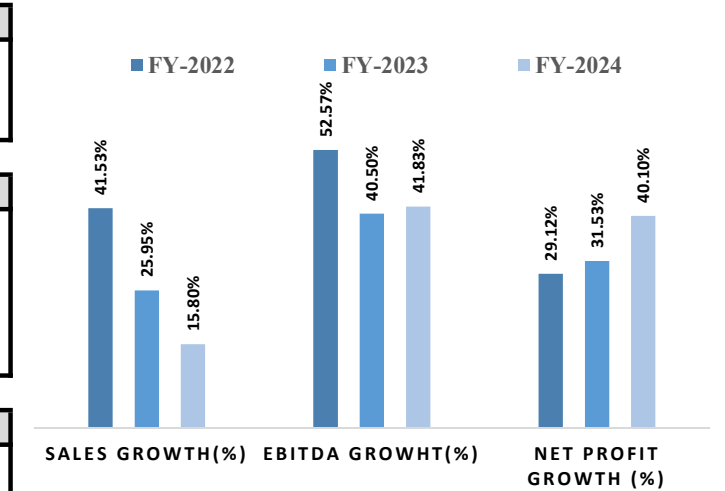
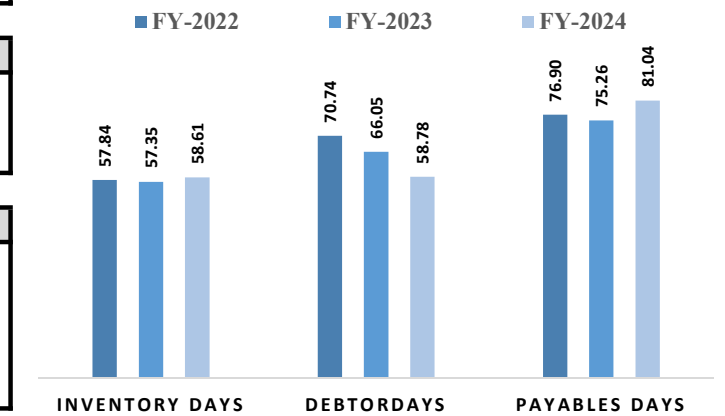
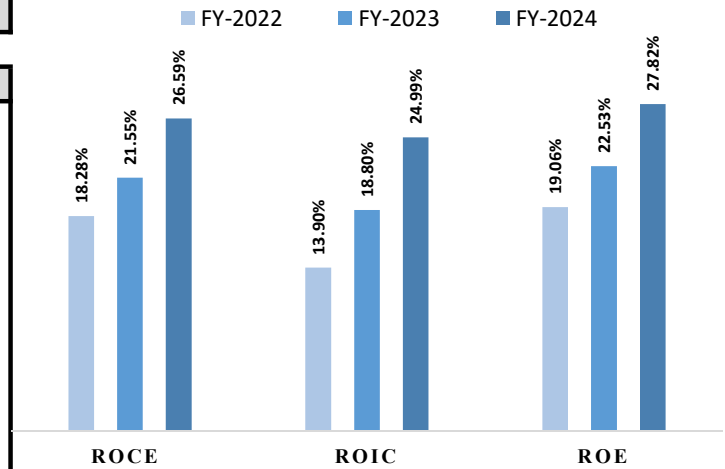
Leverage Ratios			
Equity/Assets	0.72	0.73	0.74
Debt/EBITDA	0.26	0.32	0.14
Cash/Debt	4.80	6.47	21.19
Interest Coverage (Times)	61.88	68.08	58.78
Operating Leverage	1.18	1.13	1.10

Liquidity Ratios			
Current Ratio	2.53	2.70	2.89
Quick Ratio	2.11	2.22	2.43
Cash Ratio	1.39	1.37	1.41

Cash Ratios			
Operating C.F Growth (%)	-9.70%	15.14%	56.81%
CFO/EBITDA	0.80	0.66	0.73
CFO/Total Assets	0.11	0.11	0.15
CFO/Revenue	0.12	0.11	0.14
CFO/PAT	0.76	0.67	0.75

Valuation Ratios			
Enterprise Value	29487.36	43125.54	80596.01
EV/EBITDA	33.20	34.56	45.54
Price/Earnings	33.28	36.79	48.33
Price/Sales	5.04	5.81	9.24
Price/CFO	43.65	55.12	64.70
Price/Book Value	6.04	7.85	12.58

Liquidity Ratios			
P/E	33.28	36.79	48.33
P/B	6.04	7.85	12.58
EV/EBITDA	33.20	34.56	45.54
P/S	5.04	5.81	9.24



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- BUY – We expect the stock to deliver more than 10%-20% returns over the next 9 months.
- ACCUMULATE – We expect the stock to deliver 5% - 12% returns over the next 9 months.
- REDUCE – We expect the stock to deliver 0% - 5% returns over the next 9 months.
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Registration No: INA000018425

Registered Office: Plot No A 2nd Floor, Street New Bungalow Road, Malka Ganj, Delhi North Delhi, 110007 Delhi

Phone no: 9711885801

Email id: customercare@fin2research.comWebsite: www.fin2research.comFor Research Query- researchdesk@fin2research.com