Ref: STEX/SECT/2019

February 20, 2019

The Relationship Manager, DCS-CRD BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001 BSE Scrip Code: **500480**	National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai 400 051 NSE Symbol: **CUMMINSIND**

Subject: Intimation of transcript of analyst conference call held on February 7, 2019

Dear Sir/ Madam,

With reference to our stock exchange intimation dated February 4, 2019 towards analyst conference call, we are enclosing for your records a copy of the transcript of the said conference call conducted by the Company on February 7, 2019.

We request you to please take this intimation on your record.

Thanking you,

Yours faithfully,
For Cummins India Limited

HEMIKSHA BHOJWANI Digitally signed by HEMIKSHA BHOJWANI Date: 2019.02.20 18:11:11 +05'30'

Hemiksha Bhojwani
Compliance Officer
Membership No.: A22170

(This letter is digitally signed)

Encl.: As above.

Cummins India Ltd.

Analyst Call

February 7th, 2019

SPEAKERS: **Management, Cummins India Ltd.**

Moderator: I am Harpreet Kapoor the moderator of this call. Thank you for standing by and welcome to analyst call. For the duration of the presentation, all participants' lines will be in listen-only mode. We will open the floor for Q&A post the presentation. So I would like to now hand over the proceedings to the Managing Director, Mr. Sandeep Sinha. Thank you and over to you sir.

Sandeep Sinha: Thank you. Good morning ladies and gentlemen. This is Sandeep Sinha, Managing Director, Cummins India Ltd. I am accompanied with my CFO Rajeev Batra. I would first of all like to thank you for participating in this call. Before I convey the financial results I would also like to share that this year 2019 is when Cummins Inc. celebrates its centennial year so we are celebrating our 100-year anniversary and I think not many companies are able to say that they have existed for the 100 years and I feel very proud to be part of an institution that has survived through for such a long time and we continue to build strategies and visions to survive for the next 100. So very excited about our future but I thought it was important for me to mention this momentous year for us. I would like to now convey the financial results for the quarter ended and the nine-month ended December 2018 through this call. For the quarter ended December 2018 with respect to December 2017, our total net sales was at 1463 crores which was our highest ever sales which is an increase of 11% compared to the same quarter last year. Domestic sales stood at 1022 crores which again is our highest ever sales which was an increase of 14% over last year. Our exports grew at 5% to 441 crores. Our profits before taxes at 270 crores grew by 23% compared to 220 crores in the same quarter last year. With respect to the sequential quarter, our total sales was at 1463 crores was a 1% increase over the preceding quarter. Domestic sales increased by 2% over last quarter and exports declined by 2% as compared to the preceding quarter. Profits before taxes at 270 crores declined by 9% compared to the 298 crores we had recorded in the earlier quarter. For the nine months quarter ended December 2018 with respect to 2017, our total net sales for the nine months was at 4211 crores which was a 12% increase over the same period last year. Domestic sales at 2881 crores grew at 12% while exports also grew at 12% at 1330 cores. Profits before taxes at 822 crores grew at 28% compared to 644 crores in the preceding period if I was to exclude 56 cores from a sale of a property in the last year. To give you a sense of the segments I think our industrial domestic segment had a record quarter. Power gen domestic sales was at 430 crores which grew by 30% over last year. Distribution business sales was at 353 crores a drop of 4% over last year but if you recall in the same quarter last year we had, because of the GST implementation, we had some extraordinary sales get accounted in that period so if I was to normalize it, we would show a 12% growth – sorry 7% to 8% growth my apologies. In exports, we grew by 15% over last year and in our low horsepower [Audio Cut] sequentially. In our high horsepower exports, we declined 3% over last year and 8% sequentially. With that, I am going to open this session for questions. Thank you very much.

Moderator: Thank you so much sir. With this, we will open the floor for Q&A interactive session. So participants, if you wish to ask a question you may please press 0 and then 1 on your telephone keypad and wait for your line to be unmuted. First question of the day we have from Sivaram from ICICI Securities. Your line is unmuted.

Sivaram: Hello.

Sandeep Sinha: Hi Sivaram. I can hear you.…

Sivaram: Yeah just wanted to get some idea the raw material to sales has been high this quarter so is it largely to do with the mix or is there anything else should we read on that and if you can provide some outlook on how do you see that going forward and also if you can touch upon like – is that due to any pricing actin from you, you are not taking anything or what should we read?

Sandeep Sinha: There are two reasons certainly I think the big one for us was our commodity price adjustments that we passed on to our suppliers and also we had kept on hold their manufacturing overhead increases for the past few years. So I think both those took an impact on the material cost. There is obviously also an impact on the mix so both of that combined has shown this negative movement in the material margin.

Sivaram: So should we…what's your outlook on that? What kind of range we should be looking at?

Sandeep Sinha: So I think obviously we monitor the commodity crisis. We certainly hope that this should soften. Right now I don't think I can give you a full assessment for next year but we are working continuously through our cost reduction programs to make up for any commodity increases that we give so we have something called the ACE program which is our Accelerated Cost Efficiency program on reducing our material costs through value engineering and other areas. So we will continue to ensure that we move this in the right direction.

Sivaram: Okay and we have shown good growth both in the domestic and export in the nine months. So given this growth, would you be relooking at the guidance in terms of revenues for the domestic and export for the full year now?

Sandeep Sinha: Yes, yes. So on the domestic I would – I last time told you we will be in the range of 10% to 12%, I think I am going to up that in the 13% to 15% range and for exports would be closer to the 4-4.5% kind of range.

Sivaram: Okay. Okay sir, thank you. I'll join for further questions.

Sandeep Sinha: Thank you Sivaram.

Moderator: Thanks for your question. Next we have Sandeep Tulsiyan from JM Financial. Your line is unmuted.

Sandeep Tulsiyan: Yeah good morning. Sir if you could just…

Sandeep Sinha: Good morning Sandeep.

Sandeep Tulsiyan: [indiscernible] a little bit more on the gross margin aspect what you explained so has there been any pricing action taken post 3Q by Cummins and what you spoke on the mix aspect can you just elaborate a little bit more on that part?

Sandeep Sinha: Sure, sure. So on the pricing action I had shared with you last time that we have taken some pricing action. The full impact we will start to see in the coming quarters. The question is how much of that we will compensate for the mix impact because I think our domestic growth is higher than the export which obviously impacts us a little negatively from mix perspective and even within the mix we have grown quite substantially even in our low horsepower gen set which again is not as profitable as our bigger gen sets. So these are two reasons that the mix has been adverse for us. We will continue to give you guidance on the export market in the coming quarters and if the mix corrects itself you should see the positive impact on the material margin.

Sandeep Tulsiyan: Sure. Sir could you share the breakup of the various segments that you give every quarter for the overall company in domestic power gen exports and industrials and also if you could clarify on the tax rate in the past we have guided for a 28% tax rate but it has been stuck to 31% in the current quarter so how should it behave in the coming years?

Sandeep Sinha: Sure, sure. So let me first take your question on the breakup. For power gen, we were at 430 crores, our industrial business was up to 50 crores and our distribution business was 350 crores.

Sandeep Tulsiyan: And for the ….

Sandeep Sinha: This is …

Sandeep Tulsiyan: Yeah.

Sandeep Sinha: Well our exports our high horsepower exports was at 215 crores, low horsepower was around 200 crores and the remaining was at 30 crores was spares that totals up to 440 crores of export.

Sandeep Tulsiyan: Okay and within industrials?

Sandeep Sinha: I am sorry what?

Sandeep Tulsiyan: Within industrial segment what is your breakup sir?

Sandeep Sinha: Yeah so within the industrial segment you could…the construction at about 110 crores, 70 crores in the rail business, 20 crores in mining, compressors was at 20 crores the remaining was in marine and others.

Sandeep Tulsiyan: Okay. Got it and sir lastly on the tax rate part.

Sandeep Sinha: Yes, I will have Rajeev my CFO take that question for you.

Rajeev Batra: The tax rate would be around 28% to 30% based on the mix within the quarter of exports. As we told you last time, the full exemption on our low horsepower exports from the SEZ unit at Phaltan is no longer available that steps into the next life of incentive which is 50% so based on how mix move, it will range now between 28% to 30%.

Sandeep Tulsiyan: Understood. That's it from my side sir. Thank you so much for taking the questions.

Sandeep Sinha: Thank you Sandeep.

Moderator: Next we have Renu Baid from IIFL. Your line is unmuted.

Renu Baid: Yeah hi good morning sir and congratulations for strong results. Couple of questions sir. Sir it would be interesting to understand the growth dynamics behind the domestic power gen and industrial. We mentioned of good growth coming in from the HHP segment domestically so how are we seeing activities and traction on that side specifically with respect to data centres and commercials?

Sandeep Sinha: Thank you Renu for your question. I think there is some background noise so I hope you are able to hear me clearly.

Renu Baid: Yes.

Sandeep Sinha: So to your question I think we've certainly seen good growth. Our market share position has been stronger than the year before and I would say in commercial realty in our data centres even in the construction market we have shown strong growth. We've had several new products that we've introduced which have been very successfully accepted by the customer and I feel very excited about the position we have in the marketplace.

Renu Baid: So sir for the nine months if we see the growth has been approximately 17% less so can we broadly expect this run rate to sustain?

Sandeep Sinha: Certainly we feel confident that this kind of growth should sustain. Of course as you are well aware Renu we have the elections coming up and lot of our markets in the domestic business is dependent on infrastructure spend, government spend in areas like railways, etc. So we have to be – we are optimistically cautious for the coming quarters but certainly the election is – and the consequence of delays in the contracts being awarded, etc. start to kick in so we've just got to be watchful but overall where we are positioned in the marketplace with our customers, the way our products are serving our customers and our extensive distribution network to support our customers all are seeming to be running in a well-oiled way and so that's what you are seeing the results of that.

Renu Baid: Right. So in data centres market we have been looking at almost 40-50% plus CAGR [ph] growth so can you highlight… usually what is the range of engines which are used in this segment of the market ratings and where are these engines sourced from, are they manufactured locally or sourced from outside and what is the localization plan?

Sandeep Sinha: Sure, sure. So it depends on the data centre. It could be anything from 1500 kVA gen set in some smaller one, even smaller gen sets do go in but I would say between 1500 to 2500 are the common range of gen sets in this segment. A big portion of this certainly is India made. There is one particular engine that while we have started to make them in India it's not fully localized so we are working on a localization plan for that but the engines like our K38 and K50 engines that go into this are fully localized products and we are very well positioned in the market for this.

Renu Baid: Right sir and one more question on CPCB-2 norms. I think there were some expectations that we would have some CPCB-2 norms coming through in the next couple of years. So you think by FY20-21 something could be around the corners and that could probably help the domestic power gen market in terms of rebuy and other elements.

Sandeep Sinha: Yes, so there is certainly discussions that are going on. We are obviously closely engaged in monitoring that. I think there will be a next round emission in fact there should be a next round of emissions given the air quality and we feel very confident because of our global product portfolio that these products can be made available in India to improve the air quality. I am thinking that…

Renu Baid: Hello…hello…

Moderator: I would request you please stay connected his line got dropped. I am connecting him again.

Renu Baid: Sure.

Unknown Speaker: Hello.

Moderator: Hello.

Unknown Speaker: Yeah Harpreet the call got disconnected.

Moderator: Yes, yes. Please continue it's connected now.

Sandeep Sinha: Okay. I am not sure Renu if you can hear me but I will just conclude…

Renu Baid: Sir I guess CPCB comment was missed because the call got disconnected. So if you can just repeat your comments on CPCB. Yeah.

Sandeep Sinha: Certainly so my comment is that we are closely engaged with the government and the authorities in terms of understanding what these regulations mean. We are also very excited about more stringent emission norms because we feel the air quality will obviously improve with these norms coming in. Cummins already has these products in the global system and we feel those products should be brought into India to improve the air quality. I think we are at least anticipating that between 2021 to 2022 we should have these emissions in place and so certainly there will be as in any emission changes anywhere in the world there is pre-buy and so when that gets announced you should see some pre-buy in that year.

Renu Baid: Sure and sir one last question if I can ask, can you share the HHP wise mix between domestic power gen – LHP, MHP, heavy duty and similar for exports as well – LHP, heavy duty and son on? Thank you and that's it from my side.

Sandeep Sinha: Sure see LHP we are at about 40 crores, mid-range we had 125 crores, heavy duty was 20 crores and high horse power was about 230 crores and then some small other businesses.

Renu Baid: And on the exports side?

Sandeep Sinha: LHP was 80 crores, mid-range was 130 crores, HP was about 15 crores, 190 crores was high horsepower and then spares was about 33 crores.

Renu Baid: Sure. Thank you so much sir and all the best.

Sandeep Sinha: Thank you very much Renu.

Moderator: Next we have Inderjeet from Macquarie. Your line is unmuted.

Inderjeet: Yeah. Thanks a lot for the opportunity. My first question is on the pricing. Has there been any price action which has kind of taken place in the last three months or so and what has been typically the customer response to that.

Sandeep Sinha: Sure. So thank you Inderjeet. Yes I had talked about price increase especially in the power gen segment but we continue to work in all segments for price increase. It's a little early given the channel, the complexities in terms of earlier orders taken, etc. For me to comment, certainly the action has been taken and what the results showed I will be able to share with you in our next quarter results but the action has been taken.

Inderjeet: Okay so quarter 4 should be, you should see the first signs of that price action in quarter 4 results right?

Sandeep Sinha: Rajeev and I are both hoping for the same in the [indiscernible].

Inderjeet: Okay, okay. My last question is on this whole ForEx thing and we had I think an unprecedented volatility in ForEx in quarter 3 so can you please just share where eventually the price levels or what currency level they've been kind of settled at with Cummins Inc.?

Sandeep Sinha: You know we have an arrangement with last at least six months before we start to change the exchange rates again. So volatility in between does not impact us. So we are closer to the 68 odd rupees and we will expect that change to happen very soon effective January 1 if that change will [indiscernible] but either way because it is simple pass on arrangement, volatility does not impact our P&L substantially.

Inderjeet: Just to clarify our previous arrangement was at 68 and the new will now get applicable and I am assuming that will be somewhere closer to 70, right?

Sandeep Sinha: Yes and then the cost will also be closer to 70 so which is why I am saying the foreign exchange volatility in our P&L on exports is really not there. What is there is not substantial.

Inderjeet: But we are still net exporters right?

Sandeep Sinha: Yes, we are.

Inderjeet: Okay. Thank you.

Sandeep Sinha: Thank you Inderjeet.

Moderator: Next we have Venkatesh. Line is unmuted.

Venkatesh: Yeah I was just going through your – looking at your guidance while your guidance on the domestic side of 13% to 15% perfectly makes sense, the guidance on the export side seems a little bit very, very conservative because I think you talked about 4 to 4.5% kind of growth. In the first nine months, you've grown 13% to get to around 4.5% growth your exports need to decline like 20% YoY and may be even higher 24-25% on a quarter on quarter basis. So actually are you…do you have visibility that it is going to decline so much in the fourth quarter?

Sandeep Sinha: So Venkatesh thank you for your question and the answer is we are almost midway through the quarter so yes the answer is we do have visibility and yes the exports are going down by that range of approximately 25% to 26%. The reason there are two basic reasons one is there is a change…we made a product change in Europe so there was some amount of pre-buy in the earlier quarter. So this quarter we are going to see our Europe demand correct itself but that's very temporary. The structural issues are in Middle East and Africa which is the market where we have quite some of our sales and they are not looking good right now. So while the Europe correction will get over in the following quarter, Middle East and Africa I am not very sure how soon and as we think about the softening of commodity because of China demand, etc. how quickly will Africa recover is also a question mark right now. So that's the market that's really fundamentally bothering me but I think Europe was just a blip and then overall we had some inventory correction. So this quarter, we are going to see that decline. Most of the other markets we should see improvement in the following quarter but Middle East and Africa I will be able to give you a better sense when we meet next time.

Venkatesh: Okay. Is it possible for you to take a stab at FY20 in terms of what kind of growth you can do on the domestic side and on the exports side at this point in time if you had to take?

Sandeep Sinha: I think I will be more comfortable Venkatesh sharing it in our next call. I certainly will, but we are working through the numbers and I think we will have a better idea on some of the impact we will see because of the upcoming elections.

Venkatesh: Okay and just one last thing is it possible to tell us what exactly is driving your, you know, specifically if you talk about power generation you've had two quarters where you've grown more than 25% YoY, industrial you've had two quarters where you've grown like one quarter you grew at 40%, next quarter you grew at 20% what exactly is driving this growth in these two segments?

Sandeep Sinha: Sure, sure. So I think in power gen I think we've had good strong demand but certainly not to the extent that we have grown by. So as I told you earlier I think our share position seems stronger. In our first quarter certainly we had some amount of supply constraints which we were able to fulfill in quarter 2. So quarter 2 certainly had a little bit of that quarter 1 growth just from an execution perspective we were 15 to 20 days behind which we caught up. So overall I would say our positioning in the market, a few new products that we introduced which were very well accepted from a total cost of ownership to the customer so I think that's been the case and then the segments that we have been strong have grown faster than the rest of the market. So again that's been in favour of us. On the industrial side as I have been saying we continue to make good inroads into providing value products, value package for our customer especially in rail so that's the segment where I feel we have been able to fulfill the customer needs with a higher value product than we have done in the past and construction market has grown strong on the back of lot of infrastructure projects that the government has put together especially road is one but even our ports and other infrastructure airports and all of the infrastructure development that we have seen come up in our economy so I think those are some of the reasons.

Venkatesh: Okay, thank you.

Sandeep Sinha: Thank you Venkatesh.

Moderator: Next we have Venu Gopal. Line is unmuted.

Venu Gopal: Hi thanks for the opportunity. Firstly on the domestic sales especially going into the election season which is essentially a two quarter sort of an event March and June, wanted to understand while you've highlighted about potential volatility so does it normally impact industrial more or power gen more if at all and more so at this juncture what kind of a visibility we have for that in a different sense what I wanted to know is when you get your order books for the domestic market you have a six-week visibility or a two-month visibility so if things slow down you would also get to know only in March end if that we are right in the [indiscernible]?

Sandeep Sinha: Yeah I think the way to look at it is we obviously have depending on the segment. We can have in a low horsepower gen set it's 15 days of order book that we have visibility to much shorter turnaround cycle versus rail where we have three months or six months in some cases like. So again I don't mean to say that this is going to be some knee jerk disruption in our growth story. Having said that a lot of times you can see more cautious approach you obviously see lesser tenders coming out, etc. So those do have an impact I would say nothing that will completely disrupt the marketplace for us. So it's unlike what GST or demonetization does as I don't think general elections would do that but certainly we have to be cautious and also the sentiments in the market will play a role especially in some of the say power gen segments. I will keep you posted but please don't think of any my sharing the elections as any major disruption in our growth story.

Venu Gopal: Sure sir. Also wanted to understand from a Q4 perspective assuming domestic sort of performs similar to this quarter and given that you have given a commentary on exports being weaker in this quarter so how does this mix change looks like to be more domestic than exports in the next quarter so how does this mix change really play on margins and in some way I wanted to understand this because you've taken some price hikes in the domestic market while at the same time I am not very sure of how export versus domestic margins work for you at the same time the tax rates that I think domestic with slightly higher domestic mix would mean slightly higher tax rate so putting all these variables into picture is it going to create some volatility next quarter?

Sandeep Sinha: Right now I would say we are seeing a flattish trend in our gross margins I think that's what you should expect. Obviously within that we have many different factors for example within the power gen depending on which loads we sell more can have an impact as I said earlier in the call low horsepower has lesser margins than high horsepower business which is very obvious so there is obviously all those factors play in within the industrial segment we have some segments which have higher margins versus others within distribution business selling spares versus service will have a change in the margin so these are many, many different factors. I think right now I would say that we feel we will be flat against the current quarter – in the current quarter against the last quarter.

Venu Gopal: Sure sir thanks a lot.

Sandeep Sinha: Thank you Venu.

Moderator: Next we have Bhavin from SBI Mutual Fund. Your line is unmuted.

Bhavin: Yeah, thank you for the opportunity and the outset Sandeep I would like to congratulate the entire Cummins for the 100 years. Globally I don't see many examples of company living through 100 years and wish you best for the next 100-year journey also.

Sandeep Sinha: Thank you Bhavin really appreciate your comments.

Bhavin: My questions are slightly on the – first on the shorter term you mentioned the exports can see a slight dip, can you dwell a bit deeper which segment of these exports you are seeing. So 2015 crores high horsepower what would be the European contribution so where do you see it…the quantum of impact that you can highlight what would be the one off and secondly the exports to the Middle East, Africa which I believe are largely in the low horsepower segment so what is that contribution to the overall exports and so it kind of gives us some color on the impact on the exports. The second thing if you can… because in the analyst's meet you highlighted about the underslung engine, you also highlighted about the new 600 plus kVA engine also on the data centre which has been fast growing what share of data centres is currently and how do you see that going forward? These are my questions.

Sandeep Sinha: Okay, so there are quite a few questions Bhavin. I'll try and if I don't answer any feel free to call me out on that. I think the first one you said it right Middle East and Africa is more towards low horsepower and, therefore, you will see some – because of those markets not doing well, you will see a change and Europe certainly has a bit of a high horsepower content so that will…so in other words we are going to see a decline both in high horsepower and in low horsepower in the coming quarter. So that is…

Bhavin: What would be the share of Middle East-Africa in the low horsepower end Europe in the high horsepower, so it kind of gives us color on the impact on these markets and what is one off and what is a more structural issue if you can help us gauge a bit more better.

Sandeep Sinha: I won't have the exact share data with me but I would say that we would be about 35% to 40% in the low horsepower with Africa and Middle East so that's the sense I have and high horsepower I would say Europe it won't be a lot but I would say may be 15% to 20%.

Bhavin: Okay sure that's helpful secondly on the newer products that you had highlighted during the analyst's meet what would be the update?

Sandeep Sinha; See it's doing really well and I think you caught on to my earlier statement both we are getting in railways a lot of orders in these underslung products because they are giving significant value to our rail customers because now they free up space above the carriage for either goods or passengers or equipments so in certain applications like SPART which is our relief trains instead of having the engine on board when it goes below it actually opens up space for the railways to use it for other purposes in a passenger train it opens up [indiscernible] now we are almost ready to fully commercialize these products which will give them revenue streams that I talked about so obviously the acceptance of these products are very high and we are working very closely to making sure that we make it into full commercial production this year. As I have mentioned our facility also to do this in Pirangut is ready and hopefully all of you sometime get a chance to see that and your question on our power gen the 600 plus kVA the mechanical product is working very well and we have seen growth and a strong pull from the customers because of the significant TCO reduction that they see with this product.

Bhavin: And what share would be the data centres as a percentage of the power gen currently?

Sandeep Sinha: About 5% to 10%.

Bhavin: Okay and you see a structural trend for the next 4-5 years in data centres?

Sandeep Sinha: Yeah I mean again that this whole discussion on where data gets generated and where it gets stored the stronger the government pushes for storage of India-generated data to sit in India will give us significant growth for data centres and certainly very, very conducive for us in Cummins and for your company CIL.

Bhavin: Thank you so much for taking my questions. Wish you all the best.

Sandeep Sinha: Thank you Bhavin.

Moderator: Next we have Surjeet [ph] from ASK Investment. Your line is unmuted.

Surjeet: Sir you spoke about CPCB next level norms what kind of cost increase that will lead to whenever that happens?

Sandeep Sinha: So it will depend on the norms Surjeet depending on how stringent the norms are will obviously define the cost structure. What it seems like is that it will require an after treatment which is a component that goes outside the engine to reduce other NOx and PM that are generated which is what is controlled in these emissions and there is a high likelihood that it could be similar to the BS-VI norms that are being launched in the commercial vehicle market in 2020. So that's what I could say right now depending on the norms will depend on the size of the after treatment which, therefore, will define the price increase for the customer.

Surjeet: But given our experience with CPCB-2, if the cost increase is high would it be then difficult for the industry to absorb that as you are seeing currently even small price increases are difficult to take.

Sandeep Sinha: Yeah I mean if this is a regulation I don't think in my opinion the industry will not be able to absorb it. It has to be passed on to the consumer. The question that I would ask is how much of that…remember that generator sets are never a pleasant buy for anyone. It's almost always a grudge purchase. So the answer is yes that is going to be difficult but I do not think any company will be able to absorb both the development cost as well as the extra material cost that will get into the gen set because of this. If it is going to be what seems like the move in which the government is going, there is going to be some significant cost increase in the gen set.

Surjeet And with price increases that you spoke about which you took recently what kind of range they are in PG and industrial?

Sandeep Sinha: As I said sorry for what for power gen and industrial… so industrial was not something we took na. Industrial we continue to work with our customers over a period of time. It was in power gen that we had taken a price increase recently and as I said I'll be able to give you a better sense in the next – next time we meet about what and how it's impacted us.

Surjeet: But what range it has been is it 3% to 4%, 4% to 5% or inline with the inflation?

Sandeep Sinha: Yeah anything you can take around 3% to 5% depending on the notes.

Surjeet: Okay and one quick question is on the currency rate. Is the understanding correct that it is set in January every year and last year it was 68 then it moves in the band of plus-minus 5% and this year most likely it would be set at 70 rupees that is calendar year 2019?

Sandeep Sinha: Yeah if you heard the response to the earlier participant, this rate is refreshed at least twice in a year. So it's not January but at least twice in a year we refresh it and yes your current understanding is correct that at this point in time it is about 68 rupees and when it gets revised it will settle closer to 70 rupees and then the plus-minus will operate and up until the next half year.

Surjeet: Sure thanks.

Sandeep Sinha: Thank you Surjeet.

Moderator: Next we have Viraj. Viraj your line is unmuted.

Viraj: Hi, thanks for the opportunity. I just had a couple of questions. First is on domestic market for power gen. If you look at the last couple of quarters for us and the industry in general the growth in the industry has been quite strong but still the ability to take price increase pass [indiscernible] the industry in terms of cost pass through has been quite weak. So just want to understand why [Audio Cut] able to completely pass through the cost and other inflation?

Sandeep Sinha: So your question is sorry Viraj can you just repeat your question? I am sorry I wasn't able to follow.

Viraj: If I look at the domestic power gen market, the market has been growing at a very healthy rate for us in the industry still the ability to take the price increase to cover fully the cost inflation has been so far been [indiscernible] limited, so just trying to understand where has been the limitation for us or industry in general?

Sandeep Sinha: I mean I have shared with you that we've obviously had much stronger competitive pressures to kind of counter that you may have heard we talked a lot on the products introduction of newer products which provide value to customers. Every time we do that we are able to get better value in terms of pricing but certainly there is competitive pressure and we want to make sure that our market share remains strong and, therefore, it's certainly passing our own cost has not been very easy but we continue to work towards that.

Viraj: Okay sir the reason I asked [Audio Cut] done some tremendous work in terms of taking the cost [indiscernible] for the last couple of years and much of that benefit is kind of negated from this [Audio Cut] partly because of the mix as well but kind of price pressures which you are seeing in the market, it's kind of negating the kind of, so I was trying to understand that is it new normal, in fact, this is how our focus would be in terms of market share over say, you know, we are fine with a certain level of reasonable margins of profitability but larger focus is on maintaining or gaining market share.

Sandeep Sinha: Yeah I mean first of all our philosophy is very clear. My mandate to my team is very clear is that growth is not about growth, it's about profitable growth and that's what we try to deliver each year. You may see some cycles and some changes within the quarters but overall if you look back and see that's been the attempt. So we continue to work towards that I think with new products with better margin products with cost reduction programs we want to have profitable growth and I think in the first nine months of the year you probably have seen us do that and I think overall for this year too you will see that and again we continue to look to saying we will grow but profitably. Market share is important, no doubt about it and I feel very strongly that we are well positioned in the marketplace and with all the actions that we take we should continue to see recovery in terms of our margins.

Viraj: Okay. Second question was on the exports side. So if you look at a higher HP exports, we are able to maintain the range of around 700 to 800 odd crores for last couple of years. Now, if you look at this particular element of our piece of exports per se for next two to three years apart from – will the growth largely be driven by growth in end markets or we should see some more benefit of more increased sourcing from the parent because more exports we have seen in power HP is largely related to Europe and certain parts, other countries like Mexico. So just trying to understand would that largely be driven by end market growth in those regions or it will also be some element of increased sourcing from parent for HP power gen exports?

Sandeep Sinha: I mean look at the end we try to make sure that we are best just not in cost but also in quality and delivery. So if we become a fulfilment site to the parent and so we spend tremendous amount of energy making sure that our quality levels keep going up, we provide on time delivery and continue to show a significant cost difference from other geographies to be able to give us the rights to export it is not an entitlement let me be very clear so the team here in India works really hard to do that. Now every time the company looks for opportunities like you can see our spares have increased because our cost structures were significantly lower than other geographies so we got that business about two years ago and you can see the benefit starting to come in now. Similarly few years ago, we went into this low horsepower gen set which provided extra revenue. So I think we will continue to find more opportunities and depending on where the economies around the world whether they expand or contract that's not in our hand. What is in our hand is what we try to do is make sure on cost, quality and delivery we continue to excel over other regions to be able to get the rights to export. I think that's what is really in the hand of the India team and, of course, we lobby for opportunities and with the currency in our favor I think we will continue to get more opportunities to export.

Viraj: Okay the reason why I was asking the question is because it seems like the market [Audio Cut] very weak and also the fact that [Audio Cut] communication in the last couple of quarters [indiscernible] that because of the whole China tariff [Audio Cut] around $150 million of business to India and China. So we are not seeing any of that [Audio Cut] to Cummins India existing entity. So just to understand our export opportunity from a parent perspective especially for the higher HP since for low HP we are kind of a sole country for sourcing the low HP gen set, but for higher HP I was just trying to understand [Audio Cut] for next three to four years.

Sandeep Sinha: So Viraj your voice was breaking in and out on this call. I am not sure if we have an issue at our end or at your end but from what I understand the question whether India may get more opportunities because of tariffs on China if that was your question.

Viraj: Yeah so the question was one was there is a slowdown in those key markets where we export and the logical thinking is that you will try to source more products on the low cost destination and second parent has been communicating in the con calls that because of the China tariff impact they are looking to source around $150 million of business from India and China, but we've not seen that [indiscernible] for the power generation, high HP power generation.

Sandeep Sinha: Yeah so one is when Cummins Inc. says that, we have to dig deeper into what they were exporting out of China. India was the only site for low horsepower and high horsepower export mostly in that product range. I think there was a lot exports out of China for other kind of the on highway truck engines, etc. So one you have to be – I think that's something we have to be thoughtful about and the second I would say is anytime a decision like this is done if there is any platform that has to be moved it's not overnight. It takes a long period of time because there is a whole supply chain behind it but I would say that from a China perspective we don't see something immediately out of India that China was exporting to the parent and that India was exporting and, therefore, now India gets more of that deal. There is nothing specific in those product lines for India.

Viraj: Okay fine. Thank you very much.

Sandeep Sinha: Thank you. Thank you Viraj. I think we have time for may be one or maximum two questions.

Moderator: Sure sir. Next we have Nitin Arora from Axis Mutual Fund. Your line is unmuted.

Nitin Arora: Hi Sir. Sorry I am just pressing on the previous question which was… sorry the answer which you gave on the export the Europe which you said is a temporary issue. Can you define a timeline [indiscernible] how temporary is that, is that a six to eight months problem or is it related to certain products there just wanted to understand that? And second with respect to the domestic market can you also give us a breakup of distribution how much is from the power gen in the industrial? Why I am asking because last quarter the distribution growth was very high and this quarter it has again come down so just wanted to understand was the last quarter an aberration there?

Sandeep Sinha: Okay so Nitin thanks for your question. The first one was on export Europe… see Europe I would say is, of course, we have to think about what happens to Europe in their economic cycle but if that was not to be the case there was a change in a certain standard that the European government asked for and so there was some pre-buy before that change and nothing significant. It wasn't an emission change or something. So nothing significant I would say by next quarter we should be back on foot. So to your question when we see it come back because of the disruption it's just a quarter. What we have to think about longer term is some of the global markets and the general anticipation of where the global markets will go that's kind of a completely different question which I don't think I have an answer but certainly our sentiments are not too positive for 2020 that I can tell you. I think 2019 we would say would be the peak of the cycle for most economies. China of course we've already, all of you are well aware that it is sluggish growth to say the least and so I think that's something to just consider from a global growth perspective.

Nitin Arora: Sorry to interrupt here just a question on that you very well guided in the last quarter call and you passed a statement that 2020 will be a tough year for the global markets as far as the business is concerned I clearly remember that in the last previous call. And that's what the tone of caterpillar and even your parent, though caterpillar guided almost three quarters back of the peak of the profitability of its company. Has the situation really worsened after three-four months because it's been the time when you passed that statement? Has the situation very worsened from there?

Sandeep Sinha: No I think we have just… I would say that we were more worried on 2019 than we are now so that's kind of the sentiment you might have heard from Cummins's parent and so that's' what I would share and 2020 still is a year where we feel is going to be certainly not the way we looked at 2018 or 2019.

Nitin Arora: And on the power distribution sorry on the distribution the breakup between the power gen and the industrial.

Sandeep Sinha: So the question is in the domestic business I think I had given this number earlier in the call the distribution business was 350, industrial was 250 and power gen was 430.

Nitin Arora: No, no Sandeep in the distribution I wanted to understand the breakup of the power gen revenues and the industrial and because there was a last quarter very high growth that came in the distribution segment and this quarter it's almost on a decline. I just wanted to understand was there an aberration there, how is the growth between both the segments and what's your outlook there?

Sandeep Sinha: No I think see distribution business is a fairly stable business. I think unfortunately because of a few things like GST etc. you have seen more kind of blips here and there. I would say certainly it kind of depends a little bit on just the cycle. I think there is nothing that makes me worry about our distribution sales. I think we should continue to have overall kind of a 8% to 9% growth in the distribution business year on year. So I won't worry about within the month we may have some excess service contracts, within the quarter we would have that but in general I think we continue to do pretty well in that market and continue to make sure our customers get a very, very strong service support. That's really the focus on the distribution business.

Nitin Arora: Thank you very much Sandeep for that.

Sandeep Sinha: Thank you Nitin. With that, I think we should I think we have run out of time but again I would like to thank everyone on the call for their interest in Cummins India. As I said, I feel optimistic about our domestic business and I think we have delivered very strong results in this year and we hope to continue this trend. In exports, I think we have to just cautiously watch the global markets but as a sourcing site we continue to focus on our quality and deliveries to the parent to ensure that we continue to get more business from exports. With that, I will again thank you and look forward to talking to you next quarter. Have a good day.

Moderator: Thank you so much sir for addressing the session. Thank you panelists for joining in. That does conclude our analyst call for today. You may all disconnect now. Thank you and have a pleasant day ahead.